



LEARNING REPORT #1:

**Youth Savings Groups in Egypt**



IFAD RURAL YOUTH ECONOMIC EMPOWERMENT PROGRAM (RYEEP) 2013-2016

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## LEARNING REPORT #1: Youth Savings Groups in Egypt



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## Acknowledgements

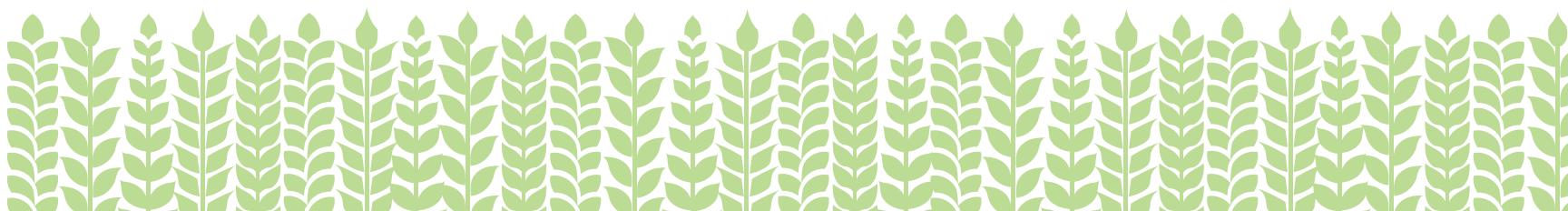
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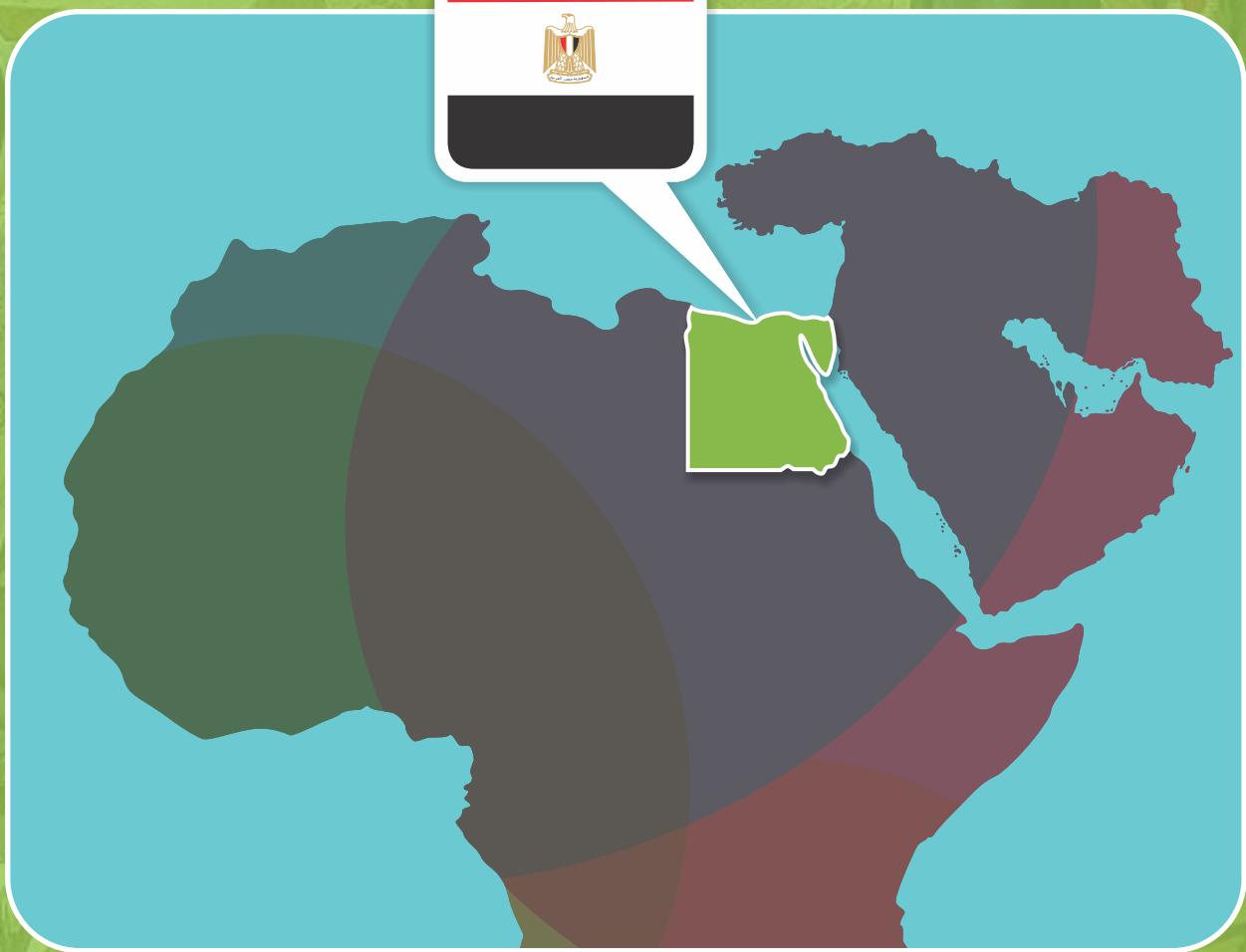
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## ABBREVIATIONS AND ACRONYMS

|              |   |               |  |
|--------------|---|---------------|--|
| <b>CBO:</b>  | Community-based organization                    | <b>RYEEP:</b> | Rural Youth Economic Empowerment Program |
| <b>CDA:</b>  | Community development association               | <b>SMS:</b>   | Short message service                    |
| <b>EYL:</b>  | “Enterprise Your Life”                          | <b>TOT:</b>   | Training of trainers                     |
| <b>FSP:</b>  | Financial service provider                      | <b>VSLA:</b>  | Village Savings and Loan Association     |
| <b>IFAD:</b> | International Fund for Agricultural Development | <b>YFS:</b>   | Youth-inclusive financial service        |
| <b>IGA:</b>  | Income Generating Activity                      | <b>YSG:</b>   | Youth savings group                      |
| <b>MFI:</b>  | Microfinance institution                        |               |  |
| <b>MSI:</b>  | Management Systems International                |               |  |
| <b>NENA:</b> | Near East and North Africa                      |               |  |
| <b>NGO:</b>  | Non-governmental organization                   |               |  |



