Food and Agriculture Organization of the United Nations

RURAL EMPLOYMENT & RURAL FINANCE

Integrated Country Approach (ICA) for boosting decent jobs for youth in the agrifood system

Youth financial inclusion

Country experiences and lessons learned

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Introduction

This brief presents the lessons learned in the domain of youth financial inclusion emerging from the implementation of the project **"Integrated Country Approach (ICA) for boosting decent jobs for youth in the agrifood system"**. The ICA project, funded primarily by the Swedish International Development Cooperation Agency (Sida), is currently being implemented (for the 2019–2023 period), by the Food and Agriculture Organization of the United Nations (FAO), in Guatemala, Kenya, Rwanda, Senegal, and Uganda.

This document illustrates a range of experiences and models proposed by the ICA project and its partners to facilitate youth access to formal financial services. It presents key lessons derived from the project's experience, including the importance of enhancing youth financial literacy and their awareness of the available offer of financial services, as well as the need to introduce innovations aimed at adapting the offer of local financial services to youth's specific needs.

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Background

There are more young people than ever before. The world's youth population (aged 15 to 24 years old) has reached the unprecedented figure of 1.2 billion, accounting for 16 percent of the world's total population (31 percent when considering the 15 to 35 age range). The global youth population is projected to rise further in the coming decades, peaking at 1.4 billion in 2060. The chief drivers for this growth trend are expected to be **the least developed – and poorest – countries**. Approximately 85 percent of the world's youth reside in developing countries across Africa, Asia, and Latin America and the Caribbean – mostly in rural areas.

Facilitating youth access to finance remains central to FAO's theory of change for inclusive rural transformation, which seeks to support the productive engagement of youth in agrifood systems. Particularly for young agripreneurs, access to quality financial services holds primary importance as it can provide them with the seed capital, savings channels and risk-mitigation mechanisms that are essential to **kick-start and grow their business ideas in the agrifood sector**.

Nevertheless, promoting the financial inclusion of youth remains a considerable challenge for policymakers, development agencies, and development finance institutions alike. According to the 2021 edition of the World Bank's Global Findex publication, 65 percent of youth aged 15 to 24 own a formal financial account against 79 percent of adults aged 25 and older, with the gap being more elevated in developing countries (Benni, Berno and Cungu, 2022). Most youth must rely on family, relatives and friends as sources of funding to start a business. Furthermore, due to the many challenges that young agripreneurs face in accessing formal financial services in developing countries, they are often forced to rely **on value chain agents acting as informal financial service providers** – such as input suppliers and traders – to see their financial needs satisfied. Yet, the financial products offered by many informal providers, including value chain actors, are often more costly and less varied than those offered by their formal counterparts. The access gap in formal financial provision is particularly critical in a sector such as agriculture, traditionally perceived by formal financial institutions (FIs) as low return, risky, uncertain, and lacking granular and insightful data. As a result, young entrepreneurs find themselves particularly constrained by the lack of capital financing when they try to kick-start high value-added business ideas in the sector (Benni, Berno and Cungu, 2022).

As for the ICA project, the baseline survey conducted with youth beneficiaries revealed that the majority (56 percent) urgently need support for financial linkages and access. According to the survey, this is the most needed support for both men and women. Consequently, a central component of the theory of change of the ICA project has focused on fostering the financial literacy of youth, promoting their awareness of the existing offer of formal financial services available in their environments, as well as encouraging a dialogue between youth organizations and formal FIs about the gap between the demand and offer of youth-tailored financial services, and the associated market potential for these services waiting to be unlocked. In particular, by leveraging the substantial knowledge generated through dedicated studies on youth financial access in Guatemala, Kenya and Uganda, a range of interesting innovations have been introduced in the ICA target countries, always following the strategic approach of encouraging solutions that can promote youth agripreneurship and financial access in a synergic manner (***see Box 1*** for a quick overview of the third phase of the ICA programme, 2019–2023).

Box. 1. Quick overview of the ICA programme, third phase (2019-2023)

- **Five countries supported** in developing and implementing strategies or programmes for engaging youth in agrifood systems, like the Siaya County Youth in Agribusiness Strategy in Kenya or the National Strategy for Youth Employment in Agriculture (NSYEA) in Uganda.
- **Two digital platforms established and facilitated**, namely the African Youth Agripreneurs (AYA) platform, and ChispaRural in Guatemala.
- **Around 3 000 young agripreneurs or cooperative members (43% women) supported through pilot models** for access to finance, markets, training, and mentorship (+12 000 through digital inclusion and policy dialogues).
- 1 140 youth, of which 532 women (47%), received specific finance-related coaching, facilitation, or training.

