

BUSINESS ENVIRONMENT REFORMS



**FOR YOUTH ENTREPRENEURSHIP
IN THE ACP REGION**

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BUSINESS ENVIRONMENT REFORMS FOR YOUTH ENTREPRENEURSHIP IN THE ACP REGION

LIST OF ABBREVIATIONS

ACP	Africa, Caribbean and Pacific
BER	Business Environment Reform
GEM	Global Entrepreneurship Monitor
ICR	Investment Climate Reform
ILO	International Labour Organisation
ILOSTAT	International Labour Organisation Statistics
MSMEs	Micro, small and medium-sized enterprises
OECD	Organisation for Economic Cooperation and Development
PPD	Public-Private Dialogue
SMEs	Small and Medium-Sized Enterprises
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNOPS	United Nations Office for Project Services

EXECUTIVE SUMMARY

This report aims to showcase opportunities for promoting youth entrepreneurship in countries in African, the Caribbean, and Pacific (ACP) regions by implementing strategic business environment reforms (BER). It delves into the challenges faced by young entrepreneurs in the current ACP contexts and suggests ways for policymakers to improve the conditions for starting and running businesses.

Young entrepreneurs often encounter challenges in their business ecosystems, such as limited access to finance, inadequate skills and experience, and insufficient institutional support. However, these challenges are not isolated and are often intertwined with broader issues in the business environment, creating obstacles to doing business. The report evaluates challenges, insights, and recommendations for reforms within this context to ensure that business ecosystem reforms can effectively address both issues. Policymakers should introduce reforms that target both the specific challenges faced by young entrepreneurs and the broader business constraints that hinder their success. By doing so, policymakers can establish a more supportive ecosystem that enables young entrepreneurs to thrive and contribute to economic development.

The main reflections for policymakers regarding the challenges, insights and recommendations presented in the report are summarised below. Further details on each can be found in the subsequent sections of the report.

DEFINING YOUNG PEOPLE AND ENTREPRENEURSHIP:

The report uses the range of 18-35 years to define young people and youth. This is to reflect the broad range of youth definitions used in national policies across ACP countries. Although legally classified as adults, individuals in this age range can encounter distinct business-related obstacles that require policy attention. In this report, we make a distinction between “young people” referring to those aged 18-35, and “older adults” referring to anyone outside this age range. The report offers recommendations that tackle the challenges faced by young entrepreneurs aged 18-35, while acknowledging the potential advantages that these reforms may bring to other entrepreneurs.

In this report, entrepreneurship is defined as any new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business. The definition is intentionally broad to encompass the diversity of youth-led businesses and the various types of entrepreneurship that are considered in broader business environment reforms.

KEY FINDINGS

The regulatory and policy environments of many ACP countries do not provide favourable conditions for entrepreneurship or scaling.

In ACP countries, weak regulatory and policy environments affect all entrepreneurs, but can significantly impact the success of young entrepreneurs. For instance, in comparison to older adults in the same contexts, young entrepreneurs often face higher rates of entrepreneurial churn and start-up failures, and their ventures tend to be less established, smaller, more informal, and less productive. The entrepreneurial journeys of young people can be hindered by their lack of distinctive labour market experiences, skills, resources, and capital. This puts them at a disadvantage compared to older adults, particularly in markets and regulatory environments that are not evenly balanced to support them. This poses a significant challenge to the economic prospects of ACP countries, as young people make up a substantial portion of entrepreneurs and their success is integral to economic progress.

Policymakers tend to prioritise supply-side policies toward youth entrepreneurship, and often neglect to tackle demand-side reforms that address the constraints and institutional conditions that impede their success.

Supply-side policies focus on young people's labour supply as entrepreneurs, equipping them with skills and knowledge to be entrepreneurs. The demand-side reforms, such as addressing poor market performance, appropriate institutional support, and the lack of demand for their goods and services, are often overlooked. Prioritising only supply-side reforms may negatively impact the integration of young entrepreneurs into an economy.¹ For example, initiatives that just provide youth with entrepreneurial skills and knowledge can fail to address core market barriers to their success. ACP policymakers must address the balance of demand-side reforms to better support youth entrepreneurship, such as securing buy-in from key institutional or sector-specific stakeholders or establishing fairer regulatory conditions to compete with established firms.

National micro, small and medium enterprises (MSME) and entrepreneurship policies tend to be narrow in focus and often overlook the unique needs of young entrepreneurs at different stages of enterprise development.

Young entrepreneurs in the ACP region struggle to advance beyond the start-up phase and require specific support to move forward, which is often not adequately captured in policy. Additionally, policies can overlook the needs of specific youth subpopulations, such as indigenous young entrepreneurs, who may have distinct aspirations, motivations, and cultural nuances toward entrepreneurship that are not reflected in policy support and guidance. This oversight can result in inequitable support and limit the effectiveness of national MSME policy frameworks in serving youth.

¹ Flynn, J., Mader, P., Oosterom M., and Ripoll, S. (2017). *Failing Young People? Addressing the Supply-side Bias and Individualisation in Youth Employment Programming*. IDS Evidence Report No. 216.

Reforms and initiatives aimed at supporting young entrepreneurs may suffer from a lack of monitoring and coordination, which can limit their potential impact.

Poor monitoring and coordination of reform activities can lead to information asymmetries, poor policy design, inadequate targeting, as well as geographical and gender-based inequities in business support for young entrepreneurs. For example, many government policies and reforms that affect young entrepreneurs are still poorly monitored, and their impacts not well understood. Similarly, national organisations in regions like the Pacific, where technical assistance for entrepreneurship is primarily foreign led, may struggle to assume critical capacities to take up key functions within the youth entrepreneurship support ecosystem. Poorly capacitated local support organisations can also exacerbate spatial inequities in business support, particularly for rural young entrepreneurs, as most entrepreneurship support throughout the region is urban-centric. Poorly functioning support ecosystems can have a particularly negative impact on young individuals who often need customised support and additional assistance. Additionally, female entrepreneurs may encounter biases and discrimination when trying to access and navigate fragmented support ecosystems. Overcoming these challenges requires all stakeholders involved in building effective support ecosystems to work together in a coordinated effort.

METHODS AND APPROACH:

This report involved a comprehensive analysis of existing reports and evidence on youth entrepreneurship across the ACP region, and included 2 focus groups and 24 key informant interviews with experts. Of the contributors, 58% were male and 42% were female, with 48% from Africa, 27% from the Caribbean, and 24% from the Pacific. The findings helped to identify crucial issues, best practices, and innovative solutions that can foster youth entrepreneurship.



To ensure quality and accuracy, we prioritised using reliable and regionally relevant data and sources for our report on youth and women’s entrepreneurship in the ACP region. We only made claims based on available evidence and omitted in-depth analysis where data was lacking or unreliable. As a result, some sections of the report do not provide detailed regional or gender-specific comparisons, but instead focus on the broader regional or global level. However, to address gaps in evidence, we drew insights from data and reports of other countries within the region and used globally representative data sources such as the Global Entrepreneurship Monitor, ILOSTAT, and OECD.

For young entrepreneurs, especially young women entrepreneurs, to flourish in ACP countries, reforms need to consider their distinct requirements, and tackle the demand-side challenges in the overall business environment.

The report identifies **four key areas** where policymakers can implement reforms to help level the playing field for young entrepreneurs. Some of the recommendations directly address the needs of young entrepreneurs, while others are broader but are particularly valuable to young entrepreneurs in the ACP region. Each of these recommendations is carefully discussed in the report to illustrate how they can facilitate the growth and success of young entrepreneurs. The report also highlights how the ICR Facility or other supporting mechanisms can provide support to policymakers and other stakeholders to implement these reforms.

Key reforms supporting young entrepreneurs:

- »»» **1** [Integrating Youth and Gender-based Entrepreneurship Objectives in National Agency's and Economic Development Plans](#) *(see page 22)*
- »»» **2** [Developing MSME and Entrepreneurship Policy and Guidelines to Provide Stronger Support for Youth-Led Enterprises](#) *(see page 26)*
- »»» **3** [Optimising Regulatory Reforms to Better Support Youth Entrepreneurship](#) *(see page 31)*
- »»» **4** [Enhancing Coordination and Assessment of Youth Entrepreneurship Reforms](#) *(see page 36)*



BACKGROUND

RISING YOUTH POPULATIONS AND INTEREST IN ENTREPRENEURSHIP

Over the coming decades, young people will make up most of the ACP region's population. Referred to as a "youth bulge," this demographic transition presents opportunities and challenges for ACP governments. It will affect sustainable development, health outcomes, employment, and security. As a result, support for youth entrepreneurship has gained significant attention throughout the region. Today

most governments include entrepreneurship as a feature of their economic development and youth development strategies. For example, in Africa, two-thirds of nations have national youth policies, with 70% mentioning entrepreneurship.² However, business environment regulations and policy coordination must keep up with the growing interest in youth entrepreneurship if young entrepreneurs are to thrive.

UNLOCKING THE POTENTIAL OF YOUNG ENTREPRENEURS AND THEIR BUSINESS ENVIRONMENTS

Young entrepreneurs (18-34) account for the largest share of entrepreneurial activity throughout the ACP region, with young people accounting for over half of all total entrepreneurial activity.³ Young people exhibit high levels of entrepreneurial intention but often struggle to start and establish businesses beyond the subsistence level. Many young entrepreneurs will start businesses out of necessity (i.e. there are no options for better work). Still, more youth in the ACP region (75% on average) tend to view entrepreneurship as a means of pursuing opportunities rather than as a last resort, though young women are slightly more likely than young men to pursue entrepreneurship out of necessity.⁴ If supported to become productive and established, youth-led businesses can become important contributors to a country's economic development.