EGYPT



# 1- EXECUTIVE SUMMARY

With funding from the International Fund for Agricultural Development (IFAD) and in partnership with Silatech, Making Cents International implemented the IFAD Rural Youth Economic Empowerment Program (RYEEP), a three-year grant seeking to increase employment and self-employment of young people aged 15-35 in the Near East and North Africa (NENA) countries of Egypt, Yemen, Morocco and Tunisia. The program provided capacity-building and technical assistance to local institutions to pilot models delivering youth-inclusive financial services (YFS) and non-financial services to rural youth and to the enterprises that employ them. **By the program's end, RYEEP pilot projects delivered savings or credit services to 20,543 rural youth and non-financial services to 14,252 rural youth.**

As important as these quantitative outputs was the knowledge generated by five pilots. Thus, a major focus of the program was to capture and disseminate this learning to help IFAD and financial services practitioners develop more effective and scalable programs for rural youth. The program, which built upon proven and successful methods, advanced learning around five research topics:

- Adapting and Developing Effective Financial Products for Rural Youth
- Determining the Appropriate Level and Delivery System for Supportive Non-Financial Services
- Using Technology to Lower Costs and Provide Youth with Alternative Forms of Finance
- Linking Products or Institutions to Facilitate Movement from Informal to Formal Structures
- Designing Innovative Approaches for Scaling Products in Rural Environments

The “Enterprise Your Life” pilot project in Egypt was the first to begin and produced valuable learning across these research topics. **The project aimed to reach 10,000 rural youth through a youth savings group model that provides both savings and credit services, as well as life-skills-based entrepreneurship and financial literacy training.** By project end, the pilot had adapted an adult-focused Village Savings and Loan Association (VSLA) methodology to rural youth, developed a youth-specific entrepreneurship curriculum, and launched the program in rural areas within three governorates. During the project, 10,784 youth joined savings groups and accumulated over 188,000 USD in savings. The YSGs provided loans to 2,709 members, helping 1,884 youth begin or expand their income generating activities. In addition, 410 members opened savings accounts or borrowed from formal financial institutions. Considering that these positive results were achieved at a low cost per member (\$30 per member for the pilot; \$15 estimated for expansions), this experience suggests that (i) the “Enterprise Your Life” model is a cost-effective way to reach low-income rural youth, (ii) the combination of education and finance builds the confidence of youth to engage in income-generating activities, and (iii) the program can serve as a stepping stone to formal finance.

This Learning Report is one of six learning products to be delivered under the RYEEP grant. It introduces the learning agenda of the overall program and focuses on what has been learned from the pilot project in Egypt. Findings have been incorporated into the overall learning product (“Findings From Five Rural Youth-Inclusive Pilot Projects”) which summarizes learning from the five pilots and suggests ways forward to most effectively advance rural youth financial inclusion in the NENA region.



## 2- THE RURAL YOUTH ECONOMIC EMPOWERMENT PROGRAM LEARNING AGENDA

### 2.1 The Challenge of Serving Rural Youth

Rural youth in developing countries make up a very large and vulnerable group. Globally, three quarters of the poor live in rural areas, and about half of this population is composed of young people, generally defined as between the ages of 18-30<sup>1</sup>. This young and growing population is confronted with a number of challenges to building sustainable livelihoods. The quality of education in rural areas is worse than in urban areas and does not prepare youth adequately for existing livelihood opportunities. The lack of basic infrastructure such as electricity and water supply limits livelihood options and burdens youth with responsibilities that can reduce training and educational opportunities. While agriculture is for many the most viable livelihood option, growing populations, the ongoing subdivision of land, and soil degradation mean that youth often lack access to or control of sufficient land for farming, thus preventing or inhibiting their pursuit of this opportunity. Finally, for girls in particular, more traditional cultural stereotypes in many societies reduce livelihood options to those within the household.

Nonetheless, rural youth are economically active and options exist for improving their livelihoods. In contrast to urban areas, **the problem for youth in rural areas is not one of unemployment**, but underemployment. Youth are active in a variety of farm and non-farm activities and for those who cannot pursue farming directly, the rural non-farm sector can serve as the “ladder” from underemployment in low-productivity, smallholder production, to regular wage employment in the local economy, and from there to jobs in the formal sector.<sup>2</sup> **In this context, the challenge for those interested in rural youth development is to develop the right mix of cost-effective and appropriate financial and non-financial services that increase youth capacity and access to the resources that they can use to invest in farm or non-farm opportunities.**

### 2.2 RYEEP Pilot Projects

The five RYEEP pilot projects are designed to address many of these challenges and to test different financial and non-financial service delivery models for rural youth. Pilots are implemented by local partners, including commercial banks, microfinance banks, local community development organizations, and for-profit companies, and supported technically by Making Cents International and Silatech.

Figure 1: IFAD RYEEP: Four Countries, Five Models

| COUNTRY | LOCAL PARTNER<br>(Institutional type) | FINANCIAL INSTRUMENT                         | NON-FINANCIAL INSTRUMENT   |
|---------|---------------------------------------|--|--|
| EGYPT   | Plan Egypt (NGO)                      | Savings & Credit Groups                      | Entrepreneurship and life skills training offered through Savings Groups             |
| YEMEN   | Al Amal Bank<br>(Microfinance Bank)   | Enterprise Lending (for existing businesses) | Financial literacy, entrepreneurship and technical training offered by NGO partners  |
| MOROCCO | Al Barid Bank<br>(Postal Bank)        | Individual Savings Product                   | Financial literacy training offered through mass media and face-to-face training     |
| TUNISIA | Microcred<br>(Microfinance Company)   | Enterprise Lending (for start-up businesses) | Entrepreneurship and business management training offered by NGO partners            |
| TUNISIA | Pro-Invest<br>(Private Company)       | Value Chain Finance<br>(Trade Credit)        | Value Chain Development, entrepreneurship and financial literacy offered through SMS |

Case studies for each of these pilots have been developed and the overall learning has been encapsulated in a single report entitled “Findings from Five Rural Youth Inclusive Pilot Projects”. Those documents can be found on the IFAD and Youtheconomicopportunities.org websites.

