# YouthStart Mid-term Evaluation

# Main Report

# July 2013

Submitted to:

And

By:


Roland V. Pearson, Jr. (International Team Leader)
Caterina Giordano (International Team Member)
Daudet Nsimba (National Consultant - DRC)
El Hadji Niasse (National Consultant - Senegal)
Habte Asfaw Teferi (National Consultant - Ethiopia)
Samuel Ssenyimba (National Consultant - Uganda)

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## List of Acronyms

| | |
|---|---|
| AEMFI | Association of Ethiopian Microfinance Institutions |
| CBE | Commercial Bank of Ethiopia |
| CGAP | Consultative Group to Assist the Poor |
| CTA | Country Technical Advisor |
| CYFI | Child and Youth Finance International |
| FGD | Focus Group Discussion |
| FIPA | Financial Inclusion Practice Area |
| FSP | Financial Services Provider |
| GDP | Gross Domestic Product |
| GTP | Growth and Transformation Plan (Ethiopia) |
| LDC | Least Developed Country |
| LDF | Local Development Finance (Practice) |
| MCF | MasterCard Foundation |
| MEDA | Mennonite Economic Development Associates |
| MFI | Microfinance Institution |
| MIS | Management Information System |
| MOU | Memorandum of Understanding |
| NFS | Non-financial Services |
| OCSICO | Oromia Credit and Saving Institution (Ethiopia) |
| PALPS | Programme d'appui a la Lettre De Politique Sectorielle Microfinance |
| PAR | Portfolio at Risk |
| PBA | Performance Based Agreement |
| PEDN | Private Education Development Network (Uganda) |
| PRDP | Peace Recovery and Development Program for Northern Uganda |
| ProDoc | Program Document |
| RTA | Regional Technical Advisor |
| SPM | Social Performance Monitoring |
| TORs | Terms of Reference |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Program |
| WWB | Women's World Banking |
| YFS | Youth Financial Services |
| YS | YouthStart |
| YSO | Youth Services Organization |

Acronyms and Locations of UNCDF YouthStart Partners

1. ACSI - Amhara Credit and Saving Institution (the Federal Democratic Republic of Ethiopia)
2. CMS - Credit Mutuel du Sénégal (the Republic of Senegal)
3. FCPB - Fédération des Caisses Populaires du Burkina (Burkina Faso)
4. FINCA DRC - FINCA (the Democratic Republic of the Congo)
5. FINCA Uganda - FINCA (Uganda)
6. FUCEC - Faîtière des Unités Coopératives d'Epargne et de Crédit (Togo)
7. OIBM - Opportunity Bank Malawi (the Republic of Malawi)
8. PAMECAS - Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (Senegal)
9. PEACE - Poverty Eradication and Community Empowerment (the Federal Democratic Republic of Ethiopia)
10. UFT - Uganda Finance Trust (Uganda)
11. UCU - Union of Savings and Credit Cooperative Umutanguha (the Republic of Rwanda)

# Program Data Sheet

| | |
|---|---|
| Country: | Regional (Sub-Saharan Africa) |
| Program Title (long) | Building youth inclusive Sectors in sub-Saharan Africa (2010-2014) |
| Program Title (short) | YouthStart |
| Program Atlas Code (by donor) | The MasterCard Foundation: Proj ID: 00075961; AWARD ID. 00060352<br>The MasterCard Foundation: Proj ID: 00077039; AWARD ID: 00060993 |

**Financial Breakdown (by donor)**

| **Commitments:** | **Currency** | **Amount** |
|---|---|---|
| The MasterCard Foundation | USD | 970,000 original commitment June 2010<br>10,925,876 additional commitment December 2010<br>11,895,876 total |

**Delivery to date (in USD)**

| | **2010** | **2011** | **2012** | **2013** | **2014** |
|---|---|---|---|---|---|
| | 560,972 | 1,833,235 | 2,858,012 | NA | NA |
| **Total project delivery as of December 31, 2012:** | | | USD$5,252,219 | | |

| | |
|---|---|
| Implementation Modality | DEX |
| Executing Agency | UNCDF |
| Implementing Agency | UNCDF |
| Approval Date of Project | 25 June 2010 Original Commitment<br>12 December 2010 Additional Commitment |
| Project Duration | June 2010 –December2014 |
| Project Amendment | The MasterCard Foundation grant amendments: June 2011 |
| Evaluation Date | September 2012- January 2013 |
| Previous UNCDF projects (if relevant) | None |
| Previous evaluations (if relevant) | None |
| Dates of audits | None |

## Executive Summary

**The Building Youth Inclusive Sectors in Sub-Saharan Africa Program, commonly known as YouthStart, has the primary objective of expanding low income youth access to financial and non-financial services, by supporting financial service providers (FSPs) and their partner Youth Service Organizations (YSOs) to conduct youth inclusive market research, and develop and deliver comprehensive services to youth.** YouthStart primarily focuses upon building the institutional capacity of FSPs, YSOs, policy makers, donors and other stakeholders (including UNCDF's internal capacity) to provide comprehensive youth services, while also having a knowledge management and information dissemination function. The program spans the period June 2010 to December 2014, and The MasterCard Foundation funds the total program budget of $11,895,876.

**To date, the program has progressed through three key stages.** June to December 2010 constituted the program's first stage, during which YouthStart solicited applications from a range of FSPs, and then narrowed the list to 20 FSPs (19 actually participated). Those 19 FSPs then submitted business plans, as the key determinant of which organizations would comprise the final set of ten to twelve FSPs for participation in the second stage of the program, starting in January 2011. As of the end of 2012, ten FSPs participate in the program, with most now having progressed from the pilot phase, and beginning consolidation and roll-out. One FSP has been eliminated for poor performance (CMS in Senegal), and another came on in mid-2012 (FUCEC in Togo), while one remains in suspension (OIBM in Malawi).

**This mid-term evaluation has the primary objective of helping the MasterCard Foundation, future co-financing partners, grantee FSPs and their clients, and UNCDF to understand the efficiency, effectiveness, relevance, and likely sustainability of results of the YouthStart program.** Desk research, face-to-face structured interviews, and focus group discussions comprised the main methodological tools, with the team attempting to corroborate data or perspectives gleaned from one source to at least two or three other sources. The report should assist in the program making some mid-course changes, mostly at the strategic level, while also contributing to emerging conversations about a possible follow-on project.

**By December 2012, YouthStart had far exceeded its 'youth reached' target for the year, standing at 115,030[1], against the target of 50,000 set out in the Program Document (ProDoc).** With most FSPs having completed pilot tests, and now moving into the roll-out phase, YouthStart should reach or exceed its end of project goal of 200,000 (by June 2014), in fact, there is ample momentum for the program to reach 400,000.

**With most FSPs only recently moving from the piloting phase to consolidation and roll-out, half of the FSPs have met or exceeded the targets set out in their Performance Based Agreements (PBAs), two**

[1] Subsequent to completion of this report, YouthStart program management reviewed and cleaned data previously submitted by FSPs, and amended this 'youth reached' figure to 114,826, as of December 2012. The difference of 204 was not large enough in aggregate or at an individual FSP level to justify amending the entirety of the report. The difference would not alter the findings, analysis, conclusions, or recommendations, but is noted here for the record.

**more came within 10% or less of those targets and four came within 30% to 40% of those targets.** The pilot phase necessarily tends to focus more on the details of operational mechanics, rather than questions of outreach and sustainability of the FSPs.

**Disproportionate representation of one huge and very stable FSP in the overall numbers necessitates close examination of the granular and contextual nature of individual FSP capacities and performances.** In other words, the substantial success in achieving volumes implied by just looking at the gross figure masks the high degree of variability in the group, and the unique market conditions that contribute to some of those volumes. The heavy dependence upon one organization to generate most of the output for the program's primary indicator also raises the risk that some observers may question the credibility or relevance of the summarized targets.

**YouthStart aims for young women and girls to comprise 50% of the youth reached, and by December 2012, the program overall had attained a 40% proportion.** FSPs have particularly struggled to bring on girls under 18. Generally, girls under 18 face a greater variety and number of barriers to financial service access, and typically in more acute forms than their older female counterparts or boys and young men – factors that broadly explain the program having not yet achieved its goal in this regard yet.

**However, some FSPs have begun to show better understanding of the challenges facing young girls, and have begun to implement new approaches, as a result.** Especially among some of the better performing FSPs, a combination of strong commitment to social values, dedicated and involved senior management, the prevalence of relatively more favorable market conditions, and implementation of finely honed segmentation strategies and refined financial and non-financial service offerings should allow the program to meet or perhaps even exceed its target for the proportion of female youth clients by the project's conclusion.

**The Program Manager's commitment, diligence, and skill have contributed substantially to the success of the program, so far.** The Program Manager has maintained solid program management and administration, while excelling at technical assistance and knowledge management.

**Nonetheless, the program design underestimated the resources necessary to successfully implement a program of YouthStart's scope and scale.** The program lacked any other staff member through the beginning of 2012, other than the sole Program Manager. Meanwhile, the FIPA Africa infrastructure offered limited support. Although the Program Manager has propelled the program to this point, her performance has also instilled unsustainable and unrealistic expectations about what it really takes to run a program of this sort; and continued under-resourcing and sub-optimal placement of key program staff puts the program's future progress at risk.

**The program has maintained strong stakeholder engagement internationally and with the FSPs, but shows weaknesses at the regional and country levels.** Within the international youth financial services firmament, YouthStart has gained prominence. Key appearances and presentations at the most widely attended annual conferences in the field have yielded positive attention from key stakeholders like CGAP, YouthSave, and Child and Youth Finance International. The program's FSP partners routinely and unanimously tout the program's webinars, use of 'TeamWorks', and other knowledge sharing documents and forums as among the most valuable aspects of the program. Yet, the program has a weak middle. The RTA and CTA network that the ProDoc alluded to as a potentially powerful force for dissemination of knowledge and policy influence has had structural problems (e.g. incongruent job grades, expectations without clear responsibilities or accountabilities, under-resourcing relative to the scope and scale of project requirements), and has been under-utilized. These issues go beyond a single program and pose serious challenges to realizing the theoretical efficiency and effectiveness of the UNCDF and UNDP network.

**The program has met or will likely achieve all of its information dissemination and knowledge management outputs, as set out in the ProDoc.** In this way, the program has met and continues to meet its explicit mandate to 'inform policy makers'. Most key stakeholders in the YouthStart countries acknowledge having seen at least one of its publications or having attended a forum at which they heard about YouthStart.

**YouthStart, neither in design nor in execution, has the financial resources, project structure, or main *modus operandi* suited for actual policy influence and change, but some interesting and important policy related issues have arisen.** YouthStart defines youth as those between the ages of 12 and 24, whereas most African governments define youth as those between 18 and 35. YouthStart emphasizes savings to support personal, business and household asset formation, whereas most national youth programs feature credit schemes. YouthStart integrates financial education and other non-financial services, while many African governments search for ways to make youth more financially literate and ready for the work world. All of these issues and more foreshadow a rich mix of challenges and opportunities for YouthStart and UNCDF to play an important role at the policy level in not only youth financial services, but youth development generally in Africa, and perhaps elsewhere.

**The iterative, competitive, tiered approach to selecting and then working with FSPs has worked well for a program trying to introduce an unproven innovation to the market.** YouthStart carefully balanced a desire to see the best kinds of FSPs adopt a particular approach to a particular market, while creating enough incentives for them to take those risks. The iterative process allowed those institutional conversations to take place, building technical knowledge for both sides, while also building institutional relationships and experimenting on one of the least explored edges of the financial inclusion frontier. This process has also laid the foundation for knowledge sharing and competition among the FSPs, which has led to adoption and adaptation of new approaches.

**YouthStart has begun to build a case that carefully conceptualized, appropriately delivered financial education of adequate substance, combined with accessible and appropriate financial products (mostly savings accounts) does improve financial capability, and engenders economic and even some positive social outcomes among youth.** The focus group discussions and other inquiries made during this evaluation surfaced many stories of young girls saving up to start small businesses or pay for education; young boys contributing to improvements in their households, by having set aside money safely from older brothers who previously had 'borrowed' their cash; and groups of kids making very rational decisions about whether to save formally or informally, and if the former, what to look for in the FSPs' offerings. To see these kinds of results, the core financial products; the marketing, outreach, and client mobilization strategies, and the non-financial services (i.e. financial literacy, enterprise and entrepreneurship training, and life skills) all need to fit together correctly. If any one of these elements in a program fails, then they can undermine the effectiveness of the FSP and the program.

**The model of non-financial service (NFS) delivery – i.e. linked, parallel, or unified[2] – plays an important role in determining the efficacy and efficiency of the overall approach to improving financial capability.** The program needs to progress further, before more substantial evidence can emerge about the best models under differing circumstances. So far, however, among the YouthStart FSPs, a hybrid form of the unified model, using 'ambassadors' and existing clients or community networks to reach out to youth and to provide or facilitate some of the NFS, seems to deliver better results than pure linked or unified models. None of the FSPs have tried a parallel approach. Early signs show the hybrid experiments yielding not only better take up and absorption of financial and non-financial services and lessons among the youth, but also greater chances for longer term institutional and financial sustainability for the FSPs.

**FSPs will continue to struggle to find the 'critical minimum' and the most viable business models, on their long journey to a business case for low-income youth financial services.** None of the FSPs prioritize financial indicators among the variables by which to ascertain a business case. In some cases, they do not have the system or other capacities to maintain detailed product costing and pricing, or product and segment profitability analyses. More fundamentally, few of them see low-income youth *per se* as a profitable market on its own (even if they cannot truly measure it). To the extent that they perceive any financial attributes as part of a business case, they generally have to do with increasing a base of relatively cheap deposits, at least in financial terms, relative to other forms of liquidity available to them in the market. More prominently and generally shared, however, FSP business cases theoretically revolve mostly around qualitative indicators like brand value; and cross-selling to other (hopefully more quickly and substantively profitable) markets, such as adult care-givers. Some of the more advanced FSPs also recognize the as yet unrealized potential of leveraging knowledge and other resources currently dedicated to servicing youth to servicing other segments, such as relationships with community organizations, or use of agents and electronic media. Nonetheless, proving a business case, whatever its elements, remains a long way off for YouthStart and its FSP partners.

From these findings, several **conclusions** arise:

[2] Typical models to integrate financial services and NFS include the following:
Linked: An FSP partners with another independent organization. In this model, the independent organization is often a YSO that offers training, non-formal education and/or mentoring, while the FSP focuses on providing financial services.
Parallel: An FSP has a separate education department and uses it to provide NFS to its clients.
Unified: An FSP uses the same staff to offer both financial services and NFS to its clients.
These models are described in the following publication: Christopher Dunford, "Building Better Lives: Sustainable Integration of Microfinance with Education," Chap. 2 in Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families (Bloomfield, CT: Kumarian Press, 2002).

1. Diligent program management and laser-like attention on managing relationships via the PBAs have yielded good performance at a program level for achievement of key outputs, and for guiding the application of YouthStart's main tool, technical assistance and training for the FSPs.
2. FSPs generally view the technical assistance positively and perceive the greatest value in their area of greatest need, namely the provision of non-financial services, which raises unique capacity and sustainability conundrums for the FSPs.
3. In particular, FSPs face the biggest challenges in serving young girls, which will require more deft, targeted and innovative approaches to bridge unique and especially acute social and financial barriers faced by young girls.
4. Great variances in FSP performance have yet to show a definitive pattern or correlation, but early evidence would suggest that smaller FSPs, those with market-based incentives to build a deposit base, and those led by the most committed and talented management seem to perform better than their counterparts. External factors, especially the level of competition in the market, also seem to affect the ability and willingness of FSPs to seriously tackle the YFS challenge.
5. The challenges with reaching girl clients, a mix of institutional factors, and varying market forces all mean that the business case for some FSPs will develop more strongly and quickly than for others; and as many as half of the FSPs may not continue serving the low-income youth market with the same vigor and depth that they do now, in the absence of continuing subsidy and a push from a donor.
6. The program has produced several knowledge documents of good quality and either hosted or attended over two dozen regional and international forums, which has given the program prominence in the international youth financial services community of practice, but not sufficiently raised or maintained its profile and perceived relevance among key macro level actors in its region of operation.

A brief synopsis of key **recommendations** includes:

1. Give more precision, depth, and meaning to program reporting, including a switch from 'youth reached' to net accounts open; definition of "low income"**;** adoption of performance related intermediate indicators; and incorporation of impact assessment.
2. Improve the capacity for FSPs to conduct better monitoring and reporting, developing templates that FSPs could adapt at key business process points, such as account opening, so as to capture essential data; commissioning a review of FSP MIS to identify major weaknesses or quick fixes that could help improve reporting; and establishing a program-level partnership with other donor initiatives focused on social performance monitoring and reporting to leverage their knowledge and resources.
3. Deepen engagement with key regional stakeholders, by actively engaging, following up, and continuing a dialogue with key macro and meso players in the region; tailoring messages to the context familiar to the regional audience; and focusing attention on the role of financial and non-financial services in meeting the socio-economic needs of girls and young women.
4. Improve coordination with and leverage of the regional UNCDF / UNDP network, by clarifying, instituting and enforcing roles, responsibilities, and accountabilities for RTAs and CTAs; reconciling

structural and hierarchical inconsistencies in the organization; appealing to UNDP's power to convene and lead at national levels; and explicitly seeking cooperation with relevant, existing UNCDF or UNDP programs in the region.

5. Improve the efficiency and effectiveness of program management by upgrading the IFTA to a staff member; and hiring a full-time knowledge management professional.
6. Consider a broader set of strategic drivers of successful YFS, by applying principles and structures from risk management; rebalancing for depth, as opposed to breadth in considering 'YouthStart Global'; and through true due diligence exercises, integration of risk management frameworks, and deeper analysis of the possible relationships and correlations between various institutional characteristics and YFS delivery, opening consideration for smaller, younger, more flexible and possibly more innovative FSPs with solid market incentives to pursue YFS.
7. Focus TA for FSPs on consolidating business models, especially as they pertain to the integration of financial and non-financial services and the attainment of the 'critical minimum', by allocating more resources to Reach Global and asking Reach Global to bolster its capacity; and exploring the potential for some of the large, international networks, such as FINCA and Women's World Banking to allocate some of their core resources to assisting their partners with the perfection of sustainable NFS delivery models, in addition to the resources that YouthStart has already set aside for international partners.

Most of the recommendations should involve reallocation of existing resources, rather than large, new expenditures. However, three of the recommendations do imply the need for additional budget – namely, incorporating some form of regular, longitudinal client impact assessment at the FSP and program levels; upgrading the IFTA to a staff member; and hiring a full-time knowledge management professional.

## Scope and Objectives of the Evaluation

As stated in the Terms of Reference (TORs) for this mid-term evaluation, the objectives of the mid-term evaluation are to:

- Assist The MasterCard Foundation, future co-financing partners, grantee Financial Service Providers (FSPs) and their clients, and UNCDF to understand the efficiency, effectiveness, relevance, and likely sustainability of results;
- Assess the level of satisfaction of program stakeholders and beneficiaries with the results;
- Assess whether UNCDF and its partners are effectively positioned to achieve results;
- Contribute to UNCDF and partners' learning from program experience;
- Help program stakeholders assess the value and opportunity for broader replication of the program;
- Help program stakeholders determine the need for follow-up on the intervention, and general direction for the future course;
- Ensure accountability for results to the program's financial backers, stakeholders and beneficiaries;
- Comply with the requirement of the program document/funding agreement and UNCDF Evaluation Policy.

The TORs also clearly explain that the micro, meso, and macro levels of the program, as well as the client level markets in which it operates should comprise the breadth and depth of stakeholders and issues for examination. At the market level, the evaluation comments upon satisfaction and observed changes in behaviors and attitudes among clients, while also taking a broader look at the dynamics of the youth market. At the micro level, the FSPs and YSOs make up the main recipients of the technical assistance and training under the program. They represent the core institutions through which the program seeks to meet its major goals. Thus, this level of the market underwent careful and comprehensive scrutiny. The TORs also call for examination of macro and meso level players and issues, such as the state and dynamics of relevant policy, legal and regulatory regimes (i.e. macro), as well as influence of key networks and stakeholders in the youth development, financial inclusion, youth financial services and other relevant communities (i.e. meso).

The Program Document (ProDoc), Evaluation Matrix, and Terms of Reference all relate to each other and broadly apply the same program logic. The ProDoc is the basis of the contractual agreement between UNCDF and MCF, and provides the definitive basis to compare expected outputs, targets, and outcomes against actual or projected performance. The Program Monitoring Framework (PMF) and the Results and Resources Framework (RRF) provide the standard to which the Program Manager, and her team, plus the various technical assistance and training providers, as well as the FSPs, have been held accountable. Meanwhile, the Evaluation Matrix and the TORs, using the OECD Donor Assistance Committee (DAC) Principles for Evaluation of Development Assistance, put the evaluation of YouthStart into a broader context – one which facilitates comparison of YouthStart to other UNCDF and MCF initiatives and to a broader set of developmental questions. In fact, the core seven chapters of this report explicitly follow the structure of the seven DAC questions, namely: Relevance and Design; Efficiency of Program Management; Evidence of Increased Capacity and Organizational Change at the Micro Level; Influence at the Macro Level (Policy, Strategy, Legal and Regulatory Framework); Evidence of Increased Access to Services among Low-Income Youth; Potential for Scaling Up and Replication; and Sustainability.

## Evaluation Approach and Methodology

As set out in the Inception Report, a team of seven consultants[3] – two international consultants and five national consultants, one each for Burkina Faso, DRC, Ethiopia, Senegal, and Uganda – began the evaluation in early November with desk review and remote interviews of the FSPs in Malawi and Rwanda, as well as very substantive conversations with key UNCDF and MCF staff, along with the UNCDF Evaluation Unit personnel. While document review continued throughout the assignment, the team focused on the field portion of the evaluation between 25 November and the end of December 2012. Actually, through mid to late January 2013, some FSPs submitted data that the team had earlier requested in the field phase. Also, the International Team Member telephonically interviewed the youth champion at FUCEC in Togo in mid-January 2013.

The Evaluation Team reviewed quarterly program reports, as well as other documents generated by program management and FSP data, to determine YouthStart's progress against targets established in the ProDoc and the PBAs. The original cut-off date for information from the program documentation was September 2012, but the Evaluation Team agreed to instead use program data through the end of December 2012, so as to provide a fuller picture of the evolution of the program. The team also solicited detailed financial and portfolio performance data from all of the FSPs, mainly to assist in answering questions about broader institutional and financial sustainability and to support some of the analysis relating to program influence on FSP capacity. These data, which remained at a cut off period of September 2012, also assisted the Evaluation Team in contextualizing the performance of YouthStart FSPs, relative to other FSPs not in the YouthStart program.

Structured interviews, following a slightly modified version of the Evaluation Matrix, formed the basis for all interviews, whether during the inception phase or the field phase of the evaluation; and in total by the end of the evaluation, the team interviewed in excess of 150 individuals, including nearly all of those recommended by YouthStart itself, as well as many the team independently contacted. Interviewees came from six essential categories: YouthStart staff and those from UNCDF and MCF actively engaged in program governance or management; UNCDF and MCF headquarter-based managers; UNCDF and UNDP mangers and staff in the field; FSPs and YSOs, including management and staff; technical assistance and training providers for YouthStart; and a broad array of meso and macro level stakeholders, some with direct knowledge of or involvement in the program, but others from the broader arena of financial inclusion or youth development, without an explicit relationship to the program. This latter group of meso and macro level stakeholders included relevant government ministries, other donors, industry associations, and other service providers. The annex to this report includes the full list of those interviewed.

[3] Note that due to non-performance, the consultant from Burkina Faso does not appear as a co-author of this report.

Most FSPs have only recently completed or neared completion of their pilot phases, which means that the program has been focused on working through the details of establishing reasonable youth financial services offerings. As such, it is reasonable to expect that some FSPs will be behind in reaching quantitative targets. Allowances should be made for too little time having passed to establish sound systems and data for assessing various metrics of institutional performance, much less to concretely say whether the program has or has not built institutional capacity of FSPs and YSOs. Too few youth clients have been clients for too short a time to comment definitively upon client-level influence or impact. Market dynamics, such as competition, client demand, or policy change, not only have their own sets of influences, but YouthStart's primary focus at the micro level (i.e. FSPs mainly) and its relatively short operational period of about two years make any pronouncements upon the program's sway over these market dynamics somewhat speculative.

Focus group discussions (FGDs), implemented in all five of the countries visited by the team and attended by over 200 youth clients, played a major role in understanding client influences and perceptions. The Evaluation Team relied heavily upon the national consultants to work with the FSPs to choose as relevant and unbiased samples of youth clients as possible. Clients included those who had received some form of non-financial service and / or financial service from the FSP. Practically, selecting those clients who would participate in the FGDs meant working through the YouthStart champions at each FSP to then identify the branches, and in turn the relationship officers and / or client liaison personnel, who could mobilize groups of 10 to 20 youth at a specific place and time on a specific date – within the confines of the logistical constraints of the Evaluation Team, as well as other factors, such as accommodating holiday schedules of in-school youth, or the work commitments of out-of-school youth. In consultation with the FSPs, the Evaluation Team determined group composition and discussion dynamic parameters on a case-by-case basis, e.g. whether boys and girls should or should not participate together, whether in-school and out-of-school youth should be combined, or not, what language and discussion protocols should be applied, and so on. Since the Evaluation Team did not have total control over client selection and could not control for all factors that might have influenced the composition or conduct of the FGDs, no claims can be made that the FGDs yielded entirely objective information. Nonetheless, when comparing information gleaned from the FGDs to other data sources, such as document reviews and structured key stakeholder interviews, sufficient patterns emerge to vouch for the overall integrity of the information reported from the FGDs. The annex to this report includes all of the detailed FGD reports from the four (out of five) countries where the Evaluation Team successfully concluded the FGD sessions and analysis.