Youth entrepreneurship barriers across the ACP area can be intrinsically tied to a country's larger entrepreneurial ecosystems and policy environments. Like most businesses, youth-led firms are influenced by different firm-level and

ecosystem-level factors, such as the policy and regulatory environments, access to resources, and business support. By virtue of their age, young entrepreneurs may also lack collateral, resources, and particular life and labour market experiences, among others, which can produce unique challenges to doing business. **If not aligned to address these youth-specific issues, broad-based business environment reforms may fail to meet the needs of young entrepreneurs.** Reforms that can address both the individual needs of young entrepreneurs and those that relieve broader demand-side constraints within business environments are necessary.

This report considers the influence of business environment reform recommendations for youth entrepreneurship, which cover targeted measures to address the distinct requirements of young entrepreneurs, and more general reforms that aim to create a business environment more conducive to their success.

IMPLEMENTING BUSINESS ENVIRONMENT REFORMS FOR YOUTH ENTREPRENEURSHIP

This report addresses key challenges that policymakers face throughout the ACP region in supporting young entrepreneurs to thrive. It also presents several reform recommendations that can assist policymakers in enhancing the conditions for their flourishing. The report is aimed at government policymakers, donors, and other institutions, which influence BER. While we focus here on BERs for youth entre-

preneurship, a series of forthcoming reports and live events will focus on reforms supporting youth employment and participation in public and private sector dialogues. This forms part of the Knowledge Hub of the Investment Climate Reform (ICR) Facility series on BERs for supporting [youth inclusion](#).

² Anzisha Prize (2020). *Policies and Strategies Supporting Young Entrepreneurs*. In partnership between African Leadership Academy and Mastercard Foundation. Produced by Neil Butcher and Associates.

³ *Global Entrepreneurship Monitor (2013). Generation Entrepreneur? The state of global youth entrepreneurship. Report jointly published by the GEM Consortium and Youth Business International: December 2013.*

⁴ *Global Entrepreneurship Monitor (2013).*

ADDRESSING BUSINESS ENVIRONMENT REFORMS FOR YOUNG ENTREPRENEURS:

Supporting business environment reform for youth entrepreneurship is complicated, and not all reforms that benefit young entrepreneurs are exclusive to them. The success of young entrepreneurs is strongly linked to the effectiveness of their business environment. Therefore, supporting them requires a combination of comprehensive reforms that enhance the functionality of their local business environment and targeted measures that cater to their unique needs. The ICR Facility recognises the importance of integrating a mix of these reforms to effectively support young entrepreneurs in ACP countries. Therefore, this report focuses on providing a comprehensive set of recommendations that encompass broad-based reforms that are advantageous for all entrepreneurs but can be particularly advantageous for young entrepreneurs in ACP regions, as well as specific measures to improve their position and opportunities.

Based on insights and learnings captured as part of the research into this topic, we provide four overarching recommendations to support young entrepreneurs' growth and success.



Each recommendation is discussed in detail, outlining different **policy and regulatory reforms** that ACP policymakers can take action on. These are identified using this symbol.



Each section of the recommendations also highlights **good practice for taking action** drawn from research and interviews that can aid ACP policymakers in supporting reforms for young entrepreneurs. These are identified using this symbol.

The report consists of three sections:

- 
1. What are the significant trends in youth entrepreneurship in Africa, the Caribbean, and the Pacific? *(see page 10)*
- 
2. What constitutes good youth entrepreneurship policy, and what business environment reforms can promote it? *(see page 17)*
- 
3. How can policymakers implement key business environment reforms to help young entrepreneurs survive and grow? *(see page 20)*

1. WHAT ARE THE SIGNIFICANT TRENDS IN YOUTH ENTREPRENEURSHIP IN AFRICA, THE CARIBBEAN, AND THE PACIFIC?

THE MSME ENVIRONMENT AND YOUNG ENTREPRENEURS IN THE ACP REGION

MSMEs are the backbone of ACP country economies, and a large share of new and early-stage business activity in the region is down to young people. In the ACP region, a majority of GDP and employment are created by MSMEs. According to the Caribbean Development Bank, MSMEs contribute 60-70% of GDP and account for 70-85% of Caribbean businesses.⁵ Across sub-Saharan Africa, MSMEs account for 90% of all businesses, 63% of employment, and over 50% of the region's GDP. On average, MSMEs represent 96% of the private sector in the Asia-Pacific region.^{6 7}

Crucially, **young people account for a large share of the region's new, early-stage, and small business activity.** According to the Global Entrepreneurship Monitor (GEM), globally people under 35 make up the largest share of those involved in start-up and early-stage business activity.^{8 9} In the ACP region, among all entrepreneurs aged 18-64, young entrepreneurs account for just over 50% of all new, early-stage, and small business activity in every region.¹⁰ Moreover, the geographical area with the highest global percentages of young people involved in starting and growing early-stage businesses is in Sub-Saharan Africa.¹¹

Most entrepreneurial activity throughout the ACP region is informal, including among young entrepreneurs. Informal firms account for eight in every ten enterprises worldwide.¹² The most significant shares of informal entrepreneurship (i.e., own account workers and employers) are in emerging economies. As a share of all informal sector activity across the ACP region, in sub-Saharan Africa, 72% of those working in the informal sector work as entrepreneurs.¹³ The rates are slightly lower in the Caribbean (67%) and Pacific Islands (61%).¹⁴ In sub-Saharan Africa, 92% of businesses are classified as informal, while in Asia and the Pacific, 82% are informal, and in the Americas, 76% are informal. Worldwide three out of four young people (77.1%) work informally, which includes informal entrepreneurs. Compared to adults, data suggests young entrepreneurs are more likely to operate informal enterprises than older adults.^{15 16}

5 Caribbean Development Bank (2016). *Micro, Small & Medium Enterprise Development in the Caribbean: Towards A New Frontier*. ISBN: 978-976-95695-1-5.

6 United Nations Economic Commission for Africa (2020). *Economic Report on Africa 2020*. UNECA: Addis Ababa.

7 Asian Development Bank Institute (2018). *The role of SMEs in Asia and their Difficulties in Accessing Finance*. ADBI Working Paper Series No. 911 December 2018.

8 Early-stage entrepreneurial activity is defined as businesses operating for between 3 months and 3.5 years.

9 Flynn, J., Mader, P., Oosterom M., and Ripoll, S. (2017). *Failing Young People? Addressing the Supply-side Bias and Individualisation in Youth Employment Programming*. IDS Evidence Report No. 216.

10 GEM (2013).

11 *ibid.*

12 ILO (2020). *COVID-19 crisis and the informal economy: Immediate responses and policy challenges*, ILO, Geneva.

13 Entrepreneurship is defined as any new business or new venture creation of any size, such as self-employment, a new business organisation, or the expansion of an existing business.

14 ILO (2018). *Women and men in the informal economy: a statistical picture (third edition)* / International Labour Office – Geneva: ILO.

15 Nagler, P. and Naude, W. (2014). *Young Entrepreneurs in Rural Africa: Prevalence, Determinants, Productivity*. Discussion Paper No. 8564. Institute for the Study of Labor (IZA): Bonn.

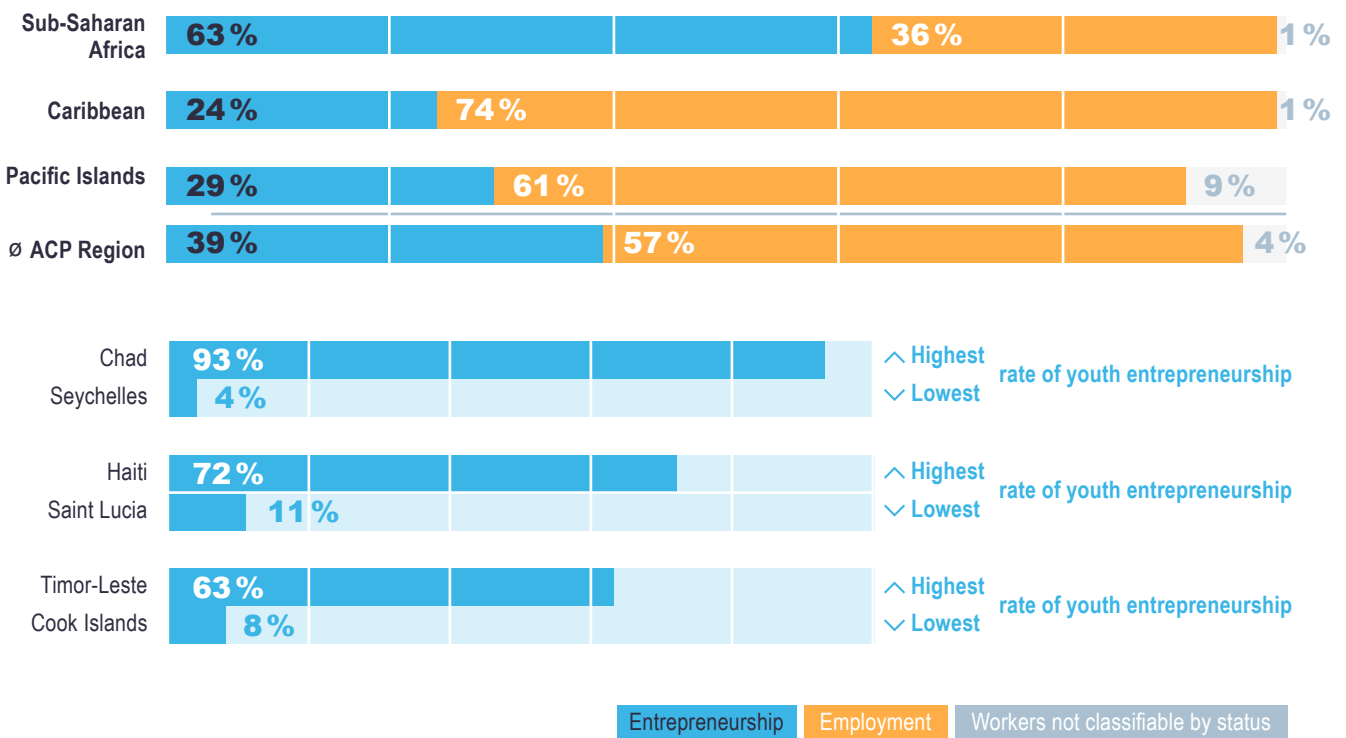
16 Williams, C., Adom, K. and Horodnic, I. (2020). *Determinants of the level of informalization of enterprises: some evidence from Accra, Ghana*. *Journal of Developmental Entrepreneurship*, 25 (01).

