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Knowledge Product on **Rural Youth Employment**

Bridging the gap: How to facilitate access to finance for youth and women agripreneurs

Knowledge Product of the Access to Finance Working Group
of the Global Project Employment in Rural Areas with a Focus on Youth

This Knowledge Product was produced by the Access to Finance Thematic Working Group (A2F TWG) of the Global Project Employment in Rural Areas with a Focus on Youth. Financial inclusion is a key driver of economic growth and development, yet many youths and women in Africa lack access to financial services, especially in rural areas. This Knowledge Product can be understood as a collection of insights, experiences, and learnings from the country teams – Burkina Faso, Kenya, Malawi, and Mozambique – and their partners on their experiences on '*How to facilitate access to finance for project beneficiaries*'.

The How-to-Guide starts with an introduction to and background of the topic. It continues to present case examples in implementation from each of the countries. It concludes with recommendations that summarise the key lessons from the experiences of the country teams as a take-away for the readers.

Table of content

This guide is to be a practical resource for change in facilitating access to finance for youth and women agripreneurs. The guide can be used as an interactive online resource, offering you pop-ups for more information, and linkages within the document.

It is also possible to use the document as an offline document. When utilising this document there is an iteractive map that can be clicked on to see an overview of specific case studies from four countries in Subsahara Africa. Past the overview there is an outline of background information and literature on accessing finance, and inclusion of youth and women. Then the document continues in specificities of each case study, to give further ideas and inspiration on the facilitation of access to finance.

The how to paper is divided into two main parts:

(1) The first one presents a contextual categorisation into the topic with general background information on access to finance in relation to youth, to rural small and medium enterprises (SMEs), to women and their financial inclusion as well as fiancial products for this particular target group, always with a main focus on Subsahara Africa.

(2) The second and largest part of the document focuses on specific case studies and examples of ways to access differing finance opportunities.

Each of these case studies are defined, target beneficiaries outlined and step by step instructions on how to execute the differing examples.

There is also a reference to replicability, budget, time and success factors to consider for reader's own ideas to facilitating access to finance options for youth and women.

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The context of this Knowledge Product

This Knowledge Product was produced by the Access to Finance Thematic Working Group (A2F TWG) of the Global Project Employment in Rural Areas with a Focus on Youth[1] of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The Thematic Working Group spans across the four country packages of the project – Burkina Faso, Kenya, Malawi, and Mozambique. The Thematic Working Group includes members from each country team who virtually come together on a regular basis to exchange on a shared topic of interest, all around access to finance. The discussion and exchange of the group resulted in this Knowledge Product.

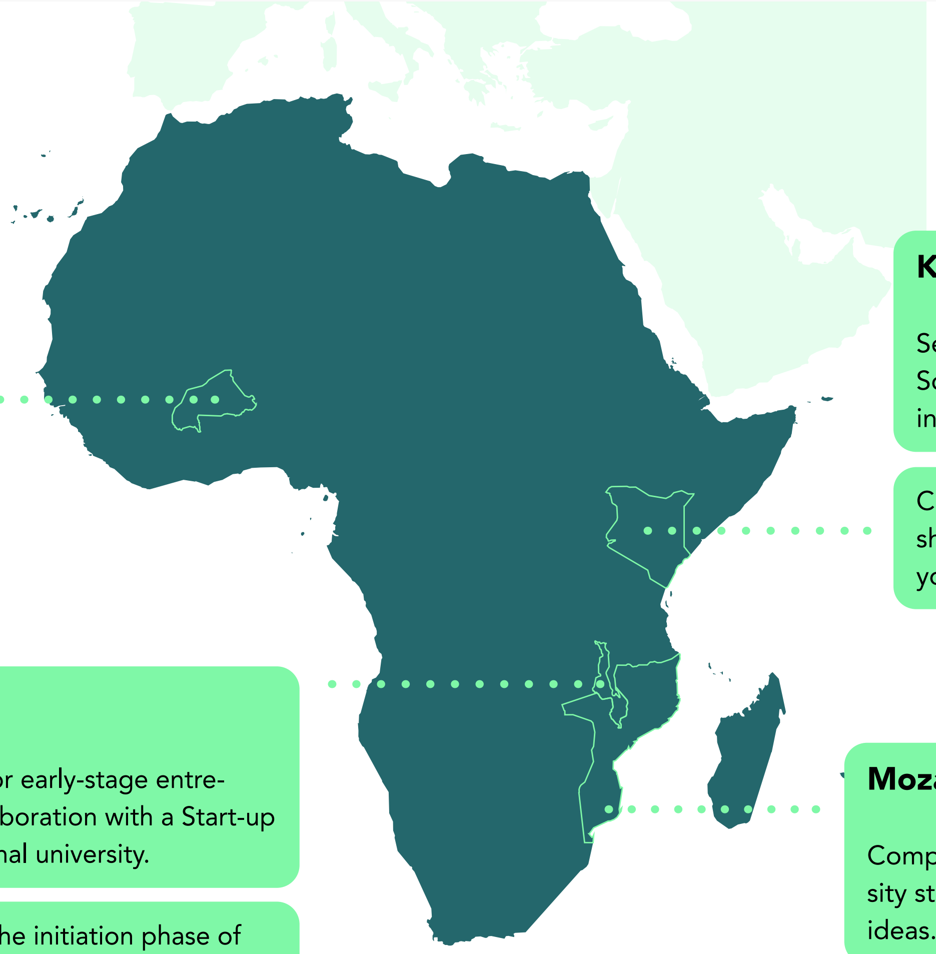
This How to Guide[2] summarises the experiences, insights, and learnings of the four country teams and their implementing partners on "How to facilitate access to finance for project beneficiaries". These experiences and lessons learnt are supposed to help others to not reinvent the wheel. The target audience for this Knowledge Product is narrowed down to partners, donors and other GIZ projects interested in facilitating access to finance and providing instruments for access to finance to rural youth and women agripreneurs and (M)SMEs.

1 The Global Project 'Employment in rural areas with a focus on youth' financed by the special initiative 'Transformation of Agriculture and Food Systems' (SI AGER, former SEWOH) of the Federal Ministry of Economic Cooperation and Development (BMZ) has the aim to improve the employment situation in rural areas, especially for youth and women. The Global Project is implemented in four African countries – Burkina Faso, Kenya, Malawi and Mozambique and runs from 2020 to end of 2024.
2 A How-To Guide provides practical step-by step guidance on the implementation of specific methods used to implement an intervention in the project. Each method is briefly introduced in terms of purpose, context, steps, and implementation tips. It is based on lessons learned and experiences from country teams, partners and relevant literature.

Overview of the 4 countries' examples

Burkina Faso

Framework of an exclusive incubation programme for women and women groups with in-kind support.



Kenya

Seed Grant and Crowd Funding Scheme in collaboration with a local incubation hub.

Credit Scheme integrated in a partnership with the private sector to reduce youth credit risks towards banks.

Malawi

Grant Scheme for early-stage entrepreneurs in collaboration with a Start-up Hub and a national university.

Learnings from the initiation phase of a High-Potential Quasy Equity-Scheme (finally not implemented).

Mozambique

Competitive grant scheme for university students with concrete business ideas.

Competitive credit scheme integrated into a partnership with the private sector focusing on business incubation of concrete problem-solving solutions.

Overview of the 4 countries' examples

Kenya

Long version Example 1

Long version Example 2

Example 1 **Seed-Grant and Crowd Funding Scheme with Lakehub:** This activity focuses on strengthening youth and women in reaching their business goals. Its focus is on fundraising training, as well as other business trainings to aid in successfully financing businesses in local communities.

Example 2 **Integrated Credit Scheme Through an Integrated Development Partnership with the Private Sector (iDPP) with Chicken Basket Limited:** Youth that are partnering with the private sector like the company Chicken Basket Limited, can easier receive bank loans and credit. This is achieved by the bank seeing that the youth farmers are partnered with an established private company, and therefore minimising youths credit risk.

Mozambique

Long version Example 3

Long version Example 4

Example 3 **Challenge Fund Competition with Uninova:** Universities, GIZ and other stakeholders make up a panel that critic youth' business proposals and business plans, in order for the top plans to receive funding. After the initial pitch youth are provided coaching, and when the final business plan is chosen that group continues to receive coaching along with the funds.

Example 4 **Grant Scheme embedded in an integrated Development Partnership with the Private Sector (iDPP) with AGRINOVA:** This scheme aims to work with farms (as business entities) and private companies, providing various trainings to improve farmers' or companies' businesses. A group of private companies, then offer specific issues regarding their business, and teams of various youth members develop business plans as solutions. These plans are then critiqued by a panel, and the top plans receive financial support to implement their business plan.

Burkina Faso

Long version Example 5

Example 5 **In Kind Support Scheme with Empower'Her:** Within the framework of a female-only incubation programme, women entrepreneurs are given the opportunity to be provided equipment and materials for their businesses. The most promising business plans are selected through a jury panel. Beneficiaries chosen received needed equipment and further coaching to establish and grow their business.

Malawi

Long version Example 6

Long version Example 7

Example 6 **Grant Scheme with Start-up Hub Synergy-Labs and LUANAR University:** Early-stage entrepreneurs give applications to attend a start-up training based on pre-determined requirements. Those applicants that are chosen receive training and coaching through various subjects; then they are provided funding to implement their training and improve their start-up.

