

# Scaling up rural youth access to inclusive financial services for entrepreneurship and employment

**EAST AND SOUTHERN AFRICA**



The IFAD Lessons Learned series has been initiated by the Strategy and Knowledge Department in order to share IFAD's technical experience in smallholder agriculture, rural development and related themes. The aim is to build on lessons learned from projects and programmes to improve performance of initiatives supporting smallholder farmers not only initiated by IFAD but also by other organizations committed to contributing to the 2030 Development Agenda.

The current Lessons Learned note is prepared by IFAD's Sustainable Production, Markets and Institutions Division (PMI) in collaboration with the Eastern Africa Farmers Federation (EAFF) and provides a summary of the lessons learned from the project "Scaling up rural youth access to inclusive financial services for entrepreneurship and employment". This note is a living document and will be updated periodically. If you have any comments or suggestions you can contact the author.

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## INTRODUCTION

In recent years, the importance of access to inclusive financial services, especially among rural youth and women in agribusiness, has been increasingly highlighted in development discourse as the driver for reducing rural unemployment and creating wealth. Access to financial grants and loans, together with improvement in entrepreneurship skills, is key to expanding bankable enterprises that boost youth employment and build their disposable income. It is against this background that IFAD, through a grant to the Eastern Africa Farmers Federation (EAFF), implemented the project “Scaling up rural youth access to inclusive financial services for entrepreneurship and employment in Kenya, Uganda, Rwanda and Burundi” (SYAF) [1]. The aim of the project was to expand the businesses of young men and women through improved entrepreneurship skills, employment of rural youth and increased access to inclusive finance for youth enterprises.

This note contains lessons learned and good practices captured from the project countries over a four-year period (2017-2021). It will contribute to shaping regional policy dialogues and strategies for supporting youth integration in the rural development space. It will also inform the design of future youth projects in IFAD, thus contributing to IFAD’s youth agenda.

### Context and challenges

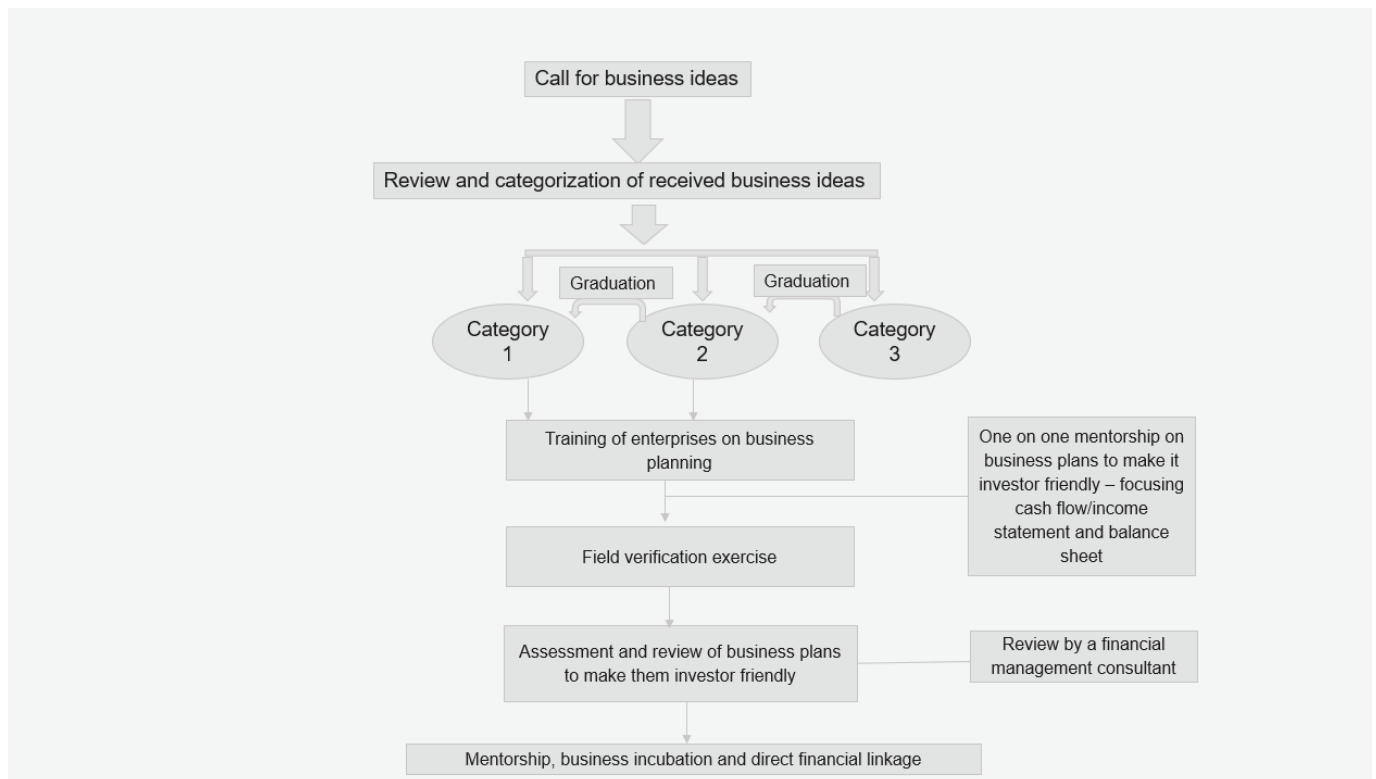
The SYAF grant was commissioned to alleviate the working capital constraints affecting youth-led rural enterprises by unlocking resources for a number of youth enterprises in Burundi, Kenya, Uganda and Rwanda through the use of inclusive financial tools, and in time enhancing their incomes and employment rates. The SYAF project was implemented by the Eastern Africa Farmers Federation (EAFF) from November 2017 to June 2021.