TRENDS IN YOUTH ENTREPRENEURSHIP

On average, more than one-third of young people in the ACP region work as entrepreneurs.¹⁷ Youth entrepreneurship levels vary significantly across regions and countries, with Sub-Saharan Africa having the highest rates of youth entrepreneurs (63%), followed by the Pacific Islands (29%) and the Caribbean (24%) (Figure 1). The increasing number of young people entering the labour market in Africa, coupled with the slower expansion of traditional employment opportunities, is one factor contributing to the higher rate of youth entrepreneurship in the region compared to others. Though most African youth also view entrepre-

neurship as a means for pursuing careers out of opportunity rather than necessity.^{18 19} The majority of young entrepreneurs (42-65% in the ACP region) work in retail, with other sectors such as ICT, finance, administrative services, intermediation and real estate, and personal and consumer service sectors accounting for less than ten percent of entrepreneurial activity.²⁰ While some entrepreneurial activity for youth is likely linked indirectly to agriculture, only few entrepreneurs reportedly work directly in agriculture, forestry, or fishing. For example, just 9.2% of youth businesses in Africa reported working in this sector.²¹

FIGURE 1: Rates of entrepreneurship among youth across the ACP Region



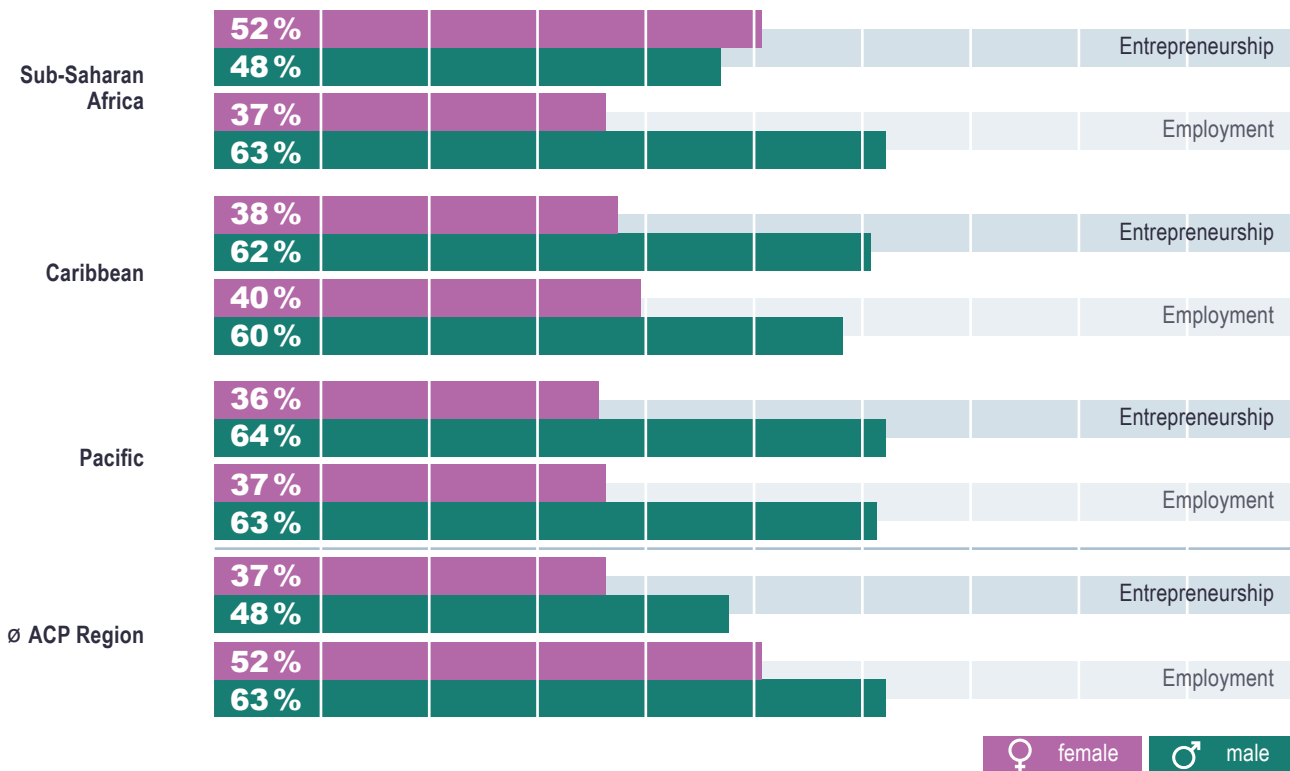
Source: Authors own, calculations based on ILOSTAT Youth employment (15-29) by age, status in employment and gender from 62 ACP countries (SSA=40; CAR=9; and PAC=13). Data were grouped according to International Standard Classification of Status in Employment of paid employment. Here, entrepreneurship is total self-employment (i.e. total of own account workers, employers, and contributing family workers jobs). Data for each country was used from the latest available national survey available on ILOSTAT (2012-2021).

17 Entrepreneurship is based on ILOs (2018). grouping of entrepreneurship as total self-employment (i.e. total share of own account workers, employers, and contributing family workers).
 18 Global Entrepreneurship Monitor (GEM) (2015b). Future Potential A GEM perspective on youth entrepreneurship 2015. Global Entrepreneurship Monitor Consortium, Babson College.
 19 GEM (2013).
 20 *ibid.*
 21 GEM (2015a).

Women represent two out of every five early-stage entrepreneurs globally.²² According to ILO data on Youth employment (15-29) for the ACP region (see [Figure 2](#)) when all types of self-employment entrepreneurship are considered, a higher number of young women than men work in entrepreneurship. However, much of this activity includes young women working as informal contributing family wor-

kers.^{23 24} In general, young women in the ACP regions show a high level of entrepreneurial motivation, yet according to the GEM, their overall entrepreneurial activity at all stages of business development remain lower than that of men. **Young men are 1.3 times more likely to engage in early-stage entrepreneurial activity and 1.6 times more likely to be established entrepreneurs than women.²⁵**

FIGURE 2: ACP Region Youth Employment by Status and Gender



Source: Authors own, calculations based on ILOSTAT Youth employment (15-29) by age, status in employment (and gender) from 62 ACP countries (SSA= 40; CAR=9; and PAC=13). Data were grouped according to International Standard Classification of Status in Employment of paid employment. Here, entrepreneurship is total self-employment (i.e. total of own account workers, employers, and contributing family workers jobs. Data for each country was used from the latest available national survey available on ILOSTAT (2012-2021).

Young people can be considered more “entrepreneurial” than older adults. The extent to how entrepreneurship is measured can impact this, but data from the GEM shows that, on average, the rate of entrepreneurial intent among young people (15-34) is higher than that of older adults.²⁶ ²⁷ Across five world regions, the GEM report indicates that

young people are 1.6 times more likely than people over the age of 35 to aspire to start a business.²⁸ The ACP region, particularly Sub-Saharan Africa, has some of the highest reported perceptions of entrepreneurial potential among young people.²⁹ Young people are also more likely than older adults to establish ventures with a social purpose.^{30 31}

22 Global Entrepreneurship Monitor (2021). 2021/2022 Women’s Entrepreneurship Report – From Crisis to Opportunity. Global Entrepreneurship Monitor Consortium: Babson College.
 23 This is based on all forms of self-employment classified by the International Standard Classification of Status in Employment (i.e. total of own account workers, employers, and contributing family workers).
 24 *ibid.*
 25 GEM (2015b).
 26 *ibid.*
 27 Global Entrepreneurship Monitor (2018). Youth Entrepreneurship in Asia and the Pacific. Global Entrepreneurship Monitor Consortium, Babson College.
 28 GEM (2015a; 2015b).
 29 Global Entrepreneurship Monitor (2015a). Africa’s young entrepreneurs: unlocking the potential for a brighter future International Development Research Centre (IDRC) & Centre for Research and Development International (CRDI).
 30 Global Entrepreneurship Monitor (2016). Special Topic Report: Social Entrepreneurship. Global Entrepreneurship Monitor Consortium, Babson College.
 31 GEM (2018).

Age is often viewed as a determinant of entrepreneurial success, but this relationship is not straightforward.

Entrepreneurship is not solely the domain of young people, and the relationship between age and entrepreneurial success is complex and influenced by a range of factors.³² In some cases, age is associated with specific entrepreneurial traits. For instance, a meta-analysis of the relationships between age and entrepreneurship found that younger entrepreneurs were more likely to exhibit higher levels of innovation and risk-taking compared to older adults.³³ While these traits are important for entrepreneurship, there are many other factors important to determining the success of young entrepreneurs in the ACP region.

Entrepreneurship is often the only viable option for work for many young people in the ACP region. Weak private sectors and poor regulatory environments can limit employment opportunities, making starting a business a more attractive option. This situation can ‘push’ young people, especially women, into entrepreneurship, often as a necessity. Although rates of opportunity-driven entrepreneurship among youth are high, globally more young female entrepreneurs (41%) pursue entrepreneurship out of necessity compared to young male entrepreneurs (35%).³⁴ Overall, the entrepreneurial motivations and aspirations among

young people remain strong. According to the GEM, young people in factor-driven economies, which compete on endowments such as labour, capital, and natural resources, report the highest levels of opportunity-motivated entrepreneurship. This is significant as many ACP countries, particularly those in Sub-Saharan Africa, fall under this category. Establishing more supportive environments that enable better outcomes for young entrepreneurs and create work opportunities for others is crucial.