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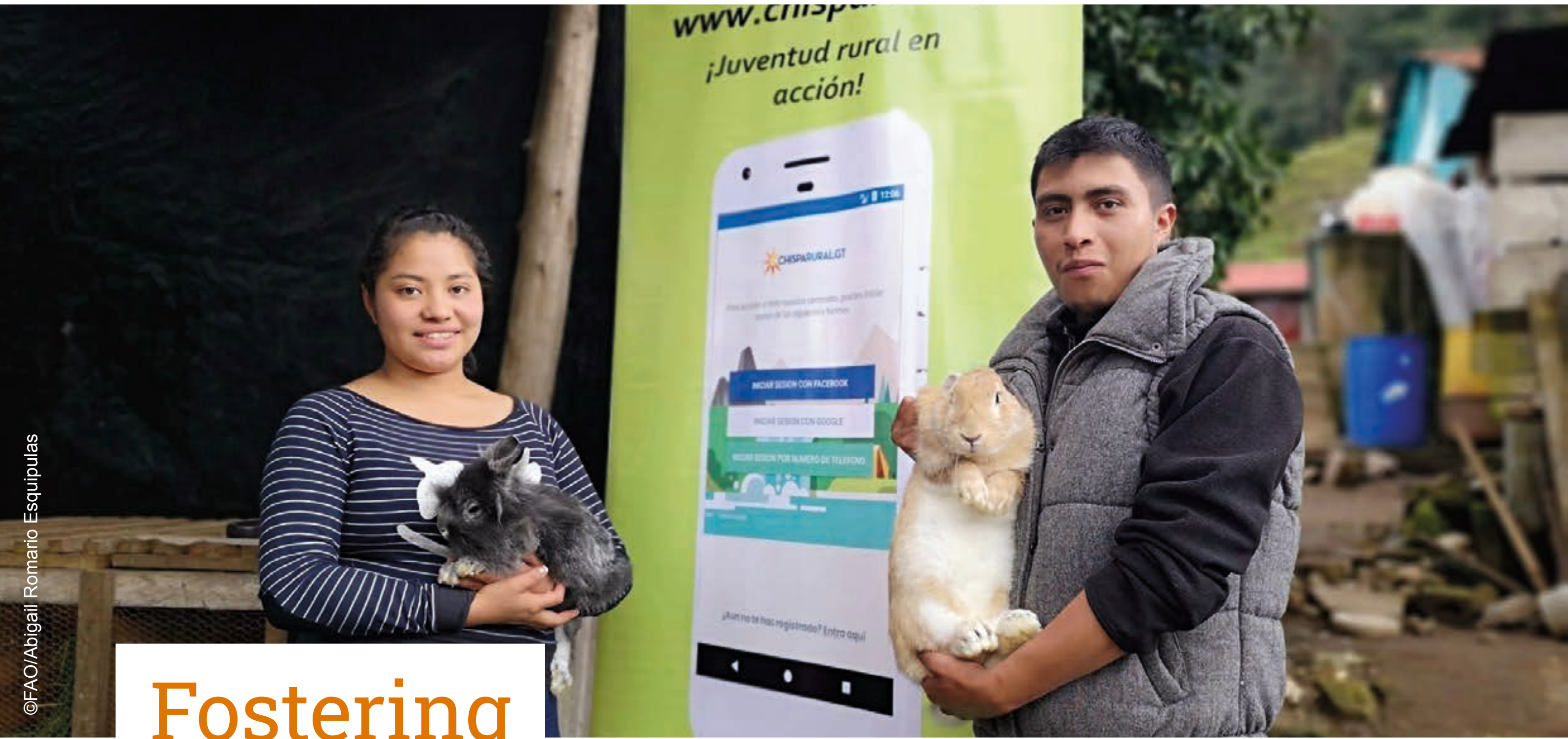

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Fostering youth demand through financial literacy and awareness raising

Across ICA countries, FAO tried to increase youth awareness about the formal financial services available in their environments, as well as of the specific requirements to access them. This was complemented by basic training for young agripreneurs to learn about setting goals, budgeting, saving, spending, and using credit.

In Kenya, based on the recommendations of the ICA study on the state of financial inclusion of the rural youth of Kenya (Benni, Berno and Ho, 2020), access to finance was integrated as a priority component of the ICA youth-sensitive value chain strategy for this country, with the overall aim of fostering youth's capacity to attract the capital required to kick-start and expand their business ideas. FAO identified two entities that were offering favorable loan options to youth, namely the Equity Group Foundation and the Youth Enterprise Development Fund (YEDF), engaging them in providing trainings to young prospective clients.

Equity Group Foundation, the social arm of Equity Group Holdings, seeks to empower young entrepreneurs through the provision of financial literacy and entrepreneurship education. They offer affordable financial products under their Young Africa Works programme, funded by Mastercard Foundation. The YEDF was established by the Government of Kenya in 2007 as one of the flagship projects of Kenya Vision 2030, in an effort to support young entrepreneurs seeking credit to start and expand a business. *(**See Table 1** for an overview of the training activities conducted in partnership with Equity Group Foundation and YEDF.)*

The Kenya experience shows how trainings led by FIs had the immediate positive effect of raising awareness among youth on the existing offer of formal financial services available to them, as well as establishing direct links between youth and FIs. Nevertheless, it must also be remarked that few young agripreneurs were immediately ready to take advantage of existing opportunities, with most requiring additional guidance to navigate the specific application processes. Finally, according to Equity Group Foundation, obtaining credit guarantees remains essential for them to expand the credit offer to the youth clients, as well as supporting them with formalizing and strengthening their businesses.