The Evaluation Team decided not to use structured online surveys, as had been proposed earlier. The comprehensive number, breadth and depth of interviews conducted through the inception and field phases telephonically and in person, combined with the document reviews and FGDs, proved sufficiently robust, so as to leave little marginal benefit in applying another data collection tool.

UNCDF adheres to results-based management, wherein the program has set out a series of expected results and milestones, and indicators to measure change. This evaluation should assist in updating those expectations, and elicit any necessary changes in ongoing program reporting and monitoring. The results framework within the ProDoc is subject to assessment under the evaluation criterion – relevance and quality of design.

# Program Profile and Context

## Program Description and Background, Including Program Expected Result

The Building Youth Inclusive Sectors in Sub-Saharan Africa Program, commonly known as YouthStart, spans the period June 2010 to December 2014. Funded entirely by The MasterCard Foundation, YouthStart has a total program budget of $11,895,876, allocated among four core program outputs, namely:

- Output 1. To expand low income youth access to financial and non-financial services by supporting financial service providers (FSPs) and their partner Youth Serving Organizations (YSOs) to conduct youth inclusive market research, develop and deliver comprehensive services to youth. $9.04 M (76%)
- Output 2. To build institutional capacity of FSPs, YSOs, policy makers, donors and other stakeholders (including UNCDF's internal capacity) to provide comprehensive youth services. $0.6 M (5.2%)
- Output 3. To expand access to and mobilize knowledge related to youth financial services, by acting as a convener and facilitator among stakeholders. $0.4 M (3.7%)
- Output 4. Program Management, monitoring and evaluation are conducted efficiently. $1.8 M (15.1%)

The ProDoc adequately and concisely sets out the intervention logic of the program. In essence, by focusing most program resources on the FSPs and YSOs (micro level), YouthStart expects to strengthen the long-term capacity of those organizations to sustainably deliver youth financial services at increasing scale and scope over time, and to generate positive socio-economic benefits to the targeted youth populations in the chosen countries. As a pilot program, the expectation is to learn about the best ways to deliver comprehensive youth financial services; to sufficiently demonstrate the feasibility of providing such services; and, in turn, to encourage other FSPs, YSOs, donors, and others to learn from and apply YouthStart's experiences, and thereby expand access to financial services for youth well beyond the program's own operating focus.

The design set out in the ProDoc and the execution of the program thus far feature most strongly the emphasis on technical assistance and training for FSPs (and YSOs, where relevant) to design, pilot, roll-out new and/or improved comprehensive youth products and services. The overwhelming proportion of the program budget pays for these activities. The Program Management Unit has spent most of its time managing or delivering technical assistance and training for the FSPs. The most prominent and most explicit output in the Results and Resources Framework (RRF) in the ProDoc, specifically Output 1, "to expand low income youth access to financial and non-financial services", relates directly to operational and capital expenditures for the FSPs to establish and operate their YFS programs, as well as some of the technical assistance and training activities. The ProDoc further suggests that by building the capacity of FSPs and YSOs to deliver youth financial services at scale, the program will create a demonstration effect, and thereby help to crowd in other FSPs, donors, and other key stakeholders to the youth financial services space.

Outputs 2 and 3 attempt to recognize the need to support and inform others beyond just FSPs and YSOs to boost the demonstration effect, but these two Outputs lack the clarity of Output 1. Output 2 introduces some ambiguity by saying that the program will "… build institutional capacity of FSPs [and] YSOs… to provide comprehensive youth services". By essentially rephrasing much of what Output 1 has already said, the explicit intent of Output 2 becomes blurred. Output 2 does include "policy makers, donors, and other stakeholders", and the related indicators emphasize the focus on 'better informing' these entities; but then Output 3 more explicitly deals with the knowledge management, information dissemination, and convening and facilitating role of YouthStart. Arguably, the output indicators under Output 2 that seem to correlate to FSP and YSO institutional capacity, i.e. numbers of market research studies, and products eventually rolled out, should have stood alone as an Output or been merged with Output 1. In turn, it would seem to have been the intent of the program to only inform policy makers, donors and other stakeholders. This may be considered a mild form of building institutional capacity, but that phrase typically connotes more than just informing through disseminating papers and convening workshops.

Paragraph 43 of the ProDoc says [*emphasis added*], "Through its partnerships with Ministries of Finance and Central Banks, FSPs, private sector, Development Partners, UN agencies, civil society and academia, UNCDF is positioned to support multi-stakeholder, participatory processes and engage them on the benefit of YFS. *UNCDF will use its institutional clout to address policy issues on this program*. It will use its close connections with LDC governments and donors to clarify obstacles to YFS and identify potential solutions for overcoming them. In addition, we will organize national and regional meetings with industry stakeholders and policymakers to present cases and industry knowledge and facilitate discussion on how lessons learned can be applied to ensure an enabling environment for YFS. *Success in this area will be demonstrated by policy makers and donors beginning to apply emerging best practices and lessons learned related to supporting youth's holistic development"*.

Two ambiguities arise from this passage. One, it leaves open to interpretation whether YouthStart, a wholly UNCDF-implemented program, should be interpreted as "UNCDF", or whether it is saying that UNCDF entities, other than YouthStart, will "address policy issues". Two, the final sentence would seem to reasonably imply that the "success" of either UNCDF or the YouthStart program would at least in part be measured not just by whether it "informed" policy makers, but by whether "policy makers and donors [begin] to apply" that information.

The program's budget allocation, the expectations of YouthStart program management, program execution, and the context described immediately above clearly bring to light two things. One, "UNCDF" did not mean "YouthStart". And, two, ensuring application of the information provided by YouthStart was not a responsibility of YouthStart *per se*, but rather an expected job of the broader UNCDF entity. Even by taking the budgets of Outputs 2 and 3 together, they comprise less than 9% of the total budget allocation, implying dramatically fewer resources being committed to stakeholders other than FSPs and YSOs, or to efforts beyond the core tasks of building the institutional capacity of FSPs and YSOs to deliver comprehensive youth financial services. The program design also implicitly and explicitly committed the broader UNCDF network, mainly the RTAs and CTAs, to extending the reach of the YouthStart program, by, among other duties, "…[providing] technical, strategic and policy advice, [and acting] as primary contact with government agencies and donors."[4] Thus, the ProDoc held YouthStart to an explicit set of tasks and outputs, but also described several tasks and expectations for the broader UNCDF network.

YouthStart has met or is on track to meet its commitments, but the modalities for leveraging the broader influence of the UNCDF network have been somewhat opaque, and thus the UNCDF network has not helped YouthStart to capitalize as much as it might have in creating a more powerful demonstration effect. These gaps are particularly apparent when it comes to working more closely and regularly with national stakeholders other than FSPs or YSOs, or to more substantively addressing policy and other macro level issues. Other chapters in this report, most directly the one on Influence at the Macro Level, and to a lesser extent, the chapter dealing with Relevance and Design, delve into these issues more.

The questions asked during this evaluation must be examined in the context that YouthStart is only a pilot program and this is only a mid-term evaluation. As an evaluation exercise taking place at the midway point of implementation, the goal is to assess progress to date alongside likely progress going forward against the program's broader objectives. As a pilot program, the most important question may be whether the program is learning as much as it can, and improving the capacity of the FSPs and YSOs in the program, as well as others, to apply those lessons toward better youth financial services at scale. In this light, success or failure of individual FSPs to meet their targets may be less important to achieving the program's long term objectives, than ensuring YouthStart understands the reasons behind those successes and failures, and clearly communicates those lessons to those in a position to best apply them.

Nonetheless, even with these limitations and caveats, the Evaluation Team has gathered sufficient information and data to comment definitively upon the progress to date, relative to expected outputs to date. These historical records, combined with qualitative and quantitative assessments of a diverse array of other data and information sources, have allowed the Evaluation Team to project, with justifiable confidence, whether or not the program should achieve its end of project outputs. Furthermore, this report sets out reasonable assessment and expectations in regard to still evolving measures of organizational change, influence at the macro level, evidence of increased access to services among low-income youth beyond those provided by YouthStart partners, potential for scaling up and replication, and sustainability.

To a great extent, the commentary on these issues is probably more applicable to thinking about how to maximize the value of YouthStart in a next phase or follow-on project, rather than with the intent of altering YouthStart. YouthStart still has a tremendous amount of work to do in its final two years to refine the details of how to deliver sound youth financial services in multiple country and market

[4] ProDoc, page 21, Table 4.

contexts; and then carefully articulating those lessons to support the business case for youth financial services.

## Current Program Implementation Status

June to December 2010 constituted the program's first stage, during which YouthStart solicited applications from a range of FSPs, and then narrowed the list to 20 FSPs (19 actually participated). Those 19 FSPs then submitted business plans, as the key determinant of which organizations would comprise the final set of ten to twelve FSPs for participation in the second stage of the program, starting in January 2011. As of the end of 2012, ten FSPs across eight countries[5] participate in the program, with most now having progressed from the pilot phase, and beginning consolidation and roll-out. One FSP has been eliminated for poor performance (CMS in Senegal), and another came on in mid-2012 (FUCEC in Togo), while one remains in suspension (OIBM in Malawi).

## Current Program Financial Status

As of 31 December 2012, the program had spent $5.2 million of the $11.9 million budget. Disbursements to date on a cumulative basis align reasonably well with the expected disbursements, with MCF having released $8.8 million, as against a plan of $8.2 million. This leaves about $3.1 million still undisbursed, but over $6.6 million still to spend, before the end of the program. The table immediately below captures these and other key financial details about YouthStart.

**Table 1: Summary of Program Financial Performance**

| Year | Budget | Disbursed to UNCDF | Disbursed / Budget Variance | Spent by UNCDF | UNCDF Utilization | Disbursed to FSPs | FSP % of Spend |
|---|---|---|---|---|---|---|---|
| 2010 | 969,973 | 3,228,243 | 333% | 560,972 | 17% | 347,772 | 62% |
| 2011 | 2,927,594 | 3,156,954 | 108% | 1,833,235 | 58% | 1,234,135 | 67% |
| 2012 | 4,269,990 | 2,417,955 | 57% | 2,858,012 | 118% | 2,055,801 | 72% |
| **TOTAL** | **$8,167,557** | **$8,803,152** | **108%** | **$5,252,219** | **60%** | **$3,637,708** | **69%** |
| BUDGET REMAINING | | $3,092,724 | FUNDS REMAINING | $6,643,657 | | | |

Six of the ten FSPs had received their fourth disbursements for operational costs, technical assistance, and other approved expenditures by the end of 2012. The poor performance of CMS and OIBM[6], and the recent participation of FUCEC, are the main contributing factors to the gap between funds disbursed to UNCDF and funds spent by UNCDF. The percent of actual spend attributable to FSPs, at 69%, accords with the planned proportion of the overall budget committed to support for FSPs.

[5] The eight countries are: Burkina Faso, Democratic Republic of the Congo, Ethiopia, Malawi, Rwanda, Senegal, Togo, and Uganda

[6] The agreement with CMS was terminated, which not only halted grant disbursements, but also required that CMS return some of the money previously disbursed to them. The agreement with OIBM has not been terminated, but rather suspended, which has put a temporary hold on grant disbursements to them.

# EVALUATION QUESTION No. 1: RELEVANCE AND DESIGN

**YouthStart's primary themes of youth and financial inclusion resonate well with the same or similar topics atop the agendas of the countries of its operation, as well as with other FIPA and LDF project's in UNCDF's portfolio.** The 'youth bulge' has captured the attention of policy makers throughout the developing world. In addition, every YouthStart country has developed some form of financial inclusion policy, often with clearly regulated and supervised markets. Some countries, such as Ethiopia and DRC, have central banks or ministries of finance at the center of pushing national savings strategies. All countries have policies that promote women, if not girls, although most often these center on social issues, such as health and education. This setting provides ample opportunity for YouthStart to engage with those typically part of most financial inclusion discussions, as well as those from outside that world.

**The program's definition of youth, focus on savings, and special attention to girls all present challenges of alignment with perceptions and objectives of policy makers and other stakeholders in the region.** Most countries look at youth as political and economic actors, and thus almost universally define youth as those at least 18 years of age, and often up to 35 years of age. In turn, consideration of financial services for youth, as most countries define them, involves credit for enterprises and entrepreneurship, driven by a focus on jobs. Most policy and programming for girls focuses on health and education, not economic issues. Given these different perspectives and objectives, YS has a challenge honing its message to appear relevant.

**The program design sets out a clear purpose, but did not incorporate and explicitly designate sufficient resources to carry out that mission, or propose adequate measures of outputs or outcome for many of the results anticipated.** The vast majority of the program's resources go towards grants for capacity building for the FSPs, which in turn are expected to deliver YFS. That part of the results chain and the latter relationships to demonstration effects and market impacts are clear, but the design underestimated the scope and scale of the program management task necessary. In addition, both the core indicators and those related to downstream activities lack sufficient definition and better tabulate a series of activities, rather than outcomes and results.

## Alignment with Partner Country Youth Inclusive Finance Priorities

**The general aims of YS align well with the broad rhetoric and strategic intent of national agendas relating to financial inclusion, youth development, and financial literacy.** In every YS country to varying degrees governments, civil society, and the private sector, including a cross-section of those from the financial sector have engaged in various forums relating to either youth financial services generally, or various sub-components, such as youth employment, youth development, and / or financial inclusion. Sometimes, such discussions have formed into concrete strategy, policy and action, most notably in the form of multiple youth-targeted credit and job schemes, which generally have performed poorly, but nonetheless demonstrate intent and seriousness. For example, the governments of Senegal and Burkina Faso have each established funds dedicated to financing youth employment and entrepreneurship. Such initiatives present opportunities for YS to align itself with national priorities.

**All countries have financial inclusion or financial access strategies or policies, and some, like Uganda, have highly developed legislation, rules, regulation and supervision for microfinance, with varying**

**degrees of integration into the broader financial and banking sectors.** West African financial sectors typically include multi-stakeholder forums, often led by the central bank or the ministry of finance, which focus on microfinance or financial inclusion strategies and policies. Few of these efforts include an explicit approach to serving youth, but often they do mention the need for particular attention to more vulnerable groups, such as women or youth. East Africa tends to feature fewer grand sectoral bodies and schemes, but nonetheless, ministries of finance and central banks frequently have led major efforts to put in place very detailed financial inclusion strategies and policies. Uganda, by far among the eight YS countries, has the most sophisticated policy, regulatory, and supervisory system. Both FINCA Uganda and UFT have registered as Tier 3 Microfinance Deposit-Taking Institutions (MDIs), licensed under the MDI Act, 2003. UFT has begun formal processes to convert into a fully-fledged commercial bank probably within the coming 18 months, or so.

**YouthStart defines youth as those between the ages of 12 and 24.**[7] YS applies this definition, because those individuals above 24 have a greater likelihood of receiving financial services from FSPs, or at least those aged 24 and above would typically fall within the spectrum of adults already considered as potential clients by FSPs. By capping its age range at 24 YouthStart draws attention to those in late secondary or perhaps tertiary schooling, or at least those who have reached the beginning of their adult working lives. The 12 to 24 range also draws attention to key life cycles, which present differing opportunities and demands for financial and non-financial services

Perhaps one of YouthStart's most distinctive characteristics, within its countries of operations, rests in its inclusion of youth under 18, the age almost universally considered the legal dividing line between minors and adults. Certainly, the inclusion of those under 18 brings a fresh and often lone voice to both the financial inclusion and youth development discussions underway in the countries where the program operates. Even more specifically, YS includes those between 12 and 15 to ensure needed attention to girls. Girls begin to reach puberty around the age of 12, which increases their vulnerability to several social dynamics. Between 12 and 15 girls start to disproportionately drop out of school; they face increasing pressures to marry; and either through marriage or other sexual encounters, they become more susceptible to HIV and other diseases. So, if a girl starts accumulating social capital (e.g. participating in groups) and financial assets (through savings) as they reach the age of 12, youth financial services may contribute to a higher probability that they will remain at school, and that they do not have to go to depend upon men or boys for money. .

**YouthStart's emphasis on savings services brings a different perspective to the youth development conversation.** A later chapter in this report on the program's performance in increasing access to financial services for the targeted populations will provide more evidence on the importance of savings. At this juncture, suffice it to say that YS has a growing and profound story to tell about the power of saving up for youth enterprises and income-generating activities.

[7] "The United Nations define youth as persons between the ages of 15 and 24". (See http://www.unesco.org/new/en/social-and-human-sciences/themes/youth/)

**In all of the eight YouthStart countries and most others in Africa, governments predominantly define youth as those aged 18 to 35.** Most policy-makers and other stakeholders start with the perspective of those under 18 as children, whose economic lives depend upon those adult parents or other caregivers[8]. This view then leads to the notion of children (i.e. those under 18) as economic dependents, not economic actors. In turn, government policy attention for those under 18 tends to fall into the realm of health, education and sports, not financial inclusion or youth development. The upward extension to 35 largely reflects socio-political beliefs and realities. With stunted and delayed education and few job or other economic opportunities, many Africans into their late twenties and even mid-thirties retain skill, experience and economic profiles that closely resemble those of typically much younger individuals. Many of those in their late twenties and mid-thirties share the same economic plight as those in their late teens and early twenties. This shared economic malaise creates fertile, volatile and large grounds to generate political force – disaffected 'youth' rallying around issues of unemployment and lack of access to economic opportunities. These realities shape the definition of and the responses to 'youth' for African governments.

**Against this backdrop, youth employment tends to dominate youth-oriented rhetoric, policy and programming among the YS countries.** Whether as a byproduct of the socio-political waves that rippled internationally in the wake of the 'Arab Spring', or just a hard realization of the mounting threat posed by the quickening 'youth bulge' found in every developing country, all discussions of youth among policy makers and other key stakeholders tend to focus first and foremost upon employment. Somewhat simplistically, many see generation of employment for youth – either as entrepreneurs running their own enterprises, or employed by someone else – as a vital way to 'keep them off of the streets' and to therefore stem the threat of political upheaval. This view both feeds and emanates from the definition of youth adhered to across the YS countries and most other countries. Minors under 18 present less of a social, political, or economic threat than do those in the 18 to 35 year old bracket; and thus, the older bracket draws more attention and urgency.

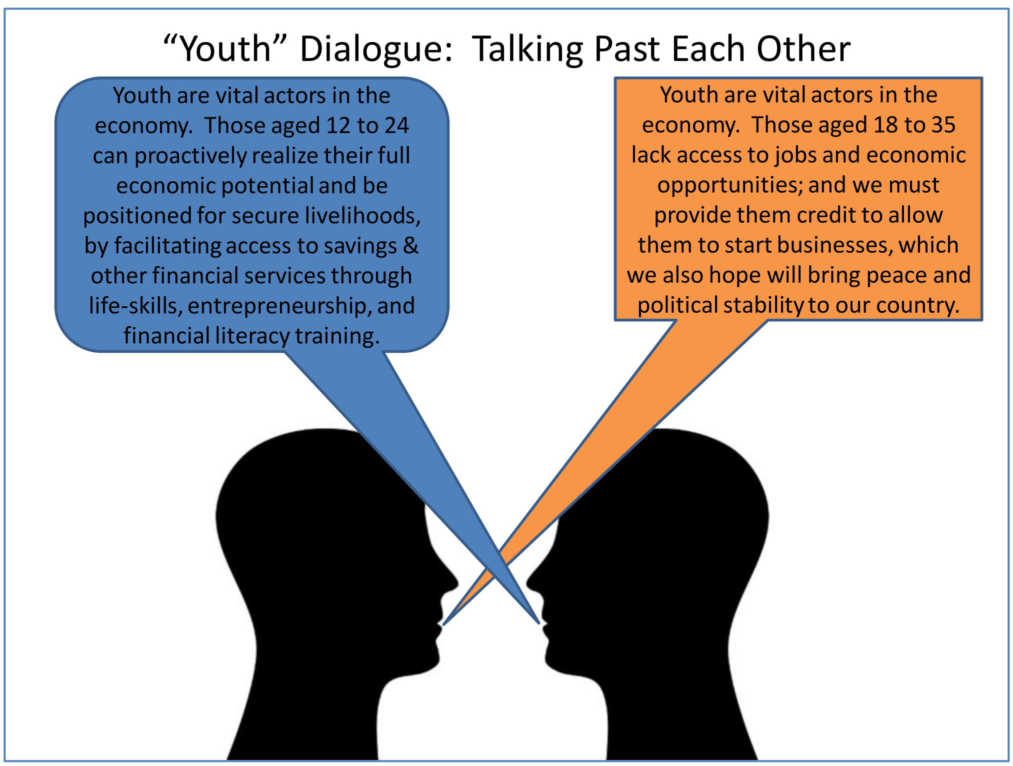
**In turn, when considering a financial sector response to youth development or youth employment strategies, nearly all policy-makers tend to immediately jump to a discussion of credit, in particular massive national schemes to provide qualifying youth with some form of subsidized credit to start or grow small businesses.** Policy makers in most countries (even developed nations) see diminishing prospects for massive lower to middle income formal employment. International competitive factors, trade regime imbalances, skill mismatches, and a host of other factors make it increasingly difficult to foresee that large scale formal employment by established medium to large companies will generate employment in proportions even remotely close to the burgeoning ranks of unemployed youth. Thus, policy makers place increasing priority on not only youth employment, but youth enterprise, which almost by definition, means supporting a massive array of start-up or early stage micro and small enterprises. In the logic of those concerned about the issue, this leads to devising some form of credit

[8] In a somewhat ironic twist, the definition of youth applied by most African countries does not take into consideration the fact that those between 15 and 18 years of age often bear many of the responsibilities of adults (e.g. they are forced to get married, they start working, etc.).

scheme, on the (somewhat mistaken) notion that such enterprises need and can sustain debt capital. Not coincidentally, such programs also often yield political dividends, by appeasing and sometimes literally buying off a segment of the population viewed as a serious political threat.

**YouthStart and African governments run the danger of talking past each other with respect to their differing definitions of youth, and their varying views of the key economic issues relevant to youth.** This lack of alignment could lead to a perception among some key macro level stakeholders that YouthStart has limited relevance to a national youth development agenda. Seeing those under 18 as economic actors, not just dependents will require substantial shifts in thinking. Savings-led microenterprise development runs counter to conventional wisdom and lacks the perceived political punch of credit-led strategies. The incremental savings and tiny, start-up a microenterprises that befit the profile of most YS clients do not accord with the more grandiose and prestigious images that many senior government officials have of their countries' youth running what they perceive as 'real' businesses.

Figure 1: Talking Past Each Other




**In content and perception, YS has many to convince of the value of its story.** Without conforming to predominant definitions or perceptions, YouthStart needs to convince others in the financial inclusion / youth development space to see the program's inputs and insights as relevant.[9] YouthStart has a

[9] For example, in Uganda, excluding 24 - 35 year olds does have certain implications around the perception of YS and its objectives by key stakeholders, especially among Government programs and agencies presently focused on challenges of youth unemployment and related financial inclusion. Similarly, youth financing initiatives in Senegal

substantial challenge ahead in helping to raise the awareness of governments, in particular Ministries of Youth and Sports and others outside of the usual financial inclusion orbit, of alternative strategies to support youth's integration into local economies and position them for secure livelihoods. Like any innovator, YS faces the challenge of first proving relevance in the face of others firmly holding a different perspective; else it risks remaining an outsider to key policy conversations.

**Gender generally, and women specifically, also feature in all national financial inclusion policies.** Once again, we see direct and indirect relationships with issues at the core of the YouthStart agenda, but still with a twist that will require YS to adjust and align its approach. Women, as a target clientele, have long had a prime place in microfinance, but not young women and girls. In addition, those policy stakeholders most interested in young women and girls tend to focus on health and education issues, not financial services. Much of the non-financial services approach under YouthStart includes particular focus upon girls' issues, especially as expressed through the life skills elements. Still, in most markets the people worried about girls' education and life skills come from different institutions and come at the issue differently than those considering gender and women's issues in microfinance. YouthStart has an obvious but difficult bridging role to play.

**Perhaps less at the macro or meso level and more at the micro level, YouthStart's emphasis on low-income and less capable youth, including girls under 18 and minors with children, stands out as a focus few, if any, FSPs show any inclination to share.** Less capable and harder to reach clients portend higher costs and lower and less certain financial returns for FSPs, so they have good reason to shy away from them. Especially for the 'leading' organizations chosen by YS, which have by definition already achieved financial self-sufficiency, it requires some serious convincing to serve a market that at least in the short-term may take them backwards financially. YouthStart also has a strategic problem as it tries to prove a business case. In short, if the program hopes to show the viability (even if only in the medium to long-term) of delivering youth financial services, it cannot push too hard to the edges of the capability and accessibility frontiers. On the other hand, to credibly justify the use of substantial subsidies, YS must ensure its grants push the FSPs into markets that otherwise would remain unserved.