Although young people have high entrepreneurial motivations, only a small fraction of youth-led businesses turn out to be successful, with higher levels of entrepreneurial churn and start-up failure compared to older adults.³⁵ National-level data on youth-owned businesses are often incidental or unavailable, though one OECD report states that only “a tiny portion” (5% on average) of youth entrepreneurs’ businesses are successful. Additionally, most youth businesses are subsistence-level enterprises that do not create new jobs for others.^{36 37} The average age of an established entrepreneur worldwide is over 35 years, meaning that older adults are more likely to manage firms that have been in operation for 3.5 years or longer.^{38 39} Similarly, older adults are more likely to run businesses that are generally larger in size than those owned by youth.^{40 41 42}

BARRIERS TO DOING BUSINESS AND YOUTH ENTREPRENEURSHIP IN THE ACP REGION

Some of the most common barriers to conducting business in the ACP region are limited access to finance (and collateral which is used to access credit)⁴³, burdensome tax compliance, the time and funds required to register a business, licencing, and reliable digital and physical infrastructure.^{44 45}

Other barriers can include unfavourable regulatory playing fields and limited access to markets, especially for women entrepreneurs. In addition, regionally specific difficulties also affect the ease of doing business. For example, the impact of COVID-19 on the socio-economic conditions in the ACP regions has varied significantly. Similarly, natural

disasters and climate change may threaten vital sectors such as tourism in the Pacific and Caribbean. At the same time, unstable and conflict-affected environments in portions of sub-Saharan Africa can make it challenging to attract steady long-term investment.

From all ACP economies, only Mauritius and Rwanda rank among the top 50 for ease of doing business.⁴⁶ Only Mauritius, Rwanda, St. Lucia, Botswana, Zambia, and South Africa scored above the global average of 63.0. Moreover, according to the Global Innovation Index, the innovation ecosystems of many countries in the ACP region

32 Zhao, H., O’Connorb, G., Wuc, J. and Lumpkind G.T. (2021). Age and entrepreneurial career success: A review and a meta-analysis. *Journal of Business Venturing* 36 (2021) 106007.

33 Zhao et al (2021).

34 GEM (2015b).

35 *ibid.*

36 OECD (2017) *Unlocking the Potential of Youth Entrepreneurship in Developing Countries: From Subsistence to Performance*. <https://doi.org/10.1787/9789264277830-en>.

37 Sumberg, J., Fox, L., Flynn, J. and Mader P. (2021). Africa’s “youth employment” crisis is actually a “missing jobs” crisis. *Dev Policy Rev.* 2021; 00:1-23.

38 Fox, L & Kaul, U (2017). *The evidence is in: how should youth employment programs in low-income countries be designed?* Policy Research working paper 8500, Washington DC: World Bank Group.

39 GEM (2013).

40 GEM (2015b).

41 Varela Villegas (2017). *Youth entrepreneurship dynamics in the Caribbean region: 2011-2013*. *International Journal of Entrepreneurship and Small Business*, 2017 Vol.30 No.3, pp.287-307.

42 OECD (2017).

43 Access to finance is a primary barrier to entrepreneurs but reforms for addressing this challenge are not discussed in this report. Readers are instead encouraged to explore the topic which is covered in a separate ICR Facility series called “Innovative Approaches to support Entrepreneurs”, which provides a detailed review of ways improving access to finance.

44 World Bank (2019). *Doing Business 2019*. Publication number 30438.

45 World Bank (2020). *Doing Business 2020*. Publication number 32436.

46 *ibid.*

are below the global average, and governments frequently lack the requisite capacities for innovation policy.⁴⁷

The maturity of a country's entrepreneurial ecosystem and the health of its business and policy environments significantly impact people's desire to be entrepreneurs and their ability to start and grow firms, this is no different for young people.^{48 49 50 51} Young people's motivations for, and barriers to, entrepreneurship are often tied to a country's broader enabling environment. Entrepreneurs, regardless of age, can face similar obstacles to starting and growing a business. However, because of their age, young people may lack distinctive labour market experiences, resources and capital, social and professional networks, entrepreneurial and sector-specific skills, limiting their capacity to do business more so than older adults.^{52 53} For example, small and micro-credit loans are often collateralised, but due to their age, many young people do not own significant assets such as land titles or property that

are often required for accessing credit. While older adults encounter similar hurdles in entrepreneurship as young people do, research and interviews conducted for this report suggest that particularly notable challenges young entrepreneurs face across business environments in the ACP region are:

- Complex and cumbersome administrative procedures, such as time-consuming and costly start-up processes (including high and often multiple licenses fees).
- A lack of access to appropriate knowledge, finance, and business development support.
- Saturated markets or unfair market competition.
- Inadequate protection from economic downturns (such as from COVID or climate disasters).
- Gender bias and discrimination in local business environments.

BOX 1: Expanding opportunities for young female entrepreneurs in ACP countries

Women represent two out of every five early-stage entrepreneurs.⁵⁴ In general, women in emerging economies exhibit greater levels of entrepreneurial intention and are less risk-averse than their counterparts in developed economies.⁵⁵ Nonetheless, gender biases and discrimination in local business environments affect women's entrepreneurial potential. Young women in the ACP regions show a high level of entrepreneurial motivation, yet their entrepreneurial activity rates at all stages of business development remain lower than that of men. **Young men are 1.3 times more likely to engage in early-stage entrepreneurial activity and 1.6 times more likely to be established entrepreneurs than women.**⁵⁶ Furthermore, young women are more likely to pursue entrepreneurship out of necessity.⁵⁷

According to recent research, providing a more equal legal environment can lead to a higher percentage of female entrepreneurship.⁵⁸ Nonetheless, women continue to face major practical and legislative barriers on their path to becoming successful entrepreneurs. National experts rank the legal and business settings for women entrepreneurs in most nations as very poor.⁵⁹ Discriminatory legal procedures limit women's access to critical resources and have an impact on their decision-making and freedoms.

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47 Global Innovation Index (2022). *Global Innovation Index 2022 What is the future of innovation-driven growth?* World Intellectual Property Organisation.

48 Mason, C. and R. Brown (2014). *Entrepreneurial Ecosystems and Growth-Oriented Enterprises*, OECD, www.oecd.org/cfe/leed/entrepreneurial-ecosystems.pdf.

49 OECD (2020). *International Compendium of Entrepreneurship Policies*. OECD Studies on SMEs and Entrepreneurship, 2020: Paris.

50 GEM (2016).

51 The Global Entrepreneurship and Development Institute (2018). *The Global Entrepreneurship Index 2018*. GEDI: Washington DC.

52 GEDI (2018).

53 Zhao et al (2021).

54 GEM (2021). *2021/2022 Women's Entrepreneurship Report – From Crisis to Opportunity*. Global Entrepreneurship Monitor Consortium: Babson College.

55 Minniti, M. and Naudé, W (2010). *Special Section: Female Entrepreneurship across Countries and in Development*. *Eur. J. Dev. Res.* 22.

56 GEM (2015b).

57 GEM (2015a; 2015b).

58 World Bank (2022). *Women, Business and the Law 2022*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1817-2.

59 GEM (2021).

While the extent of legal discrimination that women face in the ACP region may differ, it is common for women in developing countries to be refused financing, business registration, and property ownership. For instance, six economies – Cameroon, Chad, Equatorial Guinea, Eswatini, Guinea-Bissau, and Niger – restrict a woman’s ability to open a bank account in the same way as a man. And five economies – Equatorial Guinea, Eswatini, Guinea-Bissau, Kenya, and Suriname – still restrict a woman’s capacity to register a business freely.⁶⁰

Legal discrimination contributes to women’s earnings lagging behind at only two-thirds of men’s expected lifetime earnings.⁶¹ Furthermore, legal discrimination has been linked to poorer levels of firm productivity among female-led companies, impeding not just their ability to compete with male competitors but also contribute to national economic progress.⁶²

Nevertheless, simply enacting legal reforms is not sufficient for supporting an enabling environment for women entrepreneurs if they conflict with existing social and cultural norms.⁶³ Young women, in particular, face non-legal and informal structures, social and cultural norms that limit their access to information and opportunities, preventing them from starting or running a business. For instance, women can face gender discrimination interacting with government authorities when trying to register a business. Similarly, women’s potential as entrepreneurs may be restricted by societal and familial pressures, such as the belief that household responsibilities should take priority over career aspirations, and negative cultural attitudes towards entrepreneurship as a viable and respectable profession. Existing business rules and systems have primarily been designed based on male norms and behaviours, which do not cater to women entrepreneurs.⁶⁴ Domestic responsibilities and caregiving are also disproportionately assigned to women, limiting their time and mobility to pursue entrepreneurial endeavors. Despite this, research shows that once a business is established, women have the same amount of confidence as men in its future.⁶⁵

Research highlighted by the African Union indicates that policies targeting the enhancement of entrepreneurial ecosystems that do not explicitly consider gender-related constraints can worsen gender disparities.⁶⁶ Policymakers should therefore strive for **gender-transformative policies that reduce the policy and legal discriminations** which might impede women entrepreneurs, promote administrative reforms to register and manage a business, and promote women’s access to finance. For example, **in Gabon, legal reforms now grant women equal rights to open bank accounts as men and give both spouses equal rights to immovable property and the same level of administrative control over assets throughout their marriage.**

Resources have been developed to support policymakers in better designing policy and BERs for female entrepreneurs. Tools such as the *OECD Toolkit for Mainstreaming and Implementing Gender Equality* and the *UNOPS and UN Women’s Guides on integrating gender into infrastructure development in Asia and the Pacific* can help advance this. **The ICR Facility provides trainings and support to policymakers seeking to implement BERs for women’s economic empowerment** (see [Box 3](#)). Policymakers are also recommended to review the ICR Facility’s *ICReport on Business Environment Reforms to Support Women-Owned Businesses in ACP countries* for an in-depth analysis of the challenges and obstacles encountered by these businesses, along with proposed reforms to improve their situation. Similarly, policymakers and other stakeholders are encouraged to review the *ICR Facility’s broader tools and resources for supporting business environment reform*, which includes a gender-sensitive PPD checklist, as well as a gender diagnostic checklist.

60 World Bank (2022).

61 *ibid.*

62 Hyland, Marie, Asif Islam, and Silvia Muzi. 2020. “Firms’ Discriminatory Behavior, and Women’s Employment in the Democratic Republic of Congo.” Policy Research Working Paper 9224, World Bank, Washington, DC.