TABLE 1

Overview of the activities conducted in collaboration with Equity Group Foundation and YEDF

FINANCIAL OR PARTNERING ENTITY	OFFER OF THE FINANCIAL ENTITIES	TRAININGS CONDUCTED UNDER THE ICA PROJECT	EFFECTS ON YOUTH ACCESS TO FINANCE
Equity Group Foundation	13% interest rate. For group loans no collateral is demanded, although youth still need to provide collateral for individual loans, unless there is an established credit history with the bank. Agricultural loans are flexible in their repayment terms, giving young borrowers the option to start repaying upon maturity of the crop. Youth who receive these loans can benefit from a free mentorship and coaching service.	Within the framework of this collaboration, 60 representatives from youth farmer groups in Kakamega and Siaya counties received a 5-day training by Equity Bank on financial and digital literacy, delivered between October and November 2021.	According to a survey conducted among training participants 7 months after the training, 6 youths received credit with Equity Bank out of 8 who applied, while 36 more (or 63% of trainees) were planning to apply following the training (mainly individual loans). The average amount obtained was KES 67 113 (USD 550), with women requesting and obtaining a smaller amount than men. On average, women requested KES 76 667 and obtained KES 43 333 (67% of the amount requested), while men requested KES 286 000 and obtained KES 81 380 (28% of the amount requested). Approximately a quarter of those youth whose applications were rejected did not own conventional forms of collateral.
YEDF	The Fund offers several products encompassing both group and individual loans, such as the *Agri-biz loan* for youth who seek to kick-start or expand specific agribusiness ideas. This credit product provides both working and investment capital, for amounts up to KES 2 million (USD 16 300).	In May 2022, a 3-day workshop was held, co-funded by ICA and another subregional FAO project, over the course of which 340 young people from Kakamega County (179 boys and 161 girls) were sensitized on YEDF's available products.	A survey was conducted among the training participants 5 months after the training. According to the results of the survey, 77% of respondents (81% of women and 74% of men) decided to apply for credit (mainly individual loans) with YEDF after receiving the training. Among those who decided to apply, 23% (14% of women and 28% of men, corresponding to 2 women and 7 men) have already submitted their application, and 44% of applicants have successfully obtained a loan for an average amount of KES 31 111 (USD 250), with women requesting and obtaining higher amounts than men. On average, women requested a higher amount than men (KES 75 000 vs KES 68 571), and obtained a higher amount (KES 70 000 vs KES 20 000).

Source: Author's own elaboration based on internal reports.

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In Rwanda, in 2021, building on the results of a baseline assessment conducted within the framework of the 2020 edition of the Green Agribusiness Fund (GAF) initiative led by JR Farms, ICA Rwanda organized a "Fit for Finance" (F4F) training for youth agripreneurs, aimed at enhancing their financial literacy. The modules of the training, also translated to Kinyarwanda for a more inclusive approach, encompassed the following areas:

1. Learning how to assess your own financial situation, which spanned from expenses to cash flows, to the basics of record keeping;
2. Getting familiar with financing options, which sought to illustrate and explain the core financial jargon used by formal FIs, the variety of existing products offered by these FIs, and basic methods to understand their terms (such as interest rates);
3. How to navigate financial tools, which sought to aid youth in assessing the options available to them in terms of financial offers, as well as understand basic concepts linked to risk management and insurance; and
4. Guiding the youth on business formalization, carried out in collaboration with the International Labour Organization (ILO).

The training was designed to be adaptable to the specific scenario and level of literacy that characterized each participant, by first exploring their level of understanding and interest, then gradually working together through the different financing options available in Rwanda. Examples of such options include the National Agriculture Insurance Scheme or the agribusiness financing options of the Business Development Fund (BDF), which, although not targeting youth specifically, can be accessed by this client segment. The initial feedback from the youth was very positive, the trainings were considered relevant and responding to their needs. The key challenges highlighted by the youth were maintaining basic books of accounts, preparing a business plan and engaging in business formalization. (***See Table 2** for an overview of the training activities conducted under the F4F training.*)

TABLE 2

Overview of F4F training activities in Rwanda

TRAINING PROGRAMME	TRAININGS CONDUCTED UNDER THE ICA PROJECT	EFFECTS ON YOUTH ACCESS TO FINANCE
F4F training by FAO	The training sessions were conducted virtually for 4 days between 13 and 27 May 2021. The target group for the training was composed of 20 young women and 20 young men selected from over 1 000 applications coming from various Rwandan districts. Representatives and members from the Rwanda Youth in Agribusiness Forum (RYAF) attended the training and 32 RYAF members received a refresher Training of Trainers (ToT) in August 2022, with the aim of further replicating the training in the districts. In total, 32 youth (12 women and 20 men) attended the refresher training and could subsequently reach additional 194 youth in different districts (40% females). Also, the F4F training was further replicated within the framework of multiple regional initiatives, such as the Green Agribusiness Fund (GAF) Academy 2021, led and organized by JR Farms and supported by FAO and ILO, as well as the Youth Connekt Summit, organized by the United Nations Development Programme (UNDP) and supported by FAO, from 13 to 15 October 2022 in Kigali.	A survey conducted from March to May 2023 among participants of the F4F training indicated that 27% of participants (31% of men and 21% of women) have already obtained finance as an effect of the training, and 43% (41% of men and 47% of women) have applied for it. On average, men obtained RWF 1 309 000 (about USD 1 154) and women obtained RWF 1 707 500 (USD 1 506).

Source: Author's own elaboration based on internal reports.

Enhancing the offer of financial products that target young agripreneurs

In addition to increasing youth awareness on the service offers available to them and establishing a dialogue with local financial service providers, the ICA project also supported youth in tapping into actual financing opportunities. **In particular, the ICA project initiated partnerships aimed at introducing more youth-friendly financial products and leveraged its own contribution in terms of youth skilling and technical support as a guarantee for the potential service providers**.