Overall, the project supported capacity-building of rural youth. It provided business development and partnership services to support rural youth entrepreneurs, strategic linkages to financial institutions by responding to calls for business plans, physical linkages to finance, mentorship, and pitching to financial service providers. The project adopted a graduation pathway process for youth enterprises (figure 1) whereby youth enterprises were reviewed based on their business plans and their readiness for financial linkages. The enterprises were then differentiated into multiple levels of readiness, largely on the basis of business viability, scalability of agri-enterprises, training needs of entrepreneurs, growth potential, responsible business approach, cash flow and enterprise innovativeness.

1 The project completion date was 30 June 2021.

Figure 1 **Process flow for financial linkages for youth agrienterprises in East Africa**



The first step in youth enterprise support involved identifying and verifying youth entrepreneurs, for which a call for business ideas was launched, reviewed and categorized. This was followed by a second step consisting of the appraisal of business plans by an external consultant to evaluate cash flows of selected businesses, followed by training in business planning for those enterprises whose plans were approved for further consideration. The objective was primarily to improve the bankability of business plans. This led to step three, where the youth entrepreneurs were further mentored and coached, and their businesses incubated and matched with financial products offered by different financial institutions.

The step-wise approach established a systematic way to evaluate viable business plans submitted by youth enterprises and to select promising youth agribusinesses and potential enterprises that could be linked with financial institutions to access credit and business incubation support. Overall, this minimized the chance of failure along the graduation pathway and created stronger enterprises that promoted youth employment and income.



## Capacity development and mentorship make the difference

Agribusiness development training for youth agri-entrepreneurs is a key prerequisite in linking them to financial service providers. Through the training, the young people acquired various skill sets, such as proposal development and techniques for pitching to banks; they were also able to access financing opportunities. A call for training in business plan development and financial linkages was advertised through social media, national farmers' organizations websites, and other online advertising platforms. Simultaneously, an online registration form was developed for submission. Applications were evaluated on agreed eligibility criteria, which included sectoral relevance (agribusiness-centred). On the basis of these criteria, suitable enterprises were selected for training.

The peer-to-peer learning formed an important cornerstone for growth of some youth enterprises and offered opportunities to learn from other similar youth enterprises. Peer-to-peer learning was central to sharing business tips, success stories, articles, short videos and opportunities, mainly via social media platforms. One representative per youth enterprise was trained in agribusiness management and then cascaded this learning to other members of their groups. In total, 817 youth enterprises that submitted proposals received business development training in a cascaded manner.

### Box 2 Sarah's testimony

One of the trainees, Ms Sarah Wambui of Agrinovation in Kenya, attributed some of her enterprise success to the introductory training offered by EAFF under the SYAF project.

"I trained with EAFF and I received essential tips on how to approach my agribusiness. The training involved looking at my current business and assessing my future growth. It was relevant training for a start-up and it involved taking stock of my expansion needs, approach to business deals and assessment of growth prospects, among others."



### Box 1 African Youth Agripreneurs – AYA

The African Youth Agripreneurs (AYA) marketplace managed by the EAFF offered an important regional platform to bridge the knowledge gap through an interactive online youth agribusiness community. The platform offers space for rural youth agripreneurs to share knowledge and opportunities; engage in peer-to-peer learning and networking; participate in thematic dialogues; access agribusiness online courses, mentorship, coaching; and access do-it-yourself innovation toolkits relevant to their agribusiness. AYA fosters learning and sharing of knowledge among young agribusiness women and men in East Africa. The space allows various youth enterprise innovations to be showcased, offers opportunities to meet mentors and financiers, gives access to technical information and to market products, and altogether improves the success of youth enterprises.