<sup>1</sup>Bennell, Paul. Investing in the Future: Creating Opportunities for Young Rural People. Publication. IFAD, Dec. 2010, pg. 1.

<sup>2</sup>Bennell, Investing in the Future, pg. 6.

## 2.3 RYEEP Learning Topics

Pilot project implementation under RYEEP has been designed to build on the body of knowledge developed by youth financial service practitioners and IFAD. In addition, Making Cents, IFAD and Silatech have decided to focus knowledge management efforts on five learning topics of interest specifically to those serving rural youth.

### Learning Topic 1: Adapting and Developing Effective Financial Products for Rural Youth

Inspiration for effectively serving rural youth can be found in successful rural finance models for adults or youth-inclusive financial service programs in urban areas. What are the key aspects of these products that need to be adapted for successful rural environment delivery?

### Learning Topic 2: Determining the Appropriate Level and Delivery Systems for Supportive Non-Financial Services

Rural youth tend to be more poorly educated, have fewer livelihood opportunities, and are harder to reach. What financial capability or livelihood development services should be provided in rural areas, who should deliver them – financial institutions, NGOs or the government – and how?

### Learning Topic 3: Using Technology to Lower Costs and Provide Youth with Alternative Forms of Finance

Making the business case for providing financial services to rural youth is especially difficult considering youth's general tendency to save less and demand lower loan sizes, combined with the low population density and poor infrastructure in rural areas. How can technology lower the cost of financial service delivery to youth, whether through financial institutions or value chain actors?

### Learning Topic 4: Linking Products or Institutions to Facilitate Movement from Informal to Formal Structures

Youth capacity to use financial services develops over time as they grow in experience and knowledge. While informal financial services such as savings groups may be appropriate for youth starting out, how can these services be linked to formal financial institutions to provide youth with the greater variety and sophistication of formal financial services? Similarly, many youth begin informal income-generating activities as their first foray into business; how can financial or non-financial products encourage business growth and graduation from informal to formal enterprise management?

### Learning Topic 5: Designing Innovative Approaches for Scaling Products in Rural Environments

Successful pilot projects can be scaled through the government – by policy changes or adoption of services by government agencies, the market – by private sector companies or entrepreneurs seeing value in services and offering them on a for-profit basis, or culture – when public awareness campaigns and behavior change strategies become adopted by communities and new practices are propagated. Which scaling-up pathways are appropriate for successful elements of RYEEP pilots and what strategies can be followed for expansion?<sup>3|4</sup>

<sup>3</sup>Muthoo, Ashwani, David Francis, and Oanh Nguyen. IFAD's Capacity to Promote Innovation and Scaling Up: Corporate-level Evaluation. Rep. no. 2240. IFAD, June 2010. Web.

<sup>4</sup>Cooley, Larry and Kohl, Richard. Scaling Up -- From Vision to Large-scale Change; A Management Framework for Practitioners. MSI and the MacArthur Foundation. March 2006

### 3- CASE STUDY: “Enterprise Your Life” Egypt - Informal financial services and entrepreneurship training through savings groups in rural Egypt

#### 3.1 Project Summary

The “Enterprise Your Life” project in Egypt sought to increase employment and self-employment of rural youth by increasing their access to, and ability to use, financial services, while simultaneously building their employability and entrepreneurial capabilities.

This overarching goal was broken into three supporting objectives:

**Objective 1:** Extend informal savings and lending services to 10,000 young people in three governorates through a youth savings group (YSG) structure, and link 500 YSG members to formal financial services.

**Objective 2:** Deliver financial literacy and entrepreneurship training through the YSG structure to 10,000 youth and additional supportive services to 1,000 interested YSG members from local Community Development Associations (CDAs).

**Objective 3:** Develop two practical knowledge products and host one event in Egypt to support scaling up and replicating the model throughout Egypt.

Through RYEEP, Plan Egypt tailored its existing VSLA financial model<sup>5</sup> to meet the needs of rural young people in the form of a YSG model. The YSG model provided youth with access to capital to invest in individual or group income-generating activities (IGAs) while at the same time offering an opportunity for them to gather and learn from each other's entrepreneurial experiences. Additional vocational training and access to formal financial services were facilitated to supplement the skill-building provided through the YSG. To ensure the long-term sustainability of the project, Plan implemented the “Enterprise Your Life” program through CDAs both to lower costs and as part of an exit strategy to “replace” Plan in carrying the program forward.

The project was designed to learn whether the large-scale outreach and impact demonstrated by VSLA programs in other countries could be replicated with rural youth in Egypt. The additional training component offered through the YSGs also provided an opportunity to explore (i) low-cost ways to deliver non-financial services to rural youth, and (ii) how informal savings and lending can facilitate greater access to formal financial services.

#### “ENTERPRISE YOUR LIFE”: At a Glance

- ▶ **Geographic area:**  
Egypt - Rural sections of Assiut, Beheira, and Giza governorates
- ▶ **Local Implementers:**  
Plan International, local community development associations and financial institutions
- ▶ **Financial Service:**  
Youth Savings Group model that provides savings and credit to members; linkages encouraged to formal savings and credit products
- ▶ **Non-Financial Service:**  
Entrepreneurship and financial literacy training
- ▶ **Impact:**  
10,789 savings group members; \$188,066 savings; \$102,887 in loans provided; 1,919 IGAs begun or expanded
- ▶ **Beneficiaries:**  
Low-income rural youth, aged 16-27
- ▶ **Duration:**  
August 1, 2013 - February 19, 2016

<sup>5</sup> The VSLA model has demonstrated great impact on improving member assets around the world. In Egypt, Plan has been implementing the savings group model with adults since 2008 and has attracted over 80,000 members in very rural communities. In other countries, Plan serves up to 150,000 individuals and worldwide reaches over 1 million people.