In Uganda, an ICA study on the state of financial inclusion of the rural youth in the country (Benni et al., 2020) analyzed the core challenges faced by this category of actors when seeking to access formal financial services. These challenges included: the inability to meet traditional collateral requirements; high interest rates and rigid repayment conditions; lack of business capacity; a bias against using formal financial services owing to negative past experiences; poor banking infrastructure and limited branch network; and an overall lack of knowledge and expertise in agriculture among FIs.

Building on the recommendations of the study, ICA has intervened, first, by raising youth's awareness on financial products and facilities currently available to them (and their associated requirements).[1]

1 In this regard, since 2020 ICA has been organizing regular events to share information about the existing offer of formal financial services in rural areas, familiarizing youth and their organizations with the requirements to access such services. Useful avenues of collaboration were unlocked through the UNDP Youth4Business Facility, which funded at least three selected ICA Youth Champions (YCs) with grants of around USD 30 000.

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Subsequently, ICA explored the availability of youth-specific offers of financial services among FIs. In this sense, discussions began with both Opportunity Bank Uganda (OBUL) and the Uganda Development Bank (UDB) to explore the potential to co-develop innovative financial products tailored to the needs of youth. Against the backdrop of these discussions, OBUL proposed a new credit product for youth characterized by a rather flexible lending approach, although it still carried rather high interest rates (24 percent). With this in mind, it must be noted that OBUL remains open towards lowering interest rates further based on a loan applicant's risk profile. The bank also showed openness towards accepting alternative forms of collateral for credit that could be better available to young entrepreneurs, such as lending against a loan security fund. The OBUL's pilot financial product has been integrated in a proposal for the promotion of the national coffee value chain, developed together by FAO and a consortium of partners, which nevertheless remains unfunded to date and has not yet been implemented.

Regarding UDB, important results were achieved in 2021, when the bank officially launched a dedicated youth-friendly financing strategy with products characterized by rather competitive interest rates compared to the market average (***see Box 2***). To support the strategy, an agreement was signed in 2021, by which, within the framework of a partnership between the FAO AgrInvest Initiative, ICA and UDB, the Makerere University Business School (MUBS) was selected in collaboration with the UDB Business Advisory unit to accompany youth champions (YCs) previously trained under the ICA programme in strengthening their businesses and becoming potential recipients for UDB's financing. The strong linkages with training components (i.e. support from MUBS and the agribusiness training previously provided by ICA) aimed at facilitating youth access to finance by making the provision of financial services for young entrepreneurs conditional on the successful completion of a series of capacity building-related steps, which were expected to offer a guarantee to the financial service provider (i.e. UDB). *(**See Table 3** for an overview of the activities conducted in partnership with UDB and MUBS.)*

Overall, the results of the collaboration with UDB on youth access to finance were limited, with only three youth agripreneurs accessing loans. Youth preferred to rely instead on other financial service providers or Saving and Credit Cooperative Organizations (SACCOs) offering smaller, but easier-to-access loans. While the limited results achieved also depend on the fact that UDB's youth programme is rather new and the dedicated unit within the bank could be fully staffed only after the beginning of the partnership with FAO, it remains unclear to what extent small-sized youth agripreneurs, like the YCs, will actually be able to become UDB clients, especially since most of them lack security to cover their loans. Lessons from the UDB collaboration and the training offered by MUBS will inform and guide FAO Uganda and ICA towards strategizing on how to better engage other FIs to complement the efforts made with UDB, especially for what concerns targeting subsegments of young entrepreneurs who may not qualify for UDB financing.

In a broader assessment conducted in Uganda in 2022, it emerged that the change least mentioned by champions was "obtained financing" (21 percent). The challenge is higher for women, with 44 percent of female champions compared to 17 percent of male champions reporting that they face a gender-specific challenge in access to finance. Interviews with female champions revealed that this is because they often do not own or inherit land. Even when they own a traditional collateral, some financial institutions still require the husband's signature to access a loan. Overall, lack of finance remains a critical area for young agripreneurs and demands more than capacity building and awareness raising, as also confirmed by the qualitative information collected. Stronger support is deemed necessary, including matching grant options and direct financing for more vulnerable youth, as well as removing some persisting gender biases in financial settings.

TABLE 3

Overview of the activities conducted in partnership with UDB and MUBS

FINANCIAL OR PARTNERING ENTITY	TRAININGS AND COACHING CONDUCTED UNDER THE ICA PROJECT	EFFECTS ON YOUTH ACCESS TO FINANCE
UDB and MUBS	Based on an initial screening of 135 YCs carried out according to the financing criteria set by UDB, 50 youth were selected to receive coaching from MUBS to increase their chances to access UDB loans (of which 30 young men and 20 young women). The remaining 85 businesses considered less mature were supported in terms of strengthening their bankability and improving their business practices, while also being presented with additional opportunities linked to other financial service providers (i.e. Centenary Bank, Equity Bank Uganda, Micro Finance Support Centre, and Pride Microfinance). Coaching was offered on proper management of accounts, agromarketing, bookkeeping, financial management, leadership, and other managerial skills.	The pilot was completed by February 2022. Of the 50 young entrepreneurs supported in accessing UDB funding, only 40 went on to pursue a loan application with FI, as some were lacking accounting books or sufficient collateral, or had not completed their business formalization processes. Moreover, 6 young entrepreneurs could not proceed further in this process as their applications were missing some key documents. For those 34 that submitted a full application, the average amount requested was around USD 60 000, mostly destined towards business expansion and asset building. To date, only 3 of the champions supported by MUBS to prepare for possible UDB funding, have accessed UDB loans, while the other candidates remain under pipeline review. A survey conducted at the end 2022 by FAO and the Young Farmers Champions Network (YOFCHAN) with YCs' recipients of previous support, reported that of 54 respondents at least 19 YCs have obtained smaller loans (e.g. average amount is USD 7 300) with other institutions, like SACCOs or commercial banks, like Centenary Bank, DFCU, Equity Bank, and Post Bank.