Example 7 **High-Potential Quasi Equity-Scheme as learning example:** Business owners connect with investors, where the investor gives needed funding for a share in the business. The business owner, over time can pay back this share, and become sole owner again after being established. Financiers can be invested in new growing start-ups, and new start-ups can benefit from the coaching, and financial assistance of the financiers.

2.1 Financial inclusion of youth

Financial inclusion is a key driver of economic growth and development, yet many youth and women in Africa lack access to financial services. It refers to the access and usage of affordable and convenient financial products and services, such as bank accounts, loans, insurance, and mobile money. It has been noted that digital financial services and products accelerate the financial inclusion of youth. Mobile wallets, particularly, offer the opportunity to youth to start transacting beyond cash.

Young Africans are less likely to have a bank account than adults on the continent. At the same time, they are more likely to have a mobile phone, try out new things and be aware of digital channels. This seems to suggest that digital banking could be a winning strategy for advancing financial inclusion among the youth. Youth in Sub-Saharan Africa have limited access to formal[3] financial services, despite having active financial lives. In the past year, 51 percent of young adults across the continent saved money and 44 percent borrowed money while only 26 percent have an account at a financial institution[4]. This demonstrates that many young Africans are actively using informal options to meet their financial needs.

In recent years, there has been a significant increase in the availability and accessibility of financial products targeting youth and women in rural Africa. This development has been grounded on the recognition by policymakers and development agencies that these groups have traditionally been excluded from mainstream financial services, which has had a negative impact on their economic performance and overall rural development in the respective countries.

One of the key factors contributing to the availability of financial products for youth and women in rural Africa is the growth of digital financial services. Mobile money platforms have been instrumental in expanding financial inclusion, enabling millions of people to access basic financial services such as savings, payments, and micro-loans. These services are particularly popular among women and young people, who are more likely to have limited access to traditional banking services.

Nevertheless, access to funding remains a significant challenge for young people on the continent. Some of the causes relate to cultural beliefs and the perception of financial institutions that youth are high-risk customers, due to limited savings in their accounts, lack of assets to offer as collaterals and a limited financial knowledge.

3 We define formal or non-formal financial services through the lens of registered and legal financial services. Whilst banks, International Monetary Fund (IMF), insurance providers etc. are highly regulated and need to be registered to operate, there exists a wide range of informal and often legal financial services such as peer-credits, 'tontine', advance payments from off-takers etc.
4 Feed the Future, 2019: 'PATHWAYS to PROSPERITY - Rural and Agricultural Finance State of the Sector Report'.

2.1 Financial inclusion of youth

There are some unique challenges faced by women and youth in accessing funding[5], due to these factors.

Inability to meet collateral requirements: Lack of fixed and secured assets among women (land, housing).

High interest rates and rigid repayment conditions: Lack of tailored products; scarce variety of informal products; lack of complementary products such as insurance.

Lack of starting capital & lack of access to existing commercial channels.

Lack of networks, knowledge, and links to high value markets limiting youth and female entrepreneurship. Studies show that men have more social connections that enable them to access business opportunities, information, and contacts than women[6].

Regulatory barriers: Weak financial consumer protection; weak access to ID; lack of credit bureaus.

Low levels of education and financial literacy that are leading to weaker business planning capabilities and scarcer business education.

Supply-side barriers: biases and lack of data on youth, especially rural, lack of inhouse expertise to deal with them and their needs.

5 Aceli-Africa, 2020: 'Bridging the Financing Gap: Unlocking the Impact Potential of Agricultural SMEs in Africa'. (https://aceliafrica.org/bridging-the-financing-gap-unlocking-the-impact-potential-of-agricultural-smes-in-africa/) & M.Bowers & K.Hempel, 2021: 'Beyond Finance and Business Skills: Leveraging Behavioural Insights for Entrepreneurship Interventions in Low- and Middle-Income Countries'. Prospera Consulting.
6 FAO & CABFIN Partnership, 2021: 'Access to agricultural finance for young entrepreneurs in developing and emerging contexts'. Webinar-proceedings from 19.05.2021

2.2 Rural youth' access to funding[7]

Supply side constraints limit the availability of financial services, and funding, to rural customers in Africa. Some of the barriers to financial services are faced by both adults and young people in rural communities.

The physical distance between branches of financial services providers (FSP) and rural communities is one of the most significant challenges. Travelling to the nearest town with an FSP is costly in terms of both time and transportation.

Moreover, financial products are often not appropriate for the realities of rural areas and agriculture-based economies, which are characterized by weather, commodity risks and seasonal income fluctuations. Such environments call for flexible types of financial products that better reflect the financial capacity of rural communities.

Specifically with respect to financing rural start-ups, which can be often (rightfully) considered as risky endeavours, financial services are often even more difficult to access. Form the financial service perspective, early-stage entrepreneurs lack track-records, experience, network, and their own capital leading to an adverse position to invest in them by most institutions. Business oriented financial services such as equity, angel-investment, crowdfunding etc. are nonetheless on the rise, and may constitute a real alternative to classical short-term lending of financial means.

In addition to these challenges, young people also face legal and regulatory restrictions (such as a minimum age requirement to open a bank account or obtain a loan), limited knowledge of and experience with financial services, and a lack of adequate protection measures.

These factors are compounded by biases and misperceptions of FSP staff towards the youth, who are not considered bankable.

The additional constraints faced by youth to access funding and financial services inhibit their capacity to engage in productive activities, such as starting a business. When facing poor economic conditions, many youths turn to the informal market for employment, as well as for financial services.[8] Doing so, they enter a loop of vulnerability that hinders their opportunities for growth. Access to financial services can help young people become economically active members of their communities. Offering appropriate financial products to young people in rural areas to help them meet their growing needs and give them more productive options to stay in rural areas is thus crucial for the development and economic growth of rural communities and the agri-food sector.

7 + 8 IFAD, 2015: How to do. Youth access to rural finance. Inclusive rural financial services. May 2015.

2.3 Rural Small and Medium Enterprises' access to funding

Access to finance is a key constraint for firms in Africa, particularly for Small and Medium Enterprises (SMEs), that consistently mentioned it among the top three constraints to business growth.[9]

Recent available information indicates that 82.6 percent of formal SMEs in Africa have unmet financing needs. In Sub-Saharan Africa, only 20 percent of firms received a bank loan or line of credit in 2020, as a result of accessibility and affordability constraints that SMEs face when seeking a loan. Financial services are impossible to access for all those firms that are informal, which represent most firms in the Region. Even for those firms that are formally registered, the total cost of a loan, including high interest rates and transaction costs, are unbearable.

Key findings of the Aceli-Africa (2020) as well as an Insuresilience Solutions Fund (ISF) study from 2019 on the state of lending to the rural customers, and specifically to all the actors involved in the agricultural sector, shed light on some of the reasons for the reluctance of the financial sector to invest in agriculture:

- **Risk to end up in recovery** in agri-SME lending is at least twice as high as in other sectors served by the same lenders in Africa.

- **Returns** in agri-SME lending are on average **4-5 percent** lower than returns in other sectors. Revenues are rarely sufficient to provide a comfortable lending margin, whilst raising interest rates further would make the costs of financing even more prohibitive for borrowers, in a context where prime rate is already well above double digit and the premium for financial institutions is high in response to a risky business environment.

- **High operating costs** (22 percent higher than loans in other regions of the world) and low returns of serving agri-SMEs contribute to sub-par lending economics on the same level as risk (i.e., credit guarantees that only address risks are not sufficient). The operating costs are similar across different loan sizes, but **interest and fee income are proportional to loan size**.

- **Agricultural borrowers are more expensive to reach due to often remote locations**, especially for lenders with a limited local presence; the cost of assessing new value chains or new borrowers is even higher.

- **Larger loans performed better** than smaller ones. due to the nature of loan economics (where there are significant fixed costs, and revenues are linked to loan size, term, and price), lending to smaller borrowers or those with only short-term, seasonal needs is especially unprofitable.

- **Short-term loans** (less than 12 months) **performed better** than long-term loans (12 months or more) and were four times less likely to fall into arrears.

Loans to existing borrowers were significantly **more profitable** than loans to new borrowers. New borrowers' risk of default was twice as high as that of existing borrowers, and new borrowers' loan origination costs were 50 percent higher as well.

Loans in **more formal and integrated value chains performed better** than loans in other crop markets. In Cote d'Ivoire, loans to crops other than coffee and cocoa were **2.5 times more likely to default**. The reasons are manifold, but amongst others is the social handling of cash-vs. food crops, the relatively lower unit-price cost increasing dependency of high-volume production, climatic-risks, etc.

While these factors are all relevant, an overarching issue is that financial institutions adopt their usual processes and procedures which do not fit to the specifics of the agricultural sector. They do not understand it and therefore have trouble assessing risks and opportunities.

Thus, while 60-70 percent of the population works in agriculture, it receives less than 10 percent of commercial bank lending in most African countries. SMEs, which have the potential to facilitate pathways out of poverty for smallholder farmers and low-skill workers, are especially affected. An estimated three in four agricultural SMEs lack sufficient access to finance and the capacity to manage it, leaving an annual financing gap of $65 billion across Sub-Saharan Africa.