## 3.2 Target Beneficiaries

The population served under this project is categorized as follows:

**Youth ages 16-27:** Egyptian youth in this age range comprised two distinct segments. The first were those aged 16-22, including students in secondary school and university or recent graduates. They are just beginning to engage in income-generating activities and have not previously used financial services, formal or informal. The older segment, aged 23-27, is in the process of establishing households. This group is therefore more economically active and, in some cases, has used financial services in the past.

**Geographic zones:** The project focused on the rural parts of the Assiut, Beheira and Giza governorates. The target areas in Assiut are the most rural among the three governorates, while those in Giza and Behira are within reach of major cities. This difference impacts livelihoods and migratory patterns; in Assiut, livelihoods are more dependent on agriculture and young men are more prone to migrate to cities for work. In Giza and Beheira, livelihoods are more diverse, and some young men are able to travel daily to major cities (Cairo and Alexandria). Plan anticipates extending the program to all of its program areas after the pilot is completed.

**Gender:** Based on the gender composition of its current VSLA project, Plan Egypt expected that 65% of the project participants would be women. Initial participation was higher for women, but Plan made adjustments to attract more young men. At project end, female participation was 69%.



**Income:** Plan targeted low-income areas using government data and local surveys. An end-of-project evaluation confirmed that the program had effectively targeted low-income areas: A majority of the villages were listed within the Government of Egypt's 500 poorest villages, where poverty rates are typically above 50% and 47% of member households were below the \$1.25-a-day international poverty line measured by the Progress out of Poverty Index.

## 3.3 Financial Services Offered

Five different financial products were provided under this project – three through the youth savings group and two through linkages to formal financial institutions. See Figure 2 for more information.

### How it Works:

Local CDAs encourage YSG formation and support their development. A community volunteer who receives a small stipend from the CDA trains YSG members and supports meetings. At each meeting, members contribute savings through a share mechanism and jointly decide who may borrow from the collective savings, and for how long. The YSG cycle is 9-12 months; at the end of the cycle, individuals' shares and the profits that accrued from lending activities are paid out to members. The YSG then reconstitutes itself and begins the cycle again.

In addition, CDAs facilitate linkages to formal banks and microfinance institutions (MFI) by educating YSG members on available financial products, inviting bank representatives and MFI loan officers to YSG meetings, and facilitating the completion of loan requirements (collaterals, loan applications, etc.).

Figure 2: Financial Services Offered

| FEATURES             | YOUTH SAVINGS PRODUCT   |   |   | FINANCIAL LINKAGES                      |   |
|----------------------|---|---|---|---|---|
| <b>Product</b>       | Share (term) Savings  | Individual Credit   | Group Credit (Equity)   | Enterprise Credit                       | Demand Deposit                          |
| <b>Purpose</b>       | Build assets for enterprise or consumption  | Start or grow micro enterprise  | Group investment in joint business venture  | Grow micro enterprise                   | Build long-term assets                  |
| <b>Amount</b>        | <ul style="list-style-type: none"> <li>• 5-25 Egyptian Pound (EGP) per meeting (avg. of 15 EGP - \$2.14)</li> <li>• By the end of the cycle, avg. of \$42.8 per person per year (higher for groups that meet more than 2X a month)</li> </ul> | <ul style="list-style-type: none"> <li>• 3X accumulated savings</li> <li>• Range between \$10-\$75; estimated avg. of \$28 (200 EGP)</li> <li>• Loans capped at \$75 for first cycle for risk mgmt. purposes</li> </ul> | <ul style="list-style-type: none"> <li>• Up to 100% of total group savings</li> <li>• Range between \$50-\$200</li> </ul> | \$150-\$500                             | Minimum of 10 EGP                       |
| <b>Duration</b>      | 1 cycle (9-12 months; 2-4 meetings per month)   | 1-6 months  | 1-6 months  | 3-6 months                              | On demand                               |
| <b>Interest rate</b> | Variable - dependent on amount of loans disbursed   | Variable - between 5-10% per month (group decides)  | Variable - all profit returns to group  | 1-2% per month                          | Variable currently 2% per year          |
| <b>Collateral</b>    | None  | Accumulated savings   | Group savings   | Co-signer                               | None                                    |
| <b>Other</b>         | Total share savings and interest withdrawn at end of cycle (10-12 months)   |   |   | Local CDAs and Plan facilitate linkages | Local CDAs and Plan facilitate linkages |

### 3.4 Non-financial Services Offered

Non-financial services were also offered to youth participating in the project. YSG members received a foundational youth-focused enterprise development training program, layered onto existing group meetings. The curriculum used, “Enterprise Your Life”, focuses on the following topics: thinking ahead, knowing your market, decision-making, negotiation, wise investments, and being different. YSG groups were offered additional technical and vocational training by the CDAs on topics such as carpentry, soap-making and livestock-raising. See Figure 3 below for more information.

#### “Enterprise Your Life” Curriculum:

“Enterprise Your Life” is an innovative, youth-focused curriculum built on coaching and applied learning methodologies. The curriculum is designed to transfer key enterprising life skills to youth to enhance engagement in a wide range of income-generating activities. Through the use of short, targeted sessions incorporating applied learning activities and interactive visual aids supplemented by ongoing coaching, youth develop the entrepreneurial mindset necessary for business success.