63 World Bank (2022).

64 GEM (2021).

65 OECD. (2018). *Strengthening SMEs and entrepreneurship for productivity and inclusive growth. Key Issues Paper: SME Ministerial Conference, Mexico City, Mexico 2018.*

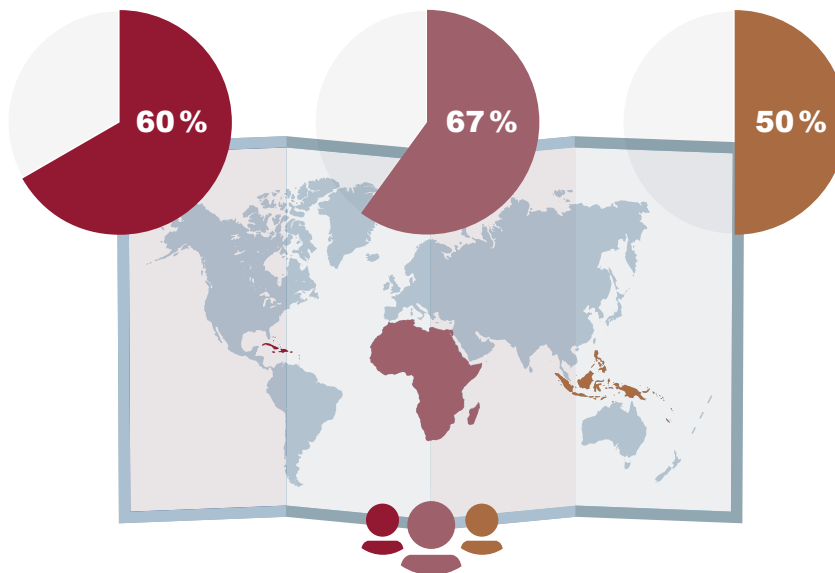
66 African Union (2020). *Promoting Youth Entrepreneurship in Africa. Policy Brief – 2020.*

YOUTH POPULATION GROWTH

Youth populations will expand significantly across the ACP region in the coming decades. According to the UN, the world population will reach 9.7 billion people in 2050. Almost all this expansion (about 95%) will occur in low- and middle-income nations. Africa will represent 57% of that expansion (1.4 billion people).⁶⁷ By 2050, young people will make up two-thirds of ACP populations in every region except the Caribbean. Across Africa, nearly 60% of the current population is under the age of 25, making it the world's

youngest continent. By 2050 it will be home to the largest population of young people anywhere in the world. The Caribbean's youth population has largely stabilised, but half of the population is currently under the age of 25 – the region's largest cohort of 15-24-year-olds in history.⁶⁸ Across the Pacific, at least half of the population is under the age of 23, and the youth population is expected to peak between now and 2050, with current numbers increasing from 11.9 million to 19.7 million by 2050.⁶⁹

FIGURE 3: Population below 25 year old per region currently



Source: own illustration

Of all the challenges the ACP region faces, the coming “youth bulge” will be one of the most significant. It will affect sustainable development, health outcomes, employment, and security. Equally, with the right enabling environments, the youth bulge also presents a vital opportunity for harnessing young people’s economic potential. One example of the

kind of initiatives working to tap the opportunities for young entrepreneurs is the EU’s Team Europe Initiative called ‘Investing in Young Businesses in Africa’ (TEI IYBA). The programme aims to support young entrepreneurs, early-stage businesses, as well as foster local and national entrepreneurial ecosystems in Africa (see [Spotlight](#)).

67 United Nations Department of Economic and Social Affairs (2022). *World Population Prospects 2022 Summary of Results*. UNDESA Population Division UN DESA/POP/2021/TR/NO.3.

68 UNFPA (United Nations Population Fund) and ECLAC (Economic Commission for Latin America and the Caribbean), 2011. *Regional population report in Latin America and the Caribbean 2011: Investing in youth*.

69 Pacific Community (2020). *Statistics for Development Division Population Data*. Available: <https://sdd.spc.int/topic/population>.

2. WHAT CONSTITUTES GOOD ENTREPRENEURSHIP POLICY, AND WHAT BUSINESS ENVIRONMENT REFORMS CAN PROMOTE IT?

This section summarises the critical gaps and opportunities in policy and business environments for supporting young entrepreneurs. It is informed by a detailed review of existing evidence and first-hand interviews with key experts.

THE GAPS IN BUSINESS ENVIRONMENT AND POLICY REFORMS FOR YOUTH ENTREPRENEURSHIP

Young entrepreneurs are being held back by an overemphasis on supply-side reforms.

To date, most efforts to support young entrepreneurs in ACP countries have focused on supply-side policies. Governments have invested principally in initiatives which focus on incorporating young people into economies by enhancing what they can supply to markets. This has been done by investing in reforms that focus on improving their skills and resources through providing training, access to mentorship, and finance etc. for entrepreneurship. These reforms are often called supply-side policies.⁷⁰ In Africa, two-thirds of countries have national youth policies, with 70% mentioning entrepreneurship, but most reforms to support young entrepreneurs have concentrated on supply-side policies, like those mentioned.⁷¹ Although this approach focuses on the supply-side of the market, it fails to fully consider the structural constraints related to market demand. Addressing demand-side constraints for young entrepreneurs is a structural issue, and one connected to the broader functioning of the business environment. Examples of demand-side constraints include the lack of market demand for their products and services, access to appropriate market information and technologies, or the absence of supportive government policies to help young people compete in uneven playing fields. Among others, examples of demand-side policy that contribute to addressing these challenges include

preferential procurement policy and tax incentives (see [section “Optimising Regulatory Reforms to Better Support Youth Entrepreneurship”](#) for a discussion on optimising demand-side policy).

The lack of demand-side policies often holds back young entrepreneurs, particularly women, from succeeding in various economic sectors.^{72 73 74} If measures are not taken to address demand-side constraints in conjunction with supply-side approaches, many young people can continue to find themselves competing in precarious or weak market conditions, resulting in poor pay and lower productivity, as well as discrimination.⁷⁵ Similarly, the absence of demand-side improvements in ACP country youth entrepreneurship strategies leaves structural and operational barriers unaddressed for young people starting and running businesses. This hinders governments’ capacity to capitalise on the potential profits of youth entrepreneurship. It is crucial to recognise that supply-side strategies alone will not reduce unemployment or generate the types of economic development required by the majority of ACP countries. Therefore, governments should invest in both supply-side and demand-side policies to achieve more balanced interventions that address the needs of young entrepreneurs and the broader economy.

⁷⁰ Flynn et al (2017).

⁷¹ *ibid*; Anzisha Prize (2020).

⁷² Anzisha Prize (2020).

⁷³ Mamman, A., Bawoleb, J., Agbebic, M. and Alhassand, AR (2019). SME policy formulation and implementation in Africa: Unpacking assumptions as opportunity for research direction. *Journal of Business Research* 97 (2019). 304–315.

⁷⁴ Fox et al (2020).

⁷⁵ Flynn et al (2017).

Strong institutional conditions and enabling conditions for productive youth entrepreneurship.

The institutional conditions of a country can be as instrumental in fostering entrepreneurship as programs specifically designed for that purpose.⁷⁶ This can also hold back governments' ability to scale reforms and coordinate cross-sector initiatives.

With rising youth populations and a growing number of economically unproductive and inactive young people across the region, fostering the types of entrepreneurship that lead to improved firm growth and employment outcomes requires appropriate policies and institutional settings.⁷⁷

⁷⁸ To create favourable conditions for entrepreneurial activity, policies require the support of strong institutions with clear mandates and objectives aimed at improving business performance and profitability.⁷⁹ This support is particularly

important for young entrepreneurs, who make up a significant proportion of SME and entrepreneurial activity in many ACP countries. Therefore, implementing reforms that enhance the efficiency and inclusion of young entrepreneurs is crucial for driving economic progress in ACP countries. (see [section "Integrating Youth and Gender-based Entrepreneurship Objectives in National Agency's and Economic Development Plans"](#) for a discussion on reforms that can strengthen the institutional conditions for young entrepreneurs).

[Box 2](#) outlines a set of different levels of policy reform that can improve business environments for young entrepreneurs, and types of policy measures that have supported youth-led businesses.

EU Programme Spotlight: Investing in Young Businesses in Africa (TEI IYBA)

The EU initiative is a €4.6 billion fund, bringing together 11 Member States to support entrepreneurs, early-stage businesses, and local and national entrepreneurial ecosystems in Africa, with a particular focus on women and young people. TEI IYBA aims to help entrepreneurs launch and grow sustainable, strong, and inclusive businesses, while creating decent jobs and strengthening business ecosystems in Africa.

The initiative focuses on three key activities:

- Pre-seed financing and technical assistance for MSMEs with financial needs up to €200,000;
- Early-stage financing and technical assistance for SMEs with financial needs between €200,000 and €5 million; and,
- Ecosystem support to strengthen business environments, with a focus on women and young people

A pilot project with TEI IYBA was launched in Senegal in December 2022: called "Investing in Young Businesses in Africa – Supporting Entrepreneurship Ecosystem Development (SEED)" it aims to increase access to financial resources and technical assistance for SEED beneficiaries by strengthening the entrepreneurial ecosystems. The project has four specific objectives, which include improving access to business development services, creating a business environment conducive to their growth, promoting an inclusive entrepreneurial culture, and improving access to information for Entrepreneur Ecosystem actors about strengthening the business environment.

⁷⁶ OECD (2020).

⁷⁷ *Decent Jobs for Youth* (2017). *Youth Entrepreneurship and Self-Employment: Unleashing the potential of youth to succeed in business and to access decent work*. World Bank: Washington DC.

⁷⁸ *Donor Committee for Enterprise Development: Evidence framework* (2017). Available at <https://www.enterprise-development.org/what-works-and-why/evidence-framework/>.

⁷⁹ UNCTAD (2015a); GEDI (2018).

