



TOGETHER
for a sustainable future

Inclusive Development and Entrepreneurship for All

The IDEA Approach to Youth Employment and Enterprise Development

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Introduction

The world's population is growing at a time when traditional, stable labour markets are shrinking. With an estimated 74 million young men and women worldwide unemployed.¹ The youth unemployment rate is three times higher than its adult counterpart despite the global educational improvement trend. There is an undeniable need to create employment for youths. The challenges of youth employment in least-developed and middle-income countries, which are particularly acute, are subject to many development efforts by Governments and development partners. Many of these efforts foster the engagement of youth in productive activities. The success of these initiatives however depends on the availability and capacity of local enterprises, particularly small and medium sized businesses.

There is now empirical and anecdotal evidence that the number of sustainably-operating small and medium-sized enterprises (SMEs) that can provide work to additional employees in developing countries is limited and difficult to expand. Meanwhile, start-up SMEs face severe constraints during their creation related to hurdles in registration, access to credit, business organisation and developing markets. Entrepreneurship and self-employment are therefore a viable alternative for young people when given the right skills and provided with adequate support to establish and develop their own micro or small enterprises. Youth entrepreneurship cannot only create employment opportunities for self-employed youth but also for the other young people who they may employ. In addition, the changing structure of the job market (types of jobs available, sectors and the nature of hiring employers), the lack of access to professional networks and the growing value employers place on work experience all put a strain on young people while entering the job market.²

The labour market shortcomings are such that they have to be addressed through adequate vocational training to match youth skills with current needs in the industry, through opportunities to bridge a gap in work experience for young people. Thus, there is a critical need to create more entry points and progression routes for young people.

This report features IDEA (Inclusive Development and Entrepreneurship for All), a strategy recently developed at UNIDO aiming at addressing in an integrated approach the main constraints faced by youth³ when trying to enter the labour market. Indeed, IDEA's main focus is to engage youth in economic/productive processes through enhancing youth employability (by addressing the skills mismatch of youth by providing training skills in line with the needs of the job market) and in providing young aspiring entrepreneurs with the necessary tools to effectively start and run their businesses. By building the capacity of youth and women with a view to create jobs by the means of entrepreneurship development, IDEA also contributes to reduce the vulnerability of economies to crises and strengthens their capacity to absorb and overcome severe shocks while supporting strong growth in post crisis situations for instance.

IDEA goes beyond common training and technology transfer approaches, putting all conditions into place to enable successful enterprise creation and development by tackling the challenges of enterprise development, which are specific to youth. IDEA proposes to close the gaps between many targeted capacity building projects in one integrated programme that will build on national achievements and that is modular and flexible enough to be able to adapt itself to national reality and be tailor made to the country's strategy in terms of youth employment, job creation and private sector development. In order to do so, IDEA accompanies beneficiaries

1 ILO Global trends for youth 2015

2 Scaling the youth employment challenge, March 2013, UK Commission for Employment and Skills

3 For statistical purposes, youth is often defined by the UN system (UN General Assembly's resolution 50/81 in 1995) as the population aged between 15 and 24. However, it is recognised that youth is not only a chronological definition, but also a term commonly used to describe roles in society ascribed to the young. Hence this report takes a slightly different approach defining youth by a larger age group from 15 to 34 and considering youth as the period of transition from the dependence of childhood to the economic independence of adulthood. Indeed, youth is often referred to as a person between the ages of leaving compulsory education and finding his or her first job. By extending the scope of the common youth age group, the present report takes into account the economic and social settings (education and skills mismatch causing long-term unemployment of youth, longer dependency of youth on family or solidarity networks) that hamper the transition towards the economic independence of adulthood

from the very inception of their business plan through first steps of technical, technological and practical capacity building passing by an internship giving the opportunity to have a real-life working situation experience as an entrepreneur. After this transition mechanism, the beneficiary is ready to go through the formalization process of a new business while benefiting of extensive managerial, financial and technological capacity building with a view to strengthen the enterprise and turn it into a viable and sustainable business anchored in the private sector. The next step will provide assistance and capacity to support the created companies on the path to sustainable growth by the means of cluster development to boost innovation and productivity and integrate regional or international value chains. Finally, IDEA intends to make sure that enterprises created within the programme have reached autonomy and the expected behavior in terms of sustainability and growth.

IDEA builds on UNIDO's unique expertise in the various stages of SME development. In particular, UNIDO has vast and significant experience in providing technical assistance and service programmes in the developing world focusing on youth employment, entrepreneurship development, skills and technological upgrading, added value and market access, standard setting and compliance, cleaner production, new and more efficient energy supplies as well as policy advisory services. UNIDO also has been able to blend manufacturing-sector-specific technological knowledge with business and entrepreneurial skills and the experience in this is reflected in IDEA. Further IDEA builds also on the partnerships that UNIDO has fostered between private sector, marginalized producers and Government agencies through the world's industrial sectors providing beneficiaries with unprecedented opportunities for income generation and employment.

IDEA is also a valuable tool towards inclusive and sustainable industrial development (ISID), the new approach championed by UNIDO. Indeed, IDEA aims to create shared prosperity by contributing to generate widespread productive employment through enterprise development. It is socially inclusive for it empowers disadvantaged young men and women to develop their skills and to take advantage of available local business opportunities. IDEA also promotes inclusiveness on a wider scale since it brings together a wide range of actors ranging from public institutions, private sector organisations, clusters, vocational training centres, business development services, to financial and knowledge-based institutions. Thus, IDEA fosters Private Public Partnership (PPP) for stronger communities and enhanced synergies for local economic development.

The report constitutes an introduction to how and why IDEA should be used in enterprise development, fostering youth employment in middle-income and least developed countries. With this it addresses decision makers of youth and employment programmes in Governments and development agencies that look for more effective measures to address existing job creation and enterprise development opportunities in Least Developed Countries (LDCs) and Middle Income Countries (MICs).

The report is structured as follows: Chapter one reviews the current global employment situation facing youths, presents the main bottlenecks and draws conclusions on the importance of addressing them in order to promote youth employment for economic development in least-developed countries (LDCs) and the middle-income countries (MICs) and particular challenges associated to it related to informality and gender. Chapter two identifies entry points for youth employment-relevant enterprise development and illustrates experiences and common practice within UNIDO projects. Finally, chapter three presents the IDEA approach which was developed out of experience of a youth entrepreneurship programme in Senegal providing evidence for its effectiveness and giving a greater insight into the IDEA five-step- approach.





1. Youth Employment and Economic Development in Least Developed and Middle-Income Countries

For countries with young populations, youngsters represent a critical resource that may foster future economic development and structural transformation. However, realising these economic benefits depends on the availability of employment opportunities. Efforts to improve youth employment opportunities (including through developing youth entrepreneurship) hold the potential to deliver widespread benefits to the entire economy.

Self-employment and entrepreneurship can provide career options for young people by unleashing their economic potential. An entrepreneur's relentless search for opportunities is made possible by the "rules of the game" — an economy's entrepreneurial reward structure.⁴ For society to support and invest in youth entrepreneurship today is like a venture capitalist investing in the early stage of an innovative company that later achieves equity growth. An economy's future structure is determined by today's investment in human capital and new skills.

Addressing youth employment problems is essential not only for realizing economic development but also other development objectives, including the achievement of the Millennium Development Goals (MDGs). It is notable that, within the MDGs, there is no goal dedicated directly to youth. However, the situation facing the youth population has direct implications for the achievement of development goals and objectives — such as sustainable poverty reduction.

Looking beyond the MDGs, the critical importance of the productive employment of youth has been recognized in subsequent documents outlining a vision for a new development agenda. The report that emerged from the United Nations Conference on Sustainable Development ("Rio +20"), *The Future We Want*,⁵ specifically identified issues affecting youth, including problems associated with youth employment, as key development challenges.

Similarly, the report of the high-level panel on the post-2015 agenda, *A New Global Partnership: Eradicate Poverty and Transform Economies Through Sustainable Development*, emphasizes the problem of youth unemployment and the marginalized position of young people.

1.1 Youth unemployment — a worldwide challenge

The challenges facing youth are substantial. Youth are almost three times more likely than adults to be unemployed (globally, the ratio of youth to adult unemployment rates has hardly changed in recent years and stands at 2.7 in 2013),⁶ and the upward trend in global unemployment continues to hit them dramatically. Between 2008 and 2012, the number of unemployed young people increased by more than 2 million in advanced economies, growing by almost 25 per cent. In 2012, youth unemployment rates were highest in the Middle East and North Africa, at 28.3 per cent and 23.7 per cent, respectively.⁷ With the global economic crisis and the rise in joblessness around the world, the problem of youth unemployment has received increasing attention. Moreover, of the approximately 510 million young people who are employed, many work in informal enterprises and jobs, with low earnings and few chances for advancement. It is not unusual to find that 60 to 90 per cent of youth employment in developing countries is informal. The costs of limited economic opportunities among youth can be far-reaching and often concentrated among the less advantaged. The suicide of 26-year-old Mohamed Bouazizi, a Tunisian street trader who faced harassment by municipal officials, in January 2011 triggered widespread outrage leading to the riots and demonstrations of the Tunisian Revolution. This sequence of events not only demonstrates the human costs of

4 Baumol, William J., 2010. *Microtheory of Innovative Entrepreneurship*. Princeton, NJ, USA: Princeton University Press, 2010. p. 172

5 <http://www.unctd2012.org/content/documents/727The%20Future%20We%20Want%2019%20June%201230pm.pdf>

6 2013 ILO publication, *Global Employment Trends for Youth*

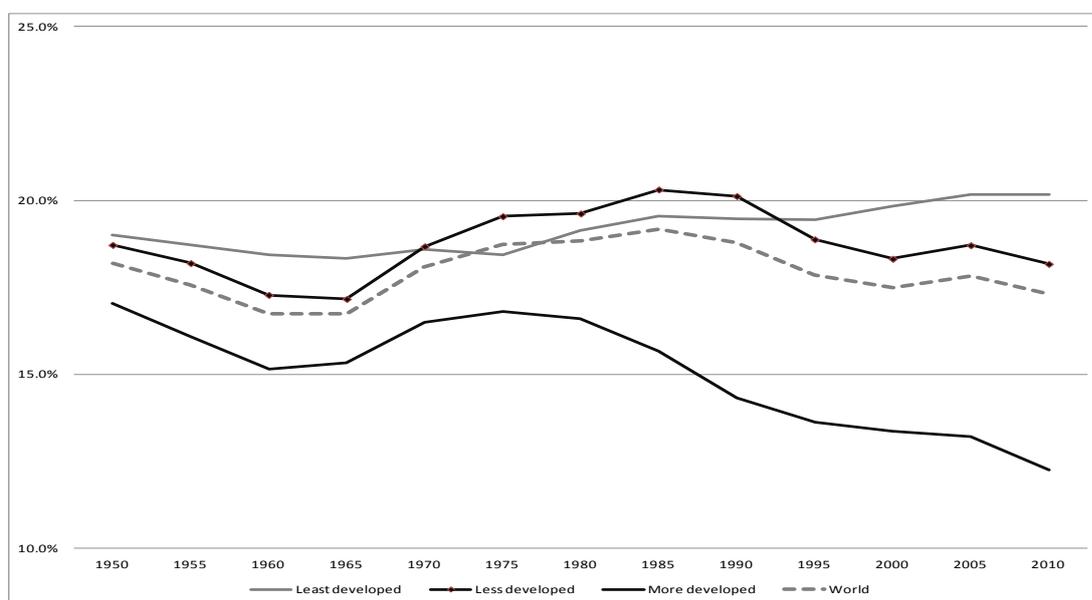
7 2013 ILO publication, *Global Employment Trends for Youth*

frustration and lack of democratic liberties but also the marginalization of youth — including the wasted potential, frustrated aspirations, social stigma and diminished choices.⁸

In their findings, the annual report on Global Employment Trends 2012 published by the International Labour Organization (ILO) highlighted the urgency of the situation and the need to create 600 million productive jobs in the world over the next decade in order to generate sustainable growth and maintain social cohesion.⁹

The challenges of youth employment are particularly pronounced for the least developed countries. Worldwide, the youth share of the population is at approximately the same level as it was six decades ago, in the 1950s (Figure 1). In the least developed countries (LDCs), the youth share of the population held steady from the 1950s to the 1970s, at which time it began to increase. The youth share has continued to rise after the 1990s, indicating that the challenges of youth employment will continue to intensify.

Figure 1: Youth (age 15-24¹⁰) share of the population by country group, 1950-2010



Source: World Population Prospects: the 2010 Revision. UN DESA

Youth unemployment rates seem to be higher than those of adults in several regions around the globe (see Table 1). However, youth unemployment rates are significantly higher in Southeast Asia and the Pacific, South Asia, the Middle East and North Africa.

In the same vein, youth unemployment seems to be very acute on the African continent. Indeed, the International Labour Organization (ILO) estimates that between 2000 and 2008 Africa created 73 million jobs, but only 16 million for young people aged between 15 and 24. As a result, many young Africans find themselves unemployed or, more frequently, underemployed in informal jobs with low productivity and pay. Of Africa's unemployed, 60% are young people and youth unemployment rates are double those of adult unemployment in most African countries. One of the reasons young people are having trouble finding employment is a limited number of jobs.