Figure 3: Non-financial Services Offered

|                  | EYL Entrepreneurship Training   | Technical and Vocational Training   |
|------------------|---|---|
| Delivery Vehicle | YSG Facilitator (local CBO staff) provides training after savings and credit activities are completed | Local CBO hires experts to provide training at its offices or in community                    |
| Purpose          | Strengthen life skills and entrepreneurial knowledge to enable better enterprise management           | Build technical and vocational skills that can be used in enterprise                          |
| Topics           | Planning<br>Market Research<br>Investing<br>Negotiation<br>Decision-Making                            | Agriculture<br>Raising Livestock<br>Carpentry<br>Simple Electrical Engineering<br>Soap-making |
| Audience         | YSG members (10,000 youth)  | Individual YSG members who request additional training (1,000 youth)                          |
| Approach         | Training and ongoing coaching by YSG facilitator  | Training  |
| Duration         | 14-20 short sessions over 10 months (1 YSG cycle)   | Variable – between 1 session on 1 day and 10-15 sessions over 3 months                        |



# CASE STUDY - EGYPT

**NAME: Yasmin and Safia**

**AGE: 17 and 18**

Yasmin and Safia are two sisters aged 17 and 18 respectively. They live in one of the most marginalized villages in Assuit, Upper Egypt. Their family consists of 11 members and due to health issues, their father cannot work. For years, the family depended only on the income their mother generated from manufacturing handmade baskets. However, this income was barely covering the family's basic needs.

They joined Plan Egypt's "Enterprise Your Life" program on their encouragement of their family - "Our mother encouraged us to join the youth savings group.

She got to know about it from one of the awareness raising sessions she attended at our local development associations," said Yasmin. Each one of the sisters joined a youth savings group and began depositing money in increments of 5 EGP (0.75 USD). "After a few months, we got our first loan of 500 EGP (75 USD)," said Yasmin happily. Through their participation in the youth savings group, Safia and Yasmin also participated in enterprise life skills and financial literacy trainings. Safia reports, "The trainings taught us to analyze the market needs and promote what we have to sell." She adds "We were happy when we started our home- based grocery store. The project worked well and we made a good profit. We also decided to buy a machine to produce candy so that we could sell a wider variety of products and attract new customers."

For Safia and Yasmin, joining the savings group has had a multi-dimensional impact on their lives since they use part of their profits to support their family. "One of the happiest moments in my life was when I could pay the cost of constructing a wooden ceiling for two of the rooms in our house." Recalls Safia joyfully. "I feel that I can make a change in my family and that all of my family members now believe that my opinion counts." In addition to improving the economic status of their family, Safia and Yasmin's social status has improved. They are now regarded as role models in their community, thanks to their success in managing their business, as well as the set of communication and negotiation skills they demonstrate when dealing with other community members.





## 4- Project Results and Learning

By the end of the 18-month project, Plan Egypt had achieved the following results:

Figure 4: Plan Egypt Results

| INDICATOR  | YSG <sup>6</sup> | MEMBERS <sup>7</sup> |
|--|------------------|----------------------|
| No. of YSGs  | 714              | 10,789               |
| % women members  | n/a              | 68.6%                |
| Total of savings   | \$188,066        | \$16.90              |
| No. of loans from YSGs   | n/a              | 2,754                |
| Total amount of individual loans (cumulative)                            | \$102,887        | \$37.40              |
| No. of loans from FSPs   | n/a              | 350                  |
| Total amount of loans from FSPs  | \$113,742        | \$325                |
| No. of members who opened bank accounts at formal financial institutions | \$29,918         | 60                   |
| No. of YGSs/Members receiving EYL training                               | 714              | 10,789               |
| % of respondents increased knowledge (avg.)                              | n/a              | 86%                  |
| % of respondents applied knowledge regularly to IGA                      | n/a              | 82%                  |
| % of respondents who reported better quality of life                     | n/a              | 63.4%                |
| No. of members who started or expanded IGA through YSGs                  | n/a              | 1,919                |

Most of these results exceeded targets. The savings groups themselves performed very well, with the mobilization of savings meeting expectations (at lower rates than adults, but sufficient to provide meaningful loans to members). Enterprise development results were also on target, with almost 20% of members beginning or expanding income-generating activities. Interestingly, while these income-generating activities have not yet translated into measurable improvements in poverty rates, in an external evaluation, 63% of members reported that their quality of life had improved, indicating that access to finance and training increased their sense of agency or empowerment. The one area where the pilot did not perform as well as expected was in formal financial sector linkages (savings or credit), which reached half of its target.

In the next section these findings are described in more detail and by learning topic.

### Learning Topic 1: Adapting and Developing Effective Financial Products for Rural Youth

The initial assessment highlighted the importance of a rigorous product development process that considers all aspects of product design when adapting products to rural areas.