**The draft document proposing program extension and expansion reflects good strategic thinking, particularly relating to how UNCDF and other stakeholders might systemically embed non-financial training and services, as well as positively influence the policy agenda.** The document proposes greater geographic scope for 'YouthStart Global', but more creatively, the approach to scaling up includes two key elements. First, the document proposes to deal with the non-financial education problem through the education systems. Second, the macro level would receive much more direct attention. The current program design does not set out a clear strategy to ensure or facilitate the sustainability of results at the FSP level. But, both of these ideas captured in the proposed extension document seem to tackle the identified problems at the most critical points of leverage and represent better investments of donor subsidies, relative to continued technical assistance to FSPs.

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and Burkina Faso only target those 18 and above (in part, because only those above 18 can legally enter into contracts for credit). Rightly or wrongly, they do not perceive 'youth' under 24 as a priority, and thus gaining buy-in from these stakeholders is a challenge.

## Complementarity with Ongoing UNCDF Interventions

**Theoretically, YS aligns well with several UNCDF and UNDP country and thematic initiatives.** From Senegal's PALPS, to Uganda's PRDP (Peace Recovery and Development Program for Northern Uganda), to Ethiopia's Local Development Finance (LDF) and financial sector initiatives, to the new Mobile Money for the Poor[10] initiative, substantial portions of YS's purpose and objectives find resonance.

**Both FIPA and LDF initiatives, as well as several UNDP programs at country level include serious financial inclusion, youth, gender, financial literacy, business development, and other components that mirror and complement key elements of YouthStart.** At the micro, meso and macro levels, other UNCDF and UNDP projects and programs have core components and sub-components that align precisely or very closely with YS. Some programs have played key roles in forming national policies on financial inclusion or microfinance. All incorporate a gender component. LDF programs have tended to emphasize a local asset building approach, which deeply complements YouthStart's savings-led approach.

**Many times, project partners of other UNCDF or UNDP programs include the same FSPs that comprise YouthStart, along with other stakeholders, such as ministries of finance, departments of education, industry associations, or community groups that should comprise a core YS constituency.** The cross-over between YS FSPs and FSPs in other UNCDF or UNDP initiatives arose at least partly by design. The YS selection process included some bias toward working with FSPs with which UNCDF or UNDP had a prior relationship. More powerfully, other UNCDF and UNDP programs have formed solid working partnerships with key financial sector players at the meso layer (e.g. industry associations) and the macro level (e.g. ministries of finance and central banks). Even of more potential value to YS, some of the other programs have forged relationships with constituencies and institutions outside of the typical microfinance space that can play pivotal roles in advancing YouthStart's non-financial services agenda and special focus on young girls. These include institutions in the education, youth development, gender and women's issues, and social development spheres.

**In Uganda, UNDP's Peace Recovery and Development program focused particularly upon building assets among vulnerable youth, while in Ethiopia, UNDP's LDF initiative relies heavily upon ACSI's liaisons with community groups to build local savings.** These two examples illustrate some key points. Working in the war-ravaged north of Uganda, one small component of the Peace Building program (involving YouthStart partners FINCA Uganda and PEDN) involved helping youth, especially orphaned girls and boys, to accumulate small savings towards income generating activities and microenterprises.

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[10] Mobile Money for the Poor (MM4P), a six year, $27 million initiative operating in Lao-PDR, Liberia, Malawi, Nepal, seeks to demonstrate how the correct mix of technical, financial, and policy support can assist in scaling up sustainable branchless and mobile financial services that reach the poor in very low-income countries, by: providing financial and technical support to service providers and financial service agents; supporting market and client research to develop products and services that reach low-income and rural households; bringing large scale users into the branchless and mobile financial services system; and assisting central banks to create enabling environment for branchless and mobile financial services. (Source: http://www.uncdf.org/en/mobile-money-for-the-poor)

The evaluation team heard stories of one girl who had turned savings of under $4 into a $100+ per month catering business. Of course, this evaluation makes no claim whatsoever that this typifies expected behavior or results, but it does show the value of teaming with and learning from other initiatives that share similar aims within the UNCDF / UNDP family. ACSI in Ethiopia, through its core participation in UNCDF's LDF program in Amhara Province, offers YS two potential advantages. One, as a government-owned entity explicitly working with the provincial and local governments to implement the LDF program, ACSI could facilitate policy dialogue linked to savings mobilization. And two, the deliberate linkage of savings initiatives to economic activities could bolster the nascent but promising narrative of savings-led enterprise development.

**The YS project design builds upon UNCDF's theoretical competitive advantages of physical presence in the countries or regions, past relationships with many of the FSPs, and institutional linkages to key meso and macro actors.** Page 5 of the Program Document says, "*UNCDF is in a strong position to develop an active policy dialogue with national authorities on the importance of YFS as a means to promote long-term financial inclusion…. UNCDF will be in a stronger position to promote the youth microfinance agenda through its sector-based programs on inclusive finance at the country level. YouthStart will provide UNCDF with the necessary tools and expertise to promote the youth microfinance agenda in its investment strategy at the retail MFI level, through the Investment Committees (ICs) that are set up in each sector-based program and fund a large range of retail institutions*". The table below, copied from the program document, set out a series of tasks for the YouthStart program manager (YPM), the RTAs and CTAs to give effect to UNCDF's "strong position".

**Table 2: YouthStart Responsibilities for YPM, RTAs and CTAs**[11]

| YPM Responsibilities | RTA Responsibilities | CTA Responsibilities |
|---|---|---|
| Oversee overall YouthStart programme, including:<br><br>• coordinate communication between CTAs, RTAs, UNCDF Headquarters and programme partners (FSPs, YSOs, government and donor agents)<br>• manage RFAs, PBAs and partner selection process<br>• manage all internal & external technical assistance and training<br>• manage and monitor programme resouces and budget<br>• monitor results against all targets, reports progress and issues to | Provide strategic support to YouthStart programme at regional level, including:<br><br>• facilitate host-country government endorsements<br>• oversee work of CTAs and oversee countries without inclusive finance programmes<br>• provide technical, strategic and policy advice<br>• act as primary contact with government agencies & donors<br>• coordinate YouthStart programme logisitics and | Provide strategic support to YouthStart programme at country level, including:<br><br>• facilitate and maintain contact with programme partners, including governments, FSPs, other donors<br>• conduct due diligence of FSPs & YSOs<br>• provide and facilitate technical assistance and training to FSPs<br>• collect data and monitor results |

[11] See pp. 21-22 of the YouthStart Program Document.

| | | |
|---|---|---|
| UNCDF and donors | implementation with other UNCDF programmes | |

**Despite this theoretical harmony, practically, there remains little to no strategic or operational coordination within YS countries between YS and other UNCDF or UNDP programs.** UNDP's Head of the Economic Growth Unit in Ethiopia (and formerly the first Director of the National Microfinance Directorate and lead negotiator with the Gates Foundation for a major new financial sector initiative – and thus a person to know for multiple reasons) had never heard of YouthStart. RTAs and CTAs interviewed for this evaluation routinely said they only had 'vague knowledge' of YS, or had 'scant involvement' in any activities beyond securing the initial support letters.

**YS has begun to lay the evidence-based foundation for engagement with policy makers, but the UNCDF network has yet to show its potential, even in the limited role of keeping policy makers aware of YS progress.** The network of partners, staff, institutional relationships, program structures and strategies, and other elements that supposedly comprise UNCDF's "strong position" all exist, but they seem to function in relative isolation, or at least have little to no connection to YS. Between the broad intentions set out in the ProDoc and the inception phase, YouthStart did not explicitly delineate the detailed modalities of how the practical connection between the program management unit and the regional network would work. The list of tasks enumerated above did not translate into detailed planning, such as how the RTA and CTA tasks would be prioritized against other responsibilities, or how directives from the YPM would be reconciled with directives from line managers. It would also appear that RTA and CTA tasks listed lacked clear indicators of performance that linked to YS indicators. Such deficiencies in clarity become particularly important in tasks subject to wide qualitative interpretation, such as, "[providing] technical, strategic and policy advice", or "[acting] as primary contact with government agencies and donors".

## Quality of Program Design

**Program design adequately indicates a logical and reasonable relationship between inputs and outputs.** The ProDoc adequately, clearly and concisely sets out the intervention logic of the program. In essence, by focusing most program resources on the FSPs and YSOs (micro level), YouthStart expects to strengthen the long-term capacity of those organizations to sustainably deliver youth financial services at increasing scale and scope over time. In turn, the program expects to generate positive socio-economic benefits to the targeted youth populations in the chosen countries. The program also aims to "build institutional capacity of … policy makers, donors and other stakeholders".

**The program logic, however, does not translate into clear intermediate and long-term results and outcomes.** The lack of clarity starts at the output level. In their essence, both Output 1 and 2 emphasize "supporting" or "building the capacity" of FSPs, although Output 2 also includes other stakeholders too. The object and subject of the two outputs are muddled. In turn, Output 3 relates largely to the knowledge management function, but the "institutional capacity building" referred to in Output 2 refers to policy makers and donors, for whom the program's only real intervention is knowledge management. The disproportionate share of the budget allocation to Output 1, along with the muddle of Output 2 and its budget allocation contribute substantially to the program pitfalls documented in later chapters about insufficient networking, macro and meso level engagement, and influence of the policy agenda regionally.

**The indicator level of the results framework also shows some lack of clarity, overlap and inconsistencies.** Two of the indicators for the first output raise a few questions: 90% of grantees have improved YFS; and 50% of FSPs forged YSO partnerships to offer youth non-financial services. In the first instance, "improved" is left up to the interpretation of the reader. And then, as an indicator for Output 2, the results framework says, "# of YFS products developed, piloted, rolled out (8 to 12 FSPs have improved capacity to develop and adapt YFS)", as if a simple connection exists (which it does not) between an arbitrary number of products and actual institutional capacity. The implication that a plurality of business models (i.e. 50% out of a choice of three) should follow the linked model of partnerships with YSOs assumes an *a priori* case exists for the preferred or better way to deliver YFS. As documented later, YSO partnerships have been the most difficult and are probably the least sustainable and perhaps not even the most effective business model. Yet, the results framework implies that if the program does not achieve 50% YSO partnerships, somehow the expansion of YFS, especially the non-financial services components, will suffer.

**YS has defined the primary performance indicator, "number of active youth clients reached intentionally"[12], nonetheless FSPs have not universally understood and applied the definition in the same way.** No firm understanding exists around the definition of 'active youth clients reached'. The evaluation team saw some evidence of counting of clients who had been clients prior to YouthStart, and in other cases, instances wherein new youth clients have opened accounts, but not due to any explicit YouthStart intervention. For example, PEACE seems to count it as those opening a youth savings account, most, but not all of which, would have joined on the basis of having received some sort of non-financial training or orientation. At PAMECAS and CMS clients met during the focus group indicated that they had been members of the institution, prior to institution of YouthStart, yet the program counts them as 'youth reached' – in apparent contradiction of the definition's inclusion of "services designed under the YouthStart program". Confusion abounds at PEACE, UFT and other FSPs about whether the figures are static, cumulative, or net of closed or inactive accounts, or even whether "reached" equals "accounts". Some FSPs have trouble tracking active versus dormant accounts through their management information systems. Also differentiating between those receiving a financial service, but not a non-financial service, and *vice versa*, also raises tabulation and reconciliation issues, especially since tracking of participation in non-financial services (or not) does not feature in the financial, accounting and reporting systems that support financial services delivery. ACSI can report enormous

[12] The number of active borrowers, depositors, and other clients between 12 and 24 years old who are currently accessing any of the MFI's financial services designed under the YouthStart program. Youth who access multiple services with an MFI should be counted as a single client. Youth who are not currently receiving services are not included. Neither borrowers whose loans have been written off nor depositors who have not had a deposit, withdrawal, or interest earned in the past 12 months are considered to be active. (Source: Templates of quarterly reports that are submitted to UNCDF)

volumes, but the difference between general client mobilization and the results of efforts directly related to implementation of YouthStart seems opaque, at best. Such variability and gaps in data reporting could easily raise questions about the credibility of the data reported and any analysis and conclusions that depend upon those data.

**To the credit of the YS program management team, such discrepancies have been caught and corrected in past reporting, but confusion remains.** The definition comprehensively describes the program's idea of 'active youth clients reached intentionally', but has limitations and complications as a practical, unitary measure. It is sometimes interpreted by FSPs to count financial and non-financial aspects of the YFS offering, especially when those elements are operationally tightly linked. It requires reconciliation of accounting between manual and automated systems. With varying degrees of difference between the 'before and after' of some products offered by FSPs under YouthStart, the supposedly clear dividing line between clients attributable to YS-related efforts and those who had a previous relationship with the FSP becomes blurred. Different financial management, accounting, and management information systems do not always have the necessary fields or capabilities to handle the client data and data configurations implied by the complex definition set out by YouthStart.

**These deficiencies in program design complicate management's ability to manage for meaningful results and complicate the monitoring and evaluation processes.** For example, the Evaluation Matrix asks several hard and clear questions about FSP institutional performance (e.g. improvements in financial performance), but that is not the benchmark against which the program itself holds the FSPs. Evidence from the evaluation reveals highly mixed FSP performance, which is a function of a complex array of issues, none of which have any correlation to whether or not the FSPs have deployed an YFS product. So, on one hand we can say that the program has met its targets, but that actually does not answer the question about whether the program is succeeding.

**One of design's greatest weaknesses arises in the disconnection between program management resources and the scope and scale of project operations.** Closely monitoring and assisting 11 FSPs (including the time-consuming process of removing one non-performer, CMS, from the program) in eight countries in different regions across a vast continent, alongside responsibility for administrative, financial, and managerial matters pertaining to the selection, deployment, and oversight of an array of external service providers could not and should not conceivably all fall to one person. Add knowledge management among program stakeholders and with a plethora of regional and international stakeholders, not to mention program monitoring and reporting; and the expectations placed upon one Program Manager seem unrealistic. The notion of a working network of CTAs and RTAs, who supposedly would assist in program implementation, simply has not materialized.

**As a thematic program, versus a country-based project, YS does not have the structure to effectively mitigate, much less react to and solve environmental and institutional issues that bedevil FSP performance.** As later chapters will document, many of the problems that have dampened the performance of some YS FSPs arise not from poorly implemented approaches to youth financial services, but rather a host of institutional and environmental factors that go beyond the technical assistance scope and competencies of the program management unit and the contracted service providers. If the

RTA and CTA network actually worked as envisioned, or if YS actually could more closely coordinate with existing UNCDF or even some UNDP initiatives in its countries of operation, then it might better manage some of these risks. The design set out a list of tasks, but did not sufficiently articulate how the RTAs and CTAs would implement them, nor did it sufficiently account for alignment and reconciliation of the expectations and accountabilities of the network and potential partner projects. Instead of an inception phase, wherein broad designs should have taken the form of concrete implementation strategy, the Program Manager focused almost entirely upon selecting and then bringing on board the FSPs.

## Promoting Global Learning Related to Youth Financial Services

**Electronic dissemination of policy briefs and summarized descriptions of outcomes arising from key project phases, along with hosting of and attendance at regional and international forums, as well as webinars comprise the approaches to knowledge sharing.** The ProDoc mentioned the dissemination of information and use of the UNCDF network as the tools for knowledge management and for informing policy makers. Yet, the effectiveness of YouthStart's promotion of global learning, especially among international players and among the program FSPs stems from the creative and diligent execution of webinars and 'TeamWorks' for the internal stakeholder engagement, and tireless and solid participation in international conferences on a regular basis. The focus on FSPs logically follows the budget allocations and hierarchy of outputs in the design.

**YS exhibits strong knowledge management performance among the FSPs and within the international youth financial services community of practice.** The program has captured well the experience of the FSPs over the market research, product development and pilot phases. The knowledge documents and policy papers reflect issues observed by the evaluation team in the field and do represent the major lessons gleaned thus far. Beyond good technical content, the strength of knowledge management among the FSPs comes from a deft combination of very close monitoring of performance relative to PBA targets, ample electronically enabled opportunities to share experiences via the webinars and the 'TeamWorks' intranet site, and fostering of a competitive environment that compels many of the FSPs to seriously consider and apply the lessons, not just read them. Meanwhile, the Program Manager has made herself a mainstay within the international youth financial services firmament. The sister YouthSave project consistently looks to YouthStart for practical, real-time examples of what seems to work and what may not work in the youth financial services field.

**The program's knowledge management results among the key external stakeholders in the eight African countries of its operations show lesser performance.** Discussions with key meso and macro level stakeholders in the region reveal much less familiarity with or appreciation for YouthStart. A good deal of this performance relies upon the UNCDF network of RTAs and CTAs, which, as discussed earlier, has yet to work in the ways envisioned in the program document.

**YouthStart relies upon practical proxy measures to define the term "low income" youth.** The ProDoc defines the target population as those youth with: "an average savings balance < 20% GDP/capita; or a minimum opening balance < $15". This definition relies upon the size of account balances to determine the poverty level of clients, rather than direct measures, such as household income relative to GDP, for example. This definition affords the program a practical and transparent way to define the poverty dimension of the target population. Indeed, by this measure FSPs have reached out to low income youth, as the savings balance averages US$9, and the average opening balance equals less than US$1.

**Nonetheless, the use of proxy indicators for poverty does raise some issues.** By definition, the program operates in least developed countries, where absolute and relative poverty levels will be high, in general. Particularly during the pilot phase, when FSPs necessarily have concentrated most of their efforts on easier to manage urban and peri-urban areas, there is a possibility that they have yet to really reach the low income segments within their countries of operation. Especially for in-school youth under 18, with no independent source of income, whether they come from low income families or better off circumstances, they may only have the means to make very small deposits or maintain small balances. In short, the proxy definition is prone to some indeterminate level of imprecision, which in turn, may affect the view of how applicable approaches and lessons gleaned under the program may be to definitively low income populations. Later chapters will address the relevance of this issue from an effectiveness and sustainability perspective.

**Data collected in the quarterly reports also fails to capture some relevant information.** For example, the lack of information about inactive or dormant accounts masks issues related to the use of accounts after opening. FINCA DRC and FINCA Uganda both expressed particular sensitivity to this issue. Interestingly, both of these organizations have tried harder than their program peers at implementing a linked model of non-financial service delivery, wherein some of the biggest problems have arisen, in regard to the conversion of trainees into clients. Non-conversion, or opening of accounts without usage both create massive financial viability and sustainability questions. As such, attention on accounts opened, active, inactive, dormant, and closed – rather than a widely interpreted notion of 'reached' – becomes an imperative part of determining FSP and product performance, and ultimately a business case.

**The non-financial services numbers raise even more questions.** Especially for FSPs that have yet to clearly set out formal non-financial curricula, lines often blur between simple marketing and awareness raising activities, on one hand, and explicit financial literacy and other training subjects, on the other. In turn, the non-financial services figures probably overstate the number of clients who explicitly receive real training. Furthermore, some evidence has emerged of FSPs counting clients multiple times for their attendance at multiple trainings, especially if they span more than one reporting period. For example, ACSI admits to having done little in providing non-financial services, yet they still claim to have not only provided such services, but to have converted some of those trainees into clients. At ACSI, the evaluation team was told by managers interviewed that they had delivered little training, even among the pilot branches, and therefore must question the meaning and validity of the non-financial numbers reported. Similar observations arose in DRC and Uganda. In sum, the lack of clear delineation and varied reporting potentially undermine the credibility of the data reported and the analysis that flows from those data.

## Integration of Gender in the Program Design

**Quantitative targets for gender and explicit approaches to accommodate the special needs of young women and girls have a prominent place in YS design and execution.** Targets for the numbers and proportions of girls and young women form part of the project design and the FSP PBAs, and the program consistently monitors and reports upon these data. Most FSPs had already embedded a focus upon female clients in their normal operations, and thus the gender based targets under YouthStart generally align well with their overall missions.

**The refined focus on girls under 18, unmarried girls with children, and other more vulnerable female populations derives not just from the generally strong program attention to women and girls, but also from the close tracking of performance data related to young women and girls, as well as feedback from FSPs and service providers about the areas of most acute technical assistance need.** As of December 2012, YS had achieved an overall proportion of 40% females reached, as compared to a target of 50%. Moving from that basic indicator, the program has done a good job of analyzing the specific problems related to the mobilization of younger girls in particular, and has emphasized the need to address this population by better targeting technical assistance, especially that pertaining to marketing and outreach strategies, as well as non-financial service material content and delivery modes.

**The program probably has sufficient time in its remaining two years to reach the 50% target, but impact on the more nuanced and difficult socio-economic improvements sought for girls and young women may prove more difficult, or at least harder to measure and quantify in statistically significant ways.** Girls under 18 do face deep and distinct problems, which require holistic, life skills, and livelihoods types of interventions, which by themselves are difficult, notwithstanding their integration into a financial services model. Thus, not only may proving impact remain difficult, but serving this market segment poses some of the greatest challenges to a business case (notably, the financial sustainability aspects, if not the social benefits).

**Gender issues find no specific voice in the information dissemination and knowledge management approaches focused in the design on the meso and macro levels.** The design includes no specific targets or indicators for gender, relating to meso or macro level actors. To the extent that the program's learning documents deal with gender issues, such issues would become part of the meso and macro level information agenda, but the program has no way to explicitly track or monitor the discernment of any specific issue at those levels.

# EVALUATION QUESTION No. 2: EFFICIENCY OF PROGRAM MANAGEMENT

**The Program Manager and the Inclusive Finance Technical Advisor (IFTA) have worked diligently and passionately to keep YouthStart on track to meet its key outputs and objectives.** Until early 2012, the Program Manager alone took on all tasks from the most mundane to the most technical, keeping on pace with management reporting, grant disbursements, and knowledge management activities, while also stepping in to provide some technical assistance, alongside monitoring visits, when the program experienced delays in procuring external service providers. Since the hiring of the IFTA on a contract basis, the program has been able to give more structure to more comprehensive monitoring visits and quicken the pace of publishing learning materials.

**An under-resourced program management unit, combined with insufficiently explicit modalities and accountabilities for RTAs and CTAs, and often cumbersome administrative requirements have hampered program delivery.** The program has not operated efficiently in the context of the broader UNCDF network and structures. Between the program's design and inception, the task list for CTAs and RTAs never moved to explicit descriptions of how those tasks would be undertaken, or how varying accountabilities and priorities would be reconciled – thereby leaving those relationships *ad hoc* and under-utilized. Long and complex procurement processes, pricing pressures on consultant contracts, limitations on hiring of full-time staff, and discontinuities in reporting hierarchies and reporting lines have all caused the program to operate less efficiently than it otherwise might.

**Consistent monitoring of PBA targets has contributed to keeping the program on track and highlighting areas for correction in FSP performance.** PBAs and the reporting formats and requirements related to them offer an excellent approach to tracking FSP performance toward meeting explicit output targets and laying the stage for follow up or corrective actions.

**As the program now shifts into roll-out of piloted YFS models and consolidation of learning, the monitoring function needs to ensure proportionately more consideration of strategic questions**. The program has established working YFS schemes in most of the FSPs, which should lead to roll-out and scaling up that requires less intensive management of detailed activities. In turn, management reporting and discussion would likely benefit from incorporation of metrics and analysis that goes beyond the immediate output-orientation of the PBA-centered approach, and gives more consideration to market influences and stakeholder dynamics. This more strategic approach should both deepen the analysis of FSP performance and track program performance in its influencing and replication elements.

## Program Staff Performance

**The Program Manager has demonstrated exceptional skill, commitment, creativity and diligence in implementing the program.** '*YouthStart is a joy / a dream to work with*'. "*Fantastic to work with*". "*A star*". Rarely, has the Evaluation Team heard such glowingly effusive and unreserved comments about a program or a program manager. The Program Manager shows passion, diligence, commitment, and a high degree of competence. The Inclusive Finance Technical Advisor (IFTA), who joined the Program Manager in early 2012, has less technical and work experience, but exhibits many of the same personal and professional qualities as the Program Manager, and the IFTA too has won praise from FSPs for her assistance and responsiveness.

**The Program Manager has delivered on time and at consistently good levels of quality all of the program outputs that reasonably fall within her direct control.** Perusal of quarterly and annual reports and conversations with senior managers at UNCDF and MCF reveal that knowledge documents, trip reports, and quarterly monitoring reports show both attention to detail and care in preparation, and the Program Manager has consistently delivered them in a timely manner.

**YS has made good use of the PBAs to track performance, leverage insights to encourage appropriate reactions, and provide the foundation for practical action, such as the removal of one FSP from the program.** Examination of several iterations of FSP quarterly reports reveals an extraordinary level of detailed inspection and probing to clearly identify issues and to set the stage for resolution of problems. Insights gleaned from the PBAs and the follow up actions documented in them directly lead to targeted technical assistance or administrative actions. Adherence to this routine formed the strong foundation upon which to justify removal of CMS from the program; while such close tracking has also led to clearer and more precisely targeted technical assistance to enhance the performance of PEACE and UCU, as well as other FSPs.