Source: Author's own elaboration based on internal reports.

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Box. 2. UDB special programmes – the Youth Agro Facility

This product targets youth in the agriculture value chain for both starts-ups and existing businesses.

- Min UGX 100M. Max UGX 540M.
- Debt/Equity Ratio 90%:10%.
- Loan Tenure of 1 to 7 years.
- Grace period of up to 2 years.
- Appraisal fees 0.5%.
- Interest rates 10-12% p.a.

Product Value Proposition. The Bank shall support the purchase, surveying, and titling of land as a component of the main project cost. The details are outlined below:

- Land Survey and Titling: youth enterprises may be supported to enable them to undertake the land survey and titling process.
- Land Purchase: the Bank shall specifically support Youth enterprises by allowing for land acquisition for permanent business premises to be part of the main loan request.

Application checklist for youth

- Completed Application Form, accompanied by:
  1) Business Registration Records: a. Sole proprietorship Deed, b. Partnership Deed, c. Limited company - Certificate of Registration / Form 18,9,20, and articles of association, d. Association registration certificate and certified constitution, e. Cooperative's registration certificate and certified list of members, and f. Trading License (if applicable).
  2) Owner(s) Identification Documents: National ID or passport, 2 passport photos.
  3) Bank/ Mobile Money/ SACCO statements, etc., for 3 months.
  4) Loan statements (where applicable).
  5) Record of assets, liabilities, revenues, and expenditures for 3 years or audited accounts for 1 year from Institute of Certified Public Accountants of Uganda (ICPAU) list.
  6) Projection of revenues and expenditures for a minimum of loan tenor (start-ups).
  7) Valuation report.
  8) Credit Reference Bureau (CRB) card report or registration for one (if not in possession of a card).

More information available at:
Special Programs – Uganda Development Bank (udbl.co.ug)


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Supporting the provision of youth-friendly loans by local cooperatives

In those contexts where the existing offer of financial services was deemed too limited - or not well adapted to the needs of young agripreneurs - the ICA project set out to invest in the design of local innovations aimed at expanding and adapting existing financial services according to youth's necessities.

In Guatemala, a study on the financial inclusion of the rural youth carried out by the ICA project identified as major challenges the lack of business and financial education among rural young entrepreneurs, as well as the absence of public financial mechanisms at national level that could support these actors in obtaining quality financing. Consequently, FAO prioritized the design of innovative approaches to foster the financial inclusion of young people, by partnering with local cooperatives and emphasizing the need to link financial support (in particular, youth-friendly loans) to comprehensive entrepreneurship support, with a view to establishing a virtuous circle of growth encompassing these two areas. Several agreements were signed with local service providers to pilot a more youth-friendly model for financial provision: two with youth grassroots organizations - Asociación de Desarrollo Integral de Jóvenes Emprendedores (ADIJE) and Cooperativa De Comercialización Emprendedores Del Valle (COOPEVA) - that were supported in establishing their own saving and credit system, and one with a cooperative that is already specialized in financial provision - BUENABAJ. The BUENABAJ has more than 25 years of experience in agricultural financing, as well as adequate capacity to not only co-invest in the pilot, but to expand it further. *(**See Table 4** for an overview of the activities conducted in partnership with ADIJE, COOPEVA and BUENABAJ.)*

TABLE 4

Overview of the activities conducted in partnership with ADIJE, COOPEVA and BUENABAJ

FINANCIAL OR PARTNERING ENTITY	SUPPORT PROVIDED BY FAO TO THE ENTITIES INVOLVED IN THE PILOT	EFFECTS ON YOUTH ACCESS TO FINANCE
ADIJE, COOPEVA and BUENABAJ	Rules and standards for youth-friendly credit products have been developed in collaboration with all three entities, including templates for submitting and assessing the loan requests and an investment planning tool. Complementary saving systems were also set up, to assist young entrepreneurs in accelerating their asset building process while also building a relationship with local financial providers. The provision of credit to young entrepreneurs has been linked in all instances to the provision of technical and entrepreneurial support on the part of the ICA project and its partners, while the actual loan applications have been evaluated based on existing assessments of market opportunities.	The piloting of this service is expected to conclude in June 2023. By April 2023, after 16 months of operations, 142 loans were provided, for a total credit amount of approximately USD 88 000 and an average individual loan amount of USD 600. More than 30 different business activities were serviced, of which 51% in the agricultural sector, 42% in commercial activities, and 7% in manufacturing (including agriprocessing). About 37% of these loans were provided to young women. To date, the loan recovery process has been very efficient, with an almost non-existent default rate (i.e. 4 cases with justified delays in repayments being addressed).