⁸ <http://unu.edu/publications/articles/the-role-of-emotions-in-politics.html>

⁹ International Labour Organization (ILO) Global Employment Trends 2012: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_171571.pdf

¹⁰ This graph is indicative since the IDEA takes a slightly different approach to the age definition of youth

As mentioned above, between 2000 and 2008, only about a third of the 73 million jobs created in Africa were for people aged 15 to 24. This challenge causes young people to settle for less-than-ideal employment, such as jobs that are low-paying, temporary, or unsafe, or ones for which they are overqualified. Some enter the informal economy to make ends meet. Others stop looking for jobs altogether. These groups are difficult to measure and are not included in typical unemployment figures.¹¹

Table 1: Ratio of youth unemployment rates to adult unemployment rates, 2011

Region/Country Group	Ratio of youth unemployment rates to adult unemployment rates
Developed Economies	2.4
Europe (developing)	2.5
East Asia	2.7
Southeast Asia and the Pacific	5.1
South Asia	4.0
Latin America and the Caribbean	2.8
Middle East	3.8
North Africa	3.4
Sub-Saharan Africa	2.0

Source: *Global Employment Trends for Youth 2013*, ILO, Geneva

The costs of inadequate employment are high. Poverty is the most obvious consequence. On average 72% of the youth population in Africa live with less than USD 2 per day. The incidence of poverty among young people in Nigeria, Ethiopia, Uganda, Zambia and Burundi is over 80%¹² (World Bank, 2009). The highest rates of poverty can be seen among young women and young people living in rural areas. But the costs go much deeper. The first years in the labour market, the skills developed and the experience then accumulated considerably affect young people's future professional development. Long spells of unemployment or underemployment in informal work can "permanently impair future productive potential and therefore employment opportunities".¹³ For the few who manage to obtain a formal sector job, which offers increasing wages, initial unemployment can have significant negative effects on lifetime earnings.¹⁴ In fragile states, the lack of adequate employment is among of the major risks to stability.¹⁵

The issue of rural youth employment is more critical in certain parts of the world — particularly sub-Saharan Africa and South Asia — which have sizeable rural youth populations. Rural youth employment raises a number of issues that are distinct from urban labour markets namely rural youth face additional barriers to decent employment

11 Reducing Youth Unemployment in Sub-Saharan Africa, Population Reference Bureau, Kristen Devlin, April 2013, <http://www.prb.org/Publications/Articles/2013/youth-unemployment-africa.aspx>

12 World Bank (2009), Africa Development Indicators 2008/2009 — Youth Employment in Africa: The Potential, the Problem, the Promise, World Bank, Washington DC

13 Guarcello, L., M. Manacorda, F. Rosati, J. Fares, S. Lyon and C. Valdivia (2007), "School-to-Work Transitions in Sub-Saharan Africa: An Overview", in M. Garcia and J. Fares (eds.), Youth in Africa's Labor Market, Directions in Development, World Bank, Washington DC

14 OECD (2010), Off to a good Start? Jobs for Youth, Organisation for Economic Co-operation and Development, Directorate for Employment, Labour and Social Affairs, Paris

15 Youth unemployment is definitely a critical issue in fragile states. Grievances among the young are most likely to be expressed violently, if non-violent political channels are not adequate or responsive (USAID 2006), and these grievances revolve around unemployment, involving considerations of both income and social cohesion. One in two young people who join a rebel movement cites unemployment as the main reason for doing so (World Development Report 2011: Conflict, Security, and Development, World Bank, Washington DC.)

due to ill-paid, seasonal work and poor working conditions.¹⁶ Many young workers in rural areas still depend on employment linked to access to land. However, access to land may be limited for them and depends on the overall distribution of land, inter-generational transfers of land and the land tenure system. Educational attainment can be an important determinant of access to higher quality employment. However, many of the youth employment challenges can also be related to labour market dynamics and labour market opportunities. How easily and how effectively young people find jobs is also dependent on how well the labour market is prepared to receive them and on how well they are prepared for the labor market.¹⁷

Education is not the biggest bottleneck to youth employment but it is a major one. For instance, AEO (African Economic Outlook) country experts consider lack of education and skills mismatches to be principal obstacles for young people in labour markets in about half the countries in the survey they carried out.¹⁸ Results showed that a lack of proper training is the third most cited reason by young people from North Africa why they do not find jobs. Young people therefore need more comprehensive education that responds to labour market needs, in terms of quality and relevance (including technical and vocational training).

Yet, educational attainment in rural areas often lags behind that of urban areas. This intensifies the challenges faced by youth in rural areas. A well-rounded approach would be to expand job and education alternatives in the rural areas — where most youth live. Unresponsive technical and vocational skills development is a particular challenge in rural areas, where this form of education could have significant impact on the lives of the poor by enhancing agricultural skills and productivity. Research undertaken in Tanzania in 2011 showed that of 23 vocational training centres in rural areas directly managed and financed by the Vocational Education and Training Authority, only three were offering training connected with the agricultural sector. In most African countries the situation is even more extreme, as in Malawi, where no agricultural training is provided in vocational centres.¹⁹

A recent World Bank report finds similar problems in Uganda, where government-provided vocational training does not reach young people in the rural non-farm economy because it is too focused on formal post-secondary training, offering courses of long duration, which people in informal sector enterprises cannot attend without losing their source of livelihood.²⁰

1.2 Youth entrepreneurship development

Within the framework of potential efforts and strategies to boost employment and create jobs for young people, entrepreneurship development is increasingly accepted as an important mode of technical assistance and a useful alternative for income generation among young people.²¹ As traditional job-for-life career paths become rarer and taking into account the limited absorptive capacities of the public sector and the formal labour markets, youth entrepreneurship is regarded as an additional way of integrating youth into the labour market and overcoming poverty.

16 FAO (2010) Rural Youth Employment in Developing Countries: A Global View. Gender, Equity and Rural Employment Division Food and Agriculture Organization of the United Nations (FAO) Rome, Italy

17 World Bank (2009), Africa Development Indicators 2008/2009 — Youth Employment in Africa: The Potential, the Problem, the Promise, World Bank, Washington DC

18 African Economic Outlook, “Promoting Youth Employment in Africa” (June 7, 2012), accessed at www.africaneconomicoutlook.org/en/in-depth/youth_employment/

19 Dalla Valle, F. (2012), Exploring Opportunities and Constraints for Young Agro Entrepreneurs in Africa, Food and Agriculture Organization of the United Nations (FAO), Rome

20 Bakiene, A., L. Fox, E. Mehta, and O. Pimhidzai (2012), “Raising Productivity and Reducing the Risks of Non-farm Enterprises in Uganda, Poverty Reduction and Economic Management”, World Bank, Washington DC, (forthcoming)

21 Programme Priorities 2003-2006 Youth Enterprise Development, Strategic Paper by the Commonwealth Secretariat, London, Commonwealth Secretariat, Ryan, C. (2003)

The potential of youth entrepreneurship

With appropriate resources (financial and non financial services), entrepreneurship can be a major source of job creation especially for young people. The Youth Employment Inventory ranked entrepreneurship promotion measures as having the highest positive impact on employment creation among a range of programmes reviewed.²²

Studies were carried out on the spillover effects of youth entrepreneurship. For instance, a study from the Oxford University²³ sums up a number of reasons for the importance of promoting youth entrepreneurship:

- Creating employment opportunities for self-employed youth as well as the other young people they employ;
- Bringing alienated and marginalized youth back into the economic mainstream and giving them a sense of meaning and belonging;
- Helping address some of the socio-psychological problems and delinquency that arises from joblessness;
- Helping youth develop new skills and experiences that can then be applied to other challenges in life;
- Promoting innovation and resilience in youth;
- Promoting the revitalisation of the local community by providing valuable goods and services;
- Capitalising on the fact that young entrepreneurs may be particularly responsive to new economic opportunities and trends.

As mentioned earlier, youth entrepreneurship is an option to create employment for the youth not only through self-employment but also through enterprise development. The contribution of entrepreneurship to job creation and growth has been reiterated many times over recent years. It is estimated that in the last decade new firms generated between 1 and 6 per cent of employment in Organisation for Economic Cooperation and Development (OECD) countries.²⁴ Establishing a new venture may have positive impacts on youth employment and economic growth, as it offers unemployed youth an opportunity to build sustainable livelihoods and to integrate into society.²⁵ Young entrepreneurs, once established, are particularly active in high-growth sectors.²⁶ It has been found that self-employed youth have higher “life satisfaction” than youth in the same age group and are more likely to hire fellow youths,²⁷ setting up fertile ground for further employment-creation dynamics. Transition into paid employment within three years is easier for young people who were formerly self-employed than for those who were unemployed (*Listerri et al., 2006*).²⁸

In addition, young entrepreneurs are particularly responsive to new economic opportunities and trends. Creativity is often the biggest asset for young people who can afford to experiment and take calculated risks in the early stage of their lives and careers when a whole range of possibilities exists. Indeed, one can argue that the absence of opportunities for young people to experiment on new ideas and take on risk usually differentiates a creative, flexible, entrepreneurial society from another in which institutions are becoming increasingly rigid, hierarchical and risk adverse.

22 For the Youth Employment Inventory, see <http://www.youth-employment-inventory.org>

23 Youth Entrepreneurship: Meeting the Key Policy Challenges, F. J. Chigunta, Education Development Center, 2002

24 OECD (2010). Innovative SMEs and entrepreneurship for job creation and growth. Issue paper 1. OECD Working Party on SMEs and Entrepreneurship. Paris

25 Entrepreneurship and productive capacity-building: Creating jobs through enterprise development, UNCTAD, May 2014

26 Kew J, Herrington M, Litovsky Y and Gale H (2013). Generation Entrepreneur? The State of Global Youth Entrepreneurship. Youth Business International and the Global Entrepreneurship Monitor. London

27 Simpson J and Christensen JD (2009). Youth Entrepreneurship and the ILO. Note on practices and lessons learned. Small Enterprise Programme. International Labour Organization. Geneva

28 Is Youth Entrepreneurship a Necessity or an Opportunity? A First Exploration of Household and New Enterprise Surveys in Latin America, IDB (Inter-American Development Bank), May 2006

The challenge of creating employment for youth has meanwhile been identified as a major priority by the international community. As reaffirmed by the UN General Assembly in its resolution A/RES/67/202 adopted in December 2012, on “Entrepreneurship for Development”, entrepreneurship is a powerful driver of development by creating jobs and by expanding opportunities for all, including for youth and women. The resolution stressed the importance of giving appropriate consideration to the promotion of entrepreneurship in the context of post-2015 development agenda. Among others, the UN General Assembly resolution A/RES/67/202:

- Emphasizes the need for improved initiatives which promote entrepreneurship and foster small and medium-sized enterprises as well as microenterprises;
- Encourages governments to take a coordinated and inclusive approach to promoting entrepreneurship involving all stakeholders, while noting initiatives of (...) private sector as important entrepreneurship drivers;
- Emphasizes that partnerships with the private sector play an important role in promoting entrepreneurship and generating employment;
- Emphasizes the important role of national efforts aimed at bringing informal workers into the formal economy;
- Recognises the value of teaching entrepreneurial skills at all levels of education, ensuring the full and equal participation of women and girls and encourages entrepreneurship education through skills development, capacity building, training programmes and business incubators;
- Acknowledges the role of entrepreneurship in enabling youth to turn their creativity, energy and ideas into business opportunities by helping to facilitate their entry into the labour market.

In the same vein, the Tunis Declaration and the Declaration of Manama 2013 on “Entrepreneurship & Development” provided a set of recommendations with a view to create an enabling environment for entrepreneurship and particularly emphasised the need to promote entrepreneurship among young people. Thus the UN calls upon relevant organisations to further integrate entrepreneurship in its various forms into their programmes. As stated, developing human capital in all countries and societies and across sectors and bringing impoverished segments of population into the marketplace is a critical step on the path out of poverty and towards economic growth.²⁹

The High-Level Thematic Debate “Entrepreneurship for Development” (convened in the aftermath of the UN resolution A/RES/67/202) also stressed the need to create enabling environments that help entrepreneurs to expand their activities. It was stressed that key deficiencies and constraints affecting young people lie in the area of business assistance and support.

The more business assistance a young entrepreneur obtains in the start-up and new business development phases, the better his or her chance of creating a successful and sustainable business. Support services, including coaching, support networks, business clubs, incubators and accelerators can hold the key to transforming one-person youth start-ups into successful small and medium businesses.³⁰ Lack of business connections (business contacts, suppliers, suitable partners and networks), lack of knowledge of available business services, lack of tailor-made business training³¹ and advice for young start-ups, as well as limited funding opportunities for youth-led ventures prevent young entrepreneurs from developing their businesses effectively and to their full potential. Consequently, various schemes and programmes have to be put in place to ensure that entrepreneurs have all the support they need. In this regard, chambers of commerce, business associations, Business Assistance Support (BAS) and Business Development Support (BDS) play a significant role and can offer a good leverage for youth enterprise development.

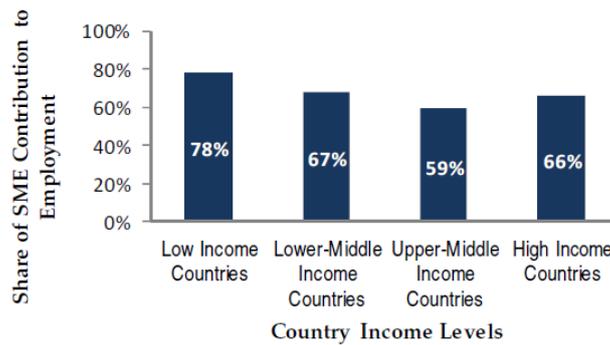
29 High-Level Thematic Debate “Entrepreneurship for Development” 67th of the United Nations General Assembly, New York, June 2013

30 Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, ILO, SEED Working Paper 76, Ulrich Schoof, 2006

31 Young entrepreneurs require tailor-made training and counselling pertinent to their particular start-up situation, their business and the sector it operates in. In many cases, there is a lack of on-the-job training focusing on technical aspects of starting up a business (business plan preparation, project formulation, start-up administration, procedural details, forms, duration, what to do and in what order, accountancy, taxation, etc.)

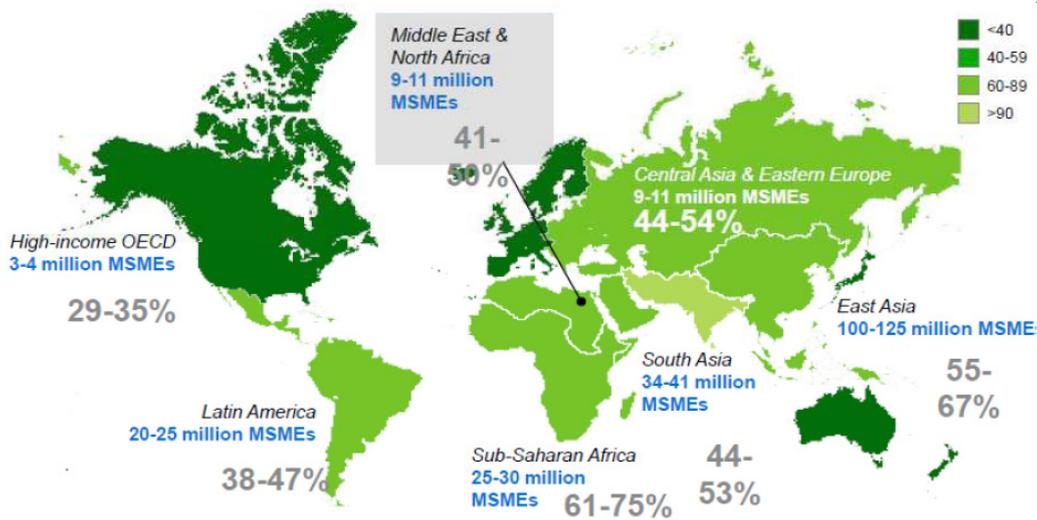
SMEs also provide economies with a source of dynamism. For instance, in Germany, small- and medium-sized firms have been instrumental in driving the country’s export performance and growth record. Similarly, smaller enterprises played a central role in Taiwan’s process of economic development and its transformation into an industrialized economy.³² The role of small enterprises in addressing youth unemployment is particularly relevant for many Least Developed Countries (LDCs) and Middle-Income Countries (MICs), the SME sector holding a critical role for employment,³³ as shown in the Figure 2 and 3 below:

Figure 2: Employment Contribution by SMEs



Source: World Bank³⁴

Figure 3: MSMEs around the world



Source: World Bank

32 Wu, R. and Huang, C. (2003) Entrepreneurship in Taiwan: Turning Point to Restart, In MCPA (Ed.), Entrepreneurship in Asia: Playbook for Prosperity, The Maureen and Mike Mansfield Foundation Report, Source: [On-Line] www.mansfielddn.org/programs/entrepreneurship

33 9 Ayyagari, Demirguc-Kunt and Maksimovic, 2011. “Small vs. young firms across the world”, World Bank

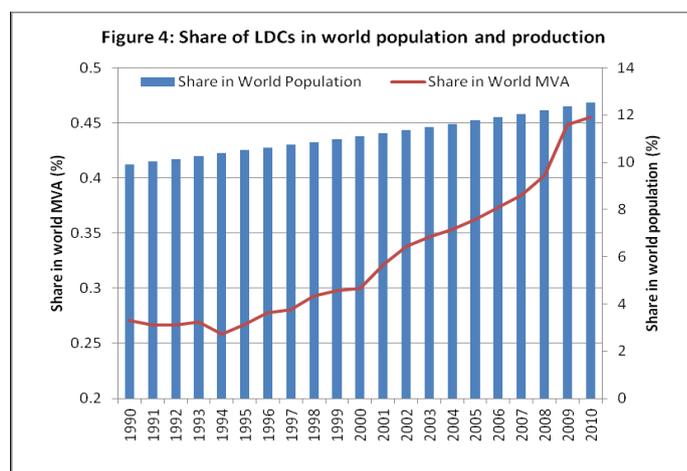
34 Source: Aspen Network of Development Entrepreneurs, using data from Ayyagari, Demirguc-Kunt and Maksimovic, “Small vs. Young Firms across the World: Contribution to Job Creation, Employment, and Growth”, World Bank, 2011

LDCs comprise more than 880 million people (about 12 per cent of world population), but account for less than 2 per cent of world GDP and about 1 per cent of global trade in goods.³⁵ The economies of LDCs are largely agrarian, affected by low productivity and investment levels. Most LDCs rely on the export of few primary commodities as major source of export and fiscal earnings, which makes them vulnerable to external terms-of-trade shocks.