**Gaps between program targets and program achievements thus far mostly stem from administrative and bureaucratic delays (mainly impacting procurement and staffing), or arise from FSP failures, both of which lie only in the indirect control of the Program Manager.** The next chapter provides more quantitative detail on program performance, but overall the program has done well in meeting its major targets related to number of youth served. However, performance varies widely among the FSPs, with several only recently beginning to make up lost ground towards their key output targets. Also, nearly all of the FSPs continue to struggle with attaining the 50% female target. Inadequate FSP capacity, substantial procurement delays in 2011 for key technical assistance, and a host of FSP-specific institutional and environmental factors – all of which fall beyond the direct control or influence of the program management unit – have conspired to thwart the performance of some FSPs, and uniform attainment of PBA targets.

**The program as designed substantially underestimated the number and type of staff committed to the core program team required to efficiently and sustainably deliver on a program of YouthStart's scope and scale.** The Program Manager's commitment, diligence, and expertise have raised the performance bar to unsustainable levels, in respect of the likely and reasonable resources required to run a program like YS. Her willingness to work long hours sets unrealistic expectations about how UNCDF may manage other similar programs or a follow-on effort; diminishes the strategic potential of the program; and puts at risk the excellent project management, thus far. The IFTA's joining has helped, but still leaves the program with inadequate resources. As only a contractor and not staff, she cannot undertake financial, procurement, budgeting and other administrative tasks. Her presence has allowed the Program Manager to travel a bit less and to derive more out of the travels she does complete; but the optimal allocation of duties would see the IFTA taking on many of the administrative chores to free the more experienced Program Manager to dedicate more time to direct engagement with the FSPs, as well as knowledge management and strategic tasks.

**The initial review process yielded a good crop of FSPs.** As discussed in a later chapter, the YS FSPs rank at the top of their African peer group across a wide spectrum of performance indicators. Given the savings emphasis in the design, the pool of potential FSPs automatically narrowed to licensed deposit-taking entities, which as a general rule would be subject to some form of regulation and supervision and, thus they should have already had some measure of relatively better institutional integrity and performance. The program deliberately pursued organizations with which UNCDF had a prior relationship, or at least prior knowledge. The criteria imposed for application set reasonably high standards. In all, the review process depended more upon criteria and history, than detailed, comprehensive assessment.

**As such, the review did not meet the standard of a *bona fide* due diligence (i.e. detailed, independent review and multi-dimensional analysis of all relevant current and historical financial and performance reports at source, plus on-site, in-depth interviews of all key managers, as well as outside stakeholders, etc.).** This matters not so much for determining which FSPs might have qualified. By and large, an actual due diligence process probably would have yielded the same crop of FSPs that the lighter review process produced. Nonetheless, had the program conducted a true due diligence, it may have earlier identified and formulated strategies to mitigate some of the institutional weaknesses that helped to eliminate CMS from the program, and have dragged down the performance of OIBM and some of the other FSPs enduring institutional and environmental challenges. In other words, a more comprehensive and detailed, independent review process may have established the foundation for a modified approach to managing risk, balanced with the narrower pursuit of PBA targets.

**YS speaks of risk management and discusses FSP and program performance and prospects using some of the concepts and jargon of risk management.** Quarterly reports refer to high and standard performers, as well as low, medium, and high risk FSPs. By and large, the notations about performance refer to historical achievement (or not) of core PBA targets mostly related to the number of youth reached. The risk determinations relate to the perceived and actual prospects for FSPs to eventually achieve their core PBA targets. The summary quarterly reports and the detailed quarterly reports from the FSPs include substantial analysis of issues arising, and link those issues to future actions and a view on the likelihood of the FSPs achieving success.

**Nonetheless, YS still lacks a formally structured risk management framework that would then develop an explicit risk management strategy, which would include four key components**: 1) Risk Categorization, i.e. a master list of all categories of risk deemed relevant to YS; 2) Risk Assessment, split into two fields – Impact of Risk (i.e. catastrophic, major, moderate, minor, insignificant), and Likelihood of Occurrence (i.e. almost certain, likely, moderate, unlikely, rare); 3) Risk Response, i.e. having assessed the relevant risks, management determines how it will respond, within four broad choices – avoiding risk, reducing risk, sharing risk, or accepting risk; and 4) Risk Weighting, linking the analysis of the previous three components to a prioritized ranking of those risks deemed most to least influential. Such a framework and strategy would help YS to more comprehensively understand the causes and actions related to achievement of its many prioritized goals, not just fixation on achieving core PBA targets. This more formal system would also help management and strategic partners, especially The MasterCard

Foundation, fully see the multiple and complex set of trade-offs, for example, between pushing for numerical targets, versus taking the time for in-depth learning.

## Quality of Technical Assistance

**The technical assistance model has changed since program inception, arising from a combination of earlier administrative disruptions, feedback on quality and appropriateness, the stage of program progress, and the nature of the capacity gaps among varying institutions in differing contexts.** Group training dominated the early approach to assisting FSPs. The design called for externally sourced ongoing technical assistance in market research and product design. However, due largely to procurement problems, ongoing TA became intermittent assistance from the Program Manager in 2010 and most of 2011, which gained high marks for quality, but proved inadequate in its depth and frequency by relying on one person. Targeted support for pilot testing and integration of financial and non-financial services eventually arrived in 2012. Delays in the provision of on-site technical assistance delayed FSP deliverables and muted their learning, but also gave an unforeseen boost to the importance of the webinars and sharing amongst peers, which previously had a lesser role in the design.

**Targeted short-term consultancies and the webinars have proven most effective and FSPs seem to derive the greatest value out of them, relative to group training.** Where technical assistance providers and FSPs have reached firm mutual understanding of learning needs and contexts, the targeted short-term consultancies have delivered clear value. For example, with assistance mainly from Reach Global and the program management unit, PEACE, UCU, and UFT, in particular have grasped the 'critical minimum'[13] concept and have begun to hone their non-financial service delivery models accordingly. Still the webinars stand out as the one unanimously admired technical assistance tool. FSP youth champions and senior managers say the webinars have helped to understand nuance and context. Those forums have also provided a forum for friendly, but serious competition among the FSPs, creating an incentive to perform that does not come from one-on-one technical assistance or group training exercises. UFT and FINCA Uganda have carried this peer-to-peer cooperation even further, for example, sharing aspects of what works and does not in rolling out to new regions or the use of youth community groups as entry points in Uganda.

**Technical assistance focused on core financial product development (largely savings accounts) has delivered the least value and impact.** Put bluntly, none of the FSPs has shown any great innovation in their core financial products, and arguably they need not have shown much creativity in this area. With financial product development almost entirely focused upon simple savings accounts, most FSPs did not need much help in understanding that low or no minimum balances, no or low transaction fees, and marginally better interest rates (in nominally competitive markets) should comprise the core elements of any youth-friendly savings product.

[13] The next chapter includes a more comprehensive discussion about 'critical minimum', but in short, the term refers to the relationship between the minimum amount of resources (i.e. people, time, and money) required to raise the financial capability of prospective youth clients to a level sufficient to take up the financial services offered by the FSPs, and to use those services responsibly.

**Interventions to deal with the content and modes of delivering non-financial services demonstrate better additionality.** Outside perspective and expertise have added more value in areas where FSPs had more distinct weaknesses and where effective and efficient responses to youth client needs become more nuanced, layered and complex. Marketing, branding, positioning, channel, message, medium, and value added services all matter with youth clients, arguably more so or certainly differently from adult market segments. Few FSPs had to previously think through the depth and breadth of content for financial literacy, enterprise development, and / or life skills training. Many had long ago signed up to the SMART Campaign and other client protection initiatives, but had given little thought to the unique client protection issues arising with youth. Even though most of the FSPs had previously engaged in various forms of delivering financial and non-financial services side-by-side, none have had to deal with the delicate combination of factors required for youth-focused NFS. Many cogs of different sizes must fit and work together to efficiently generate effective NFS. Given the gap between knowledge and need among the FSPs, and the differentiating nature of the non-financial services and the delivery approaches and business models, technical assistance in these areas has a firmly justifiable basis.

**While the quality of technical assistance by the external service providers has varied, generally FSPs give the providers good marks; at the same time, FSPs say the webinars deliver the highest quality, most relevant, best value capacity building.** Reach Global and the YS program management unit garner the highest marks from FSPs. Reach Global provided the most relevant TA to FSPs, because FSPs had the least experience in provision of non-financial services. However, both interviewees from Reach Global and the FSPs indicated that due to the limited time allocated to non-financial services capacity building during the pilot phase, not all the FSPs have yet developed adequate non-financial services. For example, FCPB delayed the launch of non-financial services; and even when they did introduce those services, managers at the headquarters and two of FCPB's branches indicated that the quickest stop-gap measure was to use modules that had originally been developed by Opportunity, and then in turn, made available to them via CGAP. They will use the TA from Reach Global to develop a customized approach. As of December 2012, FUCEC had yet to receive its training from Reach Global. FUCEC has adaptable models for adults and bears the responsibility for executing it YFS program under its PBA. At the same, time, they do have a reasonable expectation that under the grant agreement with YouthStart, they should expect assistance from Reach Global, before fully implementing the non-financial services component of their youth offering. As of December 2012, PAMECAS had not yet developed NFS modules either, awaiting the finalization of their agreement with Plan International. In particular, among these organizations, the delay or insufficient delivery of assistance has stymied the development of non-financial services for important market sub-sectors, such as young girls.

**Those service providers focusing more on financial services delivery (as opposed to the non-financial service aspects), such as MicroSave, MEDA, and Making Cents, receive positive if not uniform or as hearty, endorsement.** Some differences in actual or perceived quality may stem from differences in the quality of individuals involved in each intervention. At a strategic level, however, the more muted praise of these three organizations may also arise from the nature of their roles. MicroSave and Making Cents provided assistance mostly in the earlier stages of the program, and almost entirely via group training. MEDA has provided on-site technical assistance, but mostly focused on the financial services aspect of the offerings, where FSPs have needed much less assistance, as compared to the non-financial services aspects. MEDA also had a broader scope (from marketing to delivery of financial services) than most other service providers, with limited resources to effectively work with all the FSPs and meet all the identified needs. Meanwhile, Reach Global, whose know-how is especially relevant to the FSPs given their limited experience in the provision of NFS, has little more than one consultant, who also supports other programs, based in East Africa. This resource constraint has resulted in significant delays in the implementation of the NFS component. Although most of the FSPs have completed the pilot phase, several provided no or only inconsistent versions of NFS to the youth clients.

**Many of the FSPs had previously received substantial training in market research and product development, thereby lowering the marginal value of technical assistance in those areas, as compared to learning non-financial services content and business models.** In fact, some of the same service providers used by YS (e.g. MicroSave) had previously provided capacity building services to some of the same organizations. Indeed the market research and product development training received under YS had a youth-focus. And, several individuals interviewed for this evaluation contended that youth constitute a sufficiently distinct market segment to justify subsidy for the procurement of specialized knowledge of and approaches to market research, product development, marketing and outreach strategies, non-financial services delivery models, youth programing, and youth client protection. Those arguments hold more weight for the elements that pertain to non-financial services, and to business models and marketing and outreach strategies, especially for various sub-segments of girls under 18, because the FSPs have much less experience in those areas. Yet, the argument seems weaker for the fundamental skills and frameworks of market research and product development, as well as for core financial product development and piloting, especially when some of the FSPs have gone through very similar capacity building exercises under other donor-funded projects.[14], like the Nike Foundation / Population Council initiative in Uganda and Ethiopia.

## Program Governance at Headquarters, Regional and Country Levels

**General oversight of the program from headquarters appears adequate.** FIPA management shared questions that reflect good familiarity with the program. This included strategic questions that centered on the use of subsidies and the potential shape of a next phase, as well as operational questions pertaining to the sufficiency of management arrangements and regional support mechanisms. Senior management expectations about policy impact have edged ahead of where the program has actually progressed, and ahead of where the design actually equipped it to reach. However, perceptions of the management challenges relating to the insufficient complement of human resources and the frustrations of making the network of CTAs and RTAs work as desired aligned well with the reality found by the evaluation team.

[14] FINCA Uganda and Uganda Finance Trust were involved in the Nike-funded project. PEACE started a related program with Population Council in mid-2012.

**Regional and country-level coordination varies greatly in substance and process.** As stated in a separate evaluation of the MicroLead program[15], a mix of poorly articulated responsibilities and accountabilities, varying degrees of skill and experience within the UNCDF regional network, and insufficiently explained synergies between thematic and country programs have conspired to not only frustrate YouthStart, but other programs, as well.

**Despite a plethora of administrative policies and procedures, some core functions, such as due diligence and monitoring tools seemed absent or inadequate.** UN or UNCDF human resource and procurement policies and procedures, in particular, seem cumbersome and hurt program efficiency and effectiveness. Delayed procurement of technical assistance providers, hiring of the Inclusive Finance Technical Advisor on only a short-term consulting contract, and mis-aligned accountabilities and hierarchies between the Program Manager and the RTAs and CTAs all arise from administrative problems that go well beyond YouthStart's influence, and in fact, remain as UNCDF and UN challenges. Also, for an organization that routinely invests in FSPs, it seemed odd that the design of the FSP review process and monitoring tools fell largely to the expertise of the Program Manager. She had few templates to which she could refer.

**Most of the oversight appears output-driven, rather than strategically oriented.** So far, much of the discourse revolves around the pursuit of PBA targets. To some extent, this necessarily relates to the program having been immersed until very recently in the detailed and complex task of putting new YFS initiatives into operation and limited staffing. In brief, both management and governing structures needed to ensure the program built a base of experience from which to learn, prior to turning its attention to questioning and debating the interim results. Nonetheless, conversations with both MCF and UNCDF managers show both organizations beginning to ask more strategic questions of themselves and of the program, while also looking for ways to leverage YouthStart's emerging lessons for other initiatives.

## Quality of Program Monitoring

**The program management unit persistently hammers FSPs to achieve and report PBA indicators, and spends considerable resources working with FSPs to generate meaningful quarterly narrative reports.** The PBAs clearly sit at the center of YouthStart's monitoring. With a structure that mimics the results framework of the overall program, the reports generated tie directly into the program's goals and output targets. The careful and substantial questioning of data provided by FSPs yields both more useful reports, as well as foundations for clear follow up actions towards closing the gaps in achievement identified in the quarterly reports. In fact, the reports act as the foundation for monitoring visits, which typically focus on following and, if possible, solving identified problems.

[15] "Effectiveness was minimally acceptable. Effectiveness appears to be context specific, rather than systemic in nature, requiring technically versatile, trained and 'investment-oriented' human resources, and time-sensitive program management, each of which were unevenly available within the relatively slim MicroLead management support network at the country, regional and headquarter levels. Well-defined roles among the UNCDF internal stakeholders in-country and at regional offices would be supported by clarification and formalization, accompanied by training in basic investment management".

**Monitoring includes recognition of factors that go beyond the PBA targets.** YS has drafted an interview guide for monitoring visits, including enumeration of the people to interview, the main questions suitable for each person, and general guidelines covering issues such as the need to ask multiple people the same questions, so as to obtain a balanced and verifiable picture of a given situation, or the need to collect certain information before the field visit. Reviewing progress toward meeting the conditions necessary to authorize the next disbursement, and identification of key weaknesses that seem most influential in creating any performance gaps constitute the main structure in which the monitoring visits occur.

**YouthStart has done a good job of converting observations and dynamics observed at the micro level into insights and lessons for broader audiences.** Comparing the key points raised in the knowledge documents to the multiple monitoring reports and quarterly management reports reveals a very tight alignment between the issues raised in the day-to-day activity of the program and the summarized insights and lessons shared. For example, the pilot test learning document noted, "Consider that it takes a significant amount of time to mobilize and learn the requirements of different outreach partners (schools, YSOs, etc.)". Indeed, working with YSOs and other partners has vexed every FSP, and has contributed substantially to delays and deficiencies in meeting program targets, especially those related to the implementation of non-financial services.

**Reflective of the stage to which the program has progressed, most monitoring and reporting focuses on the micro level, with relatively little reporting of influences or results at the meso or macro levels.** Battles with CMS and OIBM, highlighting the relative stars in PEACE and UCU, and keeping tabs on the remaining FSPs has dominated the reporting. Reports also mention the stakeholder meetings, policy briefs, international conferences, and other activities meant to serve the meso and macro levels of the market. Reflective of the early stage of the program and the need to amass more evidence, the analysis of the impact of the meso and macro level activities and the discussion of consequences and follow up lack the depth and detail of the micro-focused activities.

# EVALUATION QUESTION No. 3: EVIDENCE of INCREASED CAPACITY and ORGANIZATIONAL CHANGE at the MICRO LEVEL

**YouthStart will meet and probably exceed its primary output target of 200,000 youth reached.** YouthStart has far exceeded its 2012 'youth reached' target by December 2012, tallying 115,030 youth reached against a target of 81,768. It thus seems highly likely that by 2014, the program will substantially exceed its primary target.

**The program will have a more difficult time achieving targets for the proportion of female clients and the number of YSO partnerships.** The two other main indicators will present a bigger challenge. Girls under 18 have proven the most difficult market segment to attract and serve, raising the level of difficulty for meeting an overall target of 50% females. YSO partnerships (the linked model) generally have been difficult to form and several questions have been raised about their sustainability, making them much less popular and the least favorite route for FSPs to pursue the provision of non-financial services.

**Good overall output achievement masks variable and disproportionate performances among the FSPs, thereby necessitating a more granular assessment of the impact on FSP capacity and performance.** One of the ten FSPs accounts for nearly 70% of the overall 'number of active youth client reached' targets, and by volume, disproportionately impacts other program-level quantitative data. Widely varying performance in 'youth reached', proportion of female clients, and other metrics among the ten FSPs hints at the high degree of complexity of factors that support or undermine YFS performance. The individual stories matter much more than the overall targets.

## Achievements and Correspondence to Priorities and Needs of Partner Organizations

**YouthStart has four Outputs, and a total of seventeen high level Program Indicators.** A 200,000 increase in YFS clients by June 2014 (50% of whom are female) comprise the most important targets. Other targets and indicators relate to improved YFS, scaling up YFS, and the forging of partnerships with YSOs, as well as various forms of information dissemination and knowledge sharing. Most of the targets express outputs, such as number of trainings, or number of documents produced; but they say little about the actual achievement of the indicators. In other words, the results framework requires a leap of faith that a certain number of outputs will beget certain outcomes. Annex 2 compares actual to targeted performance for every indicator in 2010, 2011, and 2012, while the table below summarizes the major indicators.

**Table 3: Summary Performance in respect of Key Program Indicators**

| Key Indicators | To Dec 2010 | | To Dec 2011 | | To Dec 2012 | |
|---|---|---|---|---|---|---|
| | Target | Actual | Target | Actual | Target | Actual |
| Grants Issued to FSPs (Output 1) | Up to 20 | 19 | NA | NA | NA | NA |
| FSPs trained (Output 2) | Up to 20 | 18 | | | NA | NA |
| Grants Issued to FSPs (Output 1) | NA | NA | Up to 12 | 10 | NA | 1 |
| Youth Reached (Output 1) | NA | NA | 5,000 | 2,005 | 50,000 | 115,030 |
| Proportion of Female Clients (Output 1) | NA | NA | | | 50% | 39% |
| # of FSPs Receiving Training & TA (Output 2) | NA | NA | 8 to 12 | 10 training / 6 | 8 to 12 | 10 training / |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | TA | | 10 TA |
| # of Case Studies, Policy, or Program Briefs Published (Output 3) | NA | NA | NA | NA | 3 | 2 Case Studies / 1 Policy Brief 2 papers summarizing market research and pilot test experiences |
| # of National or Regional Meetings Convened (Output 3) | NA | NA | NA | NA | 2 | 5 |

**Overall YouthStart has made good progress toward the targets set for the first three outputs.** In terms of the fourth output, dealing with program management, despite the absence of explicit year-by-year targets, the largely successful accomplishment of targets for outputs one through three, coupled with the conduct of the mid-term evaluation provide an adequate basis upon which to say that program management, monitoring and evaluation have proceeded effectively.

**In terms of YFS clients, YouthStart missed the second year target, but by December 2012 had already achieved the third year target.** Fourth quarter reports for 2012 show that YS has already reached 115,030 new clients, against a ProDoc target of 50,000. Five FSPs – ACSI, FUCEC, OIBM, PEACE, and UCU – met or exceeded their PBA targets. Four organizations substantially under-performed relative to their PBA targets – CMS[16], FCPB, FINCA DRC, and FINCA Uganda. Two more FSPs, PAMECAS and UFT, also missed their PBA agreed targets, but came within 10% or less of those targets. Without ACSI, the 2012 target of YouthStart would have been 42,051. This means that if ACSI had been replaced with an average FSP (able to reach 3,635 youth during the year, see table below), then YouthStart would have reached 95% of its annual target.

**The disproportionate share of ACSI clients in the 'youth reached' target needs explanation.** As of 2012, ACSI in Ethiopia accounted for 68.4% of the total number of YouthStart savers. In other words, if ACSI were to have been replaced by an otherwise average FSP, YS would have reached about 40,000 youth clients, as opposed to 115,030, by now. The table below aims to isolate the influence of ACSI upon the program's quantitative targets and achievements. Publishing of the program's summary data could leave some with the mistaken impression of widely achieved success that far surpasses original expectations, when in fact, the vast quantum of that success disproportionately derives from one organization in one country, under a very specific set of circumstances. ACSI management and staff have proven skill in managing and growing an organization with over 1 million clients and close to 250 branches. Yet, as a wholly government owned institution, they enjoy benefits that other FSPs do not. Such advantages accrue to lower capital and operating costs, as well as market influence and power. In turn, it is important to note that these special advantages that most FSPs could never obtain directly contribute to generating incomparable and unreplicable results.

[16] Note that CMS was removed from the program in third quarter 2012, so their underperformance should be expected and substantially discounted.

Table 4: Impact of the 'ACSI' Effect

| | With ACSI | Without ACSI | Difference |
|---|---|---|---|
| **Dec 2012 Target** | 81,768 | 42,051 | -48.6% |
| **Dec 2012 Actual** | 115,030 | 36,347 | -68.4% |
| **Average per FSP** | 10,457 | 3,635 | -65.2% |
| **Average per Country** | 14,379 | 4,543 | -68.4% |

**"Fifty percent of FSPs forged YSO partnerships to offer youth non-financial services" constitutes the main measurement of success for the non-financial service component.** This hard target of 50% for one of the partnership models stands at odds with the more flexible attitude toward partnership models expressed in paragraph 27 of the ProDoc.[17] Furthermore, other parts of this report question the viability of the linked model, and certainly question whether it represents a valid measure of non-financial service performance.

**Nonetheless, the target remains for now as the program's quantitative benchmark for determining progress toward "[expanding] low income youth access to financial and non-financial services" (i.e. Output 1).** Four of the FSPs have met or have neared meeting this target. Three of the four (FINCA Uganda, FINCA DRC, and OIBM) have implemented or will soon implement linked service models with local YSOs. The fourth FSP, PEACE, has chosen and begun to implement a unified model, while having sought training-of-trainers assistance from Population Council and other YSOs. The remaining six FSPs continue to formulate concrete non-financial services content and delivery models, with PAMECAS the only one remaining still trying to implement a linked model with Plan International. Given this situation, YS has reasonably achieved its target, even though actual implementation of non-financial services remains fraught.

**The capacity of delivering non-financial services among most FSPs remains limited.** Those attempting a linked model show some of the greatest difficulties. FINCA DRC relies upon the NGO, Humana People to People (HPP), to provide financial education. HPP has assigned nine trainers, some administration staff and a project manager. Yet, the arrangement shows many weaknesses, including: lack of integration of non-financial services into FINCA DRC's operations; poor alignment of strategic and operational priorities, with HPP following its priorities rather than those of FINCA DRC, in terms of selection of youth organizations; low conversion rate of trained youth into accounts opened; and limited capacity of HPP to reach out-of-school youth. FINCA DRC has instituted an experiment with two different approaches within the linked arrangement, one where HPP provides the training prior to account opening, and one after account opening. At the time of this evaluation, the experiment had not progressed far enough to understand which model may best relate to account opening and usage.

[17] "UNCDF will not require that FSPs partner with YSOs (linked model), as some environments might lack a solid YS0 and some FSPs will prefer to offer such non-financial services directly (using the parallel or unified). Nonetheless, such linkages will be strongly encouraged".

**For seven of the ten FSPs[18], YS has disbursed the third grants and therefore largely satisfied the targets for number of FSPs identified and grants disbursed, although not without some difficulties.** In particular, YouthStart terminated the contract with CMS, mainly due its low performance and limited commitment to YS. Also, the pilot test phase incurred several delays, leading to some of the FSPs underperforming with respect to the PBA indicators, and therefore not meeting the conditions for a disbursement. In 2012 YS selected and started working with FUCEC (mostly in response to losing CMS), and the first two disbursements have followed accordingly.

**Most of the trainings took place in a timely manner, and the program has delivered close to the number of trainings anticipated, however, the program has suffered delays in the provision of on-going TA to FSPs, due to procurement constraints.** Reach Global and MEDA only started their support to FSPs in mid-2012, a delay mainly arising from procurement constraints at UNCDF. Despite the program management unit providing some TA during monitoring visits of FSPs prior to procurement of the external service providers, the late arrival and lower intensity of the TA did affect the quality of the pilot phase.