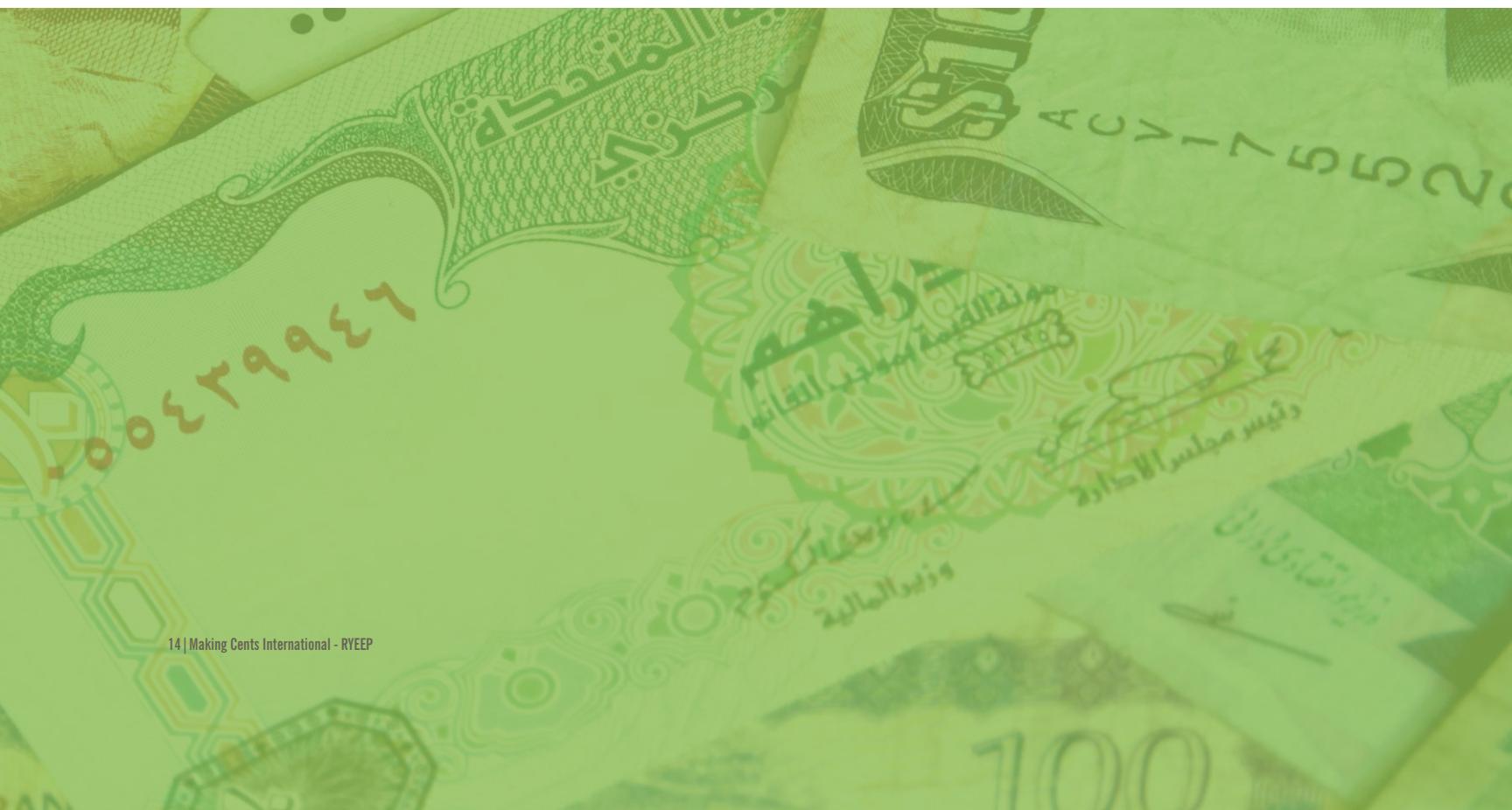
#### Follow a rigorous assessment and design process for best results

Since Plan International had already been implementing a savings group program for adults that had attracted some youth, staff members initially thought that rebranding alone -- without changes to the model or training -- would be sufficient to deliver the product for youth. However, a rigorous product design process uncovered key differences that significantly influenced the final model.

<sup>6</sup>YSG= this column reports on groups or the totals for that category

<sup>7</sup>Members= this column reports on individuals and averages per individual

- **Process.** Making Cents and Plan followed a three-step product design process, which resulted in a model well-tailored to youth needs. An **initial assessment** provided the necessary information for the team to develop product prototypes. For example, a key finding was that the non-financial training program should focus on the life skills underlying entrepreneurial behavior, rather than on entrepreneurial content alone (market studies, pricing/costing, record-keeping). A **field-testing phase** provided important feedback regarding the prototype financial product and training curriculum, including the need for increased flexibility around group meeting sites and the frequency of meetings. A **pilot phase** then gave the team additional data that informed further adjustments to the model. To respond to the relatively low number of men in the program, for example, the age range was broadened to incorporate younger members who had expressed interest in the program as well as older males who had returned from military service and had more time to participate in the program.
- **Specific Tools.** The overall design process was informed by the seven YFS principles, with specific tools for the financial and non-financial sides of the product. The financial product, background research, key informant interviews, and focus groups guides were developed around Making Cents' **9P financial product development tool**. For the non-financial product, research tools were developed following Making Cents' **11 S's of curriculum design and training delivery** framework. The two tools split products into their component parts, ensuring that the assessment and pilot evaluation focuses not only on the outward-facing features of a product, but also the internal training and systems modification necessary for successful delivery. Using this detailed tool resulted in modifications of the financial product in several ways, such as extending the loan repayment period to six months to allow less experienced youth entrepreneurs more time to repay loans. For the non-financial product, the 11 S's framework influenced the content, delivery method, and training of trainer methodology. A summary of the tools and framework is included in Figure 5.



**Figure 5: Financial and Nonfinancial Services Tools and Frameworks**

| 11 S's of Curriculum Design and Training Delivery Systems Framework   | 9P Financial Product Development Tool   |
|---|---|
| 1. Student: Profile of learners, literacy levels, and learning preferences  | 1. Product: Terms and conditions, requirements, documents for account openings, guarantees (co-signers), etc. |
| 2. Setting: Conditions, timing, and pacing of delivery  | 2. Price: Interest rates, fees, penalties, transaction costs, etc.  |
| 3. Scale: Content and time to deliver   | 3. People: Human resources; hiring, training, performance monitoring (incentives), etc.                       |
| 4. Sequence: Other curricular content before or after this training   | 4. Promotion: Marketing, advertising, public relations (formats and delivery channels)                        |
| 5. Scope: Knowledge, Skills, and Attitudes contained in curriculum  | 5. Positioning: Competitive advantage or niche as perceived by target customer                                |
| 6. Style: Learning/teaching methodology   | 6. Place: Distribution and delivery channels, branches, outreach workers or field agents, ATMs, mobile units  |
| 7. Skill-set: Skills needed to deliver, supervise, and coordinate training  | 7. Physical evidence: Passbook, promissory note, etc  |
| 8. Sale: How much of the cost of organization, marketing, funding, and delivering can be recovered  | 8. Process: Systems, manuals, operating procedures, forms, queues, turnaround time                            |
| 9. Supplies: Supporting materials (training guides, Training of Trainers guides, participant takeaways, facilitation materials, equipment/ technology, Monitoring and Evaluation tools) | 9. Preparation: Design of non-financial service package   |
| 10. Systems: Delivery system, monitoring, and capacity-building   |   |
| 11. Success: Assessment of the reach, depth, and quality of outcomes and impacts  |   |

#### **When adapting adult products for youth, who delivers is as important as product features**

Since the savings group model is very flexible, allowing each group to develop its own share price, lending terms and meeting times, the initial assessment did not recommend many changes to the overall design. However, during the pilot phase, initial outreach proved difficult, especially to young men, who comprised only 29% of participants. Follow-up research noted that the implementing partners hired the same type of promoters for the adult program as for the youth program – adult women. However, adult women did not have networks among men or young women to facilitate recruitment, and in the more traditional rural area, young men perceived the program to be “for women” due to the promoters’ gender. Similarly, there was no attempt to rebrand the program, which was called “the savings group program”, a name that failed to reflect the full range of activities included in the program and had the connotation of an “old woman” program. In response, CDAs began hiring and training younger promoters as well as more young men, and the program was rebranded as “Enterprise Your Life.” By the end of the pilot, male participation had increased a little to 31.5%, indicating that further efforts need to be made, especially in recruiting male promoters and enabling larger loans from the group. This was a key request from male participants who wanted to launch larger businesses or expand them more quickly.