Only few diversified into the manufacturing sector, mostly in labour-intensive industries. Many LDCs have high population growth rates and sizeable youth populations.

From 2000 to 2010, the share of LDCs in world population grew from 11.1 to 12.5 percent, while their share in world Manufacturing Value Added remained below 0.5 percent, advancing from 0.3 per cent to 0.5 percent (See figure 4 below: Share of LDCs in world population and production). The challenges of youth unemployment are therefore particularly pronounced in LDCs and the traditional industrial sectors do not hold the required absorption capacity for new labour forces entering the market. Innovative and alternative solutions such as entrepreneurship thus need to be developed.

Figure 4: Share of LDCs in world population and production



Source: UNIDO (2010a), WDI (2010)

Enterprise development in least developed countries faces the following challenges:

- While the economy may still be mostly agrarian the non-agricultural productive sector is small, underdeveloped and employs few people;
- Current educational systems generally fail to provide their graduates with the proper skills required by the labour market as well as suitable skills for effective entrepreneurship;
- Most manufacturing enterprises of small and medium scale face credit crunch, limited technical and business capacity, insufficient quality of their products and limited marketing opportunities. Many SMEs remain in informality due to regulation hurdles and their limitations in accounting, business planning and sustainable growth. Production remains artisan and of low scale (no economies of scale from separating various production steps). Many SMEs also remain in informality as a way to evade taxes and labour regulations. This is a real challenge for enterprise development. In the face of weak business environment, complex red tape, corruption, unexisting or inadequate BDS, a large number of informal business owners find few incentives to enter the formal economy;
- Youth find hardly any jobs in the formal sector and almost all apply survival strategies in the informal sector.

35 <http://unctad.org/en/Pages/ALDC/Least%20Developed%20Countries/LDCs.aspx>

Technological innovations and the shift towards knowledge-based economies make human capital investment a prerequisite for sustained economic growth and central to the start-up, growth and productivity of firms. Human capital can determine the potential for a firm's growth and survival.³⁶ In this regard, Least Developed Countries face serious constraints in terms of skills and proper educational system of their workforce and employees.

Indeed, human capital contributes directly to a firm's productivity by enabling the adoption of innovative technologies and processes. A firm's competitive advantage comes from its entrepreneurial capabilities; its management and technical know-how, including labour management relations and the skills, education and adaptability of its employees.³⁷

The level of education plays a critical role and the skills of employees need to be continually upgraded through on-the-job training to increase the firm's productivity and its ability to absorb new processes and technologies.

Similarly, this low level of human capital development also applies for entrepreneurs, young ones in particular. Thus, key educative constraints remain on entrepreneurship in least Developed Countries.

Box 1: Key educative constraints

- General lack of introduction and adoption of enterprise education;
- Inadequate curricula and study programmes;
- Wrong learning methods;
- Negligence of students' personal environment (parents and family members);
- Lack of trained/educated teachers;
- Lack of career information and business possibilities;
- Lack of business and education linkages;
- Lack of ICT infrastructure/capability.

Source: *Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people* by Ulrich Schoof, ILO, 2006

Unfortunately, many of the least developed countries (LDCs) do not mainstream entrepreneurship education into their poverty reduction strategies.³⁸ Hence the need to promote entrepreneurial education to raise entrepreneurial awareness but also to fill in the gap of required skills for aspiring young entrepreneurs. More investment is needed in local business-related skills, including foreign languages, information technology skills and basic finance, economics and project management. Public-private partnerships that combine more practical training on the job with basic education could be the basis for viable apprenticeship models.³⁹

Findings appear to suggest the existence of socio-cultural constraints, which tend to affect youth entrepreneurship as well. As cultural and social backgrounds influence an individuals' approach to life, they similarly influence entrepreneurial activity and enterprise culture.⁴⁰ An enterprise culture could be defined as a "set of attitudes, values and beliefs operating within a particular community or environment that lead to both "enterprising" behaviour and aspiration towards self-employment."⁴¹

36 Unleashing Entrepreneurship: Making Business work for the Poor, Report the Secretary-General of the United Nations. Commission on the Private Sector Development, March 2014

37 Unleashing Entrepreneurship: Making Business work for the Poor, Report the Secretary-General of the United Nations. Commission on the Private Sector Development, March 2014

38 Entrepreneurship education, innovation and capacity-building in developing countries, UNCTAD, January 2011

39 Unleashing Entrepreneurship: Making Business work for the Poor, Report the Secretary-General of the United Nations. Commission on the Private Sector Development, March 2014

40 On 17 June 1998, the International Labour Conference adopted Recommendation No. 189 concerning the General Conditions to Stimulate Job Creation in Small and Medium-sized Enterprises. An important issue of the Recommendation is recognition by the ILO member States present in the ILC of the importance of social and cultural influences on entrepreneurship and the formation of new enterprises

41 Gibb, A. A. (1988): "Stimulating New Business Development" (What else besides EDP. in: Stimulating Entrepreneurship and New Business Development (Chapter 3), ILO, Geneva

Cultural factors do play an important role here. In some countries, waged employment, especially public sector employment (with its promise of job security), is a dominant goal for young people.⁴²

Young people, willing to engage in business, have additionally to cope with the particular reputation and stereotypes given to young entrepreneurs in society and in the business world. The particular perception and stereotypes of young people engaging in business hold true both in developed and developing countries. Indeed, due to their limited life and work experience, young entrepreneurs are often not taken seriously by older colleagues or business contacts. Some factors seem to be greater a greater problem than difficulties to attract funding. Indeed, ‘not being taken seriously’ and ‘age discrimination by suppliers or customers’ are two of the biggest problems experienced by young entrepreneurs in the course of running a business as a Barclay Bank survey in the UK revealed in 2004. (See table below)

Box 2: Problems experienced by young entrepreneurs in the course of running a business (in percentage)	
• Not being taken seriously by colleagues or business contacts	44%
• Age discrimination by suppliers or customers	36%
• Difficulties in attracting funding to the business	30%
• Age discrimination by institutions or the Government	17%
• Lack of support from family or friends	10%
• None of these	30%

Source: *Young Entrepreneurs Tomorrows Business Leaders, Barclays Bank (2004), in Darby (2004)*⁴³

Thus, the motivation to engage in business and the decision to become an entrepreneur is closely linked to the level of awareness about knowledge of and familiarity with the concept of entrepreneurship as being a viable career path. Among other social institutions, education has probably the most important impact on raising awareness and attractiveness to the characteristics and attributes of entrepreneurship. Education should play a crucial role in arming young people with an understanding of and some of the skills necessary for entrepreneurship.⁴⁴

Youth and Enterprise Development in Middle-Income Countries

The current section makes a distinction between youth and enterprise development in low and middle-income countries. Indeed, MICs, which are defined by the World Bank according to the threshold of their per-capita income⁴⁵, face specific and complex challenges, which are in great contrast to their macroeconomic success of the recent years. These include the multidimensional nature of development, volatile market conditions, inclusive and sustainable growth, uneven distribution of wealth and need for economic diversification. MICs are facing several challenges in terms of inclusive and sustainable development (persistent inequality in access to basic resources and services, in access to education and labor market, impact of climate change and necessity of green

42 Enterprise-based youth employment policies, strategies and programmes: Initiatives for the development of enterprise action and strategies, Simon White and Peter Kenyon, ILO, 2001

43 The figures above were collected in a survey carried out in the UK, however several studies also aiming at youth entrepreneurship on a global stage as well as in developing countries confirm that social perceptions and reputation of young people generate specific constraints and do have an impact on youth enterprise development (ILO (2006) Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, Geneva Switzerland)

44 Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people by Ulrich Schoof, ILO, 2006

45 As of 1 July 2013, the World Bank income classifications by GNI per capita are as follows: Low income: \$1,035 or less; Lower middle income: \$1,036 to \$4,085; Upper middle income: \$4,086 to \$12,615; High income: \$12,616 or more. Low- and middle-income economies are sometimes referred to as developing economies. The term is used for convenience; it is not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development. (Source World Bank)

growth).⁴⁶ They also face challenges in the manufacturing sector since developed countries are relocating their manufacturing operations back home, Consequently there is an urgent need for large investments for capital and human skills to maintain the intensity of production and address the limited access to technology.⁴⁷

Middle-income countries are diverse and the structure of their economies varies widely. They range from the very small to the most populous countries. The improvement in the economic growth of many middle-income countries in recent years raises the question of how to insure that more rapid growth translates into better employment opportunities. Widespread informal employment and self-employment are important characteristics of most middle-income countries, although the relative shares of informal employment and self-employment in total employment vary. In a country like India, informal employment accounts for over 90 per cent of total employment. In Latin American countries, the share of informal employment is lower — typically between 40 and 60 per cent. The IDEA approach, with its focus on small-scale enterprise creation and development, helps to insure that growth is inclusive and its benefits broadly shared.

In many middle-income countries the enterprises accounting for the majority of economic opportunities remain small-scale and informal, youth employment challenges are particularly pronounced, and structural and institutional barriers hamper enterprise creation and development. Youth face numerous constraints that limit their success in operating a small enterprise, including a lack of savings, limited assets, restricted or no access to credit, underdeveloped skills and little support from enterprise development programs.

Enterprise development in middle-income countries faces the following challenges:

- While parts of the economy may still be agrarian the share of the productive and the service sectors have increased over the last decades and provide employment to a good share of the population;
- Most labourers are employed in low-skill jobs in a large number of small-to-large enterprises, some of them having joint ventures with buyers in global value chains who require minimum quality and provide technology and knowhow in return;
- Most manufacturing enterprises are of small and medium scale, some of them having reached substantial maturity in their business while others struggle with access to credit, competition and compliance with buyer requirements and export standards;
- In some sectors such as carpentry, metal works, street foods and others SMEs remain in informality due to regulation hurdles and their limitations in accounting, business planning and sustainable growth;
- Youth find only few jobs in the formal sector and mostly in the informal sector.

1.3 The challenge of developing informal enterprises

In LDCs and MICs, it is not unusual to find that the majority of small-scale enterprises are informal and represent a critical source of employment. Informal employment often accounts for a larger share of the economic opportunities available to women compared to men. Informal enterprises are typically defined as unincorporated businesses that are not subject to formal regulations by the state. Most informal businesses are small-scale and their finances cannot be easily separated from the finances of the household. The informal sector is typically defined as being comprised of all informal enterprises; these may include street vendors, market women, self-employed plumbers and carpenters and many others.

⁴⁶ Common Challenges, Multiple Perspectives: Middle Income Countries Experts' Consultation 13-15 May 2013, (Concept note) UNDP and Korea Institute for International Economic Policy, Seoul, Republic of Korea

⁴⁷ IISID (International Institute for Sustainable Development) High Level Conference Bulletin, A briefing note of the High-Level Conference of Middle Income Countries, June 2013

Furthermore, statistics demonstrate the prevalence of informality in the urban economies of developing countries. Informal employment constitutes the majority of employment in many cities (Table 2).⁴⁸ In the cities featured in Table 2, there are proportionally more women than men in informal employment, with informal employment accounting for between 49 and 91 per cent of women's employment.

Table 2: Informal Employment as Percentage of Non-Agricultural Employment

Cities	Total	Women	Men
Niamey	76.2	83.4	71.9
Ouagadougou	80.2	86.9	75.4
Bamako	82.1	91.1	74.9
Dakar	79.8	88.0	73.9
Abidjan	79.0	89.7	69.8
Lomé	83.1	90.3	75.1
Cotonou	81.2	89.3	72.1
Antananarivo	63.0	67.1	59.5
Lima	58.5	63.9	53.8
Hanoi	46.2	48.3	44.4
Ho Chi Minh City	53.4	55.1	52.0

Source: Herrera et al. 2012: 3

Widespread informality limits enterprise development in a number of ways. It compounds the constraints that small enterprises already face. For instance, informal enterprises have more difficulty accessing sources of credit especially formal credits from banks and finance institutions. The lack of regulatory and legal protections compromises the ability of these enterprises to manage risks. Informality also presents challenges with regard to the government's ability to mobilize revenues through tax collection. This not only limits the tax base, but it also affects the ability of the government to implement programmes and policies that support small-scale enterprises.

For these reasons, there is a need to provide the proper incentives and interventions to formalize small-scale enterprises in ways that advance and support enterprise development.

Based on SAME data covering the informal sector,⁴⁹ studies show that formalization results in: Higher profits and investment and increased credit access, improved contract conditions for workers due to regulations and adopting a longer term business approach. Thus, encouraging formalisation should be the first step towards promoting SME development.

Although informality is an important challenge, it should be noted that it might not be the only, or even the most important factor limiting enterprise development. As will be discussed in the next chapter, other constraints can be more significant. These constraints — e.g. access to finance or insufficient infrastructure — are often correlated with informality. Furthermore, the lack of knowledge and skills is an additional yet serious constraint that is particularly acute for informal entrepreneurs and even for those who are willing to move up the ladder to transition to the formal sector. For these reasons, formalisation alone may not have a significant effect on enterprise development if other constraints are not addressed.

48 Informal employment is a broader category than informal enterprises and includes all self-employment in informal enterprises, unpaid contributing family members working in household enterprises, and paid employees who lack a core set of social protections. Informal employment can therefore be found in both formal and informal enterprises

49 Rand, J & Torm, NE 2012, ' The Benefits of Formalization: Evidence from Vietnamese Manufacturing SMEs ' World Development , vol 40, no. 5, pp. 983–998., <http://dx.doi.org/10.1016/j.worlddev.2011.09.004>

1.4 The challenge of engaging women in enterprise development

Gender inequality produces different constraints for men and women to engage in businesses. Women entrepreneurs often face gender-based barriers to starting and growing their businesses namely discriminatory property, matrimonial and inheritance laws and/or cultural practices, lack of access to formal finance mechanisms and technology, limited mobility and access to information and networks, an unequal share of family and household responsibilities and lack of maternity protection.