9 World Bank, Enterprise Survey www.enterprisesurveys.org
10 Aceli-Africa, 2020: 'Bridging the Financing Gap: Unlocking the Impact Potential of Agricultural SMEs in Africa'. (https://aceliafrica.org/bridging-the-financing-gap-unlocking-the-impact-potential-of-agricultural-smes-in-africa/) & 'Understanding the transition pathways and service needs of rural youth': https://isfadvisors.org/understanding-the-transition-pathways-and-service-needs-of-rural-youth/

2.4 Women's specific barriers to funding

In Sub-Saharan Africa, only 37 percent of women have a bank account, compared with 48 percent of men, a gap that has only widened over the past several years.

Credit rationing through high interest rates disproportionately discourage women entrepreneurs from applying for loans, while lack of collateral can mean they have less access to loans than their male counterparts.[11] And when they do have access, women typically face more stringent loan arrangements than men.

A recent study from the International Monetary Fund (IMF) argues that the credit market's supply side has been overemphasized by academics, policymakers, and practitioners, whilst demand-side factors and their influence on the gender gap in access to finance have been largely overlooked, especially in Africa. However, women's decision-making behaviour also plays a key role in this gender gap.[12]

In the credit market, women entrepreneurs fail even to apply for loans because of factors such as low financial literacy, risk aversion, and fear of failure. Evidence drawn from the credit markets of 47 African countries suggests that women entrepreneurs in Africa, in general, and in North Africa, in particular, are more likely to self-select out of the credit market because of low perceived creditworthiness. These women did not apply for loans or lines of credit because they were discouraged by their own perception that their applications would be denied. Women managers of micro and small firms are more likely than men to self-select out of the credit market.

Surprisingly, the study found that (a) the complexity of application procedures and unfavourable loan and credit terms did not discourage women entrepreneurs from applying for credit, (b) women entrepreneurs' self-selection was not found to relate to the observed creditworthiness of their firms, (c) women's self-selection persisted even in the absence of discriminatory lending practices, suggesting that this behaviour is not merely a response to discrimination by financial institutions.

Along with low perceived creditworthiness, women and men behave differently based on risk, social and competitive preferences. These lead to conclude that closing the gender gap in access to finance passes through gendered interventions on the demand side, while influencing the social gendered norms that influence women entrepreneurs' behaviour.

With greater access to finance working capital, many African women entrepreneurs will see their businesses blossom, paving a road toward a better future for everyone.

11 Morsy and Youssef, 2017
12 https://www.imf.org/en/Publications/fandd/issues/2020/03/africa-gender-gap-access-to-finance-mors

2.5 Availability and accessibility of financial products targeting youth and women in Africa

In the recent years, with incentives from Governments and donor agencies, financial institutions started offering tailored financial products for women and youth.

For example, some banks have introduced special savings accounts designed for young people, while others have created loan products that target women entrepreneurs. In Kenya, for instance, the Government has instituted the Youth Enterprise Development Fund (YEDF) and the Women Enterprise Fund (WEF) to specifically support women and youth led enterprises. These products are often accompanied by financial education programmes and mentorship opportunities, which help to build financial literacy and entrepreneurial skills among these groups.

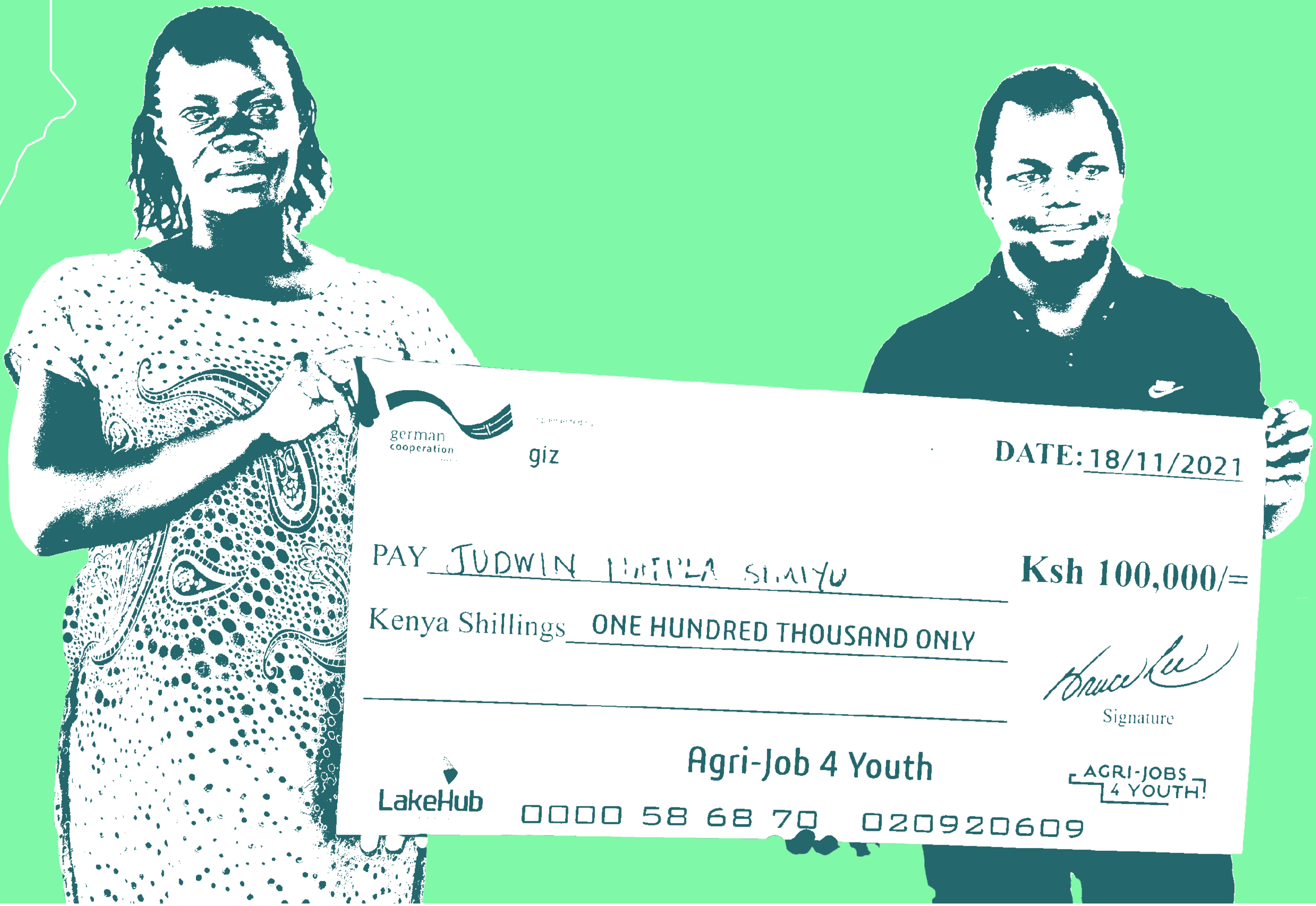
Despite these positive developments, there are still significant challenges to be addressed in ensuring that financial products are truly accessible to women and youth in Africa. One major barrier is the lack of adequate infrastructure and internet connectivity in many parts of the continent. This can limit the reach of digital financial services and make it difficult for people to access them.

Another challenge is the lack of awareness and understanding of financial products among women and youth. Many people in these groups may be hesitant to use financial services due to a lack of understanding or mistrust of formal financial institutions. Addressing this issue requires a focus on financial education and awareness-raising, which can help to build trust and encourage people to take advantage of the available financial products.

In conclusion, while there has been significant progress in the availability and accessibility of financial products targeting women and youth in Africa, but there is still much work to be done. Addressing the remaining barriers to access will require a multi-faceted approach, involving investment in infrastructure, education and awareness-raising campaigns, and partnerships between financial institutions and other stakeholders. However, the potential benefits of achieving greater financial inclusion for these groups are enormous, and the efforts being made to expand access to financial products are an important step in the right direction.

Thus, the Global Project Employment in rural areas with a focus on youth has initiated a variety of solutions that tackle the initial challenges on the one hand and provide solutions for existing financing gaps.

Kenya 1 – Seed Grant with Lakehub



Kenya 1 – Seed Grant with Lakehub

How to set up ··> **A Matching Grant Scheme**

Target audience ··> **Partners, Beneficiaries**

Definition of the grant scheme

A grant scheme is a financing tool used by the project to develop the technical financial management capacity of youth and fill a market gap for youth- and women-led innovative agribusinesses struggling to secure or increase their seed capital that has hitherto not been filled by the financial private sector.

Target beneficiaries

- The focus is on assisting agribusinesses in achieving growth, expansion, or recovery through the application of tried-and-tested business development tools and innovative strategies.
- It aims to seize the opportunity to nurture formally structured businesses prepared for scaling, while also offering limited support to growing enterprises in the process of formalisation.
- Leveraging the strength of existing partnerships with various affiliated organisations, including youth groups, farmers' cooperatives, hub associations, women's collectives, and government bodies.
- The project is directed towards established agripreneurs, potentially those who have prior involvement in regional incubation programmes, ensuring that participants can readily extract value from the initiative's offerings.
- It is committed to a balanced representation, striving for 60 percent involvement of women-led small and medium-sized enterprises (SMEs) within the age range of 18 to 35.
- The efforts are geared towards nurturing businesses operating within value chains that are not only highly profitable but also conducive to youth participation, thus fostering an environment that encourages youthful engagement and success.

