

Expert Meeting Report

YOUTH ENTREPRENEURSHIP DEVELOPMENT

IN CONFLICT AFFECTED ENVIRONMENTS

September 18th 2013

Impact Hub Amsterdam

The expert meeting on Youth Entrepreneurship Development in Conflict Affected Environments, was designed to deepen the understanding and develop practical approaches to creating entrepreneurship opportunities for young and ambitious people in conflict affected environments – and to create a platform for discussion on this topic for the ongoing future. The meeting brought together experts from various sectors, including two keynote speakers: Magdi A. Amin, (IFC, Principal Economist, Office of Executive Vice President & CEO) and Tarik Yousef (Silatech, CEO).

With two presentations and two breakout sessions for participants, the expert meeting was organised around two key dilemmas from the field:

- Dilemma 1: Targeting Entrepreneurs: based on vulnerability or economic potential?
- Dilemma 2: Quick impact versus long-term development: how can local partners and youth entrepreneurs be empowered to bridge that gap?

The two invited keynotes speakers each touched upon one of the respective dilemmas. Below are the high lights from each keynote speaker and some of the conclusions made by participants in their respective breakout sessions.

DILEMMA 1

Targeting Entrepreneurs: do we base it on vulnerability or economic potential?

Keynote highlights, Tarik Yousef (Silatech CEO):

- Common understanding and set parameters of what entrepreneurship actually is need to be internationally addressed.
- What are the characteristics of the transition from conflict to post-conflict and then to stability? We need to gain more knowledge about this.
- Need to look at how we provide access to finance, before even focusing on how we target entrepreneurs in fragile states.
- Targeting youth important since they are not just vulnerable but also can be a source of instability. On the other hand, youth has also proven to have mindset to change future.
- Both groups, the vulnerable and the economic potential, should be targeted. It is important not to create a new elite. So targeting of entrepreneurs needs to be broad and in mixed groups, which can create positive synergies. This is a long-term approach.



- Important to give attention to the businesses that have failed. Why did they fail? What does this say about the ecosystem? Not ready? Mentorship is crucial for entrepreneurs who have not succeeded to establish their business.
- (Personal) acceptance that local banking system does not function in the MENA region. Stop fighting it; it is not going to change. Start your own system? Bypassing all sorts of regulations that constrain loans.
- Need to understand entrepreneurship in all its aspects is important: from startup to managing a business, entrepreneurship includes a need for skills like negotiation, problem solving, networking, communicating, and leadership. These skills are valuable for setting up a business, but can be used in much broader social context as well.
- Ecosystem for entrepreneurial growth needs to be improved / created and supported. It is only this way that future entrepreneurship can be encouraged and existing entrepreneurs are more likely to lead their peers to become entrepreneurs themselves.

Brief summary of breakout sessions 1

In order to understand the environment the entrepreneurs are faced with, the groups identified obstacles young entrepreneurs may face, for instance: negative image of entrepreneurship in their societies; high risk of operating as a businessperson in a politically sensitive marketplace; lack of basic social protection outside the public sector.

Through the reform of bankruptcy policy, providing a better social safety net and risk sharing, entrepreneurs can reduce their risk of having a business and increase the readiness of young people to become entrepreneurs. Discussions led to identifying several solutions to overcome these obstacles:

- Link start-up firms of young businesspeople to large-scale long-term investments. Established large investors could provide a more secure space for these start-ups to operate safely and/or integrating them in their value chain.
- Provide opportunities for meaningful coaching and mentorship for young entrepreneurs, on a day-to-day basis. Important mentors: entrepreneurs who underwent a similar stage of business creation and young entrepreneurs from the diaspora.
- Encourage and support group entrepreneurship: Encourage the establishment of group businesses and combine complementary skills and talents that are only rarely found in one single person. This allows for risk sharing through social capital that is scarce in fragmented societies that include returnees and IDPs from different backgrounds.



- Promote successful young entrepreneurs as role models: make entrepreneurship more attractive to young people through social media and other shared platforms. Due to the circumstances of a conflict-affected environment one might advise against such an approach as publicity, as that could attract negative attention and expose the entrepreneurs to additional risks.
- Start early with the promotion of entrepreneurship, for instance by incorporating entrepreneurship in high school or even primary school curricula.