This challenge underlines the need to closely assess the full range of features, including the marketing and outreach mechanisms, of the program in order to develop a successful product for youth that serves both young men and women.



## Youth Savings and Loan groups are an effective model to provide basic financial services to youth

At the outset, Plan staff and partners feared that youth might not participate in the groups as effectively as adults due to concerns about young people saving insignificant amounts or dropping out quickly. In contrast, YSGs performed well by many measures. The average savings per member was \$16.90, less than in comparable adult groups where the average was \$47.38, but appropriate considering that most young members were saving pocket money from odd jobs. Drop-out rates were slightly higher than for adults, at 4% compared to 1%, but appeared to correspond to age-related issues such as military service or attendance at university, rather than a dislike of or lack of utility from the program. As expected, due to their more limited business experience, youth members also borrowed less money than adults, averaging \$38 per loan, compared to \$68 for adults. However, repayment was strong, with no write-offs recorded during the life of the pilot. These results indicate that the products delivered through the savings group model are appropriate for youth.

## Learning Topic 2: Determining The Appropriate Level and Delivery Systems for Supportive Non-Financial Services

The Egypt pilot demonstrates the importance of life skill development for youth and the potential of savings groups as a cost-effective model for non-financial service delivery.

### Foundational life skills are critical to the development of entrepreneurial behavior

The non-financial services assessment indicated that youth “knew” what entrepreneurship was and had role models who were good entrepreneurs. However, they lacked the confidence to begin businesses and did not have the negotiation, communication, planning, or idea-generation skills to apply this content in a livelihood of their own. In response, Making Cents developed the “Enterprise Your Life” curriculum, which focuses on the practical development of enterprising life skills. The assessment also indicated that youth learned from mentors and appreciated ongoing support. As a result, Making Cents incorporated a coaching component into the program that uses the metaphor of sports to introduce the YSG promoter as a coach who could provide advice on how to apply the training. The curriculum was designed as a series of short, targeted drills that enable “practice” and hands-on learning for continual development of skills, allowing youth to experiment and then seek coaching advice from other members and the promoter.

**“Through the training sessions, I learned so many things I didn’t hear about before, such as how to start my project; planning; feasibility studies; and marketing my project”**

— Female participant from Giza;  
19 years old

Internal and external evaluations of the non-financial services were positive. Focus group surveys of participants indicated that (i) the training was as important as or more important than the financial services provided by the savings group and (ii) members see their coach as a “brother or sister who can help guide them” to start new income generating activities. A self-assessment tool completed by youth confirmed these reports:

- 96% recommend the training to others
- 86% increased their knowledge very much or extremely
- 82% applied their knowledge to their business regularly

An external evaluation looked at the impact of the program on household livelihoods. While it found no measureable impact on overall poverty rates (which was expected due to the short time frame of the pilot), 63.4% of youth reported that their quality of life was



better. Further questions revealed that youth felt that the access to finance, knowledge and coaching provided them with tools to achieve their business or personal goals. Considering that increases in “agency” have been found to lead to improved economic well-being in developed countries, this increase in confidence engendered by the “Enterprise Your Life” program may be its most important result.<sup>8</sup>

### **Savings groups are a cost-effective way to deliver non-financial services**

In Egypt, the cost per savings group member for Plan's adult program is \$13. Under RYEEP, the cost for EYL ranged between \$20 per member in the most rural area of Assyut to \$40 in the more urban areas of Beheira. These costs are higher due to the initial cost of the curricula development, training of promoters, and CDA capacity-building, as well as the additional technical training services provided under this pilot model. Through a scaling-up analysis (see Lesson 5), Plan decided that a scaled-down model that did not include additional vocational and technical training provided through the CDA would be more cost-effective, so future iterations of the model should cost no more than \$15 per participant.

### **The combination of financial and non-financial services facilitates the start-up of income-generating activities**

Youth reported starting or expanding 1,919 income-generating activities after participating in the “Enterprise Your Life” program and 82% (1,588) applied the training in their new or existing businesses regularly. Focus groups report that while some of them would have begun businesses with financial support only, it was the combination of the training, coaching and finance that gave them the confidence to start, then expand their income-generating activities. Plan expects the number of businesses started to expand further by the end of the second YSG cycle, as youth become more comfortable managing money and are exposed to the income-generating activities of their peers.

### **Learning Topic 3: Using Technology to Lower Costs and Provide Youth with Alternative Forms of Finance**

Savings groups, as decentralized structures managed by the groups themselves after the first cycle, are a low-cost means of providing financial services. Accordingly, the program's primary technological focus has not been on using technology to lower costs, but instead for communication and linkages purposes. During the pilot, promoters found that using Facebook was a successful way to promote the program to young people in the area, as well as to generate buzz and reinforce training topics. They also used SMS text messages to reinforce learning topics, though this approach was limited by a lack of financial resources for promoters to send out significant numbers of texts.

### **Learning Topic 4: Linking Products or Institutions to Facilitate Movement from Informal to Formal Structures**

The project aimed to link savings group members to formal financial institutions using three strategies:

1. Build YSG member financial capability to prepare them to access formal financial services. The project anticipated that YSG members would both be more ready and more willing to access formal financial services after participating in YSGs.
2. Educate microfinance institutions on the value of YSGs for developing good clients for their services. By discussing the program, sharing statistics about savings and lending rates, and inviting representatives to group meetings, project staff aimed to make MFI staff more comfortable with extending services to younger clients that had completed the YSG project.
3. Promote formal financial services to YSG members. Project staff actively promoted formal finance to YSG members, recommended local MFIs when members' savings and credit needs had surpassed YSG capabilities and helped them to complete applications, find guarantors, etc.