**Many of the FSPs have yet to develop a uniform model for NFS delivery, which may reflect less on the quality of training and technical assistance received in this area, than on the timing and proportion of the support.** As of the field phase of this evaluation, PAMECAS in Senegal had yet to even sign an agreement with the YSO (Plan International) for non-financial service delivery, although they have delivered some financial education through mobile text messages in the interim. FCPB has acquired manuals from other programs, but has yet to adapt the approaches they contain to their own context. Thus, in certain cases youth promoters provide non-financial services training, and in other instances branch managers or YS focal points provide the training. Not all the trainers have received training on financial education. Especially given the time it has taken organizations to enter linked service delivery model agreements, the program has had problems adjusting the timing, content, and amount of technical assistance required for this difficult aspect of program delivery.

**Although most of the targets include the YSOs as beneficiaries of training and TA, the existing partner YSOs only benefitted from the on-site technical assistance, but not the trainings organized by YS.** Very few FSPs have established formal collaboration with YSOs, thereby delaying their participation and lowering their numbers. With the linked model falling out of favor among the FSPs, it seems unlikely that many YSOs will be availed of YouthStart training.

**Regarding the Output 3, YS has maintained a pace in line with expectations, in terms of conference participation and knowledge sharing documents produced.** YS produced and presented several briefs (Listening to Youth, Policy Opportunities and Constraints, Assessing New Youth Focused Products: Pilot Test), while also actively promoting knowledge sharing among the FSPs through tools such as the webinars and "TeamWorks" intranet site.

[18] ACSI, FCPB, FINCA DRC, FINCA Uganda, PEACE, UFT and UCU.

**Notably, the outputs relating to "[expanding] access to and [mobilizing] knowledge related to youth financial services" only came into effect in 2012, the program's third year of operation.** This reflects the program design's recognition that YS would need to build a base of experience in its first 18 to 24 months from which to learn, prior to sharing insights with a broader audience. As the program progresses, it will be important for the wider UNCDF network to capitalize upon the good work done by the YS program management unit in setting a foundation of evidence to share with policy makers and other key stakeholders.

## Contribution to Increased Capacity of FSPs and YSOs

**Along a full spectrum from abysmal to promising performance, the program can produce evidence showing meaningful increases in capacity to deliver youth financial services among the better FSPs.** As shown by the status accorded the FSPs in the December 2012 quarterly report, four classify as high performers, two as standard performers, while two classify in the low risk category, and one in the medium risk category. Thus, at least six and as many as eight FSPs are reported to have made meaningful progress towards building the long-term capacity to deliver credible YFS. This ranking by the program management unit mostly reflects the perception of whether or not the organizations will achieve their 'youth reached' targets. The rankings also reflect the quality, timeliness and efficacy of various other processes and outputs, such as appointment of key staff, implementing core marketing activities, or adapting MIS to the needs of operating a YFS portfolio. All of these may stand as a reasonable proxy for the capacity of the organizations to deliver youth financial services.

**Nonetheless, some important nuances emerge**. ACSI, considered a high performer[19], has not changed any core aspect of an existing savings product, and continues to evolve its non-financial services approach, while having pioneered the 'ambassadors' model largely through their own efforts – and therefore, despite its big numbers, YS seems to have had only muted impact upon its capacity. Both FINCA Uganda ('Low Risk' category) and UFT in Uganda ('Standard Performer'), had already developed a product for girls through a Nike Foundation grant and both organizations have had years of MicroSave market research and product development assistance. YS has helped both programs to diversify their youth portfolios[20] and begin the process of scaling up (both are behind on their 'youth reached' targets, thus far), and as such YouthStart's contributions may be considered marginal, as compared to organizations that had no previous experience in youth financial services.

**PEACE ('High Performer') and UCU ('High Performer') and perhaps PAMECAS ('Standard Performer') appear to have gained the most capacity via YS initiatives.** In all three cases, strong leadership from the top, through which the organizations articulated their needs in relatively clearer way than other FSPs, seems to have set the stage for better absorption and application of the capacity building services offered. All three organizations are relatively smaller than their peers and have greater market

[19] In the reporting for first quarter 2013, ACSI was downgraded to "Standard Performer".

[20] The Nike Foundation grant only focused on savings products for girls, and thus at least YouthStart allowed the organizations to develop products for boys. UFT, in particular, noted that because the girls account had created demand from the community for boys' accounts, they viewed participation in the YouthStart program as an ideal way to respond to market demand, by focusing attention on developing an approach and product line for all youth.

incentives to raise deposits and differentiate their brands in their markets, relative to more dominant or prominent players. In short, receptivity and readiness for outside assistance and relative market position seem to correlate with better take up of capacity building assistance.

**Several issues that arose in reviewing UFT highlight the complexity of the connections and questions between provision of technical assistance and training, actual absorption of those interventions, and rankings in YouthStart reporting.** The evaluation team observed that despite the development of an internal manual on the non-financial sessions training, outreach officers at one of the branches visited did not seem to follow the manual in implementing their field activities (despite having a general understanding of the training component). Further probing revealed an operational conundrum for UFT (and other FSPs). The field officers expressed concern about how their efforts in driving financial education could reflect in tangible terms in their accountabilities and compensation, as compared, for example, to savings mobilization and account opening targets.

**UFT's model of recruiting young individuals that understand the community has produced mixed results.** Especially in rural areas such liaisons have contributed handsomely to outreach, marketing and mobilization. UFT youth field officers maintain close and cordial relationships with key community mobilizers and leaders, who continuously facilitate program entry and mobilize the youth. However UFT ,has had to reciprocate this close co-operation by availing additional resources to support other youth related community-functions that fall outside its original mandate e.g. facilitating the youth soccer team at a recent tournament. Such gestures further raise the cost of rolling out

**Figure 2: Reasons Why the Linked Model is Not Working & May Not Work in Future**

The YouthStart ProDoc and results framework implied that the linked model of financial and non-financial service delivery would be the better and preferred model (e.g. the program set a target for 50% of all business models to be linked). However, so far, linked business models have proven to be most difficult to implement, without any clear advantages on client impact, and perhaps least sustainable for the following reasons:

- Partnerships that align personal, leadership, strategic, and operational elements take time to negotiate, and become especially difficult under the constant pressure to deliver numbers of youth served
- Most medium to small sized markets have few, if any, YSOs from which to choose
- YSOs and FSPs measure success very differently – YSOs are happy for people to attend training and demonstrate improved capacity after the intervention, whereas FSPs ultimately care about the person opening and using an account, which may not be the logical outcome of a successful non-financial intervention
- Much more so than FSPs, YSOs depend heavily upon subsidies, putting greater reliance upon FSPs to pay for their services, and / or introducing the risk of service disruption if YSO subsidies end
- Even in cases where YSOs have access to funding, that funding usually is tied to specific market segments, delivery models, geographic zones, time frames, or other parameters, many of which may not suit the needs of the FSP
- Especially for approaches that depend more upon short, periodic NFS interventions, instead of long, regular delivery of multiple modules, there is no clear cost or competency advantage for FSPs to outsource the NFS delivery
- Many YSOs show greater relative competence in life skills training, and to a lesser extent, enterprise and entrepreneurship training, but do not necessarily have better skills or materials for financial literacy than the FSPs
- Depending upon the operational details of a partnership, the additional risks and costs of managing human resource, administration, and logistical arrangements may be greater than the incremental benefits

this product and generally raises the question of future sustainability – particularly in rural areas where deposit amounts will be much less.

**For a host of reasons, YS will have had minimal impact upon YSOs.** With preference and practice among FSPs clearly leaning away from linked models and toward hybrid versions of unified or models, YSOs have benefitted little so far, and likely will benefit even less in the future. PEDN seems to have gained new and deeper insights through their partnership with FINCA Uganda, as has HPP in their partnership with FINCA DRC, but neither partnership may last, as both FINCA affiliates consider the relationship between financial sustainability and low conversion rates.

**The only recently consummated partnership between PAMECAS and Plan International may best illustrate the substantial difficulty of YSO involvement in a linked business model, even when all the signs seem set for a perfect match**. In Plan International, PAMECAS has a potentially very powerful and nearly ideal partner, but by Plan's own admission, that partnership has taken longer to materialize than either party would have wanted. Plan has a MCF grant itself to implement a youth financial services program. They have a prior working relationship with PAMECAS and personal bonds between senior managers. They demonstrate a high degree of skill, knowledge, and experience not only in implementing YFS initiatives, but in undertaking very comprehensive and sophisticated monitoring, evaluation, and impact assessments. They have developed high quality materials for financial literacy, enterprise and entrepreneurship training, and life skills, especially for girls. Plan stands as one organization that could possibly teach YS more about YFS (at least the non-financial services component) than YS could teach them. In spite of this highly unusual combination of extremely positive circumstances, more than a year has passed before they could sign an MOU, it would seem for mundane reasons, such as the need for internal consultations, and timing of when key people could meet or take decisions. Furthermore, no sooner will they have begun implementation that they will have to consider the long-term sustainability of Plan (the Plan International project through which it would pay for its services to PAMECAS has a limited life), and the difficulties PAMECAS may later face in trying to internalize the services, if Plan could no longer partner.

**FINCA DRC and FINCA Uganda face similar sustainability questions, in respect of their YSO partnerships.** For now, both programs rely entirely upon the YS grant to fund the YSO collaboration, and neither organization can foresee absorbing those costs in the short to medium term. Thus, both organizations may face disruption in this aspect of service delivery, if they must find another donor to subsidize the arrangements (after YS ends); or cut back or eliminate the services; or suffer lower operational and financial self-sufficiency, as they try to absorb the costs. Moreover, at FINCA DRC in particular, near total reliance upon HPP for the provision of NFS has substantially diminished FINCA DRC's own knowledge and capacity to offer non-financial services, which could substantially undermine their YFS offering, if they must jettison HPP at some stage.

## Influence on the Sustainability of Partner FSPs and YSOs

**YS has done a fine job of focusing FSPs on the confluence of FSP efficiency and client impact through the concept of 'critical minimum'.** The narrow interpretation of 'critical minimum', as introduced by YouthStart, involves the relationship between the minimum amount of resources (i.e. people, time, and money) required to raise the financial capability of prospective youth clients to a level sufficient to take up the financial services offered by the FSPs, and to use those services responsibly. The concept emerged after early experience showed many FSPs trying to implement elaborate and highly detailed non-financial service curricula, which demanded much time of FSPs and clients alike. Some modules would require prospective or new clients to spend an hour or more, each week over three or four months to complete a course in financial literacy, for example. In addition to the obvious amount of time and other resources that these approaches demanded, which YS foresaw as unsustainable, the early experience could produce no convincing evidence that such heavy approaches led to better conversion rates or demonstrably more capable clients. Thus, YS began to promote the 'critical minimum' concept.

**Nonetheless, the complexity and multi-faceted and multi-layered nature of the 'critical minimum' concept has yet to fully dawn on most FSPs.** Critical minimum for whom and for what purpose? For the FSP to optimize account opening, or account usage? For the clients to maximize their financial capabilities and to use those skills (which pertain to many other facets not concerning a savings account)? For the clients to maximize the intended socio-economic benefits from the financial services and the non-financial services? The evaluation team observed growing evidence that meaningful gaps could emerge between what an FSP considers a critical minimum to open and encourage account usage (largely questions of efficiency, i.e. how much will it cost to open an account and see actual usage of that account), and what may yield the ideal socio-economic benefit of the youth client (largely questions of impact, i.e. linkage between the non-financial services and improved economic, financial, health, education, and social conditions). FINCA DRC has a long way to go before having fully grasped the critical minimum concept, as they still rely on Humana People to People, which continues to provide extensive modules whose impact raises doubts, given the very low conversion rate. FCPB has not yet developed its own modules. In this case, the trainings are lean, but mostly because of the lack of resources allocated (A delivery model has not yet been identified, where in certain cases promoters train the youth, and in other cases internal staff, but either event, without a clear strategy of achieving an effective critical minimum).

**The general concept of 'credit or savings plus' within the microfinance world remains contested.** By explicitly advocating for and even insisting upon the integration of non-financial services into the business models of the FSPs, whichever model they chose, YS has taken on the burden of proving that the 'plus' elements actually add value for the FSPs and the youth clients. It remains unproven whether the deeper and more sustained benefits that accrue from non-financial services outweigh the additional costs. Also, convincing FSPs of the prudence of this approach will require them often to compare tangible financial costs with qualitative and diffuse outcomes.

**These additional costs of offering the 'plus' elements of training, including financial literacy, but especially broader life skills and socially oriented training, manifest strongly among the multiple dimensions of organizational change.** FSPs must consider different types of staff and different content and modes of building their capacities and perhaps of incentives and compensation. FSPs may need to consider modifying or adding service delivery channels. Certain business models may necessitate different strategic expertise at the governance and senior management levels. IT systems need modification to change what they report about whom, and in what intervals to whom, especially but not only in respect of MIS and Social Performance Monitoring (SPM) systems. FSPs must consider the marginal costs of making all of these and other changes to suit the demands of sustainably delivering YFS, versus the impacts upon existing and core businesses. Not all organizational changes required to optimize the YFS business will benefit the FSP as a whole, and serious difficulties and imprecisions arise in trying to measure these marginal and imperfect cost-benefit effects, leading to understandable caution in implementing major organizational change.

**FINCA DRC and FCPB illustrate well these complexities.** Both organizations have hired dedicated staff for the duration of the YS program, but both have doubts of the sustainability of those additional people, without continued direct subsidy. These staff deal exclusively with the youth initiative, and thus, unlike other staff members, cannot easily shift to selling and servicing other clients and products. More positively, FINCA DRC sees the relevance of NFS beyond just youth clients, and could see applying a similar approach for other vulnerable clients – although adapting the existing materials and approaches would still require expenditure of time and money that creates a barrier.

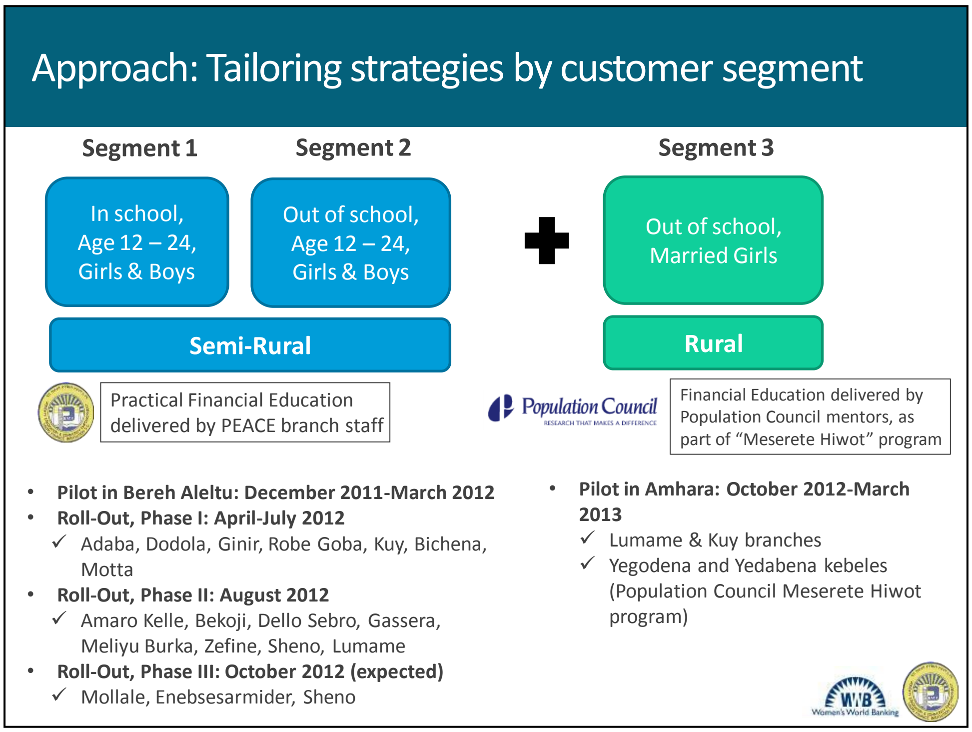
## Increasing the Capacity of FSPs and YSOs to Meet the Specific Needs of Young Women and Girls

**Only two of the ten active FSPs in the program – PAMECAS in Senegal and UCU in Rwanda – have achieved their targets for the proportion of female youth clients.** This general underperformance translates into the program's overall performance lagging behind on this indicator, wherein females comprise only 40% of the youth client bases, versus the 50% ProDoc target. Two other FSPs have come close to at least their minimum targets: FCPB has 38% as a minimum target and reaches 36%; and ACSI has 51% as a minimum target and reaches 49% (once again, providing a disproportionate boost to the overall figure). YS program management and the FSPs have acknowledged the many challenges faced in recruiting female clients, especially those under 18, and they have begun to devise specific capacity building and approaches to address the challenges.

**This underachievement reflects the overall difficulties faced by the FSPs, particularly in mobilizing young girls under 18.** Legal, physical, and financial capability barriers loom much larger for younger youth, and even more acutely for girls under 18. Cultural and social barriers can play an even more negative role. Under age boys and girls need the authorization of adults to open accounts. When faced with the decision of who in the family should open an account, parents or guardians frequently choose the boy. Often, the adults believe that the girl will marry into another family, thereby raising the chances that the family would lose its 'investment'. In turn, FSPs have yet to fully develop fully segmented strategies to help young girls overcome these barriers, and FSPs have faced many delays in implementing their non-financial services generally, which play a more important role in helping young girls to access financial services.

**The more serious and capable FSPs have begun to confront the challenge with more detailed analysis and segment-driven refinements of non-financial, outreach and marketing approaches.** According to the YS quarterly reports, PEACE in Ethiopia has reached the 42% threshold for female clients, against a target of 72%, so while a large gap remains between achievement and target, its proportion of female clients compares very favorably with its YS peers. With assistance from Women's World Banking and in collaboration with a project implemented by the Population Council, PEACE has developed one of the most detailed segmentation strategies, as summarized in the graphic below. Informed by well-executed demand-side research on married girls, PEACE has split the out of school market and the semi-rural and rural markets. The pilot for the rural out of school married girls will only occur in 2013, but regardless of the success or failure of that pilot, this type of intervention shows the potential for well-targeted technical assistance, coupled with dedicated organizations, to tackle one of the program's most vexing targets.

**Figure 3: PEACE Market Segmentation Model**



# EVALUATION QUESTION No. 4: INFLUENCE at the MACRO LEVEL (POLICY, STRATEGY, LEGAL and REGULATORY FRAMEWORK)

**YouthStart has met the literal requirements of informing policy makers and other key macro level stakeholders, by publishing a series of quality documents and hosting or attending numerous events.** Sending out policy briefs, technical notes, and interesting descriptions of the experience of various organizations in reaching the youth market meets the literal test of 'informing' the market. Hosting and attending various conferences and other forums also serves to inform the market.

**Nonetheless, lack of direct follow up and engagement have substantially muted the influence the program might have had.** Absent follow up, targeted, periodic, and sometimes opportunistic direct engagement with key stakeholders, messages become lost and YouthStart's position and relevance wane, ultimately making the act of informing an empty one.

**Now that the program has begun to move beyond the intensive phase of piloting to consolidation and roll-out, some resources may become available to leverage the emerging lessons for actually influencing the macro level in some countries.** To be fair, the lack of engagement by YouthStart in its first couple of years of operation arose at least in part from the absolutely necessary, total focus on launching the FSPs into their YFS programs. Of course, more work remains to ensure the FSPs fully implement and scale up from their pilots, but that should require a less intensive effort from the program management unit, freeing some time to focus on strategic matters, including more consistent and comprehensive stakeholder engagement. Now that YouthStart has begun to build a base of evidence and experience, the program is better placed to articulate compelling stories.

## Influencing Key Stakeholders to Make Relevant YFS Policy Changes

**YouthStart has published good quality policy briefs and conducted several multi-stakeholder events[21].** YouthStart's primary written contribution to the global YFS debate, "Policy Opportunities and Constraints to Access Youth Financial Services", articulately sets out all of the relevant issues and succinctly recommends all of the key policy changes required, including identification of the key cross-sector actors. The paper cites and has been cited by all of the most prominent promoters and practitioners in the global YFS community, including CGAP, YouthSave, and CYFI.

**As recently as August 2012, YS hosted a series of two to three hour workshops at which YS introduced its main policy paper in most of the countries of its operation.** Invitees and for the most part those in attendance represented a broad spectrum of key stakeholders – both the usual participants in financial inclusion discussions, such as ministries of finance, central banks, industry associations and other FSPs, as well as those with broader interests in youth development, like youth agencies or other donor funded programs in other sectors, such as agriculture, with a youth component. UNCDF and UNDP colleagues received invitations and / or participated, as did the partner FSPs in the program. In fact, YS asked the

[21] By December 2012, YS had presented at multi-stakeholder national gatherings in Togo, Burkina Faso, Malawi, Uganda, Ethiopia, DRC, and Rwanda.

partner FSPs to present their own experiences in the program, with an emphasis on the role of the policy, legal, and regulatory regime in their operations.

**Despite its publications and events, YS remains largely unknown among key stakeholders in its eight countries of operation; and thus has a substantial challenge ahead to insert itself into relevant policy discussions.** In every country the evaluation team visited the individuals interviewed in the same array of organizations to which YS had reached out and presented expressed only passing knowledge and sometimes no knowledge of YS or its policy positions. The comment of one senior Ugandan government official, who had personally attended one YS workshop and whose staff members had attended another, captured the sentiment expressed by many interviewed, 'Oh, I remember attending that workshop, but when will we see some follow up'? Others seem to have found the presentations interesting and informative, but they had yet to prioritize YFS policy or see how it may integrate into or leverage existing policy initiatives. Such reactions imply the need for follow up and strategic evaluation and pursuit of individuals and opportunities that seem most ripe for engagement. Holding more workshops and making more documents available via electronic media may inform policy makers, but will have little chance to even influence, much less change policy.

## Likelihood of Policy Improvements in Youth Financial Inclusion

**Several of the YS countries show increasingly vibrant youth financial service activity at the micro and macro levels, but very little of this has anything to do with YS influence, so far.** Especially in more competitive and vibrant markets like Uganda and Senegal, even the casual observer can witness a great number of FSPs, including commercial banks, offering various forms of youth accounts. Of course, in most instances, the non-YouthStart FSPs focus on more capable and accessible markets and many still prefer to offer accounts actually controlled by parents on behalf of children below the age of 18. More sophisticated offerings include linkages to insurance and other financial services. Increasingly, youth (rarely defined in the YS brackets) find voice in financial inclusion or education agendas, with a focus on financial literacy or sometimes enterprise and entrepreneurship. For example, as YouthStart's policy paper points out, in Ethiopia all civics classes for grades 5 through 10 in all public and private schools contain a unit on savings. While all of this represents good progress in forwarding the YFS agenda, it mostly predates and has no reference to YS.

**Although currently at the periphery of most country policy discussions, YS still has ample opportunity to gain a seat at the table.** On the heels of saying they had only vague recollection of YS or anything the program had said or published, those same interviewees often expressed, sometimes enthusiastically, a desire for serious engagement, and at a minimum continuing curiosity. UNDP in Senegal mentioned the potential value of incorporating YS policy knowledge into an emerging new country strategy, wherein youth have an important place. The UNDP financial inclusion project under discussion in Ethiopia would welcome infusion of YS lessons. In Malawi, the Ministry of Youth and Sport has taken up the cause of youth financial and entrepreneurship training and via OIBM has expressed keen interest to learn and share lessons.

**A YS narrative about the potential and power of savings-led microenterprise development may offer one of the most unique and important contributions to national policy debates.** For policy makers transfixed on youth employment and enterprise, but cognizant of the disaster left in the wake of various forms of directed credit and credit guarantee programs, YS has a fresh and potentially compelling story to tell. As the results from our focus group discussions reveal (see next chapter for more detail), many young people understand and actively pursue regular savings activities, with the intention of starting a small income generating activity or a micro or small enterprise. Several express a clear desire to avoid credit and prefer to accumulate savings for enterprise creation. Some FGD participants in Senegal and Uganda, where national youth credit schemes have been most prominent, explicitly stated that they saw no value in applying to them, in part, because they knew or at least perceived that such schemes would remain inaccessible to most youth. The enterprises they start reflect their reading of local needs and market niches, and the size of their savings generally suit the reasonable start-up size of their modest ventures. Despite the modest nature of their businesses, several focus group discussion participants spoke of meaningful contributions their enterprises have enabled them to make to household and individual betterment, such as installing pipes for water into the house or sending themselves or siblings to school.

**Focus on youth under 18 generally and young girls, in particular, would also add an important and under-represented voice in macro level discussions.** Gender generally and girls in particular have become frequent international development topics. Most national policy dialogues tend to focus on health and education issues relating to girls, but YouthStart's non-financial services components complement these perspectives. In addition, repeated and consistent comments gleaned via the FGDs indicated the added impact derived from combining education with financial services, especially for girls. This building base of compelling stories of additional value and sound impact would resonate and find relevance with many country initiatives focused on women and girls.