What problem is this solution solving?

- Offer an interactive business development programme that seeks to empower and build the capacities of agribusinesses to gain the necessary knowledge and skills.
- Support agribusinesses to successfully strengthen their business models through innovation and prepare and run a successful fundraising campaign.

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Kenya 1 – Seed Grant with Lakehub

How to set up → **A Matching Grant Scheme**

Target audience → **Partners, Beneficiaries**

Step by step set-up

Based on this process, Lakehub has been selected as a leading incubation and acceleration programme in Western Kenya which complements recent/ existing successes with Lakehub on business incubation.

1. The process begins with the preliminary development of the scheme and the careful selection of partners to participate.

2. Collaboratively with the chosen partners, the final scheme design is crafted, contracts are established, and an intricate scheme blueprint is formulated.

3. A webinar is conducted to sensitise and engage youth on the partnership opportunity, offering training, financial support insights, and addressing queries. This outreach spans various channels like Agricultural Technical Vocational Education Training (ATVET) institutions, youth organisations, and social media platforms.

4. Following this, a call for applications is initiated, leading to the meticulous selection of a cohort of 100 promising youth.

5. The selected group of 100 youth undergoes comprehensive training covering essential aspects of fundraising, adept pitching techniques, effective working capital/budget analysis, insights into crowdfunding strategies, and techniques for identifying business fundraising necessities.

6. Out of this cohort, the top 70 participants are chosen to receive a three-month stipend of 100 EUR each. This stipend aids in fostering an in-depth understanding of their businesses or pilot projects, positioning them for the subsequent competition phase.

7. Through a juried selection process, the finest 50 participants are identified as beneficiaries, each receiving a substantial grant of 2,400 EUR per person. This grant, requiring a 100 percent matched in-kind contribution, is supplemented by comprehensive support and guidance for executing a Crowdfunding-campaign, including dedicated training.

8. Subsequent stages encompass the effective distribution of funds, ongoing monitoring, and consistent coaching provisions for the victorious candidates, promoting sustainable growth and learning in their endeavours.

Kenya 1 – Seed Grant with Lakehub

How to set up → **A Matching Grant Scheme**

Target audience → **Partners, Beneficiaries**

Implementing partners

Identification
Through an ecosystem mapping process to determine:
- With whom the GIZ-project can and wants to achieve the goals of the grant scheme.
- What the project influences depending on the scope of our programme/ indicators.
- Who the project wants and can collaborate with (and how).

Criteria
1. Capacities of service provision to entrepreneurs
   - Presentation of the institution – background of the partner.
   - Service provision dimension – evaluation of the offered technical services that are being offered to entrepreneurs including training programmes, coaching/mentorship programmes, networks to external actors, ecosystem facilitation, access to finance, quality management, etc.

2. Internal management capacities
   - Formal structure and processes: the different management and executing departments of the institution and their mandates.
   - Leadership and project management team, support infrastructure/reputation, financial/international fund-management and support for entrepreneurs, employees, and environmental sensitivity.

Indicative budgeting

Total budget: 250,000 EUR
Up to KES 250,000 (2,480 EUR) targeting 50-60 SMEs

Estimated time of the process

The estimated time of the process is 12 months, including preparation and implementation.

How is this tool replicable (outside of GIZ) or scalable?

Whilst it is a challenge of identifying viable actors in the ecosystem, a lead, could be the inclusion of public partners (funds) to create long-term relationships as well as through exposition to other partners for inspiration and potential take-up and/or scale.

Key-success factors

- Institution running such a programme needs to engage admin/accounting-staff early in the process (specifically in GIZ context, due to complexity of processes).
- Potential implementing partners need to be assessed against capacities to run such a scheme.
- Approach of identifying target-groups: Grassroot identification and importance of analysing and adapting communication strategy to fragmented digital-
skills of target group (ex.: an organised webinar already tested the digital-skills of participants and helped adapt further contents and processes to this target-group.)
- Webinars help the teams to engage and motivate the crowd and to validate competition design-decisions/ criteria. In addition, the concept needs to be tested through focus groups prior to the launch of the call of application.
- Thorough research and analysis of target groups to create realistic/ inclusive criteria for the call of applications and ability to win, e.g., eligibility of entrepreneurs older than 35 years to create jobs for youth under 35 years.

Kenya 2 – Integrated Credit Scheme through integrated Development Partnership with the Private Sector (iDPP) with Chicken Basket Limited

Kenya 2 – Integrated Credit Scheme through integrated Development Partnership with the Private Sector (iDPP) with Chicken Basket Limited

How to set up → **An integrated kick-starting Credit Scheme**

Target audience → **Off-takers, development agencies/donors, suppliers of Contract Farming Schemes (youth). It is necessary to adapt products to each of the target groups!**

Definition of the credit scheme

It is a collateral free, market-interest based credit offered by banks to suppliers which have contracts with private sector partners (off-takers).

Target beneficiaries

500 smallholder farmers in groups that have farming contracts with the partner Chicken Basket Limited.

What problem is this solution solving?

- Lack of access to finance for target group, (but easier through companies they are working with.)
- No assets for collateral at youth-level, and no cash-flow, therefore 'Who would take the risk to finance them?'. Some companies do provide financing as they are working with these youth which already reduces some risk.
- Anti-side selling strategy: Relationship driven where credit is given to known farmers for their 'growth financing' with guaranteed pricing.
- The scheme can serve as one-off kick-starter or for returning financing needs.

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Kenya 2 – Integrated Credit Scheme through integrated Development Partnership with the Private Sector (iDPP) with Chicken Basket Limited

How to set up → **An integrated kick-starting Credit Scheme**

Target audience → **Off-takers, development agencies/donors, suppliers of Contract Farming Schemes (youth). It is necessary to adapt products to each of the target groups!**

Step by step set-up

1. The initial step involves brainstorming and dialogue on how to expand the existing scheme to encompass youth aged over 35 years, with the participation of partners who have already applied the scheme successfully in previous instances.

2. A pivotal element is the identification of banks well-versed in comprehending Contract Farming (CF) Schemes and equipped with specialised products tailored to distinct value chains.

3. Through the strategic mobilisation of youth farmers via village trainers, the focus is on individuals engaged in Chicken Basket enterprises. These youth farmers have previously undergone comprehensive Training of Trainers sessions on poultry-farming as a business, combined with essential financial literacy training.

4. The Chicken Basket project operates by purchasing produce in bulk. Young farmers are imparted training on poultry good agricultural practices. They secure contracts from private partners and invest their resources in the first year, subsequently gaining eligibility for input loans based on prevailing market prices, and further mitigating risks.

5. The incorporation of Chicken Basket acts as a buffer, minimising youth-credit risks through its firm grasp of Contract Farming Schemes. The initiative maximises the bank's involvement to ensure youth accountability, given the adage that individuals tend to be more committed to repaying loans secured from banks. Additionally, leveraging the bank aids in simplifying cash-flow management and book-keeping for the Chicken Basket initiative.

6. A pivotal condition for youth to open bank accounts is the bank's provision of credit to the account, while the youth must be paying interest or fees at bank-established rates.

7. An essential consideration in this scheme is the inclusion of in-kind inputs, serving a triple purpose: enabling production control, guaranteeing quality inputs for youth, and managing the inherent risk associated with competing cash demands.

8. The operational process unfolds as follows: farmers cultivate, supply their produce to the company, and subsequently receive payments directly into their accounts. The bank deducts predetermined fees or interest rates, enabling farmers to access their net turnover.

9. Continuity is ensured as farmers who require further financing for expansion, such as scaling their operations, become eligible for subsequent rounds of funding. This flexibility often translates into youth seeking refinancing opportunities to diversify their financial resources for additional activities or pressing financial needs.

Kenya 2 – Integrated Credit Scheme through integrated Development Partnership with the Private Sector (iDPP) with Chicken Basket Limited

How to set up → **An integrated kick-starting Credit Scheme**

Target audience → **Off-takers, development agencies/donors, suppliers of Contract Farming Schemes (youth). It is necessary to adapt products to each of the target groups!**

Implementing partners

Identification
• Private sector mapping to identify off-takers
• Mapping to identify 'farming friendly banks'

Facilitation
Project activities are limited to promoting dialogue and negotiations between the banks and private sector off-takers.

Indicative budgeting

The credit is equal to the cost of bundle inputs required for a production cycle. At Chicken Basket it consists of cost of chicks, feed and vaccination for the number of poultry birds the farmer intends to keep.

Estimated time of the process

The estimated time of the process is 11 months, including preparation and implementation.

How is this tool replicable (outside of GIZ) or scalable?

• Very easily replicable and scalable (outside of GIZ-system), even private sector with/if good technical support is available.

• Both parties need existing, stable growing markets: Youth to be sure that the product is being taken off and the off taker to assure off taking from youth.

• Good quality production needed and importance of understanding of benefits of stable relationship to off-taker (contract farming skills).