The nature of these constraints will vary from one context to the next as will their relative importance. For example, an ILO primary research based on detailed interviews was conducted among 379 women entrepreneurs in Ethiopia, the United Republic of Tanzania, and Zambia. The main findings of the research were:

- Women entrepreneurs do not have the same access to networks as men;
- Women entrepreneurs have difficulties accessing premises due to, among other things, a lack of property and inheritance rights;
- Women's lack of access to titled assets that can be offered as collateral for loans adversely affects the growth of their enterprises;
- Women entrepreneurs lack access to formal finance and rely on loans from family and community;
- Women entrepreneurs tend to be grouped in particular sectors, particularly food processing and textiles;
- Business development service providers do not give adequate time or effort to target women entrepreneurs — they do not offer flexible arrangements in respect of the timing and location of service delivery;
- Women often experience harassment in registering and operating their enterprises.

A large percentage of women entrepreneurs operate micro and small businesses in the informal economy. In the developing world, women workers make up around 60 per cent of non-agricultural employment in the informal economy — including up to 90 per cent of street vendors and up to 80 per cent of home-based workers.⁵⁰

Gender discrimination denies women their rights and is economically unproductive. Gender-based asset inequality affects resource allocation within the household and labour productivity. As a matter of fact, the World Bank estimates that gender inequality in education and employment has reduced sub-Saharan Africa's per capita growth from 1960 to 1992 by 0.8 per cent per year.⁵¹

Women's entrepreneurship can make a particularly meaningful contribution to the economic well-being of the family and communities, poverty reduction and women's empowerment, thus contributing to the first and third Millennium Development Goals (MDGs). Actually, where women have more control over the resources of the household, the pattern of consumption tends to be more child-focused and oriented to meeting basic needs.⁵²

As women tend to be overrepresented in micro- and small enterprises (MSEs), and since they generally invest more in the well-being of their families and communities than men, women-targeted programmes at this level can be a particularly effective means of poverty reduction. At the same time, more jobs and more sustainable employment creation, can be achieved by focusing on women-owned enterprises with growth potential.⁵³

It is important that enterprise development efforts consider the differences in the barriers of entry that exist for the two genders to become acquainted to enterprises as well as the specificities with which culturally they may be inclined to engage in them. With the particular focus on youth, it is important to recognize that young women face other choices than young men with regard to their economic futures. UNIDO has engaged in gender specific

50 ILO: Women and men in the informal economy: A statistical picture, 2002

51 World Bank Group: Gender, growth and poverty reduction, Issue 129, Feb. 1999

52 ILO strategy on promoting women's entrepreneurship development, Geneva, March 2008

53 ILO strategy on promoting women's entrepreneurship development, Geneva, March 2008

enterprise development projects focusing on both: a) enterprises that women particularly have an affinity to and b) enterprise where women participation can be raised through gender-targeted capacity strengthening (see Box 3).

Box 3: Women's Economic Empowerment Through Enterprise Development

Processing Shea Butter provides potentially valuable employment opportunities to women in West Africa. There is substantial scope for improving their livelihoods. For instance, average production in Mali hovers around 80,000 tonnes per year, less than a third of its estimated potential. Various factors limit the performance of the sector, including the need for better market access, poor product quality, limited access to productive assets such as machinery, low-quality infrastructure and the lack of investment in building the skills of the women producers. UNIDO has developed a project that addresses a number of these constraints. One goal of the UNIDO initiative is to familiarise the women participating in the programme with available technologies, provide management training and build an understanding of international markets and marketing strategies. The project also helps to improve access to finance for the members of shea butter cooperatives. Bio-certification is explored as a way to improve product quality, move into higher value-added production and gain access to niche markets such as fair trade products. Improving the quality of paid employment generates additional benefits with regard to women's empowerment, such as greater economic independence and strengthening women's ability to make their own decisions.

In Burkina Faso, small-scale beer production is an important source of income for many women. As a result of using low-quality stoves to make the beer, productivity is poor and the women experience health problems. The cook stoves are inefficient and use more firewood than necessary. UNIDO, working with the Ministry of Environment and Sustainable Development and with resources from the Global Environment Fund, has launched a programme that will enable the women who brew beer to access more efficient cook stoves. In part, this involves establishing a line of credit that allows the women to buy the stoves. The programme is expected to improve productivity, reduce hazardous and unsafe work environments, improve women's access to credit and raise earnings.

UNIDO ITPO Bahrain through its Arab International Centre for Entrepreneurship & Investment in Bahrain has developed women economic empowerment centres (WEEC) in the same country, but also in the United Arab Emirates and Kuwait. A similar programme is under way for the Islamic Republic of Iran. The WEEC's focus on providing non-financial services that would unleash the women's entrepreneurial capabilities and at the same time creates linkages with financial services. Through this linkage the smooth migration from informal to formal can be achieved in addition to the growth from micro to small and later to medium can be attained.

Through the cooperation with the Supreme Council for Women in Bahrain and the Ministry of Social Affairs & Labour in Kuwait and as part of the non-financial services, a new approach to women incubation was implemented with the physical incubator services as a mall/shopping centre rather than a traditional incubator.





2. UNIDO's expertise in Youth and Enterprise Development

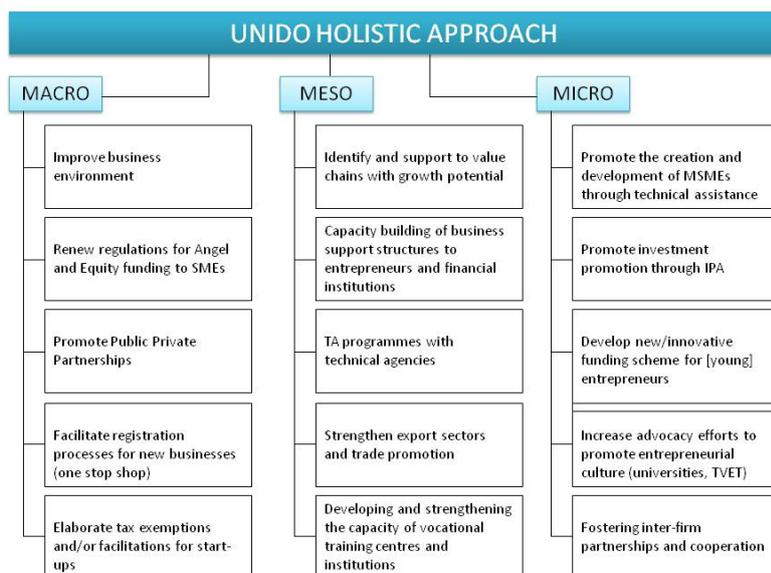
A range of constraints and barriers impinge on enterprise development and these constraints are likely to be more significant for youth. UNIDO has accumulated a substantial amount of experience designing programmes and interventions that directly address these blockages and foster enterprise development in the field of manufacturing and industry development, many of them related to the generation and improvement of productive employment for youth.⁵⁴ This chapter describes the primary constraints on enterprise development and provides examples of UNIDO initiatives to reduce or eliminate them. The innovation of the IDEA strategy is to build on this foundation by integrating key services across different programme areas through a modular approach to provide support to youth enterprises from their inception through their growth and expansion.

UNIDO has put in place programmes and projects specifically aimed at creating and improving productive employment for youth. The UNIDO approach to the youth employment challenge emphasizes the role of the private sector with a specific focus on enterprise development. Micro and small-scale enterprises are an important source of employment for youth and contribute to economic development. However, these enterprises require significant support, capacity building and investment to realize their potential.

To boost employment and inclusive growth, UNIDO has developed an integrated approach that covers the macro-, meso- and micro-level that applies the following financial and non-financial services according to the specific needs of a given country:

IDEA represents a strategy for addressing youth employment challenges through small enterprise development. A key challenge is to identify the most limiting constraints on youth enterprise development and to design programmes, interventions and policies that relax or remove these constraints. This chapter documents the context within which IDEA operates by examining the most common constraints which small enterprises face and providing examples of UNIDO interventions to support enterprise development.

Figure 5: UNIDO Holistic Approach



Source: UNIDO

⁵⁴ A recent survey of UNIDO activities illustrated that hundreds of UNIDO programmes have target thousands of youth. <http://www.unido.org/en/what-we-do/poverty-reduction-through-productive-activities/women-and-youth-in-productive-activities/youth/selected-projects-on-youth-in-productive-activities.html>

2.1 Institutional Capacity Building

Institutions such as the World Bank⁵⁵ and others stress the advantages of indirectly creating the appropriate conditions for enterprises to be set up and mature over subsidizing them directly. The creation of a business-enabling environment refers to the deregulation and improvement of the legal framework for enterprises, most importantly in the fields of property rights, market access, free competition, low taxes and the deregulation of labor markets. In broader terms it also includes improved access to road and other physical infrastructure such as electricity, water and telecommunications, financing and business development services as well as the importance of political stability and good governance.⁵⁶ The setting up of quality testing and certification infrastructure also contributes to an improved business environment.

One particular approach to development is strengthening institutional capacities among enterprise promoting bodies (see Box 4). Numerous institutions — in government, the private sector, non-government organizations and academia — play critical roles in capacity building and training to foster enterprise development. Such institutions need knowledge of technologies associated to the businesses they promote (e.g. industrial processing technology, project feasibility appraisal automated system), assessment of needs and constraints among their clients, hands-on experience on facilitating businesses and business coaching skills. Youth-led enterprises may require even more substantial coaching and support given their lack of experience in the business world. Not one single institution alone can address the full range of issues confronting small enterprises. Therefore, partnerships among all stakeholders — government, civil society organizations and the private sector — are necessary.

Entrepreneurship and self-employment can be a source of new jobs and can improve youth livelihoods and economic independence in developing countries. However, caution should be exercised so that youth entrepreneurship is not seen as the wide-ranging solution against youth unemployment. Considering the lack of appropriate economic conditions, the lack of market opportunities and very little consumer spending power in developing countries, the all-purpose of youth entrepreneurship is still uncertain.⁵⁷

Small and Medium Enterprises play a key role in economic development and diversification and are an important source of employment creation.⁵⁸ In many countries, both developed and developing, small to medium enterprises are responsible for a significant share and often a majority of job opportunities.⁵⁹

Box 4: Building Capacity among Tourism Promoting Institutions in Macedonia

Building institutional capacity to support enterprise development is a central aspect of many UNIDO programmes. For instance, UNIDO's Macedonian Tourism Cluster Development project, among others, fortifies the capacity of local institutions providing business support and related services to tourism enterprises. Such business support institutions include business associations, chambers of commerce, vocational and technical training institutes, business development services providers and national and local governments. UNIDO helps via building skills and know-how in a range of different areas including value chain analysis, product development, marketing strategies, setting up business networks and project implementation techniques. The goal is to enable these institutions to provide long-term support to small enterprises.

55 World Bank, IFC (2013) Doing Business 2013 Smarter Regulations for Small and Medium-Size Enterprises

56 Kueblboeck, Stariz 2013: 4

57 Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, ILO, SEED Working Paper 76, Ulrich Schoof, 2006

58 Ayyagari, M., T. Beck, and A. Demircuc-Kunt, 2007. "Small and Medium Enterprises across the Globe. Small Business Economics." 29 (4): 415–34

59 Beck, T., A. Demircuc-Kunt, and R. Levine, 2005a. "SMEs, Growth, and Poverty: Cross-Country Evidence." Journal of Economic Growth 10: 199–29

Lack of basic information (on marketing opportunities, production technologies, the availability of business support services, prices and sources of key inputs, to name but a few) represents a serious constraint on business development. These constraints are likely to be particularly binding for youth, who lack the experience, connections and skills needed to access and use information. ICT has introduced new possibilities of accessing a vast amount of relevant information using the Internet and mobile devices. However, not everyone has access to neither these technologies nor the skills needed to locate and make the most of the information that is available.

Box 5: UNIDO and on-line business information portals⁶⁰

Youth starting a new business often require accessible and practical business advice in a range of different areas — for example, preparing a business plan, developing a marketing strategy, managing finances, improving the products they offer and choosing a location for their business. Many need guidance on basic business regulations, such as available legal forms for their business and the kind of licenses they need to obtain. This information can easily be delivered with on-line tools such as a business portal – a website set up to deliver information in a clear and accessible way. UNIDO has worked with governments and other business support institutions to develop and launch these on-line information resources.

For instance, UNIDO ITPO/AICEI in Bahrain has launched a specialized “Entrepreneurs Gateway” through which the following main services are being rendered to entrepreneurs and MSMEs:

1. Entrepreneurs Directory
2. Online mentoring and business counseling services
3. E-Market platform (buyers and sellers) for E2E business partnerships
4. Upcoming major events
5. E-tool kit and Resource Center

In Tunisia, UNIDO has set-up a Digital Entrepreneurship Platform (www.DEPTn) that accounts for more than 10,000 users, including Governments Institutions, young entrepreneurs, UN experts and advisors, among others.

The DEP platform is fully self-sustainable and managed by young entrepreneurs themselves; it provides a space for interactive discussion and confrontation around critical thematic such:

- How to start a business in Tunisia (a full guide is available on the platform)
- Access to finance: a set of recommendations is provided to young entrepreneurs by other entrepreneurs
- Business development services: a comprehensive list and contact of business support structures is managed by local Investment Promotion Agency offices

International experts: a wide variety of technical expertise is made available to young entrepreneurs.

2.2 Knowledge transfer, skills acquisition and capacity building

In addition to institutional capacity building, the development of individual knowledge and skills as well as fostering creativity and learning are important elements in enterprise development. Skill formation plays a major role in shaping the enterprises' capacities to produce goods and services competitively. In various studies the productivity and earnings of small enterprises have shown positive returns to education and experience, at least up to a certain level of educational attainment. Lack of education, experience and basic skills represents a constraint to enterprise performance as mentioned earlier under section 1.1.

⁶⁰ LDCs and connectivity, as well as ICT uptake is an issue as stressed in the Global Information Connectivity Report- Living in a Hyper Connected World (2012) by the World Economic Forum

A distinction has to be made between basic education, applied skills and on the job skills development. While many studies support the argument that basic education has the most positive impact on economic growth there are also development scholars that focus particularly on the development and transfer of rather applied skills, both technology and business/organization-related. Also, while general education is critically important, the mix of skills also matters for small enterprises. Hence many technical cooperation projects and programmes (see Box 6 for examples from UNIDO) actually focus on skills development in professions such as farming, carpentry, metal works, etc. For instance, vocational training could have a more significant impact on earnings than more academic secondary education.⁶¹

Vocational technical education should prepare both young men and women for professions or jobs that are based on non-academic approaches, related to specific trades, occupations or vocations in line with market demands. It includes technical skills development, as the trainees develop hands on expertise in a specific technology and sector.

Box 6: UNIDO skills development projects

In Tunisia, UNIDO has been part of a collaborative effort funded by the Spanish MDG Fund to support youth enterprise development through skills-building and training initiatives providing services to youth businesses and direct support to enterprise creation. UNIDO intervention focused on a threefold approach that aimed at reinforcing local support structures (public, private and CSOs), assisting young entrepreneurs to create and develop their enterprises in selected value chains (e.g. handicraft and carpet value-chain) and finally enhancing youth participation and information sharing through a web-based platform.