## EVALUATION QUESTION No. 5: EVIDENCE OF INCREASED ACCESS TO SERVICES among LOW-INCOME YOUTH

**Focus group discussions yielded a rich, if only early and anecdotal, picture of not only adequately met needs, but potentially longer term socio-economic impact, including among young women and girls.** Boys and girls, young men and young women across the five countries where the evaluators conducted focus group discussions broadly endorsed the value of the financial and non-financial services received. They expressed not only appreciation, but also told stories of how the services had helped change their lives and the lives of their families – by helping them understand the safety benefits of saving formally, allowing them to start and manage microenterprises, providing resources to start school, and many other impacts. In other words, the social return on investment for FSPs offering good YFS seem increasingly strong and powerful.

**While overall youth populations continue to grow, markets also revealed several FSPs beyond those involved in the YouthStart program also offering youth accounts, although mostly to urban, peri-urban and generally more financially capable and less poor market segments.** Especially in larger and more competitive markets, such as Uganda, Senegal, and Ethiopia, the evaluation team observed substantial numbers of banks and other financial institutions offering youth products. In more sophisticated markets, such as Uganda, offerings of extra services or perks, like ATM cards, 'free' insurance, interest rate top-ups for bringing on additional deposits, and other marketing and product features had begun to put pressure on the YouthStart FSPs to keenly focus on their offerings to make them more competitive. One caveat, however, is that most of the other service providers seem to be targeting the middle to upper tiers of the socio-economic pyramid, and thus, at least for now, do not portend of a big market push to serving 'low income' youth.

**Despite these generally positive market trends, the evaluation cannot directly or even indirectly attribute all of those movements to the efforts of YouthStart.** Focus group discussions and interviews with FSP managers reveal some gaps between the mostly positive stories told by most FGD participants, and the actual efforts of the FSPs. For example, some clients had received financial literacy training prior to learning of the YouthStart FSP. Some FSPs have formed partnerships with previously existing organizations that had been offering life skills or entrepreneurship training, which have not been formally incorporated into the FSPs offering, but appear to have an impact upon client behavior and capability. Some of the youth clients had an account at the FSP prior to the YouthStart program, and so, while they were counted towards YouthStart's 'total number of active youth reached' target, such clients did not result from YouthStart's work[22]. While bearing in mind the newness of the YFS field and the indicators used to measure its progress, such circumstances, if they had not been corrected, may have prompted some to question the relative impact, efficacy, and additionality of YouthStart's efforts, versus the influence of other factors that pre-date or supplement the program.

[22] FINCA DRC, ACSI, UCU and PEACE were the FSPs with errors in the data. Subsequent to YouthStart pointing out the error, they corrected the tabulations of 'total number of active youth reached' to make sure they were only counting clients that result from YouthStart's work.

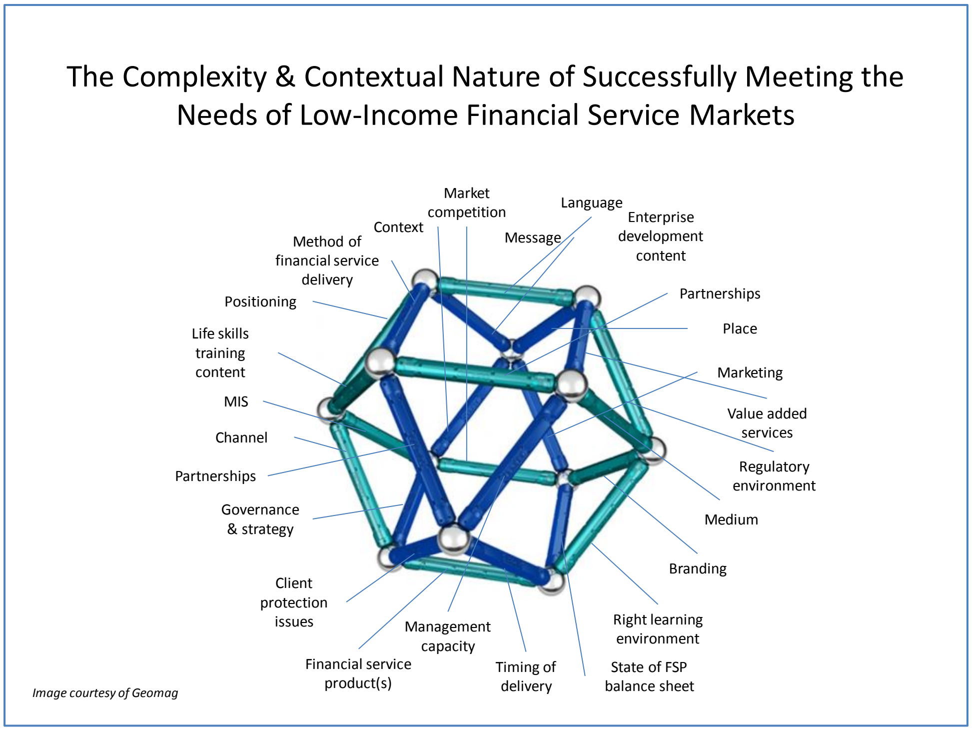
## Extent to which FSPs Are Meeting the Needs of Low-Income Youth, Particularly Girls

**Carefully conceptualized, appropriately delivered financial education of adequate substance does improve financial capability among youth[23].** "In summary, financial education initiatives supported by the FEF confirmed that participants exposed to information about effective financial management displayed increased knowledge and skills; improved attitudes towards banking institutions, products and requirements; and indications of more appropriate behaviors. *The combination of these factors, along with increased access to appropriate financial services, can lead to improved capability and, hopefully, to improved livelihoods*"[24]. In spite of this summary, the report most clearly emphasizes the complexity and contextual nature of successfully meeting the needs of low income financial service markets, especially those with less capability, such as youth or women. Relative success and failure hinged upon a series of factors, relating in varying contexts. The extent of integration of partnerships, language, message and medium, timing and place, and the method of financial service delivery (e.g. via a branch or mobile phone) all played different roles to different degrees with different target clients in varying African countries. Another report[25], demonstrated statistically significant improvements in savings behavior for those offered financial education (with or without the offering of a savings account), as compared to those who do not receive such education; despite this generally positive finding, that report too highlighted the complex nature of achieving such outcomes.

**As suggested in the graphic below, effective and efficient YFS, involves a complex mix of factors.** Just as the three-dimensional hexagonal ball will not roll smoothly, unless each piece is the right size, and all of the connections are appropriately aligned, the outcomes of YFS will also be uneven, unless all factors align correctly in their appropriate proportions. So far, some of the YouthStart FSPs have begun to assemble most of the pieces. Savings products seem particularly sound, in general. Non-financial service content is improving. The nature, depth and dynamics of relationships with YSOs, community-based organizations and other potential partners continue to evolve. Some of the better FSPs have begun to show in increasing realization of the full set of complexities and are beginning to develop an understanding of how they best fit together; but the ball will take some time to roll with minimum friction. As the FEF report and YouthStart experience suggest, sustainably delivering financial capability will require more time, but it is possible.

[23] The summary report, "Educating for Financial Inclusion in Sub-Saharan Africa", by the Financial Education Fund, offers one of the most comprehensive and relevant illustrations of these complex factors.
[24] Ibid, p 18 (Emphasis added.)
[25] "Starting a Lifetime of Savings: Teaching the Practice of Savings to Ugandan Youth, Endline Survey Report" Innovations for Poverty Action, February 7th 2011

**Figure 4: Complexities of Delivering YFS Outcomes**




**Mainly supported by evidence gleaned from the focus group discussions (FGDs) in Senegal, DRC, Uganda and Ethiopia, this evaluation documents several anecdotal, but nonetheless, convincing cases of youth making rational financial decisions and practicing positive financial behaviors.** The evidence suggests linkages between various financial education efforts and improved financial capability. Whether directly attributable to YS interventions or the product of other financial education efforts in country, youth who have gone through financial literacy programs can and do demonstrate understanding and application of key concepts, such as budgeting, the pros and cons of formal and informal savings products, and appropriate uses of credit. Of course, the big challenge remains delivering the right programs of good quality in the right ways to the appropriate markets on a sustainable basis. If any one of these elements in a program fails, then they can undermine the effectiveness of the program. For example, Population Council states the importance of continuous training and reminders, in order to sustain the effectiveness of financial education interventions. This echoes one of the points in the FEF work, which mentions the importance of capturing 'teachable moments', in other words, offering financial education at the time and in an environment when the client can best understand and apply the lesson.

**Accessible and appropriate financial products (mostly savings accounts) do deliver value and improve economic and even some positive social outcomes for youth**. Mainly through the focus group discussions (FGDs), this evaluation has found evidence of credible linkages between the use of savings accounts and positive economic and social outcomes. Girls, who had no or limited opportunities for schooling have used their savings to pay school fees and go to school. Boys, who had a little enterprise and had saved their earnings under their mattresses, only to have older siblings take the money, have now used formal accounts to safely accumulate their earnings. Young women, seeking some independence and perhaps safety from a poor household situation at their parents' home, have used the safety of a formal account to not only stow away their funds, but to leverage that savings track record into a small loan to support a microenterprise. Non-financial education provided some youth participants of the program a sense of belonging. For example in Senegal, some FGD participants indicated that they felt like more than just clients, but actually members of the FSP. Despite the anecdotal nature of these stories and the infeasibility of a true impact assessment, these situations and others like them echo throughout this evaluation and mirror the findings of several other similar interventions. Sound evidence and presentation of this burgeoning collection of powerful stories could represent one of YouthStart's most lasting and influential legacies.

**Good financial education and other non-financial services lead to improved financial capability, but not necessarily to the opening and usage of a bank account.** For entirely rational reasons, due to market competition, or a host of other factors, youth may not open an account with the FSP that delivered or facilitated the non-financial services; or at least they may not open an account with that FSP, or may substantially delay the decision to open the account, or use it only sparingly, once opened. FSPs using parallel or unified models seem to have more success in conversion, than those using linked models. In addition, using promoters or 'ambassadors' who have an account with the FSP or who at least have a long relationship with the FSP also seems to yield more frequent account opening.

Figure 5: The Sustainability Conundrum


**Some of those who have received or who continue to receive non-financial services via the FSPs (and / or their YSO partners) would appear to have opened accounts at other financial institutions and / or to carry on savings behaviors, even if not in a formal FSP account.** Especially in cases where the youth opens an account at another financial institution, the desired financial and socio-economic benefits can still accrue (especially absent conclusive evidence that the partner FSP's product offers any better value than that of the competitor), even if YS itself does not count the client towards its targets. Even in cases where the youth has not opened an account with the partner FSP or any other formal financial institution, FGD participants and FSP field staff confirmed observations of positive savings behaviors and reasonably related socio-economic outcomes (e.g. going to school, eating more or better food, etc.). These still constitute a good (if perhaps indirect) outcomes of YS, even though YS may not count this activity in its numbers.

**In one FGD with FINCA Uganda clients, at least 50% of the respondents did not have their existing bank accounts with FINCA Uganda[26], but rather with some of the FSP's commercial competitors.** This situation and others like them observed at other FSPs would lead one to question how FINCA Uganda could measure the mutual benefit of the partnership to both its own goals and those of PEDN (its YSO partner), but more fundamentally, how it could continue to justify subsidizing the client acquisition costs for competitor FSPs.

## Evidence of Increases in Market Size

**None of the YS markets offer data sufficient to discern changes in market size for youth financial services (from the demand side), much less whether program activities have any relationship to those changes.** None of the national bodies, like central banks or sector policy forums, collect data from which they could disaggregate youth, especially not in the way YS defines them, as a specific market segment. Only one central bank (in Congo DRC) has plans to collect and report such data. They seem to have been encouraged by participation in International Youth Savings Day two years in a row and some support from CGAP. Of course, to truly answer this question, economic surveys would need to discern effective demand from simple tabulations of the number of youth of a certain age, but the chances of ever seeing surveys of that nature seem extremely remote.

**However, gross figures for the size of youth populations generally, combined with growing rhetorical and operational activity at micro, meso and macro levels would indicate not only growth, but increasing importance of the youth financial service market.** Every developing country faces a growing youth bulge. Most governments and other national stakeholders at least rhetorically, if not in the form of coherent policy and action, acknowledge the need to minimize the risks of these growing youth populations, while also capitalizing upon the potential strength in their numbers. Absent donor initiatives such as YS, and appropriate follow up action by national partners and other market participants, youth populations served will likely remain those with higher financial capabilities, greater accessibility, and probably more urban and from the lower-middle income tiers and up. Of course, in the LDCs where UNCDF works this would comprise the distinct minority of the youth population, leaving great swathes unserved.

## Evidence of Greater Competition in the Market for YFS

**To the extent that any markets provide discernible dynamics on the size of the youth financial services market (on the supply side), several countries show an increasing number of FSPs targeting youth.**

[26] As discovered during focus group discussions that Reach Global conducted, one reason for lack of account opening could be that FINCA employees were not always present at the financial education sessions, thereby making it inconvenient for youth to open the account.

PEACE's management mentioned that OCSICO (Oromia Credit and Saving Institution) had started a program similar to theirs in some of the areas where both of them have presence. It appears that OCSICO started a similar program not because of an attraction to the target market, but to improve the market's perception of OCSICO as an institution of equal reputation to PEACE, an MFI within the community that upholds its social mission. Commercial Bank of Ethiopia, the largest state owned bank with a branch network of 526, has aggressively started to mobilize savings to fulfill its role in attaining the targets set in nation's GTP (Growth and Transformation Plan). Among many other goals, the GTP targets an increase in the domestic saving rate from 5% to 27% of the GDP. Thus, Commercial Bank of Ethiopia has begun to extensively expand its outreach into the rural areas, targeting a wider diversity of the community, and including youth as a priority target. Conversations with AEMFI, the Ethiopian microfinance industry association, also alluded to these initiatives by OCSICO and CBE. Encouraged by participation in the International Day for Youth Saving, the number of FSPs in Congo DRC offering youth savings has increased across all the categories, including: MUSEFAKIN, BIAC (Banque Internationale pour l'Afrique Centrale), Raw Bank, Bank of Africa, Trust Merchant Bank (TMB), Réseau MECREKIN, and Banque Commerciale du Congo (BCC). Once again, however, it bears noting that few, if any, of these other initiatives seem focused on low-income youth.

**So far, little of this activity derives from YS influence, and most efforts target relatively more capable or better off youth segments.** Commercial Bank of Ethiopia's motivations for pursuing the youth market largely derive from motives to hit the GTP targets, rather than the impact of the YouthStart program. Nonetheless, YS may claim some influence, if only indirectly. It would appear that Commercial Bank of Ethiopia learned of PEACE's efforts through observations of some its field staff, but also via its governing structures, where an executive of the national microfinance association (AEMFI) has a board position. Despite the tangential involvement of the association in YS to date, AEMFI did have enough knowledge of it to suggest that Commercial Bank of Ethiopia hold a meeting with PEACE to learn about their approach to YFS.

**Some competitors have developed sophisticated alternatives to YS FSP products.** In Uganda, every FSP among all of the four tiers, offers some form of youth account, but practically none of that activity stems from YS influence. Furthermore, most organizations do not target low-income youth, and their offerings for those under 18 still feature accounts held by parents on behalf of their children, albeit sometimes with innovative twists. For example, some tie insurance or school discounts to account opening, usage, and balance behaviors. In some of the FGDs, the evaluation team observed that several youth expressed clear willingness and preference to trade-off the greater control of YS FSP youth products for the additional benefits accorded to his or her family by joining their parents' accounts. It also emerged that sometimes the parents forced the youth to save in the other account, and refused to stand as guardian for the YS FSP account, believing themselves in the advertised benefits of the other products, relative to the YS FSP accounts.

## Evidence of Improved Financial Capability among Youth, and Young Women in Particular

**Evidence from the focus group discussions and interviews with FSP staff with close client contact reveal that a substantial proportion of clients, including and in particular young girls, demonstrate definite improvements in financial capability, resulting from the combination of good quality and appropriate financial and non-financial services.** FGD participants from FINCA Uganda noted that they mainly appreciated the low account-opening fees, attractive marketing activities, no account user-fees or monthly charges, and relatively attentive branch staff. At the same time, FGD participants with accounts at other banks gave similar reasons, barring one, account user-fees, which arose as a major disincentive for holding an account with both Crane Bank and Stanbic. Key dislikes among youth holding accounts with FINCA Uganda included the lack of ATM cards and machines at branches, scattered branch network (particularly, some a great distance from their schools), the low brand visibility of the bank amongst other youth / peers (compared to the commercial banks), and the sometimes crowded banking halls. Several of the respondents indicated that prior to joining the PEDN / FINCA program they had saved either individually or through savings clubs at their schools. They identified the key reasons for shifting their savings to the FINCA or another bank as a better / safer location, as well as enabling them to better control access and follow a defined savings plan (towards a particular objective). In a less competitive market, with lesser financial sector sophistication and lesser awareness among clients of modern banking frills, participants of a focus group discussion among ACSI's girl clients in rural Ethiopia unanimously cited the prestige they felt in having a savings passbook (even though all of them had at least a year of experience saving informally, using a group lock box).

**The evaluation uncovered some interesting anecdotal evidence that may add some contours to the argument that clients feel protected and well-served by having good information from the FSP.** During a FGD of PAMECAS clients in Senegal, only two out of the ten in the group knew their current saving balances. Others said that they did not care, or did not need to know, because the main value they obtained out of the account related to their ability to keep their principal safe and to access their funds whenever they wanted them. They showed knowledge of the concept of interest, but they all had chosen a demand deposit account for its quick and easy access. Similar conversations with FGD participants in Uganda and Ethiopia may have a bearing on client protection and FSP conduct. Ugandan youth in UFT and FINCA Uganda programs, which use community organizations and promoters, expressed a high degree of trust in their proxies and mentors, and often showed little knowledge of account details, or their rights or responsibilities. With ACSI youth clients, where they also use an 'ambassador' model for reaching out to youth markets, FGD participants there, like their peers in Uganda and Senegal, often showed little knowledge of the attributes of the products they were using, but expressed great pleasure with the service received.

**Both FSPs and clients showed an appreciation for the pros and cons of credit.** Currently UFT focuses its youth efforts solely on savings mobilization and non-financial services training. They have delayed the introduction of their own youth credit product, due to the existence of the government run Youth Venture Fund that could negatively impact on the perceptions of the target youth around a similar credit scheme under the YouthStart program. Interestingly, the majority of the respondents interviewed during the FGDs indicated that they felt they enjoyed benefiting much more from the financial and non-financial training alongside the opportunity to open and access their own accounts, as opposed to a focus on future opportunities to borrow from UFT.

**This evaluation also unearthed information indicating the importance of channel, message, and medium strategies.** Answering the question of how they joined PAMECAS, the four participants who opened accounts independently of any direct marketing by PAMECAS, said, 'I got the information from my brother and can say that some young people do not know how to read. It will be good to sensitize them on the benefits of opening saving accounts'. UFT in Uganda has begun to discover that because of the long distance to the nearest UFT branch and clients, field mobilizers usually provide the members with periodic updates on their account status when they meet (bi-monthly), as most members cannot afford to go to the bank for these updates. Similarly, the younger members often sent their savings as a group with the mobilizers who in turn return with the updated account status and deposit slips. At least two important issues arise from these UFT interactions. One, introduction of cost effective and appropriate electronic media, such as mobile phones or point of sale devices could help bridge physical divides – not a new finding in the world of financial inclusion, but a particularly acute issue and thus perhaps something of higher value addition for youth clients in remote areas. Two, agents, proxies, guardians and other forms of legal or procedural go-betweens for youth accounts play an important role, but they also impede the development of the relationship between the FSP and the youth client – overcoming fears and misperceptions about 'the banking hall' form part of improving financial capability, and these models undermine that learning.

**In a few important instances, the evaluation team would question the validity and robustness of the linkage between observed improvements in the financial capabilities of youth clients and the explicit actions of the FSPs.** FGD participants from FINCA Uganda / PEDN spoke enthusiastically of several positive changes in financial capability and saw the potential for socio-economic advancement, but many in the groups had participated in PEDN activities long before the YS partnership. A group of rural girls in Ethiopia related a wonderful and powerful story about the enormously positive influence their mentor, a biology teacher from their community, had had on their lives in general, and in particular on their strong commitment to continued saving. However, YouthStart's influence has been limited to ACSI formalizing that relationship by encouraging the teacher to move their group savings (held in a lock box) to individual savings accounts at ACSI. None of the girls' financial capability had any relationship whatsoever to ACSI's efforts. The importance of these and other examples goes well beyond counting who receives recognition for what. Rather, it highlights the need for YS to ensure results observed actually derive from their subsidies; and perhaps more importantly the need to understand the ecosystems in which youth clients operate, so as to identify pre-existing points of leverage that could improve the efficiency and effectiveness of YFS service delivery.

# EVALUATION QUESTION No. 6: POTENTIAL for SCALING UP and REPLICATION

**YouthStart has made some strides in the right direction toward scaling up an replication, through good quality knowledge management.** YouthStart has begun to amass an important and unique body of evidence that could advance the YFS global practice. The program also has access to institutions and networks, regionally and internationally, that could extend the program's reach and impact.

**More work remains to turn this good beginning into effective partnerships.** To date, both the documents produced at the initial set of contacts made have been under-utilized. So, the potential exists to scale up and replicate YouthStart's lessons, but resources and attention must be channeled to harnessing the potential and exploiting it.

**The program seems to have more of a profile among international stakeholders than regional decision-makers, and as such the UNDP and UNCDF network in the Africa region could become a much more important part of YouthStart's final two years.** UNCDF and UNDP management could assist in reconciling and explicitly stating accountabilities between thematic and country programs, and the thematic program managers and their CTA and RTA counterparts. Through existing FIPA, LDF, and UNDP projects and programs, YouthStart could improve operational efficiency and effectiveness, and better engage at strategic and macro levels with key stakeholders. Many of the other programs also work with the same FSPs, as well as other market operators, who could extend YouthStart's reach and possibly improve capacity and performance in areas YouthStart itself cannot address. Other FIPA, LDF and UNDP programs have strategic relationships with meso actors, like industry associations, and macro stakeholders, such as central banks, which YouthStart could use to improve its own efficiency and effectiveness, and ultimately scale up its reach and influence.

## UNCDF's Role as Promoter of Youth Financial Inclusion

**Internationally, YS has demonstrated very strong knowledge management capacity and delivered admirable results.** The Program Manager's regular and sometimes featured participation in the main international conferences that focus on youth has created a place of prominence for the program's lessons and knowledge materials. According to comments made during interviews for this evaluation, leading industry players like Children & Youth Finance International and YouthSave look as readily to YouthStart for insights and lessons, as YouthStart looks to them for knowledge and feedback. For now, YouthStart provides the global industry some of the most concentrated and current evidence of what is and is not working in youth financial services.

**The FSPs unanimously and heartily commend the knowledge materials and knowledge management tools**, especially the webinars, but also 'TeamWorks', and the opportunities afforded them to present their institutions at conferences hosted by YouthStart. The program has created a very strong loop between gleaning lessons from actual field experience, analyzing and condensing those into broader lessons, and then using those lessons to spur refinements or new innovations among those FSPs from which the original lessons emanated. The linkages among the concept of 'critical minimum' (which has now turned into a kind of mantra among the FSPs); the refocus on the efficiency and effectiveness of non-financial services and their delivery approaches; and the distinct move away from linked business models to unified models represents one of the best examples of knowledge in action.

**Nonetheless, within the YS countries YS barely features among the stakeholders and conversations that matter.** Substantial attendance and positive remarks coming from UNCDF staff at FIPA retreats and other internal forums, where YS has presented, have not translated into keeping YS 'top of mind' among the RTAs and CTAs, and certainly shown little to no translation into coordinated action between the program management unit and UNCDF colleagues in the region. Beyond the initial support in the selection of FSPs, RTAs and CTAs have played a limited role in YS. The evaluators noted a lack of consistency between some of the reports submitted by FSPs to YS, versus those given to RTAs and CTAs for other programs. Also, YS monitoring visits have not always been well coordinated with RTAs and CTAs. In the program's upcoming months, some of this may change, as it appears that, for example, in Malawi, the program has devised plans with the CTA to move ahead jointly on a policy agenda. Microfinance association leaders in Senegal, Uganda, and Ethiopia all complained that YS has left them out of the loop. They have received invitations to and have attended some YS events and have seen some of the documents produced by the program. However, they want and need direct and regular engagement, and the co-creation of a useful role in YouthStart's program plans.

## Role of Partnerships in UNCDF's Influencing Youth Inclusive Finance

**The 'Collective Impact' [27] lens offers an appropriate tool to apply in determining the current or potential effectiveness of all of the various actors involved in fomenting the systemic changes foreseen in the results framework.** The nature of the YFS challenge features multi-faceted attributes, such as business models, technology, finance, training, and social development. YFS also cuts across sectors, such as finance, education, and even legal affairs. So, the approach to solving the YFS challenge requires partnerships and coordinated efforts among many actors at multiple levels. The Collective Impact approach encompasses five key areas of inquiry: common agenda, shared measurement, mutually reinforcing activities, continuous communication, and backbone support.