Source: Author's own elaboration based on internal reports.

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The results of the pilot model implemented in Guatemala are considered positive. The provision of loans by local cooperatives has enabled youth that would have not been able to access other credit options to obtain small loans for their business activities. An assessment conducted with youth beneficiaries of the ICA project in Guatemala in the second half of 2022 revealed that the project's support in terms of access to finance was perceived positively - 26 percent of respondents reported that they have obtained finance in the past two years, and FAO contributed to it at the scale of 7.4[2]. However, a clear gender gap was observed, with 30 percent of young men beneficiaries of the ICA project obtaining financing compared to only 21 percent of the young women surveyed. The lessons learned from this pilot are expected to inform not only the broader programme of work of FAO in Guatemala, but also the implementation of Guatemala's National Financial Inclusion Strategy (ENIF 2019–2023).

[2] The self-evaluation of FAO's contribution towards the change ranged from one to 10.

Facilitating youth-friendly investments through partnerships with the private sector and diaspora

In some countries, the ICA project also made attempts to facilitate partnerships with the private sector, to channel private investment capital in youth businesses.

In Rwanda, a partnership was initiated between JR Farms, a youth-led agribusiness active in Nigeria (cassava), Rwanda (focusing on coffee), Zambia (cassava), and the Netherlands (trading of agrocommodities). The partnership was aimed at fostering youth access to equity funding through the Green Agribusiness Fund (GAF).[3]

The GAF seeks to invest in youth-owned agribusiness initiatives and companies across Africa that are deemed socially and environmentally responsible in their business dealings. In 2020, the GAF equity mechanism was piloted in Rwanda on a small scale. The initiative was subsequently scaled up in 2021 and dubbed the "GAF Academy", also covering Nigeria and Uganda, and in partnership with FAO and the International Labour Organization (ILO). *(**See Table 5** for an overview of the activities conducted in partnership with JR Farms.)*

[3] The GAF was designed by JR Farms, following their participation at the 2018 Kigali Youth Summit, organized by FAO in collaboration with the Africa Union Commission (AUC) and the Government of Rwanda. Its overall objective is to help raise the next generation of African agripreneurs, who are set to position the region's agriculture on a rising path of decent jobs creation, better food security, and improved living standards.

TABLE 5

Overview of the activities conducted in partnership with JR Farms

FINANCIAL OR PARTNERING ENTITY	ACTIVITIES CONDUCTED UNDER THE GAF INITIATIVE	EFFECTS ON YOUTH ACCESS TO FINANCE
JR Farms	2020: A small GAF pilot was conducted in Rwanda. Youth interested in receiving equity investments from JR Farms could submit their application and were then shortlisted based on multiple business criteria, including aspects related to innovation and economic, social, and environmental sustainability. 2021: More than 80 young entrepreneurs were trained, graduated and received certificates within the context of the GAF Academy, while 10 of them were further selected for potential funding. The decision to organize the online GAF Academy prior to the selection of the recipients for funding was determined by the challenges faced by JR Farms during the 2020 pilot when trying to identify youth-led agribusinesses that were ready for investment. The academy provided an 8-week training programme (from September to November 2021) to youth agripreneurs, with content spanning topics like access to finance, agribusiness value chains, business formalization, cash flow management, marketing and branding, negotiations, partnerships, product innovation, record keeping, team selection, and technology.	2020: One Rwandan company finally opted to sign a contract with JR Farms and receive equity funding in 2021 (for approximately USD 5 000). 2021: Two young agripreneurs received grants in Nigeria and Rwanda, while 6 others were supported in their business formalization process in Nigeria.

Source: Author's own elaboration based on internal reports.

While GAF was designed as an innovative and youth-led experience, JR Farms experienced some challenges during their piloting, especially in terms of guaranteeing the continued commitment of the beneficiaries supported through the equity investment, prompting them to reconsider the whole approach, moving from equity to a more classic grant support, as part of their cardinal goals to raise the next generation of agrarian leaders in Africa.

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In Uganda, the FAO project *Strengthening Capacity to Harness Positive Effects of Migration* contributed to facilitate diaspora skills and investments transfer for the benefit of the youth champions identified through the ICA project. FAO contributed to strengthen the enabling environment for diaspora contributions to the agribusiness sector of Uganda by enhancing coordination across migration and agriculture stakeholders on diaspora engagement in agribusiness, as well as by mobilizing Ugandan diaspora agripreneurs based abroad. Following the setup of the first Uganda Diaspora Agribusiness Network (UDAN), made by around 90 diaspora agripreneurs based in Europe, Japan and the United States, FAO's project piloted the first diaspora-youth agribusiness matching initiative to identify and facilitate collaborations between Ugandan diaspora agripreneurs and youth champions. Several diaspora stakeholders expressed interest in supporting youth champions through targeted investments and skills transfer. *(**See Table 6** for an overview of the activities conducted in partnership with UDAN.)*