Similar initiatives are underway in Armenia and in the Mano River Union (Cote d'Ivoire, Guinea, Liberia and Sierra Leone). In Iraq, UNIDO has worked with Scania, a leading manufacturer of heavy trucks, buses and engines and various partners, including the Swedish International Development Cooperation Agency (SIDA), Education First (EF) and the Kurdistan Regional Government Ministry of Labour and Social Affairs (MoLSA) to establish the Swedish Academy for Training. The Academy provides skills and management training in manufacturing to young unemployed Iraqis (under the age of 30) and then connects them to employment opportunities in firms throughout the country.

As the pattern of skills required to compete in modern manufacturing changes, so must the institutions and methods for skill formation. Traditional methods of education and training often prove inadequate today. In the traditional setting, industrial development in technologically less developed sectors often only entailed improving technical skills through on-the-job training. In the emerging competitive setting, greater emphasis is placed on high-level, specialised training and creativity with more formalised on-the-job training and vocational education featuring a closer interaction between education institutions and industry.⁶² There is also a difference between tacit knowledge that is acquired through frequent practice and is difficult to transfer to other users and formal or codified knowledge as taught in formal education. Often the former is neglected in view of the latter but hands-on training programmes and special, sometimes sector-specific training centers have been successfully applied to counterbalance this shortcoming.

Meanwhile there is also a growing body of literature that people only engage in learning in response to their individual and collective absorptive capacity.⁶³ Individual and cultural values and beliefs can stand in the way of learning and application of certain knowledge and technology.⁶⁴ In other words: every innovation has to fit to its user and vice-versa.

61 African Economic Outlook, "Promoting Youth Employment in Africa" (2012), accessed at www.africaneconomicoutlook.org/en/in-depth/youth_employment/ on June 2014

62 UNIDO (2011)

63 Cohen, Wesley, M. & Levinthal, Daniel A. Absorptive Capacity: A New Perspective on Learning and Innovation, *ASQ*, 35 (1990), 128-152

64 De Faria (2013)

Box 7: Vocational Training Centers (Sudan, Côte d'Ivoire)

Vocational Training Centre (VTCs) are centres where youth and young adults, both men and women can obtain training or improve their skills in technical subjects, therefore increasing their employability and entrepreneurial potential. Through the institutional competency building of VTCs as well as by stressing industrial relevance and dimensions of skills development, UNIDO aims to expand and enhance training services available to youth and women. The objectives are to improve employability, foster an entrepreneurial mindset and environment in addition to creating market driven job opportunities, which in turn can contribute to poverty reduction. In the case of Sudan, through UNIDO's ITPO/ARCEIT the enterprise development & Investment promotion program was institutionalized which provides the potential entrepreneurs with relevant entrepreneurial competencies to engage in different technical sectors. The trainees' personal attitudes, behaviours, technical skills and knowledge are providing them with a competitive edge to engage in the workforce with greater employability as prospective entrepreneurs.

2.3 Entrepreneurship development

Related to the above is the field of entrepreneurship development. Rather than on technical skills and technology development the focus here is on providing the general skills required for setting up and running an enterprise, including capacities in business administration, accounting, planning, marketing, etc. Some of these skills can be already provided in individual's early stage of development of the individual such as in secondary and college education, but also through vocational training when people are already engaged in work life. It should also be mentioned that Linkages with the private sector are important in order to absorb those that are not able to set up their own enterprise. Statistics often show that only a few are able to succeed. In addition, another major factor that has to be considered is the experience gained from a failed venture — instead of being a point of shame, lessons learned should be put into practice to build a new venture. Hence a need for mindset changes.⁶⁵ Programmes supporting entrepreneurship development often foster creative thinking and self-empowerment leaving it to the individual, often youth, to enter into the sector and subsector. Business planning, development of technical skills and acquisition of capital goods would come after the individual has chosen in which enterprise to engage. For example, UNIDO's Entrepreneurship Curriculum Programme (ECP) for secondary schools aims at developing entrepreneurial attitudes and basic skills in young people so they can learn how to turn opportunities into business and how to manage and steer business (see example in Box 8).

Box 8: UNIDO's Entrepreneurship Curriculum Programme and Entrepreneurship promotion in Mozambique, Angola, Bahrain, Tunisia and Sudan

The project introduced in Mozambique in 2007 by the Ministry of Education and Culture (with the support of UNIDO and donor agencies) fosters viable small-scale enterprises in two of the country's northeaster districts. At recently opened one-stop shops, the prompt availability of information, business registration and licensing and taxation services ensures significant cost and timesaving. Project-designed entrepreneurship courses at secondary schools and technical training programmes are improving the self-employment prospects of young people: As of June 2013, the project had trained 1,654 teachers to provide entrepreneurial and enterprise development training in 331 schools. The programme also created technical working groups, produced training materials and provided resources to libraries to support the on-going implementation of this kind of training. The ECP programme has been replicated in other countries. For instance, UNIDO, with corporate financial support from Chevron, has launched an ECP in Angola to similarly develop entrepreneurship skills among young people in order to build a more dynamic economy. ECP was integrated as part of the syllabus in 40 schools in nine provinces of Angola in 2011, with over 2,000 students taking part on a pilot basis. The Government subsequently rolled out the programme throughout the country with the support of UNIDO,

65 Youth Entrepreneurship: Meeting the Key Policy Challenges, F. J. Chigunta, Education Development Center, 2002

reaching some 500,000 students by 2013. The project is carried out in cooperation with the National Institute for Educational Research and Development.

In the scope of UNIDO's entrepreneurship and enterprise development project in Tunisia, HP's Learning Initiative for Entrepreneurs programme (HP LIFE e-Learning) has been integrated in the Higher Institute of Technological Studies (ISET) in Kairouan. HP LIFE e-Learning is a free, online business skills and IT training and support programme. The innovative, interactive e-Learning solution helps students, potential entrepreneurs and small business owners learn to use technology effectively to start or grow their own business. It also serves as a robust open education resource for educators looking to enrich their curriculum and learning outcomes. HP LIFE provides a range of courses in core business disciplines such as communications, finance, marketing and operations, as well as courses covering environmental and social entrepreneurship and effective leadership – from basic to advanced level.

In December 2014 UNIDO trained 16 educators from ISET Kairouan on HP LIFE e-Learning. Following the HP LIFE e-Learning workshop the ISET educators have enriched business course modules with HP LIFE e-Learning content. Since January 2015 ISET Kairouan has been training students on these integrated business-HP LIFE courses on a regular basis. In the pilot phase ISET educators aim to test the use of HP LIFE e-Learning content in different business courses. The objective is to offer the integrated courses to all ISET students in Kairouan. Also, ISET in Le Kef is in the course of adding HP LIFE e-Learning content to their courses.

In the case of Bahrain through the UNIDO ITPO/AICEI and in cooperation with the Ministry of Education, an Entrepreneurship & Innovation curriculum was developed in 2006 namely in 5 vocational schools. In light of the huge success, the ministry decided by 2008 to implement it nationwide to all 27 public schools. For the smooth adoption of the curriculum in schools, a series of capacity building programmes were shown to teachers. The success of this programme is attributed to the fact that it is developed based on the "learning by playing" concept whereby it not only provided theory inputs but also introduced practical interventions whereby for example: when discussing financing, a study tour is arranged for the students to visit the banks. In addition to that, a business plan competition is held at school level and then at the national level. To further stimulate and unleash the spirit of entrepreneurship within youngsters, entrepreneurship centres have been developed in all major universities. Through these centres, linkage between the private sector and academia is facilitated.

Currently, similar programmes are being implemented in Sudan. Based on recent reports, the number of students admitted to vocational schools in Sudan has nearly doubled from 8,000 to 14,000 students.

2.4 Business and SME development

A number of elements have to come together to launch and sustain a successful enterprise. Enterprise development can be understood in form of a development cycle that engages in a) the identification of opportunities, b) the building of the business case including its financial appraisal, c) the creation of the enterprise, d) the assembly of resources, e) the implementation of the business plan and management of the enterprise and f) the further sustainable growth of the enterprise. Business administration approaches would particularly engage in sustaining the business planning and assembly of resources stages of that cycle while ensuring that business support services are in place for further coaching and support from the enterprise. In the case of manufacturing enterprises and agro-businesses, product development and improvements in product quality are often critical. Eventually, successful enterprise development would be marked by increasing level of sales and sufficient profits.

Business plan development can actually be supported by the use of technical and financial feasibility study software such as UNIDO's COMFAR (see Box 9). The development of a business plan provides a roadmap to creating a new enterprise and is often essential for securing start-up financing. For that purpose, basic management skills need to be in place and therefore be developed together with the business plans.

Box 9: COMFAR — UNIDO's Feasibility and Business Planning Software

For a long time UNIDO has provided a software solution, the Computer Model for Feasibility Analysis and Reporting – or COMFAR (www.unido.org/comfar), to expand the capacity of private businesses, government agencies and business support organisations to assess, analyse and plan industrial businesses and investments. The new version of COMFAR is about to be launched. The COMFAR programme allows users to enter financial and economic data as well as technical parameters and conversion rates for industrial projects and then produces financial and economic analysis, graphical displays and performance indicators. The software can be used to analyse new investment projects and the expansion of existing enterprises. COMFAR can also be used to analyse potential economic opportunities, conduct market assessments and to assist in the development of business plans for small enterprises.

Recently, UNIDO has developed a new version of the COMFAR to assist young entrepreneurs in the financial appraisal of their ventures; this version is more suitable for smaller-size projects and has is accessible to an on-line platform.

Enterprise development is sometimes also related to the increasing degree of formalisation that businesses achieve, e.g. if they are officially registered, have an account, a business plan, a formal credit and plan expenditures and sales. Development agents particularly provide services to that end such as facilitated government registrations through one-stop-shops etc. (See Box 10). However, as discussed in section 2.3, an abrupt transition from informal to formal businesses may not be always beneficial given the additional costs of formalisation and the risk aversion given the income level and individual socio-psychological background of informal entrepreneurs.

Box 10: UNIDO's Enterprise Development Programmes

The Enterprise Development and Investment Promotion (EDIP) programme is a UNIDO tool for job creation, incepted by The Arab Regional Center for Entrepreneurship & Investment Training (ARCEIT) in 2000. EDIP aims at helping entrepreneurs launch and grow businesses in the manufacturing and service sectors, with an emphasis on small and medium enterprises. The EDIP Modality encompasses 6 steps: (1) Entrepreneur identification, screening & selection; (2) Preparation & Empowerment; (3) Business counseling & technology Tie-up leading to full-fledged joint ventures; (4) Financial linkages; (5) Virtual & In Wall Incubation and (6) Post Incubation & Growth. In addition to interrelated components, such as helping beneficiaries to develop business plans, enhance management skills, improve their access to technology and financial support, and launch new enterprise, EDIP also builds the capacity of institutions that support enterprise development. After the enterprise is created, the programme continues to provide support during the enterprise growth phase, facilitating the development of growth plans, the assessment of opportunities and threats, and setting achievable goals and targets. One of the components of the EDIP programme focuses on identifying potential markets and improving market access. The EDIP programme has been successfully replicated in 42 countries. Currently the EDIP Modality, through AICEI in Bahrain, has been successful in replicating the EDIP Modality in 42 countries; through 4,400 experts.

The Arab Regional Center for Entrepreneurship & Investment Training (ARCEIT) was established in the year 2000 through a South-South Cooperation between the Bahraini Government and the Indian Government through the Inter-Regional Center for Entrepreneurship & Investment Training (IRC)-India who contributed technically and financially. In light of the overwhelming achievements in 42 countries since its inception and the independent UNIDO evaluation in 2008, ARCEIT was transformed from a regional center into the Arab International Center for Entrepreneurship & Investment in early 2013.

Through ARCEIT the UNIDO Enterprise Development & Investment Promotion Program (EDIP) was conceptualized and developed. The EDIP is a package approach aimed at developing the capacities of potential entrepreneurs in order to boost their capabilities and assist them in developing their own private businesses. The process is based on an approach that deals with building entrepreneurial capabilities in addition to enterprise planning, implementation and management.

UNIDO's Productive Work for Youth programme has been created to boost youth employment through entrepreneurship in accordance with social inclusiveness, economic competitiveness and environmental sustainability. In order to foster an entrepreneurial ecosystem in the private sector, partnerships are enhanced between multinationals, governments, international organizations, financial institutions and the civil society.

UNIDO developed this holistic approach to assist young entrepreneurs from the conception of their business ideas to the creation and development of the start-up. This approach is based on three main stages: fostering entrepreneurship, offering pre-creation assistance, and post-creation assistance.

At the onset, UNIDO assists young entrepreneurs willing to set up their company with (a) analyzing markets and value chains to identify sectors and value chains with high potential for young entrepreneurs; (b) a financial appraisal of the business idea through UNIDO financial appraisal software (COMFAR). Then, UNIDO helps them to identify adequate form of financial schemes, depending on the context: grant scheme, revolving fund, or guarantee funds are just some of the various forms of finance that are made available to young entrepreneurs to kick-off their ventures. Once the entrepreneur has started or upgraded his enterprise, UNIDO offers various support services such as trainings and counseling, investment promotion, technology upgrading (often in partnerships with private sector companies like HP, Samsung or Microsoft), and business linkages which can resolve in further expansion of the enterprise, thus create more decent and productive jobs.

Currently the programme is implemented in more than 15 countries. Results include the strengthening of the entrepreneurial culture and promotion of youth entrepreneurship and a facilitated access to finance for MSMEs and start-ups thanks to linkages with local financial institutions or the setting-up of dedicated funds. This enabled the creation of youth-led enterprises that outlive the start-up phase and the creation of long-term, decent and productive employment opportunities for young men and women..

2.5 Finance and credit schemes

Many enterprise development programmes set out with the promise to provide grants and loans to entrepreneurs and their enterprises (see Box 11). Indeed access to credit in many formal and informal economies may well be the single most important constraint in the creation and development of enterprises in developing countries.

Some of the enterprise development credit programmes also provide technical support in business planning and some go even as far as ensuring technical support in sourcing, production and marketing, usually via independent business development and technology service providers.

Box 11: UNIDO Initiative in the area of credit and finance for enterprise creation

In Bahrain, UNIDO's Investment and Technology Promotion Office (ITPO) worked with the Bahrain Development Bank, the Qatar Industrial Bank and private financial institutions to develop a range of strategies for addressing the finance needs of small enterprises. The initiative includes direct lending to small and micro enterprises by the Bahrain Development Bank and the Qatar Industrial Bank, launching microfinance programmes and exploring venture capital and crowdfunding possibilities.

In India, UNIDO, in cooperation with other international partners, has worked with the Small Industries Development Bank of India (SIDBI) to build its capacity to develop and support Mutual Credit Guarantee Schemes (MCGS). An MCGS aims to overcome barriers to the extension of credit provision to small enterprises, including perceptions of high risk, lack of information, relatively large transactions costs and weak mechanisms for loan recovery. MCGS are made up of small enterprises that lack access to credit. The enterprises pool resources and the MCGS, as a larger entity, is able to extend credit guarantees and facilitate access to financial services.