**On the first count, the YS agenda shares some aspects with other relevant agendas, but they lack total commonality.** An earlier discussion in this report spoke about the similarities and differences between, for example, YouthStart's definition of youth, and the definitions found in the YS countries (i.e. 12 to 24 vs. 18 to 35). Credit for youth that many country stakeholders emphasize tends to overshadow YouthStart's savings focus, even though both obviously inhabit the financial services spectrum. Financial literacy, enterprise development, and life skills all comprise elements of the YS approach to non-financial service content, and Ministries of Education and Ministries of Gender and Youth speak of similar content, but often for different market segments and to realize different outcomes. Similar does not equal common, and so YS will need to ensure mutual understanding of the definitions of youth and how they might be relevant in specific contexts/interventions.

[27] See "Channeling Change: Making Collective Impact Work. An in-depth look at how organizations of all types, acting in diverse settings, are implementing a collective impact approach to solve large-scale social problems". By Fay Hanleybrown, John Kania, & Mark Kramer

**YS has a problem of lack of shared measurement within the program, not to mention with external stakeholders.** Most pointedly within the program YSOs and those involved in youth development count and consider success in different ways than FSPs. FSPs need youth clients to open and use accounts, not just attend training sessions or demonstrate that they better understand key financial concepts. These incongruities of measurement will likely only become more numerous and complex, as YS extends engagement with more stakeholders in more countries.

**YS has great unrealized potential to foster a set of mutually reinforcing activities.** As discussed in the chapter on likely impacts at the client level, combined financial and non-financial services delivered appropriately can have seriously more impact than either delivered separately. In fact, they do reinforce each other. At a more systemic level, a coordinated effort with education systems to learn from FSP experience and incorporate the right kinds of financial literacy and entrepreneurship curriculum into the schools could generate enormous efficiencies for FSPs and help the school system to graduate students more capable of operating in a modern economy.

**YS generates a serious volume of reports and other communications, but has not maintained continuous communication with the local and regional stakeholders important to supporting its agenda, whether within the UNCDF / UNDP system, or among other macro and meso level stakeholders.** Of course, this also goes beyond electronic communications. Disseminating documents via a listserv or other electronic media cannot replace the face-to-face, regular engagement required to advance the always difficult and non-linear path to policy influence and change, and ultimately change at the meso and micro levels. Continuous communication assists the planned opportunism necessary to react to unexpected opportunities to make change when others may open to it.

**As strong as one to two people have made the YS program management function, it does not constitute a backbone of support.** Huge gaps exist between the apparent potential and strength of the UNCDF global and regional network to inform and influence key actors and relevant policies, and its actual efficiency and effectiveness. In theory, with a larger program management unit, and / or with actual realization of a functioning network of RTAs and CTAs, UNCDF generally and YS in particular, could form that backbone organization to drive the process and the agenda. UNCDF and UNDP have the power to convene and lead, but they have failed thus far in applying and using that power.

# EVALUATION QUESTION No. 7: SUSTAINABILITY

**Among a group of FSPs that compare very favorably in terms of key financial indicators vis-à-vis their African peers, the program has yet to show any meaningful relationship to their financial sustainability, with the possible exception of an emerging relationship between the strength of and need for deposit mobilization, especially among relatively smaller FSPs.** It is too early in the program and the size of the YouthStart portfolios, relative to the overall size of the FSPs, is too small to register changes in FSP financial performance. In addition, the YouthStart grants will subsidize substantial portions of the YFS initiatives, skewing financial analysis. Nonetheless, qualitative information and some limited quantitative examples have revealed a potentially positive linkage between the mobilization of youth deposits, the lowering of funding costs, and the stabilization of a funding pool, especially for FSPs where these cost and funding imperatives already existed.

**At this stage, prospects remain mixed and unclear as to how many FSPs will continue to pursue the low-income youth financial services market, and to what degree.** A business case may ultimately comprise a series of non-financial factors, such as brand and market positioning, and some can foresee the long-term financial potential from a customer life-cycle view. Yet, FSPs must still consider the short to medium term (and perhaps even longer term) reality that absent external subsidy for ongoing operations related to YFS, some FSPs will not be able to justify or sustain their focus on the youth market, or at least not the low-income or less capable end of the youth market. FSPs must also consider how capabilities designed to explicitly support YFS, such as specially trained field officers, new institutional relationships with community organizations, or new branding, can be exploited to add or create value in their other business lines, otherwise, the direct and indirect costs of those inputs will probably not be sustained by the YFS portfolio alone.

**FSPs expressed a theoretical understanding of the elements of a business case, but those cases remain unproven and tenuous, and subject to changing market conditions.** FSP managers understand the financial and non-financial elements of a possible business case, such as building a long-term customer base, opening opportunities for cross-selling, improving brand positioning, and so on. However, at this early stage of the program few can point to any tangible evidence of realizing any of these benefits.

## Contribution to Financial Sustainability and Outreach of FSPs and YSOs

**The more enthusiastic and committed FSPs cite the potential for youth financial services to contribute to longer term financial sustainability, for example, in the form of less costly loanable funds, or cross-selling loans and other better income-generating products; but given the early stages of the program, it is normal that it shows scant evidence of such results yet.** With FSPs only having recently completed pilot phases, no data exist to credibly and quantitatively tie YS interventions to changes in financial sustainability or outreach among FSPs[28]. Scant involvement of YSOs means little to no impact among them now or in the future. Nonetheless, anecdotally, FSPs have begun to see the potential for impact on their financial sustainability and outreach. PAMECAS in Senegal noted, even in the absence of a

[28] Among some of the smaller FSPs, such as PEACE and UCU, youth who opened an account already represent a sizable percentage of total clients, even if they do not yet contribute meaningfully to account balances or income.

credible non-financial services delivery model and a rather muddled outreach and marketing campaign, that several youth and adult clients had inquired about and become clients of PAMECAS, on the basis of them hearing the market buzz about Ndorte. In Uganda, UFT has seen an increasing number and variety of younger and older adults, who participate in some of the community forums through which UFT markets and mobilizes its YS clients, inquire about and request services from UFT[29]. PEACE has already identified that the Birr500,000 ($27,000) raised in youth deposits carries a lower financial cost than the same sized loan from their main source of liquidity in Ethiopia.

**The institutional performance and prospects of the FSPs and the environments in which they operate bear directly upon not only current performance under YS, but perhaps more importantly upon future performance and sustainability.** Both the early failings and the early successes seen under YS relate more closely to pre-existing institutional weaknesses and strengths and a mix of country-specific environmental factors, than to the YS interventions themselves. CMS's elimination, OIBM's stumbling, PAMECAS's middling performance, UCU's early promise, and UFT's relatively good performance correlate more closely to intrinsic weaknesses and strengths, opportunities and threats than to varying degrees of the quality or consistency of YS technical assistance and support. This finding implies that more detailed assessment of FSPs and greater attention to the environments in which they operate may help YS to more efficiently and effectively deliver on its mission, as compared to acute attention upon the program's core TA and training resources and approaches.

**Most FSPs have only recently reached the end of the pilot phase, which necessarily tends to focus more on the details of operational mechanics, rather than questions of outreach and sustainability of the FSPs.** Moreover the limited range of information and data collected complicate an independent, in-depth analysis. Self-reported data with a limited degree of ex-post supervision by Mix Market[30] lead the evaluation team to believe that some data may lack reliability, a suspicion supported by the evaluation team's discovery of some irregularities and discrepancies that the YS program management unit has observed and addressed.

**Furthermore, most FSPs only submitted late and partial responses to the data requests by the evaluation team, and some FSPs have not responded at all.** The evaluation team fully understands that the data requests came during the notoriously busy end of year holiday period, when many managers and staff not only have extra duties, but also many leave their offices for extended holidays. Nonetheless, the generally poor response does reflect poorly upon institutional capabilities.

**The evaluation team completed an analysis of the sustainability/profitability performance of the FSPs and at the program level (i.e. in relation to the set targets)[31].** The analysis especially tries to highlight, where possible and relevant, possible relationships between the pursuit of program outreach targets

[29] UFT currently reports almost 1,000 youth relatives have become clients, after youth opened an account.
[30] The self-reported data goes through a validation and standardization process by the MIX. There are then opportunities for FSPs to make corrections and engage with the MIX team, as well as YS program management.
[31] Mix Market public information (2009, 2010) and YS reports (2011, 2012) form the basis of the analysis of key performance ratios for each FSP. For 2012, data were available only up to September 2012.

dealing with the number of youth, on one hand, and the proportion of female clients and financial performance, on the other hand.

**Of the remaining 10 FSPs, all show at least two consecutive years of operational self-sufficiency and profitability, with the one exception of OIBM.** Since the onset of many problems arising from the macroeconomic and socio-political environment in Malawi, combined with self-inflicted managerial and governance woes in 2011, OIBM has recorded losses and dipped below 100% operational self-sufficiency. Otherwise, the table below – which shows average performance in key ratios as of December 2009, December 2010, December 2011, and September 2012 – shows generally steady and positive performance. In particular, deposits to total assets, loan officer productivity, and cost per loan show good and improving performance. PAR30[32] arises as the one area of concern, which the YS program has highlighted in several quarterly reports for individual FSPs. After a solid rebound between December 2009 and December 2010, performance has slipped dramatically to nearly a whole percentage point above the December 2009 level, and almost 2% worse than the December 2010 best level. We should note, however, that the most dramatic case, OIBM substantially drags down the overall average, as their PAR30 performance of the four periods of examination has marked 7.3%, 9.4%, 26.2%, and 21.9%, respectively. Conversely, PEACE in Ethiopia has stood out as the group star, at least over the latter two periods, posting PAR30 of 0.2% as of December 2011, and 0.1% as of September 2012.

[32] PAR30 refers to Portfolio at Risk at 30 days past due.

**Table 5: Average FSP Key Performance Ratios 2009 to 2012**

| | MIX | MIX | YS | YS |
|---|---|---|---|---|
| | **dec-09** | **dec-10** | **dec-11** | **sep-12** |
| **ASSETS & QUALITY STRUCTURE** | | | | |
| Portfolio concentration | 68.9% | 67.2% | 65.6% | 64.6% |
| PAR30 | 5.6% | 4.8% | 6.4% | 6.5% |
| Write-off ratio | 2.3% | 1.7% | 1.9% | 0.6% |
| Risk Coverage ratio (PAR30) | 63.7% | 63.4% | 94.0% | 69.3% |
| **CAPITAL ADEQUACY & ASSETS/LIABILITIES MANAGEMENT** | | | | |
| Debt to Equity ratio | 3.9 | 3.5 | 3.5 | 3.3 |
| Capital adequacy ratio | 26.6% | 28.2% | 25.9% | 27.3% |
| Liquidity over total assets ratio | 17.0% | 19.0% | n.a. | n.a. |
| Total deposits over total assets ratio | 44.6% | 49.7% | 47.9% | 50.0% |
| **PROFITABILITY & SUSTAINABILITY** | 0 | 0 | 0 | 0 |
| ROE before donations | 10.5% | 10.3% | 9.9% | 7.2% |
| ROA before donations | 2.2% | 2.6% | 3.2% | 1.9% |
| Operational Self Sufficiency | 113.2% | 109.6% | 124.9% | 134.4% |
| **MARGIN ANALYSIS** | | | | |
| Portfolio yield | 30.2% | 36.7% | 35.7% | 28.6% |
| Operating expense ratio | 29.3% | 30.7% | 27.1% | 21.8% |
| Funding expense ratio | 3.1% | 3.5% | 4.3% | 3.9% |
| Provision expense ratio | 2.8% | 2.4% | 7.8% | 3.2% |
| **EFFICIENCY & PRODUCTIVITY** | | | | |
| Average disbursed loans (if not available average outstanding loan) | 542 | 585 | 566 | 570 |
| Loan officers productivity | 377 | 344 | 348 | 406 |
| Cost per borrower | 152 | 150 | 120 | 93 |

**YS hopes to see a relationship between the roll-out of YFS and the financial performance of the FSPs, but the program is still too early in implementation to credibly draw any connections between the new YFS initiatives and FSP financial performance.** Most FSPs have just finished their pilots. Many operating costs remain heavily subsidized. The number of savings clients remains tiny, especially as compared to existing client bases; and FSPs have between none and a negligible number of youth credit clients. Even among the smaller FSPs, the number of branches and staff members involved in the YS initiatives stands as a small proportion of the overall organization. Determining whether or not and how

YFS impacts FSP financial performance is an important part of the business case. Still, the chart and brief analysis above suggest the areas that YS should monitor closely for any changes and possible linkages to financial performance, especially among the smaller FSPs, where influences may begin to emerge earlier and in more pronounced fashion.

**Taking a tip from the YS Program Manager, the evaluation team has looked at the overall performance of the FSPs, and contrasted that with the West / Central Africa group, versus the East Africa group; while also juxtaposing the group averages to Mix Market benchmarks for Africa[33].** The table immediately below summarizes performance for the entire group (10 FSPs), for the FSPs in Eastern Africa (6), and for the FSPs in Western and Central Africa (respectively 3 and 1). Once again, we must caution readers of the influence of the extremes in our small sample, in particular ACSI in respect of containing costs, and OIBM, which continues to suffer abysmal performance.

[33] All figures come from the MicroBanking Bulletin database updated as of September 2012.

**Table 6: Summary of FSPs Financial and Operational Performance**

| | Grp Average | Mix Benchmark | Versus Mix Africa Benchmark | Western/Central | Eastern |
|---|---|---|---|---|---|
| | sep-12 | Africa | | sep-12 | sep-12 |
| **ASSETS & QUALITY STRUCTURE** | | | | | |
| Portfolio concentration | 64.6% | 61.2% | 3.4% | 58.8% | 68.4% |
| PAR30 | 6.5% | 5.1% | 1.4% | 7.0% | 6.2% |
| Write-off ratio | 0.6% | 1.8% | -1.3% | 0.1% | 0.9% |
| Risk Coverage ratio (PAR30) | 69.3% | 62.0% | 7.2% | 66.0% | 71.4% |
| **CAPITAL ADEQUACY & ASSETS/LIABILITIES MANAGEMENT** | | | | | |
| Debt to Equity ratio | 3.3 | 2.1 | 1.2 | 4.2 | 2.7 |
| Capital adequacy ratio | 27.3% | 28.1% | -0.8% | 19.9% | 32.2% |
| Liquidity over total assets ratio | n.a. | n.a. | n.a. | n.a. | n.a. |
| Total deposits over total assets ratio | 50.0% | n.a. | n.a. | 63.3% | 41.2% |
| **PROFITABILITY & SUSTAINABILITY** | | | | | |
| ROE before donations | 7.2% | -2.6% | 9.8% | 16.5% | 1.1% |
| ROA before donations | 1.9% | -0.8% | 2.8% | 3.1% | 1.2% |
| Operational Self Sufficiency | 135.2% | 97.4% | 37.8% | 144.4% | 127.6% |
| **MARGIN ANALYSIS** | | | | | |
| Portfolio yield | 28.6% | 36.5% | -7.9% | 28.3% | 28.8% |
| Operating expense ratio | 21.8% | 32.5% | -10.6% | 17.0% | 25.1% |
| Funding expense ratio | 3.9% | n.a. | n.a. | 1.6% | 5.5% |
| Provision expense ratio | 3.2% | n.a. | n.a. | 3.4% | 3.0% |
| **EFFICIENCY & PRODUCTIVITY** | | | | | |
| Average disbursed loans (if not available average outstanding loan) | 570 | 362 | 208 | 893 | 354 |
| Loan officers productivity | 406 | 272 | 134 | 544 | 315 |
| Cost per borrower | 93 | 149 | -56 | 92 | 94 |

**Comparisons of western and central FSPs to eastern FSPs reveals some interesting patterns.** Most of the western sample includes cooperatives, with a peculiar cost structure. This may meaningfully influence their relatively better performance as a group in the areas of stronger profitability and sustainability, and lower operating expenses and funding expense ratios. Cooperatives and their derivative institutional forms mainly finance themselves via relatively less expensive member liabilities, in the form of savings and membership shares, often with yields lower than conventional commercial banks. The cooperative management structure, coupled with the size of operations, allows them to achieve relatively high levels of efficiency.

**Conversely, in looking at YS performance, which mainly relates to attainment of the 'youth reached' target, Eastern Africa FSPs show an overall better performance, including three out of four of the best FSPs and one of the two standard performers[34].** This may imply a greater positive incentive among the Eastern Africa FSPs to increase their deposits, relative to their relatively cheaply and abundantly funded Western Africa counterparts. At a minimum, even the in absence of a clear incentive or cause-and-effect relationship, more detailed inspection of the role of youth savings in building a long-term deposit base may yield better insights to the impact of YFS on FSP financial performance, more so than simple profitability measures.

**In comparing the YS group to the Mix Africa benchmark, the YS group surpasses the Mix group in nearly every category, with the important exception of PAR30, where it currently averages 1.4% higher than its African counterparts.** The lower average portfolio yield, but still uniformly better profitability figures for the YouthStart group might imply lower credit interest rates, but greater operational efficiencies, at least across the group. Potentially, this could constitute an important combination of attributes that YouthStart should examine, because it could imply, all else equal, a set of organizations more suitable for a YFS strategy, wherein lower credit charges and keen attention to operational efficiency would likely comprise important elements of a winning business model. In addition, the average better performance vis-à-vis its African peers would confirm in a general way YouthStart's selection of what it considered 'leading' FSPs. Nonetheless, given the wide variance in the YouthStart group and the averages shown for Africa, there likely exist a reasonable number of comparable FSPs with which an extended YouthStart program could work, without compromising FSP quality.

**Turning to Table 3 below, it would appear that the best performers tend to hold medium to small amounts of total assets (especially if one removes ACSI, which derives much of its size from its market controlling position, and FUCEC, whose ranking as a standard performer mostly reflects its newness to the program).** Most of the bigger FSPs deal with numerous donor projects, which may mute their commitment to any one of them, including YouthStart. Meanwhile, smaller FSPs have a more restrained number of partnerships and YS may represent a more unique and greater opportunity to them.

[34] FUCEC is the only Western or Central African FSP in the 'High Performer' category, but only started the pilot phase at the end of November 2012, making its classification somewhat tenuous.

**Table 7: FSP Classification by YS Performance**

| Classification by YS Performance & Assets (Small to Large) | | | | |
|---|---|---|---|---|
| **Sept-12** | **Asset-US$** | **ROA** | **OSS** | **YS performance** |
| **UCU** | 2,301,190 | 2.5% | 109.6% | High Performer |
| **PEACE** | 3,556,530 | 4.0% | 141.3% | High Performer |
| **FUCEC** | 170,899,000 | 4.2% | 168.7% | High Performer |
| **ACSI** | 237,650,000 | 5.0% | 260.0% | High Performer |
| **UFT** | 21,741,400 | 0.8% | 110.8% | Standard performer |
| **PAMECAS** | 115,454,000 | 1.7% | 116.8% | Standard performer |
| **Finca Ug** | 25,501,900 | 0.8% | 99.2% | Low risk |
| **FCPB** | 237,926,000 | 2.8% | 170.0% | Low risk |
| **Finca DRC** | 35,055,214 | 3.7% | 122.2% | Medium risk |
| **OIBM** | 31,190,200 | -6.5% | 53.8% | Suspended: High risk |

**The table below shows a slight relationship between the financial sustainability / profitability of the FSPs and their level of performance (in respect of achieving the core outreach targets) within YS.** Most of the 'High Performers" also have higher returns on assets. One must carefully discern the drivers of profitability, but in the cases of FUCEC and PEACE, a correlation between efficiency and good YFS delivery may be emerging. Conversely, the greater proportion of lesser performers toward the middle to lower ends of the table may suggest a correlation between less efficient operation and management on one hand, and diminished capacity to implement a strong YFS offering.

Table 8: FSP Classification by ROA and YS performance

| Classification by ROA | | |
|---|---|---|
| Sept-12 | ROA | YS performance |
| ACSI | 5.0% | High Performer |
| FUCEC | 4.2% | High Performer |
| PEACE | 4.0% | High Performer |
| Finca DRC | 3.7% | Medium risk |
| FCPB | 2.8% | Low risk |
| UCU | 2.5% | High Performer |
| PAMECAS | 1.7% | Standard performer |
| Finca Ug | 0.8% | Low risk |
| UFT | 0.8% | Standard performer |
| OIBM | -6.5% | Suspended: High risk |

**Although based on brief observations and limited data and information, the evaluation team infers that YS may have greater chances to have a positive and more lasting impact on smaller institutions with a less developed deposit base.** Such organizations have greater natural incentives to achieve scale and sustainability via a different market path, in this case, low income youth. Senior managers of smaller organizations can also more readily redirect resources, assemble special teams, and generally allow processes outside of the norm, more so than senior managers in larger organizations, which typically depend upon the predictability of bureaucracy and routine to continue functioning. The business case for innovation in smaller organizations (or at least those with relatively greater incentive to find new paths to deposit and client growth, relative to their market competitors) should emerge more readily and more clearly. Although they may face greater financial risks, they also may generate more value out of positive brand generation, and early-mover pricing advantages that normally accrue to successful innovators. In addition, the relative growth and importance of a new youth portfolio will become much more evident in a smaller organization, than in a larger organization. Markets will notice the delta, not the marginal increment.

**A strategy that incorporates serious consideration of younger and hungrier FSPs, with business incentives to raise deposits, need not automatically mean dealing with weaker institutions where depositors' funds may be at undue risk – no more so than a strategy that leans toward older and larger institutions means there will automatically be no risk involved**. A scan of Mix data and other sources should reveal a meaningful number of these kinds of FSPs – even within Africa, but certainly globally – that could meet YouthStart's minimum thresholds, while bringing other attributes that make them more likely to aggressively pursue the youth market. Dealing with smaller and more highly motivated FSPs may introduce new risks, relative to dealing with larger but sometimes lackluster FSPs, but such a strategy would not necessarily raise the risk profile. As discussed elsewhere in this report, a more fulsome embrace of true risk management could help to guide this kind of approach to the market.

## Prospects for Remaining Active in Youth Financial Services

**Although with some delays, all the FSPs have launched the YS financial services (mainly savings) and have declared their intent to continue serving youth beyond the life of the program.** A minority of FSPs believe the youth products themselves will generate profits on their own in the long term (although none have the financial management capacities to actually prove that). Others believe that in order for YFS to achieve sustainability, either they would need to revise the products or cross-subsidize them with other products. Revising products would likely often lead to reduced access, prompted by higher fees, lower interest, higher minimum balances, more restrictions on deposits or withdrawals, limited offerings to remote areas, and / or reduction in some facets of the non-financial services.

**Overall YS seems in line with the general strategies of most FSPs to build a solid base of loyal clients in the long term by targeting youth today.** This driver seems especially strong for the FSPs aiming at improving their savings offering and increasing the amounts of deposits. Moreover, for most of the FSPs youth financial services represent a competitive advantage among their market peers, and among potential funders/donors, wherein working with UNCDF and MCF may increase their visibility.

**The delivery models adopted vary among the FSPs, but the majority have hired dedicated resources with the support of YS (i.e. YS focal points, promoters, mobilizers, ambassadors, and so on).** They also have developed dedicated policies and procedures for targeting, marketing, and other elements of the offerings. YS support has undoubtedly given a needed kick-start to these activities, yet FSPs will soon need to think harder about integrating YS business models into normal operations, so they become sustainable for the institution.

**As of now none of the institutions has adopted a more strategic approach, signified for example, by carrying out an in depth analysis of the sustainability of the YS services (financial and non-financial) and including these targets explicitly in their business plans.** As a pilot program, YS remains as a largely isolated experiment in most of the FSPs, with not only technical assistance, but also key operational expenses substantially subsidized by YS (e.g. payments to YSO partners, or mobilizers). The roll-out phase now coming will test both their capacity to integrate their YS models into their broader organizations, as well as their resolve to make YFS an explicit part of their long-term strategies.

**The level of efficiency of the delivery models and the cost/revenue structure of the products still loom as large unknowns.** FSPs express a general awareness of these factors and their importance to achieving sustainability of the products, but most of them have not yet engaged in a more careful analysis of YS products beyond the life of the program – a situation partially justified by the fact that FSPs have only recently reached the end of the pilot phase.

**The capacity and sustainability of delivering non-financial services represents the main challenge for the FSPs.** Most of the FSPs have seen high costs and endured serious strategic and operational problems in trying to establish viable relationships with YSOs. In turn, they have gravitated toward hybrid unified and linked models, many with community relationships that vary in complexity and formality, and some even using current clients as agents for outreach and financial tutoring. FINCA DRC and FINCA Uganda remain the only two FSPs that have stuck to the linked model (with both PAMECAS and OIBM continuing to pursue such partnerships). Although the linked model may work in very limited circumstances, its near perpetual need for a subsidy and the lack of any economies of scale should make it less popular over time. Still the unified model, even when implemented with the 'volunteer' assistance of clients or community members, will pose financial viability challenges. Close tracking of conversion rates and other measures of efficiency will have to inform FSPs of the cost-benefit relationship between the offering of non-financial services, the building of a growing and stable deposit and client base, and improved saving behavior of the youth.