Key-success factors

• Rigorous coaching and advisory on inclusive contract farming and the overall business model on the part of the private sector partner. This is crucial for the viability and sustainability of the scheme

• Logical/well thought out matching of financial needs among the different partners, and a clear understanding of supply and demand dynamics.

• Mutual trust is a critical element for long-term relationships in the integrated credit scheme. It builds on fair relations and equal voice in contract negotiation and settlements.

Mozambique 3 – Challenge Fund Competition with Uninova

Mozambique 3 – Challenge Fund Competition with Uninova

How to set up ··> **A Grant Scheme Competition**

Target audience ··> **GIZ projects, other donor funded projects, Political partners (e.g. Mozambican national institute of employment *Instituto Nacional de Emprego I. P.* (INEP)), organisations with initiatives to support youth entrepreneurship.**

Definition of the grant scheme

A Business Plan Competition established in partnership with local universities to (i) develop entrepreneurship skills of university students and recent graduates, (ii) support and fund start-ups promoting sustainable businesses for agri-food value chains through Stipends (operation capital) to pilot business ideas and grant funding for the selected most viable businesses.

Target beneficiaries

- University students and recent graduates.
- Preferably from economics and management, engineering, or agriculture faculties.
- With business ideas to be implemented in target province.
- (In lack of suitable applicants, the programme can be extended to other youth, already beneficiaries of entrepreneurship training programmes offered by other partners).

What problem is this solution solving?

Offer start-up capital to young university students and recent graduates, supporting them in incubating their idea and launching their business to market, which no commercial or public financing-source would finance otherwise due to lack of track-records and risky nature of investment.

Mozambique 3 – Challenge Fund Competition with Uninova

How to set up ··> **A Grant Scheme Competition**

Target audience ··> **GIZ projects, other donor funded projects, Political partners (e.g. Mozambican national institute of employment *Instituto Nacional de Emprego I. P.* (INEP)), organisations with initiatives to support youth entrepreneurship.**

Step by step set-up

The overarching concept is being co-created with the partnering Universities

1. Entrepreneurship trainings delivered through bootcamps organised ad-hoc by university lecturers or delivered as part of the course curriculum, embedded into other relevant subjects (i.e., project management, business simulation).

2. Online and offline registration system to submit business ideas. Online form is available on the initiative website www.uninova.co.mz, whilst offline form is available at Faculty office.

3. A panel is established, composed of (i) GIZ, (ii) University, (iii) Political partner, (iv) private sector, (v) financial institution. The panel is given an evaluation sheet to evaluate the pitch of the business ideas.

4. The team presenting the selected business ideas receives a stipend upon signing a symbolic memorandum of understanding with the project, to commit to the implementation of the idea. The stipend is paid on a prepaid card, issued by the partnering financial institution. The card is linked to the project bank account and its statement is accessible from the project online banking. Youth are held accountable without knowing that the project is not mandated to justify these expenses with receipts.

5. The team has 3 months to test and pilot the business idea and gather the necessary information to prepare a complete business plan. During this period, the team receives coaching and support by the University and the project team.

6. The same panel evaluates complete business plans, presented with a new business pitch. The business plans are evaluated based on (i) Employment creation potential, (ii) Innovation, (iii) Sustainability, (iv) financial management and reporting during pilot.

7. The best business plan are awarded the grant, based on funding availability.

8. Each plan agrees on a disbursement plan in 3 tranches, based on deliverables set by the youth, in the business plan. The funds are disbursed to the prepaid card of the team. It is envisioned that in the subsequent 9 months the team will register the business and eventually open a bank account.

9. Each business is allocated a coach. The coaches have private sector experience, and they are invited to participate in a mentorship training before starting their duties. Each coach needs to have at least bi-weekly meetings with the beneficiary. The coaches are coordinated by the local advisors.

10. A peer learning platform is established to facilitate communication among the young entrepreneurs.

Mozambique 3 – Challenge Fund Competition with Uninova

How to set up ··> **A Grant Scheme Competition**

Target audience ··> **GIZ projects, other donor funded projects, Political partners (e.g. Mozambican national institute of employment *Instituto Nacional de Emprego I. P.* (INEP)), organisations with initiatives to support youth entrepreneurship.**

Implementing partners

Unizambeze (public), Catholic University of Mozambique (private), Unilurio Business School (public but financially independent)

Indicative budgeting

Total Budget: 180,000 EUR

- 25,000 EUR Training of Trainers of university lecturers
- 15,000 EUR for training and events in universities
- 90,000 EUR Funding to start-ups (45 business ideas piloted, 21 start-ups selected for funding (at least 6 women-led)
- 25,000 EUR Coaching support to funded start-ups
- 25,000 EUR for Advisory to scale up businesses
- 500 EUR (in local currency equivalent) for each stipend to pilot test idea
- 3,000 EUR (in local currency equivalent) for start-up funding

Estimated time of the process

The estimated time of the process is 12-18 months, including preparation and implementation.

How is this tool replicable (outside of GIZ) or scalable?

It is set-up now in a way that it is replicable by other partners off-shelf. The same set up can be used to involve more universities and or training institutions in the country. Currently it is just limited to the 3 institutions, but it is purposefully tested with three institutions with different legal status.

The consortium DEV-Como, the service provider, manages funds and disburses, which makes the process easy.

Key-success factors

- Engage universities in planning activities since the beginning and let them take ownership of the initiative will drive costs low and increase commitment of management and trainers.
- Let universities decide on outreach strategies but provide marketing materials in a centralised manner to ensure brand alignment.
- Organisation of regular events to disseminate the initiative and engagement of youth already awarded to increase interest from other youth (e.g. weekly internal idea pitch to stimulate creativity).
- Establish local partnership with other incubators to leverage local competencies of coach and mentors.
- Invite parents to participate in the award ceremony, to increase external recognition and acceptance of the youth and their entrepreneurial journey.

Mozambique 4 – Grant Scheme embedded in an integrated Development Partnership with the Private Sector (iDPP) with AGRINOVA

Mozambique 4 – Grant Scheme embedded in an integrated Development Partnership with the Private Sector (iDPP) with AGRINOVA

How to set up → **Integrated kick-start grant scheme**

Target audience → **Other development agencies, other projects (incl. GIZ), private sector (lead firms are not major players, they often need inspiration support for integration of supply chains/ value chains), political partners for anchorage and visibility**

Definition of the grant scheme

A Business Plan Competition established in partnership with anchor firms to (i) develop business planning skills of young entrepreneurial producers, (ii) support and fund processing and service provision businesses in rural areas (serving the targeted value chain).

Target beneficiaries

13 entrepreneurial youth in rural areas, already generating some income from production and already conducting some other business activity, in need of capital and business support to start a new business or to grow their own.

What problem is this solution solving?

Problem: Company recieving bad/raw/heterogenous quaility.

- Offer start-up capital to young entrepreneurial producers' university, supporting them to start-up and launching their business to market.
- Limited incomes experienced by rural youth.
- Limited service-provision and products within rural communities.
- Product demand-driven from youth and private sector.
- Crops needed for added value to increase income for farmers and generate better products for the private sector.
- Farmers often experience rejection of products, no premium for quality products paid, initial funding is missing to grow and become formal and thus no increase of credibility/ start track-record (farmer needs to bring collateral of 120 percent of credit).

back

Mozambique 4 – Grant Scheme embedded in an integrated Development Partnership with the Private Sector (iDPP) with AGRINOVA

How to set up → **Integrated kick-start grant scheme**

Target audience → **Other development agencies, other projects (incl. GIZ), private sector (lead firms are not major players, they often need inspiration support for integration of supply chains/ value chains), political partners for anchorage and visibility**

Step by step set-up

This process is necessary to build ownership over financial management of the beneficiary.

1. Existing integrated Development Partnership with the Private Sector (iDPP) partners express issues/challenges they face, introduce GIZ (Como – consultancy for GIZ) to suppliers (farmers) and solutions are being designed.

2. Good Agricultural Practices (GAP), Farmer Business School (FBS), Financial literacy trainings to farmers with auto-exclusion through investment of time to participate etc. (soft preselection of final beneficiaries).

3. Project team prepares business plan samples for potential solutions, based on needs assessment, price scouting and focus-groups with farmers in the value chain.

4. Farmers/ or team interested and eligible participate in business modelling and business planning training (2-day training). (What is the seed-processing business models? What numbers are key?).

5. Farmers apply it with numbers and proof match 10 percent of investment (in cash).

6. A panel is established, composed of (i) GIZ, (ii) anchor firm, (iii) Political partner, (iv) financial institution. The panel is given an evaluation sheet to evaluate the pitch of the business plans. The panel for selection to choose best (7-8) farmers to receive the grant.

7. The team presenting the selected business ideas receives a stipend upon signing a symbolic memorandum of understanding with the project, to commit to the implementation of the idea. The stipend is paid on a prepaid card, issued by the partnering financial institution. The card is linked to the project bank account and its statement is accessible from the project online banking. Youth are held accountable without knowing that the project is not mandated to justify these expenses with receipts.

8. The team needs to start the process to register the business.

9. The project team in coordination with local authorities and partnering financial institution facilitates the process to open the bank account for the beneficiary.