In West Africa, UNIDO and the Youth Employment Network launched the Youth-to-Youth Fund in the Mano River Union countries (Cote d'Ivoire, Liberia, Sierra Leone and Guinea). The Fund provides grants to youth-led organizations for the implementation of proposals to support youth employment. The grantees are selected through a competitive call for proposals and receive a combination of funding and capacity-building support. A network of project assistants supports and monitors the grantees as they implement their projects. The programme specifically aims to help provide the resources needed for the creation of small-scale enterprises for youth. Within the programme, youth are encouraged to form cooperatives – as an additional strategy for pooling resources to support enterprise development. Sixty percent of the beneficiaries in the pilot round were young women.

The Souk At-Tanmia project in Tunisia, The Productive Work for Youth program in Armenia and the EDIP Credit Facility for the SME sector in Iraq (EDIP) are three projects with a common purpose: to support entrepreneurs with financial or non-financial services during and beyond the start-up phase in order to promote self-employment and the creation of jobs. As a result in Tunisia several business projects were supported by providing seed grants (free of interests and repayment) that assisted the entrepreneurs in leveraging co-finance from banks as credit to reach a value of 6 million TND. In Armenia, UNIDO and a local facility set-up a to a revolving fund to be used by youth-led enterprises in selected sectors. In Iraq, the initial fund of 1 million USD allowed to grant 96 loans with a repayment rate of 100%, and it's revolving for the second time.

On March 2015, an Expert Group Meeting (EGM) on Entrepreneurial Finance was held in New York, led by UNIDO in collaboration with UNDESA and UNCDF. The purpose of the meeting was to gather experts on entrepreneurial finance in order to draw up a list of good financial practices young entrepreneurs need to access to develop their ventures. The produced recommendations, the study presenting good practices (both financial and non-financial schemes) are part of a toolkit for governments foster entrepreneurial finance particularly for youth and. The recommendations produced at the EGM focus on: 1) creating a more conducive regulatory and financial framework at country level to promote innovative entrepreneurial finance schemes such as equity and venture capital, quasi-equity, equity crowd funding or business angels investment. 2) promoting education programs, entrepreneurial and technical training, peer to peer mentoring, to make entrepreneurs, banks or investors ready. 3) investing in strengthening the entrepreneurial ecosystem through venture capital associations or business angel's networks to facilitate the creation of start-ups and the development of MSMEs.

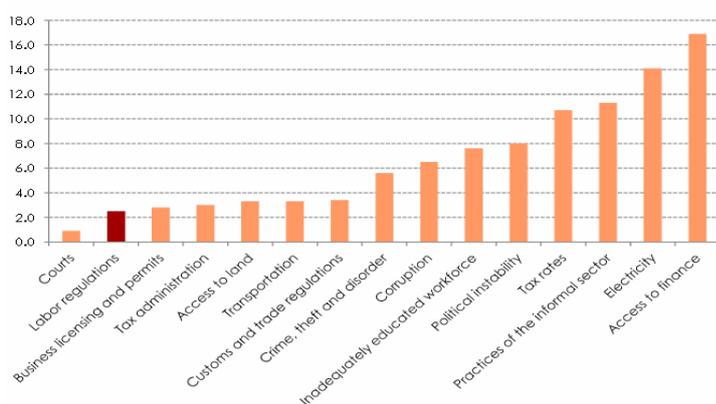
Financial resources include initial start-up capital, financing for on-going investments and the cash flow needed as working capital to finance day-to-day operations, such as purchasing supplies. For small enterprises, the primary sources of start-up capital are often savings or loans from family members and relatives, which in low-income households are particularly limited. Hence, often a self-reinforcing cycle emerges: low earnings and productivity persist, which, in turn, result in limited savings, constraining future investment. This is a particularly important constraint for young people who are less likely to have significant accumulated savings or access to credit from formal financial institutions.

Programmes that provide access to working capital – even very small amounts of cash – can make a significant difference in the performance of small-scale enterprises. For example, women engaged in small-scale rice processing in West Africa depend on the fluctuations of the prices for their supplies and end-products sold in local markets. However, the ability to take advantage of low prices for supplies depends on having the financial resources on hand to buy the unprocessed rice at the right time.

Barriers to credit and financial markets are a particularly severe problem for small-scale businesses, agricultural activities and youth enterprises. Not only is access to credit limited; the cost of credit is typically high in the commercial banking sectors of low-income countries. A number of factors contribute to the relatively high costs of credit. The risk premium that borrowers must pay in formal credit markets is often extremely high due to perceptions, i.e. that

most creditors are high-risk borrowers and not bankable. For small-scale and rural borrowers, transactions costs may also raise the cost of credit from commercial banks. Lack of credit information systems and perceptions of risk can reduce the quantity of credit available to small-scale borrowers. These institutional barriers in the banking sector limit the availability of credit to operators of small enterprises and represent an important set of constraints determining the availability of credit. Again, these constraints will be particularly pronounced for youngsters with few assets, low and volatile earnings and no credit history.

Figure 6: Firms perceptions about the biggest obstacle to their operation (all firms, % distribution)



Source: World Bank Enterprise Survey

2.6 SME Development, link to markets and value chains

Another important field of enterprise development-related interventions (though often not labelled as enterprise development) stems from around the efforts in connecting producers to markets and embedding them in local and global value chain. A large number of government and donor projects focus on such activities under programmes for regional and sectorial development and/or investment as well as export promotion. Often such projects focus on specific commodities or end products and the necessary efforts to develop the quality that responds to existing and potential market demands.

Securing market access is necessary for the success of a new small enterprise. For many small enterprises, the domestic market is the primary source of demand. Therefore, barriers to market access and insufficient local demand will limit the ability of these individuals to realize income from their productive efforts. Access to exports markets is also a consideration for certain enterprises, particularly as they grow and mature.

Some value chain development projects aim at increasing the added value that small and medium enterprises are able to generate in the value chain. This can be achieved through product (quality, design) and process (efficient resource use, technology)⁶⁶ innovation or through nuanced marketing strategies (eventually sidelining certain intermediaries) and procurement of supplies and inputs. “Market-for-the-poor” — type of approaches promote value addition and better marketing option indirectly through working with buyers, service providers and processors, at best without primary producers — the ultimate beneficiaries — realizing that interventions are made.⁶⁷ Often the collaboration across similar actors (clustering and networking) and with buyers and input

66 Small and medium sized companies can also be medium and high tech-web services for example. An example of this is seen in the development of startups using the I-hub infrastructure in Tanzania and Kenya. (See the MIT Technology Review weblink. <http://www.technologyreview.com/featuredstory/426983/kenyas-startup-boom/> accessed on 2 september 2014

67 DFID & SDC (2008). A synthesis of the Making Markets Work for the Poor (M4P) Approach. Available from <http://www.enterprise-development.org/page/m4p>

providers is imperative, be it for developing sustainable business relationship, access to market information and technology or joint learning. Integrated value chain development approaches would not try to deal with one of these strategies alone but with all the necessary ones simultaneously (see UNIDO tool for integrated value chain development⁶⁸). A large-scale initiative that focuses on value chain development in UNIDO is described in Box 12.

Box 12: Value Chain Development in the frame of the African (Accelerated) Agribusiness and Agro-Industries Development Initiative

UNIDO, with the Food and Agricultural Organization (FAO) and the International Fund for Agricultural Development, created the “African (Accelerated) Agribusiness and Agro-Industries Development Initiative” — or 3ADI. The initiative was launched in 2010 to promote the expansion of local and international value chains that benefit the small producers and entrepreneurs in developing countries, with an emphasis on the least developed countries. While the vast majority of countries in which the programme has been implemented are African, the approach has been applied in other countries. The countries in which 3ADI has been implemented include: Afghanistan, Brazil, Burkina Faso, Comoros, Democratic Republic of Congo, Ethiopia, Ghana, Haiti, India, Liberia, Madagascar, Niger, Nigeria, Rwanda, Sierra Leone, Republic of the Sudan, Republic of South Sudan, United Republic of Tanzania and Uganda.

The programme begins by assessing the key constraints faced by agro-industries that limit their ability to add value to agricultural production. It then develops interventions that promote agro-industry development in close collaboration with various stakeholders. 3ADI aims to provide on-going assistance with regard to resource mobilization, to support improvements in technology and to build partnerships, both in the private sector and with government which support continued enterprise development.

In light of the food security challenge faced in recent years, ITPO/AICEI in Bahrain in cooperation with the Islamic Development Bank (IDB), the National Initiative for Agricultural Development and the Ministry of Municipalities and Urban Planning launched the Agro-preneurs program in 2012. The program is based on the Enterprise Development & Investment Promotion Modality but also encompassed technical interventions and counseling on agriculture; namely what, when and how to plant and process. In addition to that through a 1 million USD grant from IDB an agro pole has been established to incubate and develop the agro-preneurs.

Because of their ability to take advantage of economies of scale, larger enterprises tend to be more productive, more competitive and generate higher earnings than small enterprises. Economies of scale also constitute barriers for small enterprises. Because they are less productive, small enterprises are often unable to generate the resources needed for up-grading into larger scale and higher value-added activities. Small-scale enterprises typically buy smaller quantities of inputs at higher costs and have more limited markets than larger firms, further reducing revenues. Lack of access to assets and financing helps to keep these businesses small.

There are many ways in which development agents can help enterprises, particularly small to medium ones, to address these constraints. Coordinating with other small businesses, building networks and establishing clusters⁶⁹ of interrelated activities are strategies that improve productivity and allow small firms to move into higher value-added activities (See Box 13). The formation of clusters represents a way in which small firms can pool resources, share risks and coordinate production, purchases and sales — all of which allow them to act more like a larger enterprise and take advantage of scale economies.

68 UNIDO (2011). Diagnostics for Industrial Value Chain Development: An Integrated Tool. Vienna, United Nations Industrial Development Organization

69 A cluster can be defined as a sectoral and geographical concentration of enterprises that benefits from external economies

Box 13: UNIDO's Cluster Development and Value-Chain Initiatives

Many of the barriers that small businesses face relate to their size. Micro-enterprises are unable to take advantage of economies of scale, which would improve their productivity and earnings. Risks discourage them from specialising in higher value-added activities. These constraints can be overcome through creating clusters initiatives, helping small enterprises to coordinate activities and build productive relationships. UNIDO's cluster development programmes help to make this happen by building a basis for information sharing, building trust, enhancing coordination and strengthening institutions (see www.clustersfordevelopment.org).

The UNIDO approach uses facilitating agents to support cluster development by providing operational support and training to enterprises. As a core part of the process, business networks are established among small-scale enterprises. Various organisations (including business development service providers, governments, training institutions and business organisations) – have a role to play in creating and sustaining clusters but they may have limited experience in doing so. Therefore, the UNIDO approach includes capacity building among these organisations. The UNIDO model has been successfully applied in a range of countries, including Ecuador (garments), Ethiopia (metal and woodworking), India (hosiery and handlooms), Nicaragua (bananas, dairy and livestock) and Pakistan (surgical instruments), amongst others.

UNIDO also works to ensure that value-chains support enterprise development. For instance, building linkages between small enterprises and larger firms further up the value chain (for example, retailers with access to major consumer markets) helps secure demand for the products of small-scale businesses.

2.7 Sustainable Development and the ISID approach

Being aware of the impossibility to guarantee long-lasting growth if the latter is not enclosed within an environmentally sustainable framework, UNIDO implemented the ISID approach, which aims, among others, to attain sustainable economic growth and promote sustainable economies. It comprises services in policymaking, improved industrial production processes and productivity with optimized resource efficiency. Along with ISID, UNIDO promotes Green Industry Initiatives which creates awareness knowledge and capacities and assists governments to support industrial institutions that in turn provide assistance to enterprises and entrepreneurs in all aspects concerning the transition to cleaner and more resource efficient production processes.

As part of the initiative, UNIDO supports enterprises in accessing energy (see Box14). Energy is an important productive input, particularly in sectors like manufacturing and agro-business. Lack of reliable and affordable sources of energy constrain enterprise development and reduce competitiveness. Volatile energy prices are a source of uncertainty for small enterprises and an unexpected price hike can have a sizeable impact on production and earnings. The prices of energy derived from traditional non-renewable fossil fuels – such as petroleum, coal, or natural gas – have increased and exhibited greater volatility in recent years, creating a less stable business environment for small enterprise development. These uncertainties are likely to increase in the future, particularly as concerns over climate change intensify. Finding alternative sources of predictable, inexpensive and sustainable energy is an important element of a holistic approach to enterprise development.

Box 14: UNIDO's clean energy technology programme – India

UNIDO is implementing a Cleantech Programme for SMEs, supported by the Global Environment Fund and the Government of India's Ministry of Micro Small and Medium Enterprises. The programme aims to promote clean energy technology innovation and entrepreneurship among selected small enterprises. The goal of the programme is to build the capacity for clean technologies and to foster a better business environment, particularly for small-scale firms developing resource efficient innovations. The project supports enterprises in several ways, including training, mentoring, access to CapitaLand technology transfer initiatives. Priorities include energy efficiency, renewable energy and waste-to-energy technologies. An important element of the Cleantech programme is to allow Indian enterprises to connect with other initiatives and entrepreneurs in other countries – that is, Indian Cleantech enterprises will be connected to partners in Malaysia, South Africa and elsewhere.



3. The IDEA Approach for Youth Development

Young people and women have fewer business skills, less knowledge and experience, less savings and reduced access to credit, business networks and sources of information than older individuals. Financial institutions regard them as a high-risk group because of their lack of collateral and business experience⁷⁰.

Drawing from the experience in the areas described in chapter 2 UNIDO saw the need to develop an integrated approach to youth entrepreneurship development that both takes into account technical skills in manufacturing and managerial skills related to setting up and running an enterprise. Point of departure was experience gathered from a youth entrepreneurship development project in Senegal which eventually led in to the development of an innovative approach to youth entrepreneurship development.

3.1 Building on experience in youth entrepreneurship development in Senegal

Between 2007 and 2012, a joint UNIDO-UNDP-ILO project was implemented with funds from Luxemburg to promote entrepreneurship for local economic development. The project sought to address the skills mismatch between the curriculum of vocational training centres (VTCs) and the concrete requirements of the Senegalese private sector. In particular, practical technical skills and an entrepreneurial mind set were to be strengthened in key economic sectors, including food processing, manufacturing, textiles and handicrafts; the project thus endeared to help young people find employment and to help them set up their own businesses. Based on each organization's comparative advantage, the project was implemented as follows:

- UNIDO assessed the technical feasibility of the business projects and helped the young people meet the needed technical requirements while disseminating relevant knowledge for a more efficient production
- UNDP evaluated the financial feasibility of the business projects and helped the young people reach out to local financial institutions; it further enabled loans and saving facilities
- ILO provided training in business creation/planning and helped developed management capacities

Furthermore, the project developed numerous partnerships with local companies to better match the youth's skills to the market requirements. At the same time, and taking into account the limited absorption capacity of the private sector, young people were enticed, through a combination of financial and non-financial services, to set up their own businesses in a wide range of economic activities: young entrepreneurs had to present their business plan and thereafter were coached to make their project investment-ready.