TABLE 6

Overview of the activities conducted in partnership with UDAN

FINANCIAL OR PARTNERING ENTITY	ACTIVITIES CONDUCTED BY FAO IN COLLABORATION WITH UDAN	EFFECTS ON YOUTH ACCESS TO FINANCE
UDAN	A range of support interventions were carried out: selected youth champions were supported in preparing and presenting business pitches to an audience of diaspora investors; youth businesses profiles were created and uploaded to the ICA-led AYA platform and linked to the diaspora; and a dedicated matchmaking conference was organized, followed by several business-to-business (B2B) meetings.	In 2022, a formal agreement was signed between a diaspora company called Waribe Limited based in the United Kingdom, and a youth champion organic farm in Kabarole District, called Greeco Organic Farm. The diaspora company is providing support to Greeco Organic farm through: (i) the purchase of a solar dryer; (ii) the pre-payment of around USD 135 to purchase dried vegetables; and (iii) knowledge transfer on food safety. Furthermore, a second agreement between Wisegates Company Limited, a diaspora company registered in Kenya and Uganda focused on post-harvest handling and product marketing support, and Imani Grain Millers, a youth-led agroprocessing company, to source cassava flour and starch, is almost finalized. The two parties signed a non-disclosure agreement and are currently discussing the finalization of the purchase agreement. Several other diaspora-youth collaborations are currently under discussion, and FAO plans to continue facilitating the agreements' formalization in 2023.

Source: Author's own elaboration based on internal reports.

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Linking access to finance with business formalization

Progressive business formalization is considered a priority for a more productive engagement of youth in agrifood value chains, not only for its benefits to societies in terms of public revenue generation, but more specifically for the benefits it can provide to enterprises and their workers in terms of access to social security; strengthened business linkages; increased eligibility for public procurement tenders; as well as access to finance and business development services. In the case of the UDB youth-friendly financing strategy, for instance, business registration was a prerequisite for the youth to access funding. According to the ICA baseline survey, in Uganda, 45 percent of respondents with formalized enterprises received credit for the current business, while the percentage is much lower (24 percent) for respondents whose business is informal, with a statistically significant relationship found between the registration status and access to credit. In this sense, it must be noted that informal employment in agriculture is considerably high in ICA project countries: 97.1 percent in Kenya, 99.7 percent in Rwanda, and 98.5 percent in Uganda (ILOSTAT 2022 and UBOS 2018).

In Rwanda and **in Uganda**, in collaboration with ILO and JR Farms, the ICA project started exploring opportunities to enhance the formalization of youth agribusinesses. At the initiative of JR Farms, formalization coaches were trained by ILO and could subsequently coach select young agripreneurs through their formalization journey. While youth are responding positively and starting to explore the formalization steps, the effects on their access to formal financial services has still to be assessed. *(**See Table 7** for an overview of the activities conducted in support of business formalization.)*

In Guatemala, although ICA pursued the idea of engaging young agripreneurs in a similar formalization journey to that of Rwanda and Uganda, an initial assessment of the youth's willingness towards pursuing business formalization did not provide encouraging results. Indeed, the totality of youth-led agribusinesses supported by the ICA project in Guatemala are informal according to the project baseline, and it presently appears that young agripreneurs have scarce incentives towards changing their status. This might also be linked to the smaller scale of the individual businesses supported by ICA in Guatemala, compared to the youth businesses in Rwanda or Uganda.

TABLE 7

Overview of the activities conducted in support of business formalization

FINANCIAL OR PARTNERING ENTITY	ACTIVITIES CONDUCTED	EFFECTS ON YOUTH ACCESS TO FINANCE
ILO **JR Farms**	Following the May 2021 F4F Finance training for youth conducted in Rwanda, where an ILO online training session was introduced on business formalization, a similar training was replicated within the framework of the regional GAF 2021 Academy, led by JR Farms. To complement the training sessions, JR Farms leveraged ILO's support on a training programme on business formalization aimed at capacitating local coaches who could then accompany young agripreneurs along their journey towards business formalization. FAO could also connect to and benefit from the initiative, proposing coaches to be trained by ILO in select ICA countries. FAO identified around 12 coaches in Rwanda and Uganda, belonging to organizations already engaged in youth agripreneurship support (and trained by ILO during the period October–December 2021). Coaching frameworks adapted to each national context were also developed. Following the training of coaches, an actual coaching programme for youth agripreneurs is currently being rolled out under the ICA project in Rwanda and Uganda. In Uganda, 40 young agripreneurs (of which 14 young women) who have not yet formalized their businesses, have been trained in January 2023 and will be accompanied in the formalization process until June 2023. The process is facilitated by trained coaches in partnership with government institutions, including the Uganda Registration Services Bureau (URSB), the Uganda Revenue Authority (URA) and the National Social Security Fund (NSSF). In Rwanda, the coaching process has been delayed and it is still ongoing.	In Uganda, 7 coached youth champions have already registered their business names with URSB as of mid-May 2023, while 6 are at an advanced stage in the process of registering the bushiness names with URSB. At least 2 youth have fully registered with URA and URSB, while 1 is fully formalized, including all stages of business name registration with URSB, registering with NSSF and URA. Most of the youth who have not yet started the process of business formalization indicate that the delays are caused by limited funds in their business to follow up on the entire process, while others are still making consultations and studying to understand fully the implication of business formalization, including acquiring a tax identification number (TIN). Effects of business formalization on access to finance have not yet been assessed.

Source: Author's own elaboration based on internal reports.

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Lessons learned

This section summarizes the key lessons derived from the ICA project's experience on youth financial inclusion outlined in the previous sections. These lessons will inform the next phase of the ICA project under design and might be useful for similar youth development interventions. The main ones are listed below:

- **Established micro- and small-scale young agripreneurs still show persisting capacity gaps** in a wide range of areas: financial literacy; knowledge of land value; proper accounting techniques and preparation of financial records; and overall business management.