<sup>8</sup>Nagoaka, J., Farrington, C., Ehrlich, S., & Heath, R. (2015). Foundations for Young Adult Success: A Developmental Framework. The University of Chicago.

During the first 18 months of the program, 410 savings group members borrowed from a formal financial institution (350) or opened up a savings account at a bank (60). This number was below the 10% of participants originally expected. The relatively small number of linkages occurred due to three main reasons: (i) the distance that youth would need to travel to most financial institutions discouraged their opening up accounts or borrowing; (ii) local financial institutions were not offering youth-inclusive products – their processes were bureaucratic or required collaterals that youth were unable to obtain; and (iii) most youth did not require formal financial services – their relatively small savings or low demands for credit could be served by the savings group, family members, or other informal means. This experience mirrors that of many adult VSLAs, which rarely transact with the formal financial sector due to distance issues, a shortage of products, or lack of knowledge. Greater linkages will require financial institutions to improve their product offerings and accessibility to youth, and YSG implementers to work to develop further linkages with formal financial institutions.

### Learning Topic 5: Designing Innovative Approaches for Scaling Products in Rural Environments

RYEEP focuses on the first two stages of IFAD's "Innovation, Learning, Scaling Up" framework.<sup>9</sup> During the project, innovative pilots were tested to develop learning about what works. Afterwards, IFAD plans to scale up the ideas with the most potential through partnerships with the government, private sector, and/or communities.

To set the stage for scaling up, Plan Egypt engaged experts from Management Systems International (MSI) to (i) analyze how appropriate their model was for scaling, (ii) set out a set of actions that could be used to improve the scalability of the model, and (iii) seek funding and operational partners for future expansion. MSI's

Scaling-Up Framework is one of the few comprehensive and tested scaling models available to development practitioners. The MSI consultant built Plan Egypt and its partners' capacity to understand what is necessary for scale, then guided them through a process that enabled them to (i) create a vision for EYL, (ii) assess the potential scalability of the model, (iii) fill in information gaps that are necessary to complete the assessment and make the case for scalability, then (iv) prepare a scaling-up plan.

Figure 6: IFAD Scaling Up Framework

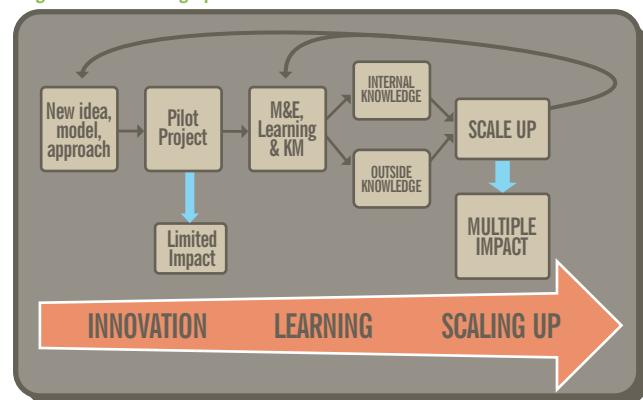


Figure 7: Initial results of scalability assessment

| SCORES           | STAKEHOLDERS | PLAN EGYPT PROJECT TEAM | FINAL CONSENSUS SCORE |
|------------------|--------------|-------------------------|-----------------------|
| A. Easy to Scale | 17           | 10                      | 9                     |
| B. Neutral       | 7            | 8                       | 13                    |
| C. Hard to Scale | 4            | 10                      | 6                     |

Through the process, the Plan project team and stakeholders came to the conclusion that the model in its current form had potential for scale due to its perceived impact on youth, relatively low cost, and enormous interest in youth development in Egypt. To improve the chances of success in scaling up, though, Plan stakeholders would need to develop more rigorous impact results, strengthen the core elements of the model, cut superfluous "nice, but not necessary" elements, develop a better capacity-building and sustainability plan for local implementing partners, and recruit other stakeholders. The Plan team also realized that they should have begun planning for scale and sustainability at the outset of the program, even before implementation had begun, which would have helped them understand the key elements required for eventual success and better plan their activities.

<sup>9</sup>Linn, Johannes F. Scaling Up Development Impact: An Introduction. Nairobi, Kenya: IFAD, 13 Oct. 2013. PPT.

After the initial scaling-up workshop, Plan worked to strengthen the evidence base and its model, and in December 2015, held a stakeholder roundtable with key potential partners and donors. During the roundtable, Plan Egypt presented the model, the scaling-up process that it had initiated, and solicited input from stakeholders. Plan hopes to use this workshop as the starting point for the development of a more expansive Phase II of the program.

## 5- CONCLUSION

The “Enterprise Your Life” pilot was designed to generate learning around the appropriate mix of financial and non-financial services for youth, strategies for linking informal and formal finance, and a low-cost model that has the potential for scaling up. The pilot results were positive. Over 10,000 youth joined the savings groups and used them to mobilize savings, develop enterprising life skills, and launch or expand income-generating activities. Besides these strong quantitative results, Plan contributed to a few key lessons learned:

- YSGs are an effective model to provide basic financial services to youth
- YSGs are a cost-effective way to deliver non-financial services
- Foundational life skills are critical to the development of entrepreneurial behavior
- The combination of financial and non-financial services facilitates the start-up of income-generating activities

Through the final scaling-up process, Plan Egypt also identified the elements that are necessary to bring these positive results to hundreds of thousands of youth in Egypt, above and beyond the 10,000 served by this pilot effort. The result of this pilot, and that of larger youth-focused savings group initiatives<sup>10</sup>, indicates that YSGs should be considered as part of rural development programs.

<sup>10</sup>The Banking on Change Youth Savings Group Model: From Savings and Learning to Banking and Earning, Plan International, 2016