BOX 2 – Levels of policy reform that can improve business environments for young entrepreneurs

The health of a country's business environment and entrepreneurial ecosystem significantly impacts young people's desire to be entrepreneurs and their ability to build and grow firms. Using the OECD's work on entrepreneurship policy, three levels of policy reform can improve business environments for young entrepreneurs:⁸⁰

1. Policies for Improving National, Regional, and Local Entrepreneurial Ecosystems:

Entrepreneurship ecosystem policies aim to create a supportive environment for start-ups and scale-ups, with a focus on promoting youth and women entrepreneurship. These policies require coordination of various efforts and activities, targeting a wide range of stakeholders and supporting actions that improve institutional conditions and specific entrepreneurs. Examples of such policy initiatives include the Netherlands' StartupDelta, managed by Ministry of Economic Affairs and Climate Policy which coordinates regional entrepreneurial ecosystems and implements policy instruments like regulatory change, skills development, and mentoring.⁸¹ Similarly, South Africa's Presidential Youth Employment Intervention (PYEI) (see [Case Study 1](#)) links opportunities for advancing youth enterprise development in priority sectors and expanding support to rural communities and townships.

2. Policies to enhance institutional and regulatory conditions:

These policies aim to eliminate regulatory, legal, and administrative barriers to entrepreneurship and ensure that a country's regulatory environment promotes the creation, development, and growth of businesses. While these reforms typically target all entrepreneurs, youth and gender-specific regulatory reforms and guidelines are often included. For instance, national policies on MSMEs, youth, and gender may all prioritise youth entrepreneurship. An example of a youth mainstreamed MSME policy, the Government of Mauritius's MSME policy, is discussed in [Case Study 2](#). Other regulatory reforms, such as simplified business registration, efficient tax regimes and streamlined business support services can also benefit young entrepreneurs. For example, governments may establish regulatory policies that promote equal opportunities regardless of gender, such as anti-discrimination laws, equal pay policies, and preferential procurement policies (see [Case Study 5](#) which discusses Kenya's Access to Government Procurement Opportunities (AGPO) programme which promotes procurement opportunities for women and youth led businesses).

3. Government policy instruments for supporting individual young entrepreneurs:

There are various government policies and initiatives that can help young entrepreneurs start and grow their businesses, including entrepreneurial start-up or accelerator programs, mentorship and coaching, and access to finance. In addition, fostering networks, platforms, and events on R&D, export, digitization, gender-sensitive business practices, and technology can also benefit young entrepreneurs. Governments may deliver these through a dedicated youth entrepreneurship agency, or in partnership with companies or nonprofits. For instance, the Jamaican Government partnered with local organisations to deliver its youth entrepreneurship strategy (see [Case Study 4](#)).

80 OECD (2020).

81 OECD (2020).

3. RECOMMENDATIONS: HOW CAN POLICY-MAKERS IMPLEMENT KEY BUSINESS ENVIRONMENT REFORMS TO HELP YOUNG ENTREPRENEURS SURVIVE AND GROW?

To foster youth entrepreneurship in the ACP region, interventions must consider the specific needs and the characteristics of young entrepreneurs, as well as the entrepreneurial and business ecosystems that support them. Based on insights and learnings captured as part of the research into this topic, we provide four overarching recommendations to support young entrepreneurs' growth and success.



Each recommendation is discussed in detail, outlining different policy and regulatory reforms that ACP policymakers can take action on. These are identified using this symbol.



Each section of the recommendations also highlights “good practice for taking action” drawn from research and interviews that can aid ACP policymakers in supporting reforms for young entrepreneurs. These are identified using this symbol.

This section consists of four recommendations:

- »»» **1** [Integrating Youth and Gender-based Entrepreneurship Objectives in National Agency's and Economic Development Plans](#) (see page 22)
- »»» **2** [Developing MSME and Entrepreneurship Policy and Guidelines to Provide Stronger Support for Youth-Led Enterprises](#) (see page 26)
- »»» **3** [Optimising Regulatory Reforms to Better Support Youth Entrepreneurship](#) (see page 31)
- »»» **4** [Enhancing Coordination and Assessment of Youth Entrepreneurship Reforms](#) (see page 36)

RECOMMENDATIONS AND HOW THE ICR FACILITY CAN HELP YOU

Based on the analysis provided, this ICR Report makes four recommendations for policy makers to overcome the barriers young entrepreneurs are facing.

If you are a policy maker or other relevant stakeholder in an ACP country and would like support from the ICR Facility in implementing these recommendations then please visit:

<https://www.icr-facility.eu/>

Some examples of how the ICR Facility can help are:

- Support policy dialogues to build momentum for change in existing youth entrepreneurship policy
- Tailored support on specific policy and regulatory developments, such as mainstreaming gender in existing policy and regulatory framework.
- Support capacity building of national institutions, intermediaries, industry networks and member bodies for supporting young entrepreneurs⁸²
- Support nurturing of closer cross-sectoral and agency relations
- Support embedding of youth and gender-sensitive entrepreneurship objectives in public institutions, development plans, and procurement
- Support evidence-gathering activity including undertaking mapping studies of youth entrepreneurship initiatives, entrepreneurship ecosystems, and regulatory assessments on youth-led firms on new reform proposals
- Support building measurement systems for youth entrepreneurship policy

In addition, the ICR Facility organises activities to support networking and peer learning. This can take place in peer-to-peer exchanges, breakout sessions in webinars etc – please consult the Knowledge Hub for more information:

<https://www.icr-facility.eu/knowledge-hub>

⁸² The ICR Facility supports business environment reforms for youth entrepreneurship in areas such as business registration and licensing, investment policy, and customs administration, strengthen interaction between national and regional stakeholders, supporting regulations in innovative approaches like social entrepreneurship, gender reforms etc. Eligible organisations include business associations, cooperatives, chambers of commerce, clusters and organisations or networks of business support, formal networks of private sector stakeholders and other non-state networks as long as the support is connected to a dialogue process involving governmental entities. The ICR Facility does not support the development of incubator or accelerator programmes.

»»» RECOMMENDATION 1: INTEGRATING YOUTH AND GENDER-BASED ENTRE- PRENEURSHIP OBJECTIVES IN NATIONAL GOVERNMENT AGENCIES AND ECONOMIC DEVELOPMENT PLANS



1.1: Align youth entrepreneurship priorities to institutional strategies and economic planning

The Ministry responsible for young people typically takes the lead in developing the national youth entrepreneurship agenda.⁸³ However, establishing objectives and arrangements among institutions accountable for youth entrepreneurship can be complex, as with many cross-cutting policy goals. For instance, an agency appointed by the Ministry of Youth to lead youth entrepreneurship strategy may not be well aligned with other institutions that hold mandates for economic agendas essential for its delivery. Although it's helpful for institutional mandates to remain distinct, it can also develop in siloed strategies, hindering the mainstreaming of policy goals such as youth entrepreneurship reforms into wider economic planning.

Youth entrepreneurship priorities also need to align with national gender strategies and be designed with national public and private stakeholders in charge of women's empowerment and gender equality.

Appointing a lead agency to coordinate youth entrepreneurship at an institutional level is crucial to implementing a successful national youth entrepreneurship strategy.⁸⁴ The institution in charge of leading the strategy should possess a clear mandate, be recognised as the leading institution within a country's institutional framework and be able to hold others accountable for achieving government defined agenda and goals. Similarly, the institution and partner institutions need to have a gender-sensitive governance and have the required skills to mainstream gender in their work to support young female entrepreneurs. The lack of institutions having the abovementioned requisites was an issue that came out particularly during interviews with institutions in the Caribbean and Pacific. The lack of appropriate incentives and alignment between various ministries in the Caribbean can contribute to a "divorce between youth empowerment and youth entrepreneurship".

"In Fiji, one entrepreneurship vision concerns addressing youth unemployment: this promotes entrepreneurship through self-employment, such as by offering training and grants. The Ministry of Youth and Sports holds the mandate for this ...

Another vision focuses on investing in economic growth. The Ministry of Commerce, Trade, and Tourism hold this mandate. However, there is a lack of integration between the two approaches. We need to improve policy mechanisms for engaging young people to inform part of a broader vision for entrepreneurship in Fiji. The breakdown affects the types of support and economic opportunities open to young people and opportunities to participate in other sectors that might be necessary."

(Avikesh Kumar, young entrepreneur and member of Fiji U.S Embassy Youth Council)

83 UNCTAD (2015a).

84 *ibid.*



1.2: Good Practice for Taking Action

For ACP policymakers, an important step in supporting young entrepreneurs is to highlight their contribution towards economic transformation when designing economic development plans. Policymakers must identify the policy synergies between youth entrepreneurship and economic transformation agendas, ascertain which ministries are responsible for necessary actions, and decide the most effective means of implementing this vision to promote productive youth entrepreneurship. Below are some common approaches and examples that can support policymakers to mainstream youth entrepreneurship objectives in national development planning and institutions, with examples from different regions.

Developing cross-ministerial action plans can enable (and incentivise) ministries to deliver reforms collaboratively.⁸⁵

For example, establishing cross-government committees led by the institution responsible for promoting youth entrepreneurship can identify short-term and mid-term measures that are simple and achievable where youth entrepreneurship development can contribute to economic development agendas. This is especially helpful for governments with weak coordination on youth entrepreneurship. Similarly, setting goals and objectives targeting the inclusion of youth and women entrepreneurs into industries with high growth and strategic importance are desirable for broadening their access in untapped sectors.^{86 87} Also, developing supportive strategies for already crowded sectors is necessary to prevent diminishing returns for entrepreneurs. Lifting any legal restrictions on women's access to bank accounts, formal loans and assets can produce immediate positive outcomes.

South Africa and Ecuador have implemented similar programs. In Ecuador, the government surveyed all key institutions and asked for their views on developing a national policy to foster entrepreneurship. The government organised workshops to familiarise stakeholders with essential policy priorities and to assist in identifying opportunities to integrate entrepreneurship into government development plans.⁸⁸ In South Africa, to improve the institutional conditions for youth entrepreneurship and employment, the government centralised key functions under the President's Office and developed multiple inter-agency strategies to strengthen its coordination. As part of this effort, a cross-ministerial committee was established as a mechanism to coordinate these activities (see [Case Study 1](#)).