10. Once the bank account is open, the team receives the grants (cash) directly paid by Como.

Mozambique 4 – Grant Scheme embedded in an integrated Development Partnership with the Private Sector (iDPP) with AGRINOVA

How to set up → **Integrated kick-start grant scheme**

Target audience → **Other development agencies, other projects (incl. GIZ), private sector (lead firms are not major players, they often need inspiration support for integration of supply chains/ value chains), political partners for anchorage and visibility**

Implementing partners

The fund is managed by the project for the anchor firm in the iDPP (a medium or large size agribusiness already committed to develop producers in its value chain and with a vetted interest in fostering SMEs creation in its value chain).
Financial institution in rural area, supporting the SMEs with financial services.

Indicative budgeting

The total budget of the grant scheme and ticket sizes of the grant fund to the beneficiaries:
Total Budget: 30,000 EUR
- 15,000 EUR funding to start-up processing businesses
- 5,000 EUR funding to service provision businesses
- 10,000 EUR coaching support to funded start-ups

Tickets:
- 400 EUR in local currency equivalent for pilot processing business
- 900 EUR in local currency equivalent or start-up processing business (matched by 10 percent contribution of producer)
- ±350 EUR in local currency equivalent for service provision and distribution businesses

Estimated time of the process

The estimated time of the process is 12 months, including preparation and implementation.

How is this tool replicable (outside of GIZ) or scalable?

It is set-up now in a way that it is replicable by other partners off-shelf.
Como/ service provider manages funds and disburses; this makes it easy.

Key-success factors

Recipients are expected to register their business to operate. This is an important cultural and political factor. In a context where informality is widely spread, the project would face high reputational risk funding informal business activities, when expecting that these can grow and generate employment.

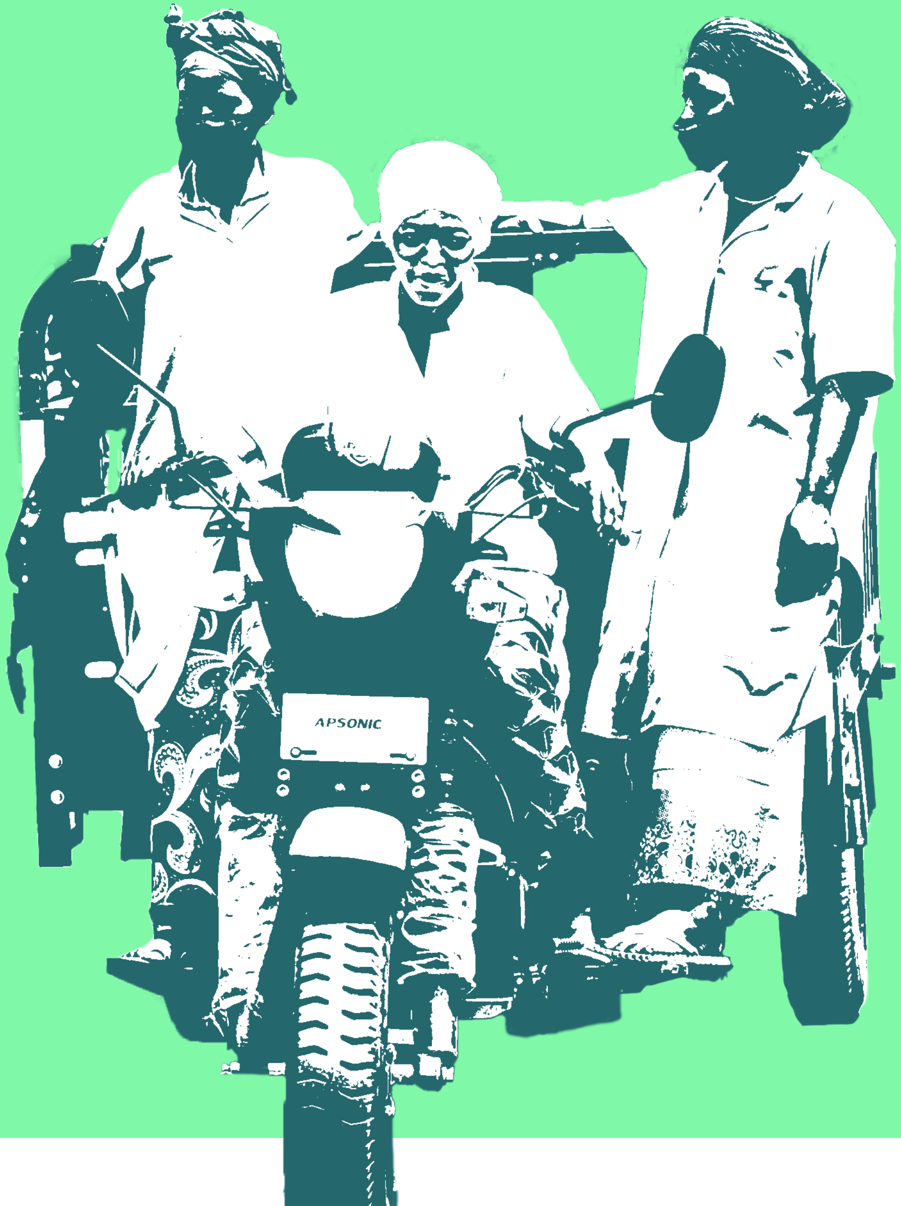
Engage local authorities in the process, to facilitate business registration processes!

Farmers targeted belong to the value chain of the anchor firm, and have already received training interventions, specifically the Farmers Business School.

Potential beneficiaries need to participate in the training on business modelling. They are then presented with ready-made business plans, that are suggested based on the needs assessment conducted in their own community. The assumption is that the level of education and financial literacy of the beneficiary is low, and even if they may be able to identify a business opportunity it would be extremely hard for them to fully formulate a fundable business plan from scratch.

Potential risks:
- Political interference: commissions, nepotism, etc.
- Mismanagement of funds due to low literacy levels (management and beneficiary).
- Public hand not able to interact or engage with private sector –> Relevance for capacity building of public partner to learn on-the-job how to engage skills.

Burkina Faso 5 – In-kind support scheme with Empow'Her



Burkina Faso 5 – In-kind support scheme with Empow'Her

How to set up ··> **In-kind support scheme**

Target audience ··> **GIZ projects, implementing partners, political partners (e.g. local authorities, regional directorate for women, women's professional organisations etc.)**

Definition of the support scheme

Training and supply of processing equipment support for women.

Target beneficiaries

35 female entrepreneurs (individuals and in groups) with innovative ideas, economic viability, and high development potential. 18 of the 70 women started their own business.

What problem is this solution solving?

- The objective is to enable female entrepreneurs to launch their product or service and for existing (M) SMEs to strengthen their production capacity.
- Good use and management of equipment increases the chances of the start-up / (M)SME getting further and more substantial funding.
- The scheme tackles the fact that rural, female entrepreneurs often lack specific competences and systemically have less access to formal lending-products.

back

Burkina Faso 5 – In-kind support scheme with Empow'Her

How to set up ··> **In-kind support scheme**

Target audience ··> **GIZ projects, implementing partners, political partners (e.g. local authorities, regional directorate for women, women's professional organisations etc.)**

Monitoring and Evaluation: After the selection of beneficiaries undertake baseline studies, design selection criteria linked to indicators, analyse effects (after 6 months) after support and then long-term impacts.

Step by step set-up

1. The initial stage revolves around identifying partners who align with the project's vision and aims, fostering a shared understanding of the initiative's objectives.

2. Subsequently, beneficiaries are pinpointed based on well-defined criteria, necessitating a meticulous delineation of the target group and their needs. This involves utilising pre-established business models which prove to be economically viable or conducting mini-field surveys among potential target segments. Additionally, a regional and socio-economic survey is conducted to further identify potential beneficiaries.

3. To engage potential candidates authentically, an open call for applications is initiated, utilising diverse channels like online platforms, women's networks, and local radio broadcasts. Notably, the communication avoids mentioning funding possibilities, ensuring the selection of genuinely motivated candidates. Consideration of communication channels accessible and frequently used by women is crucial (e.g. digital channels often have limitations).

4. The beneficiary selection process encompasses direct interviews and site visits, particularly for existing micro, small and medium-sized enterprises (MSMEs). These interactions lay the groundwork for the ensuing coaching phase, which encompasses both technical and financial training components.

5. Collaboratively with beneficiaries, a diagnostic phase is undertaken to ascertain concrete technical and financial requirements. This step serves as the foundation for subsequent business development support and the presentation/marketing of their ideas. Furthermore, mentoring sessions, and inclusion in trade fairs are integral, strengthening the self-confidence of female participants, unveiling additional needs and propelling the evolution of business plans.

6. The subsequent phase involves a second selection procedure wherein business plans are presented through pitching sessions before a jury. A systematic selection grid is employed, ensuring a fair and structured evaluation process. Successful candidates are awarded funding in the form of essential equipment.

7. The equipment awarded is handed over to the beneficiaries, coupled with ongoing coaching to ensure its effective utilisation. The coaching is specialized as each young woman entrepreneur is partnered with a local businesswoman, giving advice not only on business-related issues but also on the role of self-employed women in the family and society. Broadening the network of successful women entrepreneurs!

8. Vigilant monitoring ensures the right use of the provided equipment and assessing the ensuing impact. This evaluation is conducted six months after the equipment distribution, enabling the project to quantify its influence and refine strategies for even greater effectiveness.