- **Efforts to promote youth financial inclusion need to be integrated within a comprehensive programme of agripreneurship support,** aimed at addressing various capacity gaps and aspects of vulnerability affecting young agripreneurs - of which financial exclusion is but one dimension.

- **Increasing the flexibility of the requirements for financial access is a critical enabler of youth inclusion**. In the case of the UDB pilot presented above, UDB accepts clients' financial statements from banks, mobile money operators, or SACCOs to provide credit. This was quite important, since among the 40 youth champions supported in Uganda in accessing UDB funding, only 12.5 percent had bank statements, while the remaining 87.5 percent could only produce mobile money, SACCO statements, and cashbooks. In Kenya, a request was also made by some training participants for equity to enable youth to use their M-Pesa transaction record in lieu of a statement from a formal FI. Having more flexible loan requirements, including the option to use mobile money records, can enable youth to satisfy loan requirements which would otherwise remain unattainable.

- **Conventional loans that do not allow for flexibility on hard collateral requirements are especially challenging to access for youth and alternatives to asset-based collateral should be explored further.** In the case of the UDB pilot, even for those youth that did own some assets, the original documents that proved the ownership of the assets were either communal, family-owned, or tied to an association, so they could not be easily obtained. Valuation reports were also required, which were viewed by the youth as an additional and expensive investment to make – especially since subsequent funding was not necessarily guaranteed. In Kenya, not having a collateral was listed as one of the major constraints for youth who decided not to apply for a loan or who saw their loan application rejected.

- **Low awareness remains a critical issue and makes it extremely challenging to match demand and supply for youth-friendly financial services.** Organizing information sessions that see the engagement of both young entrepreneurs and local FIs might prove useful in increasing youth's awareness on existing financial options, as well as establishing direct links between the side of the supply and that of the demand. It is particularly important to map out financial institutions and their respective products while always keeping in mind the specific phases of a youth's business lifecycle, from start-up to consolidation. The goal should be to enable youth to access the corresponding funding for their stage of business growth, leaving no entrepreneurs behind, regardless of the development state of their company. For those youth that do not own collateral and are just starting their entrepreneurial journey, some FIs, such as Equity Bank, also offer interesting group lending options that rely on group insurance.

- **Across the pilots implemented, young women face more challenges than their male counterparts when trying to access the financial options proposed.** This seems to depend on the heightened challenges young women face in their role as agripreneurs. Across countries, the ICA baseline report indicates that young women agripreneurs earn lower incomes and run smaller businesses with less employees than their male counterparts. They also have more limited access to training and markets, selling more or only to the local market. Furthermore, young women continue to face specific discriminations in owning or inheriting property, because of differential treatment under the law or by custom, which negatively affects their demand for financial services. In specific cases, ICA beneficiaries also reported that some financial institutions ask for the husband's signature when a woman applies for a loan, even when she has proof of ownership of traditional collateral. In this sense, in addition to addressing discriminatory gender norms, special business clinics targeting female agripreneurs or dedicated coaching programmes for young women, like the one implemented in 2022 by the ICA programme in Eastern Africa with the African Women in Agribusiness Network (AWAN Afrika), should be considered as part of future interventions.

- **Equity or other types of direct investment demand a big monitoring effort and strong controversy resolution mechanisms**, which may be unaffordable or unpractical for youth-led businesses that want to invest in other youth. Providing more "traditional" grants and capacity building support may turn out to be more realistic options in the context of agribusiness corporate social responsibility strategies, like the experience demonstrated by JR Farms.

- **Community-based innovations, including those that empower youth cooperatives and organizations as providers of financial services, might represent viable solutions for the provision of small loans.** Nevertheless, they remain limited in scope and dependent on the inception of resources from development partners, like FAO did in the case of the financial pilots in Guatemala. A more robust response to the financial needs of young agripreneurs requires the engagement of a wider range of FIs, the development of dedicated financial products for micro- and small-scale agripreneurs, as well as the establishment of public guarantee funds dedicated to youth entrepreneurship support.

- **Accompanying youth agripreneurs in a formalization process demands, as an enabling condition, that effective incentives towards formalization are set in place.** Additionally, these should be complemented with institutions that are capable and willing to provide benefits for formalized enterprises. In countries where incentives for micro- and small-scale rural businesses are not present, it is preferable to work at the enabling environment level, as a first step. This process begins by simplifying and reducing the costs of business registration, while promoting access to business support, finance, productivity-enhancement support, market opportunities and social security for both business owners and workers. In the short term (and in all those cases where entrepreneurial initiatives on the part of individual youth risk being too small or not sustainable), the formalization of youth organizations and cooperatives appears to be a more effective approach than registering individual businesses.

- **The potential of the financial and technical support of the diaspora remains untapped.** Facilitating and maximizing diaspora investments into youth agribusinesses require conducting a proper mapping and mobilization of both parties – diaspora and youth businesses – through awareness raising events, as well as the organization of dedicated business matchmaking fora and B2B dialogues, according to sector and/or value chain segment.

- **Agriculture is still perceived as riskier than other sectors and youth riskier than other client segments.** Additional efforts are needed from government and development partners to support de-risking models for youth-led agribusiness to attract more investments.

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