DILEMMA 2

Quick impact versus long-term development

Keynote highlights, Magdi A. Amin (IFC, Principal Economist, Office of Executive Vice President & CEO)

- Youth bulge is proven. Add economic decline. Result: an explosive situation, instability.
- Leaders are important to create stability, but they are less inclined to do private business.
- Trust is key issue in fragile environments and necessary for entrepreneurship and business. In post-conflict situations trust is mostly gone.
- Another issue is networks that are exclusive (tribes, family, friends). Networks need to become more inclusive.
- Need to understand local market better. Also important to reckon that some things work where there are no institutions needed: illegal practices, IT business, informal sector (which is underestimated) and so on.
- Local market: what markets appear first? Margins are not the issue here, risk is. Due to lack of right information about the market and the post-conflict situation.
- Need to value entrepreneurship skills in broader context: these involve competencies in leadership, teamwork, social behaviour and network formation that is particularly relevant for conflict affected settings.
- In other words: these skills also needed if you do not become an entrepreneur. Would be interesting to test this entrepreneurship definition.
- Need for role models: they need to build the trust, as difficult as that can be. Networks of leading entrepreneurs should be created (see Rwanda and Ethiopia).
- Issue of grants versus loans needs more attention and needs to become clear to policy makers. Money should never be just given away! Grants tend to be bad for the market. Better put it in equity. At moments

there is a role for grants in private sector, but how do you identify this moment? And when do you withdraw?

- On long-term strategies: many times these seem to be useless, since post-conflict situations seem to change all the time. Better to be able to react on the spot, have more and better inside or on-the-site? Information available and have a variety of local partners involved.

Brief summary of breakout sessions 2:

Main issues discussed during this second round of breakout sessions were on the use of grants and loans, the understanding of the local financial ecosystem, role models and the mapping of value chains. Below the most important points made:

- On the issue of grants versus loans understanding seemed to be reached in one group that in particular young people who want to start a business need to be able to get a grant, alongside loans, since grants are needed for basic services (training, health).
- It was noted that grants as such are not the problem, but more the way these are offered and executed.
- It is important to understand the local financial ecosystem and the context of the country better before deciding on providing grants or subsidies. The options of entrepreneurs need to be understood better to make the right decision, just as one needs to know better what is needed before a startup can function normally.
- A loan system with reasonable interest and client services is crucial. In order to make starting a business more accessible. Most local banks do not provide this.
- Also suggested: to have convertible loans or an equity system.
- Registration of a startup is a problem in many places. Best practice in Liberia was explained in order to solve this problem: One-stop-shop business.
- How to make sure successful youth inspire others in their environment, how to make sure others benefit from this success as well?
- Challenges around value/supply chain access and the opportunity it provides for meaningful trickle down, were also discussed. In the context of filling information gaps, a modest but perhaps valuable activity would be to generate a methodology to map value/supply chains that could be used as a starting point in assessing specific contexts/countries, engaging companies within sectors to develop a deep understanding of current and future required skills and inputs.



- In other words: using the insights that mapping would deliver, institutions may then work back to identify intervention opportunities along the value chain – whether it be in education, skills training, policy development, micro finance, incubators, etc.

CONCLUSIONS

To conclude the expert meeting, SPARK Director, Yannick du Pont, states, “too often, programmes (including some of our own) have started without mapping the market properly to start. It would certainly motivate participating entrepreneurs as they would concretely see the opportunity and focus them and would multiply the likelihood of their success; a close cooperation with the private sector is essential to achieve this.”

SPARK has come to three main conclusions:

- There needs to be closer cooperation between IOs (maybe rather multilateral organisations for WB or UN agencies), NGOs and corporations on local sourcing and supply chain development.
- Better options for access to finance for entrepreneurs in conflict affected environments.
- Programmes for youth who cannot become entrepreneurs, with outreach services that provide apprenticeships, mentorships, etc.

CRU concluded by highlighting the many ways in which youth entrepreneurship can contribute to fostering peace: Even if only few young women and men will actually be successful in establishing and running their own business, entrepreneurial skills such as leadership, innovation, problem solving, and networking constitute key assets to (re-) build inclusive and thriving societies. The impact of such skills on peacebuilding should be further researched.