Burkina Faso 5 – In-kind support scheme with Empow'Her

How to set up ··> In-kind support scheme

Target audience ··> GIZ projects, implementing partners, political partners (e.g. local authorities, regional directorate for women, women's professional organisations etc.)

Implementing partners

The French NGO Empow'Her applied for a Grant Agreement Proposal to run a female incubation programme for individual women and women groups which perfectly matched with the project targets. Generally, Empow'Her focuses on women empowerment, capacity development and strengthening of ecosystem for female entrepreneurship. Empow'Her had experience with in-kind support schemes, especially in fragile context like Burkina Faso.

Indicative budgeting

The total budget of the support scheme I was 115,152.84 EUR of which 16,000 EUR were dedicated for equipment. The ten (10) women-start-ups received material support worth between 850,000 FCFA (1,300 EUR) and 1,200,000 FCFA (1,800 EUR).

The total budget of the support scheme II was 150,000 EUR of which 50,000 EUR were dedicated for equipment.
The ten (10) women (M)SMEs and groupings in acceleration received material support worth between 1,491,088 FCFA (2,273 EUR) and 4,460,800 FCFA (6,800 EUR).

Estimated time of the process

The estimated time of the process is 12 months, including preparation and implementation.

How is this tool replicable (outside of GIZ) or scalable?

Within and outside GIZ, procurement and transfer of equipment is a standard-instrument widely used and thus perfectly replicable.

Success-story/ A face to the concept

Madame Zongo Wermé, project beneficiary in Burkina Faso. She participated in the Empow'Her female incubation programme.

For some beneficiaries, the incubation programme made the dream of becoming a woman entrepreneur possible:

'Before the programme, I had already explored entrepreneurship without success. By following the programme, I am becoming more and more aware of the mistakes I made and the safeguards I should have taken, as well as the skills and abilities I should have developed before starting my business. I will try to do it better now.'

Burkina Faso 5 – In-kind support scheme with Empow'Her

How to set up → **In-kind support scheme**

Target audience → **GIZ projects, implementing partners, political partners (e.g. local authorities, regional directorate for women, women's professional organisations etc.)**

Key-success factors

- The carrying out of a diagnosis study at the start of each project is decisive for a better understanding of the needs of the beneficiaries, e.g. young women, and the areas of intervention of a project.
- Combining training, coaching, private sector involvement and microfinance institutions results in an integrated approach that creates employment and income opportunities of interest to the stakeholders.
- Work with individuals but also women groups.
- Involve beneficiaries in the technical specification of equipment (have proforma invoices for desired equipment if possible).
- Ensure quality of equipment purchased.
- Payments for working capital and rent beyond equipment for inputs and raw material.
- In the future, try payment of 50 percent of equipment and 50 percent of cash for learning to manage cash, by still supporting the procurement process due to its structural complications in Burkina Faso.
- Facilitation of group purchases to save costs.
- Include key information of safe use of equipment in technical trainings for beneficiaries.
- Consider maintenance and sustainability of equipment (e.g. choosing brands that are locally available and provide maintenance service).

Mentoring/ Coaching

- Importance of women mentoring women. If not applicable, at least 'mixed' coaching-team.
- Co-development between 4-5 people for exchanges facilitated by focal points/ mentors/ coaches.
- Need-based coaching, on demand from women and bottom-up instead of top-down approach.

Malawi 6 – Grant Scheme with start-up hub Synergy-Labs & LUANAR University

Malawi 6 – Grant Scheme with start-up hub Synergy-Labs & LUANAR University

How to set up → **Stipends and an in-kind grant scheme**

Target audience → **Other development organisations, incubators, public partners (e.g. Small and Medium Enterprise Development Institute Malawi (SMEDI), the Technical, Entrepreneurial and Vocational Education and Training Authority Malawi (TEVETA)**

Definition of the grant scheme

Start-up funding mechanism for idea or early-stage entrepreneurs aiming for the development of a Minimum Viable Product (MVP), undertaking market research, prototyping and experimentation to allow beneficiaries test their ideas, products and services for feasibility in the market.

Target beneficiaries

30 youth in idea stage and early-stage start-ups.

What problem is this solution solving?

- To practically instil financial management into the beneficiaries.
- To allow beneficiaries to put their ideas to test and test their business models.
- To attain proof of concept and business feasibility.
- To inculcate a strong entrepreneurial culture on the beneficiaries with emphasis on financial literacy and business management.
- Design of start-up challenge: project's awareness firstly of the challenges of the target-group to access finance and secondly Early-stagers who need to test and further develop their idea.

Malawi 6 – Grant Scheme with start-up hub Synergy-Labs & LUANAR University

How to set up → **Stipends and an in-kind grant scheme**

Target audience → **Other development organisations, incubators, public partners (e.g. Small and Medium Enterprise Development Institute Malawi (SMEDI), the Technical, Entrepreneurial and Vocational Education and Training Authority Malawi (TEVETA)**

Step by step set-up

1. The process begins with the creation of comprehensive Terms of Reference, outlining the activity design to effectively address challenges, incorporating essential support functions.

2. Identifying the most suitable implementers/partners for the activity involves a thorough partner-screening process within the ecosystem, encompassing government entities, incubators, and accelerators. Collaborative efforts are promoted to harness diverse strengths and create synergies among partners.

3. A call for applications is initiated, clearly detailing specific requirements, qualifications, and resources necessary for executing the desired outcomes. The call also includes indicators that align with the project's goals.

4. Selection is based on the predefined Terms of Reference, followed by the contracting phase to formalise partnerships with selected participants. Achieving a national outreach for optimal talent entails significant costs due to on-site activities, but this step is deemed essential.

5. A subsequent call for applications results in 600 initial submissions, which are then narrowed down to the top 30 candidates (with an additional waiting list of 10). A crucial due diligence field trip is conducted to validate the authenticity of business operations and ownership.

6. Incubation is extended to the 30 selected youth, prioritising women with a 60 percent representation. This phase involves an array of activities including training, technical assistance, networking opportunities, prototyping, market validation, and business model enhancement.

7. Stipends are disbursed to the beneficiaries through mobile money, tailored to their individual business requirements. These stipends are provided for concept testing and business model refinement, with varying amounts determined by business coaches and based on needs.

8. Rigorous monitoring of activities, expenditures, the impact of stipends on businesses, the effectiveness of coaching/mentorship, and networking outcomes are conducted. Along with a pitch competition, offering up to 10,000 EUR for five winning participants (encouraging participation of at least two women.)

9. The subsequent step sees the five winners submitting comprehensive business plans, complete with grant-investment strategies, to be evaluated for in-kind financing through procurement. Each winner receives start-up materials valued at approximately 6,000 EUR.

10. Beyond the competition, participants are exposed to diverse financing options and funding opportunities both within the local ecosystem and at the continental level. This exposure enhances their understanding of available resources and avenues for sustained growth.

Malawi 6 – Grant Scheme with start-up hub Synergy-Labs & LUANAR University

How to set up → Stipends and an in-kind grant scheme

Target audience → **Other development organisations, incubators, public partners (e.g. Small and Medium Enterprise Development Institute Malawi (SMEDI), the Technical, Entrepreneurial and Vocational Education and Training Authority Malawi (TEVETA)**

Implementing partners

Incubators that

- Have experience in offering business development services.
- Are able to undertake Pitch Competition coaching.
- Have a good understanding of the entrepreneurship ecosystem.
- Proven skills in support start-ups accessing capital.

The support function normally seeks to engage between two to three incubators with diverse strengths leveraging their specific areas of expertise. On a minimum, there must be a university-based or research institute-based incubator to allow incubatees to have access to laboratories to test products, scientific support from specialists in different value chains such as nutritionist to support incubatees in value addition. The second incubator must either possess expertise in agricultural technology with capacity to offer Artificial Intelligence integration, Internet of Things (IoT) services and other agriculture-related new technologies or possess expertise in investment readiness and overall enterprise development with capacity to position incubatees for business growth and avenues of financing as may be required by the enterprise. The choice of these two or both for a support function depends on the objectives of the incubation programme whether it is more modern technology related or more into agricultural production and manufacturing.

Indicative budgeting

Ticket-size: 250 EUR to 500 EUR per incubatee. These tickets are working capital funds. The budget for the whole activity ranges from 35,000 EUR to 75,000 EUR (for 30 youth).

Estimated time of the process

XXX?

How is this tool replicable (outside of GIZ) or scalable?

Not costly, for other development organisations or commercial incubators (with 3rd party financing). Ideally in combination with (e.g. Sparkassenstiftung's) simulation-game on financial literacy trainings, as it has proven to increase the quality of the submitted proposals.