Governments should build upon and bolster existing structures and institutions.

In addition to new policy measures to help young entrepreneurs, changes should target existing public sector activities and institutions that require capacity building. In certain circumstances, governmental organisations may need programs to integrate youth-centered and gender-sensitive economic objectives into their operations. This could entail, for instance, assisting the personnel of an economic development agency to have a deeper grasp of the institution's work for women, young people and youth entrepreneurship, as well as its implications for working effectively with them to deliver policy. The [Commonwealth Secretariat's guide on Mainstreaming Youth in Development Planning](#) provides an overview of some crucial phases in this process, but dedicated guidance on how to do so for youth entrepreneurship is required. Public economic organisations can draw on the criteria presented in [Box 4](#) when integrating youth entrepreneurship into their operations. Similarly, to advance support for youth, undertaking steps to support gender mainstreaming in the organisation is vital. To do this, organisations can conduct parallel gender analysis, set up gender units, and adopt gender trainings for their staff. The ICR Facility offers trainings to organisations on conducting gender-sensitive business environment reform (see [Box 3](#)) and other tools to support young female entrepreneurs have been outlined in [Box 1](#): Expanding Opportunities for Young female entrepreneurs in ACP countries.

85 UNCTAD (2015a).

86 United Nations Conference on Trade and Development (2015b). *Entrepreneurship for productive capacity-building*. Trade and Development Board, D/B/C.II/MEM.4/8.

87 International Labour Organization (2016). *SME promotion agencies: is there a best set-up? A quest for good practices*. Geneva: ILO, ISBN: 9789221313526; 9789221313533.

88 UNCTAD (2015b).

BOX 3 – The ICR Facility’s Training on BERs For Women’s Economic Empowerment (BER4WEE)

The ICR Facility offers training and support to organisations on developing awareness, and provides tools to advance Women’s Economic Empowerment through BER in ACP countries.

The ICR Facility’s BER4WEE trainings provide participants the opportunity to learn to apply a gender-sensitive and gender-transformative lens when they work on developing their own reforms, taking into account gender differences and promoting reforms that tackle barriers women face in the business environment. The course’s objectives are to:

- promote awareness of gender sensitive BER and how it can help advance women’s economic empowerment (WEE) in ACP countries
- support the requests for, and delivery of, more interventions that are gender sensitive or gender transformative
- equip consultants and organisations that request technical assistance with examples of best practice in developing BER to support WEE
- share lessons learned and disseminate good practices
- contribute to the growth of a WEE-focused community of practice in ACP

The *ICR Facility supports Development Finance Institutions (DFIs) with trainings on gender*, supporting DFIs to understand business case for gender finance, providing a step-by-step introduction to gender finance, and developing supportive strategies to promote gender finance institutionally.

For more information about training and support for BERs for WEE see the [ICR Facility’s website](#).

Legislation may be required to ensure efficient coordination of institutional reforms that support youth entrepreneurship. Organising and securing the necessary agency commitments for youth entrepreneurship objectives can be a time-consuming and challenging task and can be held back by lack of political will. It may be required to enact legislation or mandate coordination at the highest levels of government to fulfil pledges made to promote youth entrepreneurship. In South Africa, legislative inter-agency coordination for youth employment and entrepreneurship through the President’s Office has been a critical contributor to the country’s advancement of youth entrepreneurship (see [Case Study 1](#)).

CASE STUDY 1: Institutional strengthening and coordination of youth entrepreneurship (South Africa)

In South Africa, inter-agency policy coordination of youth employment and entrepreneurship has often been complex. To advance the agenda, the government developed a multi-sector action plan to address South Africa’s chronic youth employment challenge under the [Presidential Youth](#)

[Employment Intervention \(PYEI\)](#). PYEI has developed various inter-agency initiatives to coordinate youth economic opportunities, including linking opportunities for advancing youth enterprise development in priority sectors and expanding support to rural communities and townships.

Key initiatives have included:

1. Developing a [National Pathway Management Network](#) to manage support, coordination, and implementation, guiding young people to different program opportunities, including enterprise development in priority growth sectors.
2. Establishing a coordination committee that brings together various departments and agencies focused on developing strategies aligned with local and regional economic growth agendas. PYEI has done this following the government's [District Development Model](#), which aims to improve the coherence and impact of cross-government service delivery.
3. Mandating different departments with ownership for critical activities. For example, the Department of Trade, Industry, and Competition is mandated to spearhead PYEI activities to facilitate stronger partnerships among stakeholders across the ecosystem.
4. Closely collaborating with others to enhance infrastructure and eliminate administrative obstacles that hinder the creation and expansion of MSMEs via [Operation Vulindlela](#).

BOX 4 – Checklist for integrating youth economic development capacity into organisations can include ensuring:

- ✓ The organisation articulates an aligned vision of youth mainstreaming and youth entrepreneurship in organisational policy.
- ✓ The organisation has accountability mechanisms to ensure faithfulness of implementation to policy intentions.
- ✓ Staff have a clear understanding of the implications of the organisation's work for young people and both male and female young entrepreneurs.
- ✓ Staff are trained for working with young entrepreneurs, are trained to be able to address the specific needs of female and male entrepreneurs, and in working with youth as partners in achieving public mandates.
- ✓ The institution's boards and programme decision-making forums include young people (both young men and women, and entrepreneurs where appropriate) and there is ethical and accountable stakeholder participation.
- ✓ Young men and women are involved in the entire programme cycle from situation analysis, planning, implementation, and monitoring and evaluation.
- ✓ The organisation has co-created tools and techniques for evaluating the effects of policy on youth entrepreneurs, and of youth participation in its execution.

Source: Adapted from Commonwealth's guide to Mainstreaming Youth in Development Planning (2017)⁸⁹

89 UNCTAD (2015b).

»»» RECOMMENDATION 2: DEVELOPING MSME AND ENTREPRENEURSHIP POLICY AND GUIDELINES TO PROVIDE STRONGER SUPPORT FOR YOUTH-LED ENTERPRISES



2.1: Formulate MSME and entrepreneurship policy and guidelines that meet the needs of youth-led businesses

In many ACP countries, the lack of adequate MSME frameworks hinders effective implementation of national policies and guidelines designed to encourage MSME growth and competition among all business owners.^{90 91} Many ACP countries lack established MSME frameworks, with just over half of African nations having national MSME guidelines.^{92 93} This not only affects MSME-owners in general but also young entrepreneurs who make up a significant portion of the MSME sector throughout the region. Young entrepreneurs needs can remain overlooked in many MSME frameworks.

Young people can encounter unique challenges due to their age and gender, limiting their ability to do business differently from older adults. For example, young people can be more vulnerable to external changes and can be prone to higher rates of business failure and stagnation than older adults.^{94 95} This is in part because young people may begin their entrepreneurial journeys from a weaker starting position to older adults (such as less experience and resources), but it is also reflective of the lack of structured and supportive policy that guide their enterprise development.

Even in countries with MSME policies, the youth component is often inadequately addressed, with policy remarks often limited to developing youth and women-led enterprises to promote their economic and social participation.⁹⁶ Young people's needs and motivations can go overlooked in policy formation, which can impede the support necessary for their entrepreneurial journeys. For example, young people are often more likely than older adults to seek to establish ventures with a social purpose, but unless these motivations are captured, and the support for this type of enterprise development embedded into policy guidance, young people will struggle to thrive. Similarly, although including youth in MSME policy is crucial, guidance can lack the necessary details to address demand-side opportunities, such as specific sectors, targets, types of business support, and strategic institutional partnerships required for their growth and success. One reason for this gap is that young people are often excluded from policy formation processes, and their incentives, needs and attitudes can go overlooked.

Youth enterprise strategies in many ACP countries typically align with broader MSME policies.^{97 98 99} For example, in sub-Saharan Africa, policies and guidelines on MSME and youth entrepreneurship emphasise individual micro and local enterprise development, advisory services, and small loans to start a business.¹⁰⁰ This strategy tends to overlook established businesses, leaving entrepreneurs who have advanced beyond the start-up stage struggling to obtain the support they require to expand or develop their ventures. As young entrepreneurs progress along the gamut of business development from start-up to growth and export, their needs evolve and vary and need differentiated support through this journey.

90 Caribank (2016); Anzisha Prize (2020).

91 UNCDF (2022). *Entrepreneurship Ecosystem in the Pacific: Network Analysis and Mapping of Institutions Supporting Entrepreneurship*. Accessible at: <https://www.uncdf.org/article/7300/entrepreneurship-ecosystem-in-the-pacific>.

92 See the *ICR Facility Intervention Spotlight* that focuses on supporting the coordination of the implementation of the National MSME Policy in Nigeria. The intervention highlights the range of support that the ICR Facility can offer partners to enhance the business enabling environments for entrepreneurs, including young entrepreneurs.

93 Anzisha Prize (2020).

94 Pompa, C. (2015). *Five ways to strengthen youth entrepreneurship*. *Overseas Development Institute Insights* article: <https://odi.org/en/insights/five-ways-to-strengthen-youth-entrepreneurship/>.

95 GEM (2015a; 2015b; 2018).

96 Anzisha Prize (2020).

97 Mamman et al (2019). *SME policy formulation and implementation in Africa: Unpacking assumptions as opportunity for research direction*. *Journal of Business Research*, Vol. 97 304-315.

98 Varela Villegas (2017).

99 Flynn et al (2017); Anzisha (2020); UNCDF (2022).

100 Mamman et al (2019).

Policies should not just be on boosting the number of start-ups but also elevating the quality of the businesses they produce. Policymakers, particularly those based in countries where youth make up a large share of MSME sectors, can benefit from spending time with different groups of young entrepreneurs and listening to their needs, and building in tailored guidelines that can support them to thrive within broader MSME development frameworks. Designing policies from the perspective of the most marginalised can be an important strategy for ACP policies. In doing so, the benefits of a better functioning policy environment may extend beyond the targeted group and also benefit other entrepreneurs who operate within the same system. The Government of Mauritius has done this; an example is outlined in [Case Study 2](#).