For more information: <https://www.ayaplatform.org/>

## Matching projects to financial institutions promotes growth of youth enterprises

Proposals from youth enterprises were appraised and categorized by a financial management consultant who classified them into three distinct categories: “Go” (overall score of 70% and above), “Maybe” (overall score of 50-70%) and “No/Hold” (overall score of less than 50%) in preparation for financial linkages. The categorization [2] generated important lessons for the youth enterprises in understanding their readiness for financial services, improving their eligibility for loan financing and boosting the success rate overall for youth entrepreneurs in accessing grant and debt financing. A total of US\$1,733,523 was advanced to youth enterprises through matching youth projects to finance (US\$972,182 in Kenya, US\$700,537.146 in Rwanda and US\$60,804.25 in Uganda).

### Box 3 Matching youth enterprises with start-up loans at KCB Foundation

Through the Kenya Commercial Bank (KCB) Programme "2jajiri", Aqua Fahari enterprise was offered a start-up loan at the KCB Foundation. The bank's credit facility did not require collateral, which often hinders youth from accessing finance. Aqua Fahari's repayment was negotiated to allow the youth to start paying back the loan at the onset of their harvest period. Through this supply-demand matching, the enterprise received start-up capital for the installation of a screen house, irrigation pipes, tanks and an electric pump. The training organized by the project prepared the enterprise to be an ideal candidate for the start-up loan.

### Box 4 Phionah's testimony

Ms Phionah, a Rwandan national, has a poultry farming company (POFADE).  
  
“We are thankful for being part of EAFF/IMBARAGA youth project supported by IFAD. We received funds from one of our local banks and expanded the farm from 500 chickens to 1,000+. So far we have created 34 employment opportunities for youth and women on both permanent and casual arrangements.”



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## Increase impact through linkages with IFAD investment projects

The results of the SYAF project were strategically linked with IFAD investment projects to share lessons and experiences. This began through partnership-building meetings held during implementation between the EAFF project team and IFAD country teams. It was then followed by specific engagement initiatives, e.g. the PRODEFI project in Burundi (an investment project supporting youth), which enabled IFAD investments to build on the gains made in the SYAF project – and specifically on aspects of training in business plans, mentorship, coaching and financial linkages. In Uganda, the database of youth enterprises supported by SYAF was shared with the IFAD country team as a step towards leveraging SYAF operational and financial support for youths participating in IFAD projects. The other linkage made is through strategically positioning beneficiaries to foster impacts, e.g. the VijaBiz project [3] that financed one of the SYAF beneficiaries.



2 The categorization was based on an enterprise health check that covered business viability (return on investment), scalability of agri-enterprise, training needs, level of growth, responsible business approach, financial records and innovativeness.  
3 This project aims to create sustainable employment for the rural youth through active engagement in agribusiness <https://www.cta.int/en/project/youth-economic-empowerment-through-agribusiness-in-kenya-vijabiz-sid0f664828b-9ccd-4c1c-bf39-7ebdfd7ffe44>

## FOLLOW-UP AND STRATEGIC RECOMMENDATIONS

- Strengthen the quality and content of business development services (BDS), training and skills transfer services to youth entrepreneurs at different stages of their businesses. For example, provide templates for business plans, financial and accounting plans tailored to the credit approval requirements and conditions of financial institutions (supply side). Likewise, the specific needs of youth entrepreneurs (demand side) should be communicated, advocated and lobbied for, so that financial institutions are encouraged to develop customized, youth-friendly financial products, and youth-friendly credit terms and conditions.
- Good practices from SYAF, such as the youth enterprise categorization and systematic graduation pathway, need to be scaled up through other projects that support youth empowerment in the countries of the project and other countries in the region.
- In order to realize the full benefits and impacts of the AYA marketplace platform, other programmes supporting youth enterprises in the region should strengthen it further and put in place a sustainable funding mechanism, such as a user subscription fee for its service delivery in the long-term. Meanwhile, EAFF is including “paid contents” such as attendance at exhibitions, business tours, tailored technical support and brokered access to certain financial services to ultimately develop a stronger marketplace that will facilitate B2Bs.
- Work on developing the necessary connections with all possible alternative financing sources, including community development grants from NGOs, public and private sector financing programmes, youth specific financing instruments, local government enterprise funds, and similar options.



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### Additional information

The African Youth Agripreneurs – AYA  
<https://www.ayaplatform.org/>

Project website  
<https://www.eaffu.org/ifad/>

Virtual one-stop agribusinesses marketplace in Kenya, Uganda, Burundi and Rwanda  
[https://www.ifad.org/documents/38714170/39155702/Innovations\\_Catalogue\\_FINAL.pdf/31df187d-63f4-f2e6-a3b4-2d760d6d249e](https://www.ifad.org/documents/38714170/39155702/Innovations_Catalogue_FINAL.pdf/31df187d-63f4-f2e6-a3b4-2d760d6d249e)



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