As an immediate result, 1,500 VTC graduates were assisted; 300 found employment in existing firms and over 450 young persons started to develop their business plan. In the end, 300 business plans were finalized and 177 business plans received funding, which led to the creation of new businesses and to 400 jobs, including 250 jobs for women). In addition, the capacity of public and private business support institutions was strengthened as 75 professionals were trained as coaches for the young entrepreneurs.

Also with the financial support of Luxemburg, and within the same timeframe, UNIDO implemented another project on youth employment for the Medina in Dakar, together with ILO and the Youssou Ndour Foundation (FYN). The project emphasized the structuring effect of clustering in strategic economic areas on the local economic development, which would allow young entrepreneurs to develop their business ideas. To this end, ten Cluster Development Agents (CDAs) were trained, who later on advised more than 30 business consortia.

In conclusion, the project led to four emerging clusters: a shoemakers' cluster, a fishermen's cluster, a recycling cluster and a "green industry" cluster. The shoemakers' cluster was very successful: it united over 500 shoemakers, who forged a strategic partnership with the Crédit Mutuel du Senegal, thereby generating funding of almost EUR1 million. Furthermore, the project established a community-based Mutual Guarantee Fund that provides access to credit for the youth of the Medina beyond the implementation period of the project.

⁷⁰ International Labour Organization (ILO) Global Employment Trends 2013

Based on these two successful pilot initiatives, a second phase was launched in 2013 that focuses on:

1. Identification of market opportunities: through a value chain analysis of promising sectors (i.e. fisheries and aquaculture, agro-business, livestock, leather and skins, and tourism) and a stakeholder mapping, together with data collection and market research. A regional development observatory was created within the Regional Development Agencies (ARD) to develop promising business opportunities
2. Skills training and development: consultations took place to determine the skills gap and to start informing potential entrepreneurs about the learning opportunities; subsequently, they received training on industry methodologies and were coached on MSME development
3. Soft incubation: the “Maisons du développement local” (MDL) or Local Development Chambers (MDL) were assisted in expanding their services towards delivering incubation services for new businesses; they were also trained on networking and cluster development.

3.2 The Nature of IDEA

The IDEA (Inclusive Development and Entrepreneurship for All) approach addresses youth employment challenges in MICs and LDCs through enterprise development. IDEA is neither a narrow prescription nor a branded tool but a flexible, comprehensive approach within the framework of tools with the broader goal to improve develop businesses and improve income and employment through productive activities. IDEA strives to combine training, support services, access to technology, access to finance and institutional capacity building.

The added value of IDEA pertains to the provision of intensive support to enterprise development through an integrated approach, combining various effective interventions, based on UNIDO’s expertise in enterprise development. In consequence IDEA is generic in nature, enterprise-centred, youth and women specific, integrated, sequential and modular:

- **Generic:** While valuing the specific needs in a specific country, territorial and/or sector context, IDEA suggests going through a number of generic steps for enterprise development regardless of the context and situation.
- **Enterprise-centered:** IDEA emphasises the role of the private sector with a specific focus on enterprise development. At the centre of the development effort stand small and medium enterprises that are considered an important source of employment for youngsters. The enterprise is understood to operate in both a territorial and value chain context.
- **Innovation-oriented:** Young women and men have great potential when it comes to creatively identifying opportunities and conceiving and developing innovative business solutions. Thus the business opportunities and models to be identified in IDEA do not only draw from value chain, market and stakeholder analysis but stem from the engagement of youth in the identification process itself. The focus is on thinking “outside the box” and look at business solutions not only in traditional manufacturing sectors but ICT, green businesses, as well as cultural and creative products⁷¹.
- **Integrated:** IDEA does not aim at “one shot” interventions, e.g. a certain training exercise. Rather it tries to relax all critical constraints to enterprise development simultaneously in an integrated manner. IDEA is part of an integrated approach: as a programme promoting youth enterprise, IDEA complements and supports a broader youth employment policy, one that places business development within the context of education and training, industrial relations, skill development, apprenticeships, traineeships and other forms of vocational opportunities
- **Youth-oriented:** IDEA targets development where businesses can be potentially run by young people or where youth can be potentially employed. Youth faces the same problems of the general

71 Creative Industries for Youth: Unleashing Potential and Growth, UNIDO 2013

population developing and running businesses, but they face also additional challenges associated to their age: limited life and work experience, limited financial resources, limited business networks and contacts and age discrimination by institutions, government or business partners. This requires a nuanced approach to business development engaging youth. Meanwhile youth orientation also means tapping into a dynamic and creative potential of the workforce.

- **Gender-sensitive:** Women face specific constraints to enter the workforce and establish and run businesses successfully. IDEA also aims at empowering young women and tries to achieve this via targeting women's interests in terms of business involvement, young women's participation in the programme. IDEA will contribute to overcome the obstacles to business and work opportunities, through counselling, adequate training, building supportive networks and links to access the necessary resources to enable young women to start and run businesses successfully and enhance their employability on the local market.
- **Inclusiveness:** By addressing the needs of young people and women, who are often disadvantaged in terms of economic and employment opportunities, IDEA strongly promotes social inclusiveness. IDEA's intervention strengthens youths' and women's current and future capacities and improve their opportunities to participate in society and the labour market. They also strengthen integrated business development service provision that help young people and women in the process of their social and professional integration.
- **Sustainability-oriented:** IDEA will promote opportunities for young people to engage in green and environmentally sustainable businesses fostering the use of green technology, re-use of waste and materials and the saving of water and energy. In supporting businesses to absorb adequate skills in the use of resources and environmentally-safe technology IDEA will develop environment-friendly businesses.
- **Sequential:** The IDEA approach has been designed to provide continuous support during the various phases of enterprise development: 1) the preparatory phase - with a focus on training and business plan formulation; (2) enterprise creation - with a focus on business incubation, access to finance and building supportive partnerships; and (3) sustainable growth - with a focus on up-grading, clustering and network formation and investment promotion.
- **Modularity:** Depending on the stage of development of enterprises IDEA suggests applying all or parts of its instruments. More developed enterprises will be subject to less intensive support.

IDEA is a flexible approach that can be adapted to various contexts as well as to rapid changing environments. It requires engagement of stakeholders and trust among project partners. The aim is not only to follow up on business opportunities and developing business making skills but also to get to the point of youth running businesses profitably and sustainability.⁷²

3.3 The Structure of IDEA

Enterprise development is a process that engages in various interrelated steps, starting from the identification of business opportunities to the eventual realisation of the business and further periods of adjustment as described in Box 15 (for a graphical presentation see also Figure 7).

⁷² UNIDO 2011: 51 ff

Box 15: IDEA at a Glance

The outcomes of each of the 5 steps of the programme provide indispensable inputs and tools for the subsequent phases of the intervention. The IDEA approach was as such developed as a logical and comprehensive framework.

1) Identifying value chains and market opportunities

Preliminarily, the “**identification of industrial and market opportunities**” analyses sectors and segments of high growth potential value-chains where to focus intervention to increase impact according to the governmental priorities and in line with the developmental needs of the country as recognized by the international community and UN system. Support structure and counterparts at the national and local level, as well as private sector organizations are identified and mapped out for future engagement. Once the sectors and institutions have been identified, a partnership engagement campaign (Micro credit institutions, banks, companies for internships...) reaches out to the national and local support structures, and the private sector partners and informs them about the programme, its function and the potential of participation. The involvement and support of academia will be sought in the implementation process and as a beneficiary. Furthermore, the support of opinion leaders will also be sought throughout the programme, wherever IDEA is implemented, to enhance the adequacy of the programme to the beneficiaries specific needs and ensure their infatuation.

2) Skills and training development

The second step aims to support youth development through skills-building and training initiatives providing services to youth seeking to create businesses and to those already running one. The development of individual knowledge and skills as well as fostering an entrepreneurial spirit and culture are important elements in enterprise development. Through institutional competency building as well as by stressing industrial relevance and dimensions of skills development, UNIDO aims to expand and enhance training services available to youth and women. Furthermore, including curricula on the importance to respect quality, norms, standards and certification in order to meet statutory and regulatory requirements is determinant for purposes of sustainability. This dimension is important to include at an early stage of capacity building for it to become a mindset for the beneficiaries allowing them to start their business with the possible practices.

3) Incubation services

These first two steps are conducive to the implementation of the third step, which provides services to youth businesses, direct support to enterprise creation and capacity building activities to the identified counterparts and supporting structures such as incubators, technical centers, or local government entities that support MSME development. Attention will be placed on resolving major gaps in managerial, financial and technological terms. The innovative aspect of this step is the transfer of the coaching, support and financial assistance activities to existing institution, foregoing the need to create costly business incubators.

4) Developing clusters and business networks

In this step, the newly created and strengthened businesses will be further assisted through the development of clusters in order to: boost innovation and productivity within the clustered firms; improve their market access (local, regional and international); and help them attain economies of scale. Industrial clustering benefits businesses by giving them access to a skilled workforce, specialized shared services, as well as the opportunity to capture valuable knowledge spillovers, attract investments, foster innovation and access research services. Attention will be placed on building trust among stakeholders in order to enable joint actions and to establish cooperative relationships within the clusters, as well as building business networks and linkages with buyers and international markets to ensure the sustainability of the approach.

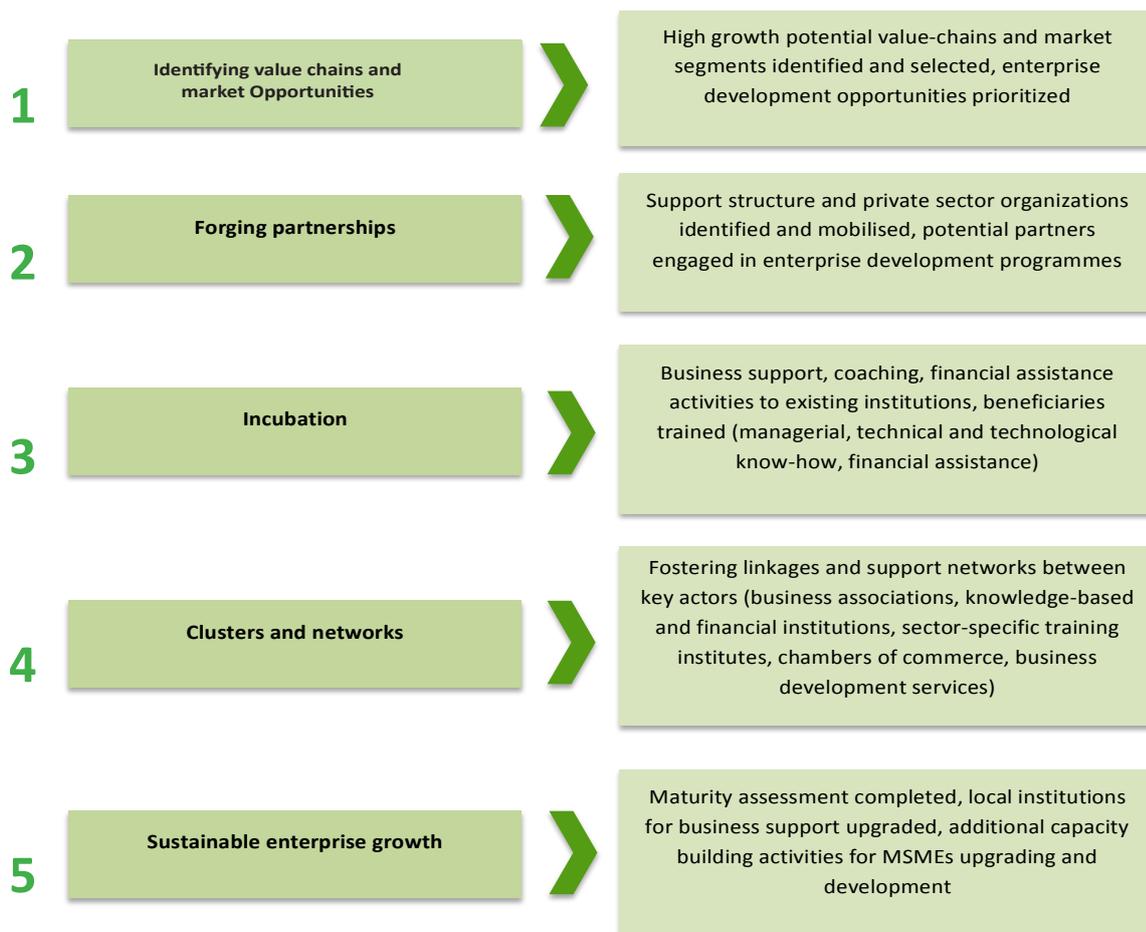
5) Sustainable enterprise growth

Finally, the **viability** of the **businesses** is jointly **assessed** by the local counterpart(s) and UNIDO to appraise the need for further assistance to the beneficiaries and to the institutional supporting structures. The importance of assessing the viability of the newly created enterprises and of evaluating further assistance mechanisms cannot be

underestimated. Indeed the long term sustainability of the intervention is secured if the requirements for further support and development of the enterprises are correctly and timely tackled to avoid regression into the informal sector as well as premature exit from the market. To do so, comprehensive capacity building activities for MSMEs upgrading and development⁷³ will implemented such as ; (1) Access to information and data / Developing growth business plans; (2) Business Counseling, Co-entrepreneurship & Angels Program, (3) Technology upgrading: Raw materials and technology sourcing ; (4) Quality management & upgrading to ensure adherence to international markets; (5) Legal support; (6) Market Access: through Franchising, Clusters, export consortia and subcontracting exchanges; (7) Financial Support: Medium to large financing; (8) Infrastructure, through developing sector specific Incubators, technology Parks and research & development facilities.

The **modularity** of the five (5) integrated steps allows for adaptability in the implementation phase to the effective needs of the beneficiaries, of the supported counterparts and of the country hosting the programme. The programme will also include an evaluation component for identification of gaps and transfer of best practices to ensure effective and sustainable implementation.