Malawi 6 – Grant Scheme with start-up hub Synergy-Labs & LUANAR University

How to set up ··> **Stipends and an in-kind grant scheme**

Target audience ··> **Other development organisations, incubators, public partners (e.g. Small and Medium Enterprise Development Institute Malawi (SMEDI), the Technical, Entrepreneurial and Vocational Education and Training Authority Malawi (TEVETA)**

Success-story/ A face to the concept

Yet to receive materials/ equipment but the story of 1 beneficiary based on stipends (230,000 MWK, 300 EUR):

One of the incubatees entered the programme with the idea to produce chilli sauce. Previously she bought chilli, dried it and added additives. As part of the project's support-scheme, she was attached to a technical coach, a food scientist at Lilongwe University of Agriculture and Natural Resources (LUANAR) to remodel her product towards a better recipe of chilli sauce. She used the working capital (stipend) to buy inputs and rudimentary processing tools. Through a business coach who was also attached to support her, she was able to establish a hot selling sauce within her local community. All the returns from sales were well reinvested into the purchase of raw materials. She improved her business further and 3 months, she was bottling her chilli sauce in well labelled packages (branded with logos and stickers).

Key-success factors

- The management of stipends, i.e. of small amounts of cash, can already serve the purpose of providing a financial management training and stipends are already kicking-off small businesses!
- Combination of stipends and financial simulation-game (e.g. Sparkassenstiftung) is important for cementing financial literacy training and learning by experience on business expenditure.
- Undertake field-visits to validate ownership of businesses and ideas prior to disbursements and thorough monitoring and physical verifications.
- Effective communication of the relevance and use of working capital.
- Actors seem not ready to receive proper cash-grants so that in-kind support helped to learn the importance of investment into own businesses.
- Simulation-game: Gives vivid/ hands-on understanding on how finances are run, and women benefited especially because of the simulation game!
- Transparent communication and effective management of expectations amongst beneficiaries.

Malawi 7 – High-potential quasi equity-scheme as learning example

Malawi 7 – High-potential quasi equity-scheme as learning example

How to set up ···> ...

Target audience ···> **United Nations Development Programme (UNDP), KfW Development Bank, Center for Agriculture Transformation, International Center for Tropical Agriculture (CIAT) etc.**

Definition of the equity scheme

Financing for post incubation support that offers start-up capital to enterprises that have a proof of concept and an established market with an innovative feasible business model to attain growth.

The quasi equity-funding makes the investor a temporary shareholder of the company, before the founder progressively buys back the shares to become sole owner over time, whilst benefitting from expertise, networks and mentoring of the co-owner. The resulting reimbursement is, in the revolving sense, being reinvested in new start-ups. In this case the shareholding dividends held temporarily are used to finance other emerging entrepreneurs.

Target beneficiaries

Any bankable individual.

What problem is this solution solving?

- Fill a gap in accessing basic capital for most early business who cannot otherwise attain commercial capital nor grants restricted to cooperatives and developed enterprises.
- Development of bankable business proposals that will clearly articulate the financial needs of start-ups and the most appropriate financing structure such as credit, equity or quasi-equity and grants.
- Provision of financial services that will respond to the financial requirements of the business proposition.
- Business management support services that will enhance record-keeping and financial management in supported businesses which are key to business growth and sustainability.
- Facilitating scaling up of business to foster growth and accumulation of basic assets to afford other forms of capital.

Preamble

Although this scheme never saw the light of implementation within the Global Project Employment in rural areas with a focus on youth, the preparation and further negotiations with the implementing partner produced enough relevant information to present it here. It can be seen as a future high-potential financing-tool, if certain factors unite and the administration of the donor is compatible with the key-elements of the scheme.

Malawi 7 – High-potential quasi equity-scheme as learning example

How to set up ...

Target audience United Nations Development Programme (UNDP), KfW Development Bank, Center for Agriculture Transformation, International Center for Tropical Agriculture (CIAT) etc.

Step by step set-up

2. Equity Exchange with Implementing Partner: An innovative approach to funding involves beneficiaries offering a portion of their ownership through the sale of a small equity stake to the implementing partner. The resulting capital injection is then pooled into a revolving fund, which sustains the funding cycle and facilitates future support to additional start-ups.

1 2 3

1. Beneficiaries' In-Kind Contribution: Participants in the initiative are expected to make an in-kind contribution, which serves as a tangible commitment from the beneficiaries themselves. This contribution, often in the form of resources, materials, or services, showcases their dedication to the project and bolsters their active involvement in the growth process.

3. Non-Monetary Fund Disbursement: A distinctive feature of the initiative lies in the mode of fund disbursement. Instead of traditional monetary transfers, the implementing partner deploys the funds by procuring assets or covering expenses directly related to the start-up's needs. This in-kind disbursement not only ensures the targeted use of funds but also safeguards against misallocation, fostering efficient and purposeful utilisation of the granted resources.

Implementing partners

Incubators/Accelerators/Microfinance institutions
- Experience in disbursing and managing grants/ funding schemes
- Capacity to inject own funds into the scheme is considered an advantage
- None-Profit microfinance is preferred

Excellent for low-capacity companies as CUMO Microfinance Limited trains and mentor's businesses at high survival-rate which is better than pure grant-support.

No payment of dividends to shareholders, so funding into CUMO Microfinance Limited goes 100 percent back to other entrepreneurs.

How is this tool replicable (outside of GIZ) or scalable?

Proven concept (and examples) by CUMO Microfinance Limited but explicitly not applicable because of GIZ-system. The latter cannot (or only through non-monetary or more opaque architectures) accommodate expenditures that are then being either reimbursed or used for commercial purposes. Thus, specific limitations may apply to each institution depending on their accounting and donor-system.

Key-success factors

- Need for clear process: Design of concept note a development of Terms of References a call for application of implementors a selection of implementing partners to source best ideas/creativity of the market.
- Work closely with potential partners in an intensive workshop to set-up concept and agree on major content instead of lengthy back and forth of word-documents.

This chapter presents the recommendations the country teams have collected based on their experiences. The recommendations provide an overview of what the country teams have learned from their case experiences and are the lessons deducted from implementing various approaches to facilitate access to finance for project beneficiaries – youth and women.

Implementing institution

- Engage partners in planning activities since the beginning and let them take ownership of the initiative which will drive costs low and increase commitment of management, staff and trainers etc.
- Work closely with potential partners in an intensive workshop to align objectives, set-up a concept and agree on major activities instead of lengthy back and forth of emails and planning documents.
- Institutions running financial support-programmes need to engage their admin/ accounting-staff early in the process (specifically in GIZ context, due to complexity of processes).

Outreach/ sourcing of candidates & target-groups

- The carrying out of a diagnosis study at the start of each project is decisive for a better understanding of the needs of the beneficiaries and the areas of intervention of a project.
- Approach of mobilising and reaching out to the target-groups: importance of analysing and adapting communication strategy to potential fragmented digital-skills of the target group and potential limited accessibility of certain communication channels, sometimes only by certain parts of the target group (e.g. women have often less access to digital channels than their male peers).
- Thorough research and analysis of target groups to create realistic/ inclusive criteria for the call of applications and ability to win without creating any harm especially in fragile contexts, e.g., involvement of (M)SME beyond target group could be promising to absorb youth and women and thus create employment.
- Finding entry points to work with or mobilise youth and women, such as youth organisations, women groups etc.

General recommendations

- Recipients are expected to register their business to operate. This is an important cultural and political factor. In a context where informality is widely spread, the project would face high reputational risk funding informal business activities, when expecting that these can grow and generate employment.
- Effective management of expectations to participants and the prospective beneficiaries prior and during the support schemes, including transparent communication of process, selection criteria, and offered support and funding. This is crucial for beneficiaries' trust.

Grants & equipment

- Ensure quality of procured equipment, involve beneficiaries more in the technical specification of equipment (have proforma invoices for desired equipment if possible), assure training of safe handling of equipment and consider the question of maintenance and sustainability. Include definition of key-factors of equipment in technical trainings to improve skill and knowledge around equipment and its procurement/maintenance.

- A support scheme of 50 percent equipment – 50 percent cash for learning to manage cash and structural complication of purchase are advisable. A letter of intention of well-use can increase ownership and sense of responsibility.

  For the case of Burkina Faso, the direct procurement of equipment was prioritised over financial seed-grants, due to the fragile context of the intervention potentially putting beneficiaries into risk or increasing misuse of funds.

- Facilitate group purchases of beneficiaries to save costs.

- Consider youth organisations and women groups as joint users of equipment, additionally to individuals.

- Effective communication of the relevance and use of working capital is key for the stipends and grants to have the best effect.

- Organise pay-outs of stipends and grants in a coordinated manner, through the same channels and at the same time for all. Communicate transparently to all beneficiaries to avoid misunderstandings and frustration.

Risks of the presented cases or financial support schemes

- Risk of political interference of jury members or partners through potential nepotism, condition on commissions, etc.

- Mismanagement of funds by management and/or beneficiaries.

- Interaction or engagement with private sector is not easy. Therefore, consider relevance for capacity building of partners to learn the skills on-the-job.

- Undertake field visits to validate ownership and ideas of supported businesses prior to disbursements as well as assuring thorough monitoring and physical verifications of spendings.

- Consider do no harm principles for selection and facilitation of financial support schemes.

Mentoring/ Coaching

- Good practice of taking advantage of the option of women mentoring women. Oftentimes, social settings, personal experiences or simply preferences for a female coach by trainees, help create safe spaces and may increase the coaching/mentoring outcomes through trust. If not applicable, allow for mixed coaching teams.

- Provide exchange formats for groups of 4-5 people for exchange facilitated by focal points/ mentors/ coaches.

- Create opportunities for peer-to-peer exchange between beneficiaries during and beyond activities. Networking is key!

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