**However, in order to prove the impact of financial education on youth, the FSPs would need to develop better monitoring, evaluation and impact assessment systems and performance metrics.** No FSP can accurately distinguish prospects exposed to orientation and awareness-raising efforts, versus those who actually participate in explicit non-financial service offerings. No benchmarks exist against which to determine whether conversion rates meet, exceed, or fall short of a norm. YSOs and other partners in the youth development field tend to count success as perceived or measured changes in financial capability. For example, if only 10% of those entering a financial literacy course claim to know the definition of a fixed deposit account, but then 90% can define it after the course, then the YSO claims victory. But in the absence of those people opening and using an account, the FSP can claim nothing (at least not anything that would contribute to the financial viability of this venture). FSPs currently lack the systems and other resources required to gather, manage, report, interpret and take action based upon these and other key metrics.

**As many as a half of the current FSPs may scale back or take a more passive approach to youth financial services, or perhaps settle into more easily and efficiently served sub-segments of the youth market, in the absence of continued, direct subsidies.** This estimate arises from a number of factors. For FSPs, like UFT and FINCA Uganda, that will face pressure to maintain and grow profitability (from regulatory or investor pressure, for example), the prospects of growing a market segment with only vague and potentially only very long-term profitability prospects cuts against financial reason. For those FSPs in market dominant positions, like FCPB and FUCEC (either because few competitors exist, or because they already command a huge size advantage over other players), they may face slightly lesser financial pressures, but they also will have the prerogative to pursue other markets and even pursue other donor initiatives that may compete with a YFS focus. Unless several of the FSPs can find alternative ways to generate revenue and value out of assets now totally dedicated to the YFS market (e.g. special training, uniquely qualified staff, certain institutional partnerships, etc.), the value proposition will diminish, and they may jettison some of those assets. In addition, the environmental and institutional factors, like those that have plagued OIBM and to some extent CMS, and have dragged down their YS performance, could easily repeat in any one of the other countries or FSPs.

**Better organizations in more competitive environments may not naturally pursue a large and sustained program of YFS for low-income youth, in the absence of a program like YouthStart.** CMS in Senegal and UFT and FINCA Uganda in Uganda most clearly come to mind. The CMS experiment failed for an array of reasons, but nearly all knowledgeable market players in Senegal cite 'lack of senior management commitment' as one of those reasons. Such a statement potentially has many meanings, but one credible interpretation could include the contention that management did not pay too much attention to YS, because CMS had so many other opportunities that it deemed more in line with its strategy and aspirations. In other words, they had options, and YS paled in comparison to their other choices – a rational, if disappointing, management decision. UFT and FINCA Uganda operate in the most competitive financial market of the eight YS countries. Almost every Tier 1-3 financial institution in Uganda offers youth accounts, especially in urban and peri-urban areas, and they market in slick and aggressive ways to secure clients. Meanwhile, the Central Bank has focused keenly and critically upon flagging portfolio quality, shaky profitability, dubious asset allocations, and unimpressive deposit growth among the Tier-3 MDIs, of which UFT and FINCA Uganda represent two of the four in the country. The Central Bank will not approve UFT's commercial banking application, without improvements and assurances of better prospects. Caught between voracious competitors and a strong Central Bank, UFT, in particular, but even FINCA Uganda, would have difficulty articulating how pursuing the speculative and unproven prospects out on the frontiers of the low-income youth market would help them become stronger, more profitable institutions.

## Evidence of a Business Case for Youth Financial Services

**FSPs and other key stakeholders all articulate similar parameters for and understanding of a business case for youth financial services; but FSPs remain many months, perhaps years, from proving one.** The most prominent elements repeated by multiple stakeholders do not include obviously or directly financial measures. Rather, they prioritize acquisition of a future customer base (perhaps ahead of competitors); opportunities for cross-selling to adults (who supposedly might generate loan and other revenue more quickly and at higher margins than youth clients, especially as compared to those youth clients under 18); improved image in the market, which may not only attract new clients, but perhaps donor and Government largesse; and opportunities to leverage knowledge to service other segments, for example, to better understand how using community service organizations may yield direct and indirect client acquisition and revenue benefits. Contrary to the notable presence of the proposed set of financial indicators in the evaluation matrix related to this issue, only a minority of the FSPs cite (as a secondary set of factors) profitability or strict financial performance measures of the youth financial services portfolio or the youth market segment *per se*. For all of them, YFS and the youth market represent another way to help achieve their missions.

**FSPs now collect a limited amount of information and data, which at some level may hinder the capacity of detecting important elements forming a business case.** In addition, the early stage of the program limits evidence and observations of a business case. Most of the FSPs, although heading to the end of the pilot phase, still continue to experiment with models for delivering financial and non-financial services. Experimentation will likely continue for some time in the search for appropriate models that suit younger girls and the various sub-segments of that market. No FSPs have yet to fully explore and develop tailor-made strategies to mobilize and serve them sustainably.

**A small number of YS FSPs have started to show consideration of changes in approach to accommodate the youth and to meet youth needs.** In fact, the ultimate business case will likely include an important non-financial component, namely contribution to the social mission of the FSPs and, by association, positive brand value. FCPB gave the impression that they may continue offering youth products, but they also indicated that the current business model may not prove viable. Possibly, some changes (e.g. lowering interest paid on savings or raising loan interest rates) could negatively impact youth accessibility. FINCA DRC seems driven to increase its savings base, and for now, youth form an important part of that strategy, even though they have faced several challenges in mobilizing youth.

**YS has also played an important role in not only promoting the growth of savings, but particularly in building skills related to the mobilization of savings.** The small sample size makes trends hard to fully substantiate, but Table 5 would give some credence to the belief that FSPs with a weaker savings base (as measured by the ratio of deposits to total assets) seem more prone to make a success of YouthStart, e.g. PEACE, UCU, FINCA Uganda, and UFT.

**Table 9: YS Performance vs. Deposits/Total Assets**

| Classification by YS Depostis / Total Assets | | |
|---|---|---|
| **Sept-12** | **YS performance** | **Deposit/tot assets** |
| **PEACE** | High Performer | 27% |
| **Finca Ug** | Low risk | 33% |
| **Finca DRC** | Medium risk | 36% |
| **UCU** | High Performer | 37% |
| **ACSI** | High Performer | 41% |
| **UFT** | Standard performer | 49% |
| **PAMECAS** | Standard performer | 57% |
| **OIBM** | Suspended: High risk | 61% |
| **FCPB** | Low risk | 80% |
| **FUCEC** | High Performer | 81% |

**Finally, YS must consider not only the business case for the FSPs, but also the overall case for YFS generally.** Successful YFS over the long-term will depend heavily upon the cooperation and involvement of actors that go far beyond the FSPs themselves. Ministries of education, youth, commerce, and others who normally fall outside of the financial inclusion debate – as well as the usual players of ministries of finance, central banks, and other financial sector players, such as industry associations – will need to have a convincing case to come together to address YFS-specific issues. For macro and meso level stakeholders, the business case for youth financial services may have little or nothing to do with how FSPs see the market, and instead derive from a set of cost-benefit tradeoffs of different approaches to youth development broadly, as well as the relative problem of youth versus other national priorities, in the context of particular budget and other resource constraints. YS has a challenge to show how YFS compares in helping to address a multitude of youth problems, employment especially, as well as how it may complement or bolster other youth-focused initiatives, particularly in the education domain, and for campaigns targeting the well-being of women and young girls.

# CONCLUSIONS and RECOMMENDATIONS

**The strength of YouthStart's design lies in its relevance to the financial inclusion, youth development and youth financial services conversations gaining profile across the developing world, including the eight countries of the program's operation.** The program's iterative approach of selecting and working with the FSPs has created strong bonds for close and intensive technical assistance partnerships, but also for learning and competing amongst peers. The greatest failing of the design relates to the under-resourcing of the program management unit, relative to the scope and scale of the program, as well as insufficiently articulated expectations and accountabilities for the regional network of RTAs, CTAs, and other UNCDF and UNDP programs in the region. Especially in Senegal, Ethiopia, and Malawi, YouthStart has particularly ripe opportunities to engage with and influence key stakeholders.

**The Program Manager and program management have excelled.** Despite sometimes slow and cumbersome procedures that have delayed key procurement and contracting processes, the manager's administration and reporting has occurred in a timely manner. Monitoring documents and reports to MCF and UNCDF reflect care and detail. Governance and oversight can and should start shifting to less operational detail and more strategic assessment and direction.

**FSPs broadly commend the program for good quality capacity building services.** In particular, they cite the webinars and the monitoring / TA visits by program staff as very valuable. As the FSPs continue to experiment with non-financial service delivery content and delivery models, the institution-specific technical assistance from Reach Global has emerged as a real differentiator.

**Overall, as of December 2012, the FSPs had already exceeded the youth reached target for the year, reporting 115,030 reached, as compared to a target of 50,000.** Meanwhile as a group they have begun to make progress toward the target of 50% female clients, currently standing at 40%. That overall performance does mask the disproportionate influence of one FSP, namely ACSI, as well as the highly variable performance from one FSP to another. On average, the group produces financial performance that meets or exceeds their African peers, according to comparisons using Mix Market information. The program has not operated long enough to detect any influence of low-income youth financial services on the financial performance of the FSPs; but to the extent that any relationships may emerge, focus on deposit to asset ratios and funding costs may yield the first glimpses.

**YouthStart has generated good quality and well-recognized policy and other knowledge documents, which resonate with key international players and the FSPs.** The program has made good progress in meeting its obligations to inform policy makers, but it does not have the tools to substantially influence or change policy. The same materials have enjoyed less recognition and influence at the regional level, where key macro and meso level players seem to need more direct and regular contact than the occasional multi-stakeholder events or electronic media.

**At the client level, the FGDs showed that the combination of good quality and appropriate financial and non-financial services do positively impact youth.** They demonstrate improved financial capability. They show increases in income and economic activity. Some even report other benefits, such as improved social capital, dignity, and educational attainment.

**Young girls under 18 in particular comprise the most difficult segment to reach, but also, when reached well, they report some of the most comprehensive and profound impacts.** They not only face more acute versions of the same access barriers that their male and older counterparts endure, but a host of unique circumstances, like child pregnancy. YouthStart FSPs have only recently begun to investigate and devise responses to this special market segment.

This report ends with several recommendations, which when taken as a whole, intend to guide YS strategically from a program keenly focused on delivering technical assistance, to one which can realize its more valuable and lasting contribution as a learning vehicle:

1. **Give more precision, depth, and meaning to program reporting** – A great deal of YouthStart's value lies in its ability to report its progress, so that others may learn, replicate, and take to scale effective approaches to youth financial services. This puts a premium on collecting and reporting clear, precise, reliable, credible, comparable data and information, which underpin compelling communications for both internal and external stakeholders. Neither many of the indicators now in the results framework, nor the data collected via the PBAs sufficiently meet these tests, which gives rise to a series of recommendations, including:
    - Establish net accounts open as the primary indicator of FSP performance, not 'total number of active youth reached intentionally' (including notations for inactive or dormant accounts). For the FSPs, the value proposition rests in opened and active accounts. Tracking the opening, closing, and activity of youth accounts on a quarterly basis will provide better static and dynamic pictures of progress. 'Number of accounts' is universally understood, and readily counted by standard financial and management reporting systems. (See the table below for a sample of how the modified reporting may be presented.)
    - Devise a workable definition of "low income" youth. The income status of most individuals or householders normally relates to their proximity to the national poverty line, or as compared to GDP per capita. If such data prove too unwieldy to gather, then YS should explore proxies that shed light on the socio-economic context of their countries, for example, a reasonable percentage of clients from vulnerable geographical areas, or a proportion of those youth out of school (especially after primary). YS should choose one of these measures, or something similar, determining first, not only which may offer the most credibility, but also which measure(s) may present the least hassle to collect and monitor, while remaining consistent across the ten FSPs.
    - Develop a set of intermediate indicators that provide better barometers of program efficiency and effectiveness. Current results framework indicators either count the occurrences of various events or describe processes. Instead adoption of some of the Evaluation Matrix indicators would bring more rigor to the program's reporting and make it easier to determine the quality of its progress. With little change to existing systems or processes at the FSP or program level, YouthStart could, for example, report on levels of satisfaction with various capacity building activities, changes in key performance ratios among FSPs, or number of mentions in relevant regional publications, especially to determine how well YS informs African key stakeholders.
    - Incorporate some form of regular, longitudinal client impact assessment at the FSP and program levels. The current program indicators say nothing about change and impact at the client level.

To convincingly tell local, regional, and international audiences of the potential power of youth financial services and to make a serious contribution to the general case for YFS, YouthStart should enable itself to report *bona fide* client impact to complement anecdotal stories. Quantitative and qualitative indicators that capture and track the particularities of women and girls, which have proven to be the most difficult segment to reach, would help to provide strong evidence of change. Even answers to questions about product and service satisfaction and adequacy would provide more insight than the current reporting.

- Ultimately, UNCDF and MCF need to make a value judgment on whether or not to conduct any sort of impact assessments, and if so, to what degree. At the moment, YouthStart does nothing in this area. If UNCDF and MCF decide it is not worth budgeting additional resources to conduct impact assessments, then that is their prerogative – which would imply consensus that YouthStart's current output and process oriented indicators would be sufficient to support a strong case for YFS.
- If, however, UNCDF and MCF decided to introduce at least some meaningful type of impact assessment, it may be most cost-effective to choose participatory approaches (as opposed to typically more costly quantitative or qualitative approaches). "[Participatory] approaches can contribute to all types of assessment, and are particularly suited to exploratory low budget assessments and initial investigation of possible reasons for observed statistical relationships"[35].

**Table 10: Sample FSP Quarterly Reporting Format**

| Output Information | 2012 | | | |
|---|---|---|---|---|
| From: | Quaterly Indicators | | | |
| | Q4 | Q3 | Q2 | Q1 |
| | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| **1 Youth Financial Services Outreach** | | | | |
| Active Accounts Open as of Last Period | 370 | 195 | 100 | 0 |
| New Accounts Opened | 50 | 200 | 100 | 100 |
| Accounts Closed | (10) | (20) | (5) | 0 |
| Inactive Accounts | (5) | (5) | 0 | 0 |
| Net Active Accounts as of the Period End | 405 | 370 | 195 | 100 |
| Young women (%) | 57% | 73% | 71% | 78% |
| 12-18 years old (%) | 36% | 11% | 12% | 8% |
| 19-24 years old (%) | 64% | 89% | 88% | 92% |

2. **Improve the capacity for FSPs to conduct better monitoring and reporting** – The program cannot burden FSPs with an inordinate reporting requirement. The MIS of some FSPs seem to have limitations, and with perhaps one exception (PEACE in Ethiopia), the FSPs lack proper SPM to monitor the social status of their clients. Collecting more detailed or different kinds of data may also unduly impact business models, particularly in terms of the type and detail of information required at account opening. It also goes beyond the scope of this program to assist in the implementation of major changes to MIS and SPM, so whatever solution YS chooses will be limited

35 "What is Impact Assessment?", www.sed.manchester.ac.uk/research/iarc/ediais/word-files/CoreText-1-WhatisImpactAssessment.doc

by FSP capacity. Nonetheless, it would benefit development of the business case and assist the program and the FSPs to better target capacity building interventions, if FSPs improved their ability to collect, analyze, monitor and report better data and information about their own performance and that of their clients – which YouthStart could facilitate[36] by:

- Developing templates that FSPs could adapt at key business process points, such as account opening, so as to capture essential data
- Commissioning a review of FSP MIS to identify major weaknesses or quick fixes that could help improve reporting
- Establishing a program-level partnership with other donor initiatives focused on social performance monitoring and reporting to leverage their knowledge and resources

3. **Deepen engagement with key regional stakeholders** – YouthStart, within the narrow and literal interpretation of its mandate, has done a good job of informing regional stakeholders, through dissemination of various learning documents and participation in various forums. Informing, however, delivers little, without follow up and periodic direct engagement with key stakeholders. Still stopping short of becoming a program focused on policy influence and change, YouthStart could do more to extract more value out of its knowledge management and information dissemination activities by:
   - Actively engaging, following up, and continuing a dialogue with key macro and meso players in the region. Where policy dialogues seem most vibrant and welcoming, and in countries with credible partners with their own resources, YouthStart should seek a limited number of partnerships to not just gain a seat at the policy table, but to build the capacity of those who will shape YFS policy over time.
   - Tailoring messages to the context familiar to the regional audience. Most in the region see youth as those aged 18 to 35, who need credit to start a micro or small enterprise. To enhance its perceived relevance to these players, YS should consider development of issue briefs that speak to those perceptions, for example, focused study on the characteristics and dynamics of urban youth aged 18 to 24, or documented cases of young savers starting and managing their businesses using their own savings and savings accounts.
   - Focusing attention on the role of financial and non-financial services in meeting the socio-economic needs of girls and young women. Gender, women and girls generally have a place in national policy dialogues, and YS has a unique story to tell about how women and young girls can be empowered.

4. **Improve coordination with and leverage of the regional UNCDF / UNDP network** – The ProDoc set out the broad intention to use the UNCDF and UNDP network in the region, but in the absence of a specific strategy, implementation plan, and operational procedures and protocols, YouthStart has benefitted little from that network, and the network has benefitted little from YouthStart. Bearing

[36] In December 2012, YouthStart planned a training for May 2013 monitoring outcomes.

in mind that some of the issues giving rise to this problem precede and go beyond YouthStart, there are ways to remedy the situation by:

- Clarifying, instituting and enforcing accountabilities for RTAs and CTAs. YouthStart cannot do this, but UNCDF can.
- Reconciling structural and hierarchical inconsistencies in the organization. A review of job grades, reporting lines, and organizational structure should lead to thematic and country programs and their managers achieving more logical and equitable managerial authorities
- Appealing to one of UNDP's core strengths and roles in many countries, and offering tailored and relevant information about youth, financial services, girls and women, and other topics that UNDP can use to gain the attention of key macro and meso level actors in their countries, and in turn, use their power to convene and lead, thereby giving YouthStart an entry point to meaningful dialogue with key players.
- Explicitly seeking cooperation with relevant, existing UNCDF or UNDP programs in the region. UNCDF and UNDP counterparts expressed willingness and capacity to work with YouthStart, perhaps just to share knowledge, but often to coordinate implementation. Especially in countries where YouthStart FSPs also participate in other UNCDF or UNDP projects, YouthStart should seek agreement on common goals and objectives through memoranda of understanding. In some cases, YouthStart could leverage the resources of other projects or the resources already committed by industry associations for their information dissemination and knowledge management activities.

5. **Improve the efficiency and effectiveness of program management** – Diligence, passion and competence of the program management unit have so far carried the program along, but that effort is not sustainable or realistic in the long-term, and lack of sufficient and appropriate resources has diminished the program's potential value. That may be rectified by:
   - Upgrading the IFTA to a staff member, so that she can take on some of the administrative tasks relating to procurement, financial management and reporting, and so on, thereby freeing the more senior and experienced Program Manager to engage more actively in monitoring and capacity building with FSPs and policy dialogue and more frequent engagement with meso and macro market players.
   - Hiring a full-time knowledge management professional (on contract, if necessary), who is a native English speaker with superior writing skills, and has an excellent command of written and spoken French, with relevant social media and marketing experience.

6. **Consider a broader set of strategic drivers of successful YFS** – The program logic contends that good technical assistance should lead to the capacity of FSPs to deliver YFS, and in turn, their success will crowd in other players. In turn, much of the program's attention and resources focus on the technical assistance relationship and the details of individual FSP reactions and results from that capacity building. However, many factors influence FSP performance and the success or failure of YFS. To realize and communicate the bigger picture, YouthStart should consider:

- Applying principles and structures from risk management. In particular, this approach should facilitate deliberate consideration of the costs and benefits and possible outcomes from multiple trade-offs. Just watching PBA targets may divert the program from more valuable and more strategic opportunities. Some trade-offs will require difficult comparison between quantitative and qualitative goals. For example, OIBM's continued participation in the program threatens YouthStart'S overall capacity to reach its main quantitative goal of the number of active youth clients reached. OIBM's continued participation also puts at risk YouthStart's reputation, considering OIBM's high PAR30 and low operational self-sufficiency, which may suggest higher risks to the savings of low income youth. On the other hand, OIBM has embarked upon some unique approaches to non-financial service delivery (i.e. partnership with a Government agency), and operates in a country where women and girls occupy a seriously high priority on the political agenda (given the recent election of a strongly pro-women, female President). Thus, despite the risks, keeping OIBM in the program may yield some unique, innovative, and potentially highly relevant lessons for aspects of the YFS model that have vexed others, namely linked models, scaling through public-private cooperation, and influencing national policy.
- Rebalancing for depth, as opposed to breadth in considering 'YouthStart Global'. Program design that emphasizes systemic efforts to embed financial education in national curricula and comprehensively move policy agendas across all the actors and sectors involved merits serious consideration. Individual YSO and FSP efforts at non-financial service delivery will likely remain costly and hard to scale, thereby warranting this exploration of a more systemic approach to addressing that need. At the same time, regardless of the geographic scope, the design may de-emphasize technical assistance delivered by external service providers to FSPs, and instead promote knowledge sharing and peer to peer learning as the main ways to build capacity.
- Through true due diligence exercises, integration of risk management frameworks, and deeper analysis of the possible relationships and correlations between various institutional characteristics and YFS delivery, opening consideration for smaller, younger, more flexible and possibly more innovative FSPs with solid market incentives to pursue YFS. Given the wide variance in performance within the YouthStart group and the averages shown for Africa in the MIX data, there likely exist a reasonable number of comparable FSPs with which an extended YouthStart program could work, without compromising FSP quality.

7. **Focus TA for FSPs on consolidating business models** – Perhaps the most consistently incomplete aspect of FSP performance, as they move from the pilot phase to consolidation and roll out phase, was their approach to non-financial service delivery. Linking the emphasis on the 'critical minimum' concept and the ascendency of hybrid versions of unified business models , YouthStart should intensify assistance in this key area, by:
   - Allocating more resources to Reach Global and asking Reach Global to bolster its capacity, so as to quicken and deepen the technical assistance provided in this area.

- Exploring the potential for some of the large, international networks, such as FINCA and Women's World Banking[37], who have pre-existing relationships with several of the FSPs to allocate some of their core resources to assisting their partners with the perfection of sustainable delivery models.
- Study in depth the pros and cons and cost-benefit of the various versions of the 'ambassador' approach in different contexts. The incorporation of people and institutions that are already part of the target communities into outreach and even NFS delivery activities seems to be delivering on key efficiency and effectiveness aspects articulated in the 'critical minimum' concept, but YouthStart needs to look at its implementation more closely and in as many contexts as possible to determine its sustainability. It potentially offers a better alternative than any of the three NFS delivery models first promoted, i.e. parallel, unified, and linked.
- Carefully track and discern as finely as possible the factors that encourage or impede account opening and usage. Opened and used accounts must become the measure by which success or failure is determined. Myriad factors appear to determine if youth open an account at all, if they open it with the FSP that facilitated delivery of the non-financial services, and if they use the account. Reaching you and improving their financial capabilities are laudable outcomes, but the business case for FSPs will ultimately hinge upon whether youth actually open and use accounts at their institutions.

## Budget Implications

Most of the recommendations should involve reallocation of existing resources, rather than large, new expenditures. However, three of the recommendations do imply the need for additional budget – namely, incorporating some form of regular, longitudinal client impact assessment at the FSP and program levels; upgrading the IFTA to a staff member; and hiring a full-time knowledge management professional.

The first of these would be the most costly, but also potentially the most important. A major component of the business case for FSPs and the broader policy case for supporting youth financial services will entail substantive and convincing evidence that youth financial services deliver the sustainable financial capability and other impacts desired. Especially in the short to medium term, neither FSPs nor the broader market are likely to see sustainable institutional benefits of an expanded client base; and thus, the business case will rely heavily upon the evidence of social and economic impact achieved. As this report documents, YouthStart has begun to amass a collection of compelling, but anecdotal stories. The program cannot offer scientifically derived impact data or information. RCTs or other approaches certainly were not budgeted originally and they can be expensive. However, the question UNCDF and MCF need to pose is not simply how much would such impact studies cost, but could they anchor a strong business case, and therefore generate the value of attracting other donors,

[37] Although YouthStart has tried to hire these organizations to provide technical assistance with mixed results (WWB was too expensive for UNCDF, but does have a partnership with PEACE), there may be further scope to derive value out of their positions as strategic investors, rather than treating them as arm's length service providers.

FSPs and stakeholders to the YFS movement. The sooner the program can make the necessary design changes and decide upon a sufficient budget amendment, the more time it will have to develop this key piece of the business case.

Having nearly completed pilots with all of the FSPs, the technical work of the program should now turn to more complex and deeper refinements of whole business models. This will entail dealing with all of the complexities of delivering YFS effectively, efficiently and sustainably – incorporating strategic, macro, operational, and other elements. As such, the program should free the time of its most senior and experienced staff, namely the Program Manager, to focus on this, while letting more junior staff take the lead in administrative and clerical tasks. Designating the IFTA as a full-time staff member may incur some additional costs, but they would probably be minor relative to the efficiency and effectiveness gains in the core mandate of the program.

In part to free the Program Manager for more technical assistance tasks, but also to enhance the reach and impact of YouthStart's message, it would be worthwhile hiring a dedicated knowledge management expert, who could not only speak and write artfully in English and French, but also use various social media platforms and other outlets and media to target the right audiences and generate further interest in YouthStart's story. The Program Manager has done a good job so far in this area, but as the value from the program shifts more to its learning agenda, the program should consider investing in someone who is expert and ideal for that role.