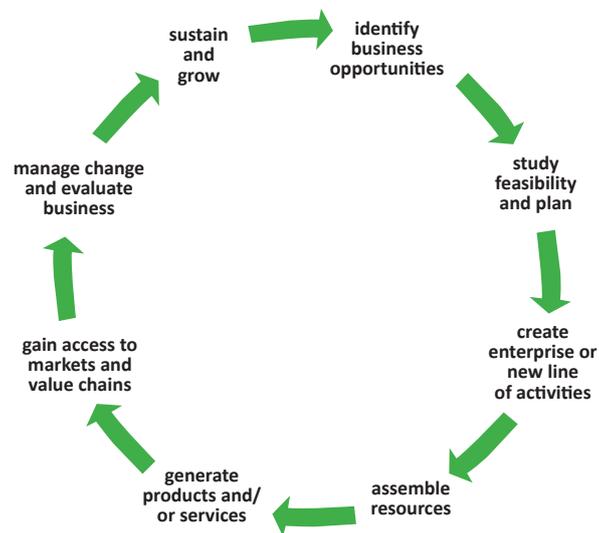
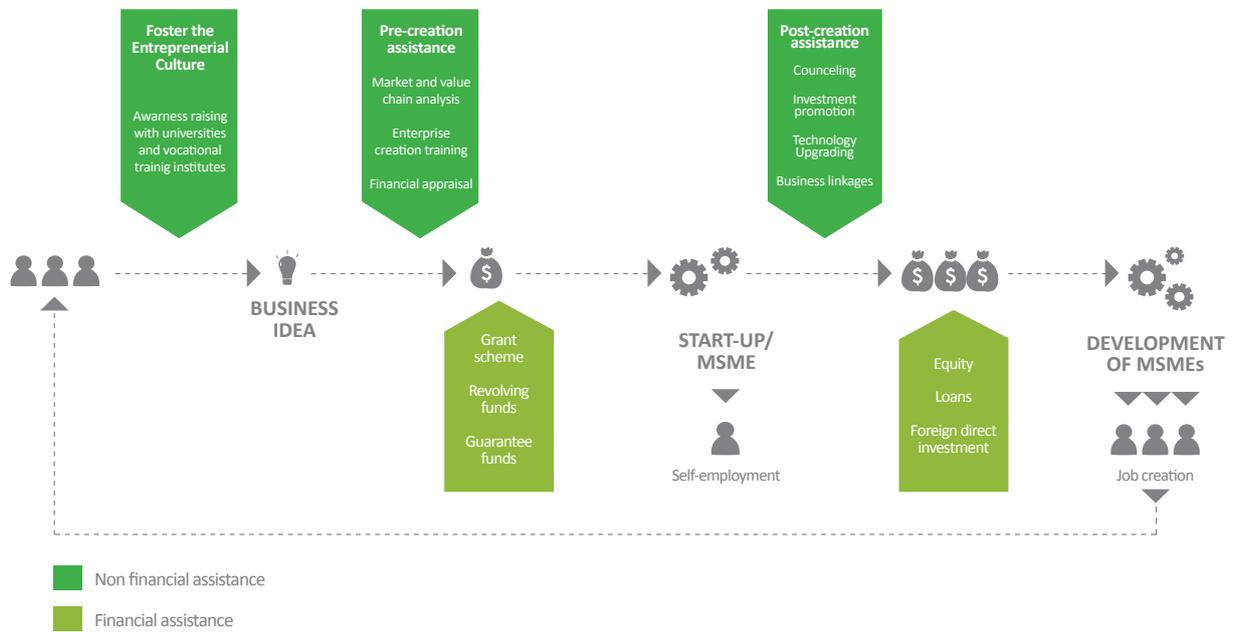
Figure 7: The five steps of the IDEA approach



Source: The authors

⁷³ The foreseen “MSME upgrading and development activities” take stock of the EDIP methodology

Figure 8: Steps in enterprise development



Source: The authors.

3.4 Activities

Step 1: Identifying value chains and market opportunities

The starting point of the IDEA framework is to identify strategic points of intervention and areas in which enterprise development can be fostered. This may relate to certain sectors, value chains and specific subsectors and activities that have the potential to support the development of small, youth-led enterprises. More often than not, no analysis of the most promising areas for enterprise development is available. Even in cases where the strategic sectors are known in advance, less information may be available on how to achieve this.

In order to offer a broad picture of the current business environment, the constraints which exist and the potential opportunities available, IDEA suggests conducting interviews with enterprises and technical experts to establish private sector needs and then crosscheck if these correspond with government priorities. This involves collecting statistical information and analyses of local economic situation, the labour market and existing value chain conditions and marketing opportunities for industrial products. Then a selection process may be applied to prioritize sectors, technical options and/or types of businesses. Based on these choices further feasibility studies and technological foresight analysis will be conducted to gain knowledge on the outcomes and impacts of the business introduction and the resources and knowledge required for its realization. National and local counterparts and potential partners from the private sector will be identified for the implementation of the programme. The various activities and tools to be applied in step 1 include the following:

Activity	Sub-activities
Identify value chains and market opportunities	<ul style="list-style-type: none"> • Analysis of statistical information on local economy and unemployment • Interviews of potential benefitting enterprises • Enterprise surveys on characteristics and functioning of enterprises • Interviews with key-informants regarding industrial dev. potentials • Market analysis • Technological foresight analysis
Prioritize enterprise development opportunities	<ul style="list-style-type: none"> • Key informant interviews with private sector actors • Government priorities and meetings with Government officials
Complete assessment of the relevant finance system	<ul style="list-style-type: none"> • Analysis of the financial system and capacities required
Policy review and road map for enterprise development	<ul style="list-style-type: none"> • Assessing the regulatory environment to enterprise development • Assist the government and relevant stakeholders (including private sector representatives) to develop a road map to foster enterprise development
Identify potential partners and their capacities available for enterprise development support	<ul style="list-style-type: none"> • Stakeholder mapping including available training institutions and enterprise development agencies • Mapping of private sector organizations, academia and opinion leaders
Develop a partnership mobilization campaign	<ul style="list-style-type: none"> • Large-scale communication strategy adapted to reach target groups: beneficiaries; ministerial counterparts; local institutions; partner agencies; private sector organizations; and established companies with the aim of engaging and sensitizing about IDEA • A networking platform is established with selected counterparts and private sector partners to facilitate communication and information sharing

Step 2: Skills development and training

The second step aims to support youth development through skills-building and training initiatives providing services to youth seeking to create businesses and to those already running one. The development of individual knowledge and skills as well as fostering an entrepreneurial spirit and culture are important elements in enterprise development. Through the institutional competency building on Vocational training and on-the-job training or apprenticeship programmes as well as by stressing industrial relevance and dimensions of skills development, UNIDO aims to expand and enhance training services available to youth and women to: diminish the gap between young graduates skills and the skills required by the labor market; and provide the general skills required for setting up and running an enterprise, including capacities in business administration, accounting, planning, marketing, etc.

The step will focus selecting youth and providing assistance on skills development, mentoring activities and enterprise creation through UNIDO methodologies. The process will incorporate incentives and information to facilitate the formalization of enterprises and thereby reduce the degree of informality. Selected beneficiaries will take part in industrial internships to acquire professional experience to strengthen employability or technical knowledge to launch businesses. The latter's facilities

The various activities and tools to be applied in step 2 include the following:

Activity	Sub-activities
Assessment of the vocational training system	<ul style="list-style-type: none"> • Strengthening the institutional management autonomy; • Providing effective analytical and planning tools for the system • Involving the private sector and the local authorities in the development of the system
List of marketable skills for the selected regions will be provided	<ul style="list-style-type: none"> • Consultation mechanism will be established with the private sector to convey inputs in the up-scaling/design of technical curricula for sectors with identified comparative advantages in target
Revision of the technical and entrepreneurship training curricula	<ul style="list-style-type: none"> • Technical specifications for the rehabilitation and re-equipment of the centers • Upgrading trainers' skills • Technical and entrepreneurship skills training are carried-out and trainees provided with tool kits
Instill an entrepreneurial culture in collaboration with the education sector	<ul style="list-style-type: none"> • Development of personal qualities such as willingness and ability to take initiatives, innovation and creativity, readiness to take calculated risks, self-confidence, ability to collaborate
Engage potential partners in enterprise development programme	<ul style="list-style-type: none"> • Joint planning of programme development defining roles, responsibilities and contributions of partners • Partnerships with existing businesses are set up to initiate internships and hands-on training programmes • Information is provided to beneficiaries about the advantages of running a formalized business and its growth opportunities • Target private sector investors through investment promotion

Step 3: Incubation services

This step harbours the core activities of the IDEA approach. Enterprise development and creation involves a wide array of support services that need to be coordinated over time and that need to adjust to the shifting needs of enterprises at different stages in their development. The idea of “incubation” is to provide this kind of continuous support that can be tailored to specific needs and applied in multiple contexts. These support services encompass technical, managerial, and financial interventions. A full-fledged business incubator - with a comprehensive set of support services - may not be feasible to set up or could take a significant amount of time to establish. The idea of the incubation phase is to adopt a modular and flexible approach, which can be used to address the most serious constraints to enterprise development. An innovative aspect of soft incubation is to transfer the business support, coaching, and financial assistance activities to existing institutions, foregoing the need to create costly business incubators. As part of the process of soft incubation, institutional capacity building process is needed to strengthen the institutional partners. Third-step activities also aim to foster linkages with knowledge institutions, such as universities; indeed, knowledge institutions’ facilities can be used as a site for the incubation services, as they possess the human capital, the technical expertise for practical research as well as technological and innovation capabilities. A conjunction with the private sector will enable knowledge application to the development of local economy, and facilitate technology transfer from academia to the productive sector. The various activities and tools to be applied in step 3 include the following:

The various activities and tools to be applied in step 3 include the following:

Activity	Sub-activities
Build entrepreneurial skills among enterprises (owners and employees)	<ul style="list-style-type: none"> • SME and business administration training programs • Training of trainers • Subcontracting of local training providers • Training on business formalization
Provide technical training in production, quality and product design	<ul style="list-style-type: none"> • Upgrading of skills and competencies through technical specialists • Subcontracting of local technical advisory service providers • Support to institution building at local technical training centers including the transfer of technology, equipment and training materials • Partnerships with existing businesses to organize internships and on-the-job training programmes
Help to create new enterprises and build capacity of institutions to provide incubation services	<ul style="list-style-type: none"> • Set up start-up support programmes to be implemented by local institutions (support in registration, business planning, etc.) • Transit Centers are set-up in training centers to ease transition to the market
Provide access to finance	<ul style="list-style-type: none"> • Training on business and finance planning and accessing financial • Assist financial institutions to better serve youth and women entrepreneurs

Step 4: Developing clusters and networks

The fourth step of IDEA leverages synergies among beneficiaries to support enterprise growth and development through clusters and networks building. Clusters are defined as a sectoral and geographical concentration of interconnected enterprises producing related goods and services; an economic reality or configuration that enables clustered enterprises to benefit from external economies. Among other things, cluster development constitutes an important tool to: boost innovation and productivity within the clustered firms; improve their

market access (local, regional and international); and help them attain economies of scale. Which have a direct and positive impact on enterprise development and growth. Additionally, clusters encourage enterprise creation; they are associated with higher growth rates in the formation of new firms and start-up employment (Delgado, Porter, & Stern, 2010). Thus, cluster development initiatives have the potential to become an efficient instrument to tackle poverty and enable inclusive economic growth since enterprise creation and growth, in general, also implies job and income creation (UNDP, 2004).

Clustered enterprises can achieve levels of competitiveness that reach beyond what individual small-scale enterprises can realize. The growth of individual small-scale firms is frequently constrained by limited access to resources and inability to achieve scale and scope economies. These barriers can be overcome by the establishment of cooperative relationships between firms within clusters and also through the uptake of ITC. The formation of clusters also allows firms to take advantage of other external economies, such as the availability of a specialized, more skilled labour force; better access to machinery and input suppliers; and sharing of information and knowledge. The joint actions within clusters range from coordinated activities between individual firms to the establishment of new institutions such as associations and cooperatives.

Clusters are also a useful tool when addressing youth unemployment and job insecurity. First, the cluster development comprehensive approach ensures the application of decent labor standards. By linking the cluster's companies with vocational training centers and universities, young graduates can access trainings where the skills acquired are adapted to the companies needs. As such, more opportunities are created for the youth to find a decent job in the clusters' companies, after their graduation from VTCs or universities having a partnership with the cluster. In addition, an inherent aspect of cluster development is the continuous implication of the public sector. By creating linkages and incentives, governments become more supportive with policies supporting cluster development. Mutual collaboration between local institutions, support institutions and the cluster structure in order to achieve job creation reinforces the business environment and facilitates the creation of mechanisms developing youth entrepreneurship, as well as enabling the establishment of solutions for young women.

Finally, UNIDO's approach to cluster development, focusing on access to markets, access to quality vocational trainings and access to finance and other resources, increases incentives to enterprise creation. In fact, some inherent challenges and risks of entrepreneurship can be reduced or tackled through the cluster structure. Thus, young entrepreneurs participating to the cluster have more chances to create and develop companies, always relying on a supportive cluster structure.

This step will build on UNIDO's extensive expertise and cluster methodology. By fostering the creation of business networks, IDEA will facilitate the integration in local, national and international value chains. To contribute to the achievement of these goals, additional and specific capacity building will be provided to beneficiaries and to local institutions and existing networks.

Activity	Sub-activities
Organise cluster and ensure information exchange and joint learning	<ul style="list-style-type: none"> • Selection and training of cluster development agents • Develop a resilient cluster structure through continuous meetings and common trainings to the cluster members
Develop partnerships with diverse support institutions	<ul style="list-style-type: none"> • Linkages and meetings with potential donors in order to facilitate access to credit for the cluster's companies • Partnerships with vocational trainings and academia to reinforce workers skills and facilitate the access of young graduates to a decent job • Knowledge brokerage - link cluster to knowledge and technology providers (e.g. academia, international sources of knowledge, etc.)

Improve the enterprises' logistics and quality of supplies	<ul style="list-style-type: none"> • Bulk purchase of inputs for cluster members • Organise supplier networks and train suppliers • Support the setting up of producer organisations that engage in added value • Product development to facilitate access to different markets by offering adapted products
Connect enterprises to potential local and global buyers	<ul style="list-style-type: none"> • Buyer inventory • Juridical and business support in contract development • Joint cluster marketing structure and/or export consortiums
Improve value chain governance	<ul style="list-style-type: none"> • Developing value chain stakeholder platforms and networks

Step 5: Sustainable enterprise growth

Once the enterprises have started up and improved, their businesses issues will arise regarding further support required for their sustained growth and development and what additional constraints to enterprise development can be identified and removed. For this purpose, a thorough assessment is required to steer action and direct further interventions to viable enterprise development and growth. Based on this assessment, further business sustaining activities are to be implemented emphasising continuous support and coaching activities rather than one-off capacity building events. Strictly provision of additional support to beneficiaries is to be provided only when required. Of further importance is the assessment of partner institutions' capacities to support enterprise development in the long-run and to take over important enterprise development functions of the programme after its termination. The type of assistance and capacity building needed should be determined through consultation with the enterprises and institutions involved. The various activities and tools to be applied in step 5 include the following:

Activity	Sub-activities
Assess profitability and sustainability of enterprises	<ul style="list-style-type: none"> • Financial (cash flow, IRR, etc.), technical and environmental analysis of enterprises • Enterprise surveys • Economic analysis of income and employment effects • Study on market and technology trends
Provide continuous enterprise development support	<ul style="list-style-type: none"> • Periodic enterprise visit programme for continuous coaching • Periodic training on remaining issues of enterprise development • Subcontract partners to provide business support services • Setup enterprise mentoring programmes
Handing over business support functions to local institutions	<ul style="list-style-type: none"> • Analysis of institutional enterprise development capacity • Programme on further upgrading of institutional capacities • Upgrade and train private business support service providers
Capacity building activities for MSMEs upgrading and development (if needed):	<ul style="list-style-type: none"> • Access to information and data / Developing growth business plans • Business Counselling, Co-entrepreneurship & Venture capital and equity finance • Technology upgrading: Raw materials and technology sourcing • Quality management & upgrading to ensure adherence to international markets; • Legal support • Market Access: through Franchising, Clusters, export consortia and subcontracting exchanges • Financial Support: Medium to large financing • Infrastructure, through developing sector specific Incubators, technology Parks and research & development facilities • Investment promotion with local and international businesses through B2B event and platforms



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