CASE STUDY 2: Embedding youth entrepreneurship in national MSME policy (Mauritius)

The Government of Mauritius included the experiences of young entrepreneurs in its 10-year master plan for the MSME sector. Using a data-driven approach, the government surveyed 147 young entrepreneurs aged 18-30 years to assess young graduates' readiness and propensity to pursue entrepreneurship as a career option. The government's 10-year plan describes the main parts of the ecosystem in which entrepreneurs and MSMEs work and identifies sectoral and thematic challenges affecting the development

of the MSME sector, such as greening MSMEs and economic empowerment of women and youth. The survey of young people revealed major hurdles to starting and running a firm, such as skill mismatches between schooling and pursuing entrepreneurship as a vocation. As a result, young men and women have been critical players in national MSME strategy development, and their aspirations, needs, constraints, and opportunities have been incorporated into the national plan.

Source: Government of Mauritius and reported by the Commonwealth Secretariat¹⁰¹ and Anzisha Prize.¹⁰²

The ICR Intervention Spotlight: Supporting the coordination of the implementation of the national MSME Policy in Nigeria

The ICR Facility supported the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and partners to develop a long-term coordination mechanism and an enhanced monitoring and evaluation system for Nigeria's National MSME Policy's implementation.

In March 2021, Nigeria's Federal Executive Council approved the revised National Policy on MSMEs, giving the SMEDAN the mandate to coordinate its implementation. SMEDAN and the Abuja Chamber of Commerce and Industry (ACCI) requested technical assistance from the ICR Facility to obtain the necessary resources and tools to support coordination efforts for the policy's successful implementation. The ICR Facility responded by developing the tools and support for a long-term coordination mechanism and M&E for the policy's implementation. In addition, the ICR Facility delivered 16 public-private dialogue (PPD) sessions at

the national and state levels to introduce the coordination mechanism.

The ICR Facility's intervention has enabled SMEDAN to coordinate efforts of various institutions and initiate implementation of the National MSME Policy. As part of the process, partners from youth-focused organisations, including National Youth Council, National Youth Service Corps, Network of Women and Youth in Agriculture, were invited to dialogs and inform the process communicating key needs and concerns among young entrepreneurs, who make up a majority of Nigeria's MSME owners. Whilst the BER is not youth-specific, technical assistance like this demonstrates the importance of policy implementation that considers youth voice and needs. And helps create favourable conditions for young entrepreneurs as well as other entrepreneurs and the wider functioning of MSME ecosystems.

More information >>> [intervention page](#)

101 Commonwealth Secretariat (2018). *Policy Toolkit: Youth Entrepreneurship for the Green and Blue Economies*. The Commonwealth Secretariat: London.

102 Anzisha Prize (2020).



2.2: Segment support for different kinds of young entrepreneurs

While targeting youth as a key group, standardised MSME and entrepreneurship policy may not be appropriate for all categories of young entrepreneurs. It is essential to consider differentiated approaches to support young people, even among targeted support for youth-led businesses. For instance, this can be particularly challenging among indigenous young entrepreneurs in the ACP regions and has been raised as an important challenge in the Pacific.

In the Pacific region, policies aimed at supporting youth entrepreneurship are still in their infancy. At the same time, entrepreneurship policy and support in the region have been subject to criticism for failing to cater to the requirements of indigenous entrepreneurs. The current entrepreneurship regulations and services tend to be unfavourable to indigenous business models, and the business practices of indigenous entrepreneurs can run counter to the entrepreneurship policy implemented by governments, which is frequently based on ‘western’ models of entrepreneurship.^{103 104} Thus, there is a pressing need to improve the policy to account for these discrepancies. More specifically, young people in the region display a higher degree of interest in entrepreneurship than adults and are also more likely to consider it as a career.¹⁰⁵ Hence, while establishing the policy frameworks for indigenous and other young entrepreneurs are both vital, segmented support will also be important for indigenous young people to help them meaningfully pursue entrepreneurship within a framework of support that is conducive to their needs, aspirations and culture.

In an interview conducted for the ICR Facility, one expert contributor explains in the case of Fiji that:

“Indo-Fijian and indigenous Fijian communities are culturally very different, particularly in how they conduct business. These differences are not well captured within existing policies or services to support young indigenous entrepreneurs. These differences must be more effectively understood and programmed into entrepreneurship and MSME policy and guidelines if they are to thrive.”

(Dr. Aiden Craney, Researcher)

103 Scheyvens, R., Banks, G., Meo-Sewabu, L. And Decena, T. (2018). *Indigenous entrepreneurship on customary land in the Pacific: Measuring sustainability. Journal of Management & Organization, Vol. 23., Issue 6.*

104 UNCDF (2022).

105 GEM (2013; 2018).



2.3: Good Practice for Taking Action

To improve the business environment for young entrepreneurs in the ACP region, governments need to identify policy gaps that are hindering their growth. Reforms to the existing laws and guidelines on MSMEs and entrepreneurship will be essential to this. These reforms should focus on meeting the unique requirements and challenges of young entrepreneurs from various groups in the country. To support this, policymakers in ACP countries can take three important actions to expand their attention on MSME policies and guidelines, which will benefit young entrepreneurs.

Articulate formal and informal mechanisms for young male and female entrepreneurs to share their voice.

In order to create policies that consider the views and needs of young people, public private dialogues must be made more inclusive. Policymakers must establish both formal and informal mechanisms that enable young entrepreneurs to share their voice and perspectives.¹⁰⁶ They should thoroughly assess how new and current policies impact young business owners and develop responsive policies and instruments accordingly. The Government of Mauritius' MSME strategy, as demonstrated in [Case Study 2](#), is an excellent example of capturing and incorporating the demands of young entrepreneurs. Policymakers must create similar opportunities when developing new or revised National Youth Policies to align the needs of young entrepreneurs with existing national MSME policy frameworks. This is a significant opportunity for countries that are revising their National Youth Policy to ensure that the next generation of business owners' needs are met.

In order to develop favourable MSME policies that benefit young entrepreneurs, policymakers must have a comprehensive understanding of all aspects related to their choice of informality.

Informality is a common practice among youth-led firms, especially women-led firms, and can have both positive and negative impacts on young entrepreneurs' business activities. While formalisation is often necessary to scale and grow a business, the decision to formalise can be complex. In some cases, formalisation policies may negatively impact young entrepreneurs' business performance, such as high taxes, which can deter them from registering their businesses. On the other hand, young entrepreneurs may choose to operate informally because it offers greater flexibility and suits their needs better, especially for young women with family responsibilities. Therefore, policymakers must fully understand the economic and social trade-offs associated with young entrepreneurs' decisions to formalise, in order to determine the best combination of policy reforms that will benefit them through the formalisation process. Policymakers should also promote and facilitate women's participation in policymaking to help design BERs that meet their needs. This can be done by inviting women-led businesses to participate in PPDs, and promoting reforms that relieve key risks such as harm and discrimination. Other reforms that can support women entrepreneurs in MSME policy should also consider those targeting the prevention of sexual harassment and gender-based violence, and promote the development of childcare systems. See the ICRReport [Promoting Women's Organisations into Public-Private Dialogues In ACP Countries](#) for further examples of how to enhance women's engagement with policymaking.

Policymakers should experiment with innovative MSME strategies and tools that focus on segmenting support tailored to the need of different kinds of businesses.

Anticipating which firms will experience growth is difficult as businesses with growth potential can come from diverse sectors and use different business models. The ILO recommends that policymakers shift from standardised policy and tools to support MSMEs and build more complicated ones targeting unique groups of firms.¹⁰⁷ There are examples of emerging tools and approaches that can help ACP policymakers address the needs of start-ups and more established firms and support the needs of young entrepreneurs.¹⁰⁸ Each segment can have unique demands and limits that can be addressed via effective planning and coordination.

¹⁰⁶ Readers are recommended to refer to another ICRReport in this series that focuses on promoting youth engagement in public-private sector dialogs for a detailed overview of how policymakers and practitioners can improve this across the ACP region.

¹⁰⁷ ILO (2016).

¹⁰⁸ OECD (2020).

A few emerging approaches policymakers can use to support young entrepreneurs include:

Start-up Acts:

they are emerging and comprehensive legal instruments that foster start-ups' creation and development, considering their particular needs. As part of the [ICR Facility series on Innovative Approaches to Support Entrepreneurs](#) the ICR Facility recently published an [ICReport on Start-up Acts](#) outlining how they can benefit ACP countries and provides recommendations for policy makers on their design and implementation.

MSME support strategies that cluster youth firms:

MSME policy and guidelines for youth entrepreneurship tend to focus on the individual firm level. However, research from the World Bank highlights that MSME development initiatives that cluster firms can leverage broader market benefits, such as improved market connections and productivity spill overs. These are associated with formalisation and can lead to increased profit and revenue.¹⁰⁹ The [Collaborative for Frontier Finance](#) presents one way to think about support for different types of firms to grow: to develop targeted business development strategies based on key enterprise characteristics. They propose clustering businesses on a spectrum of four types of enterprise: Livelihood-sustaining Enterprises, Dynamic Enterprises, Niche Ventures, and High-growth Ventures.¹¹⁰ Similarly, the [SCALE report from the Argidius Foundation](#) explains various ways policymakers might collaborate with business and entrepreneurship support providers to develop solutions to advance this (see [Box 5](#)).¹¹¹

BOX 5 – Supporting young entrepreneurs through fulfilling the potential of business and entrepreneurship support

In 2013, the Argidius Foundation conducted research to determine the most effective Business Development Services (BDS) interventions for Small and Growing Businesses (SGBs) to facilitate growth and job creation. From their work, five fundamental considerations emerged that distinguished high-performing BDS programs (those that cost-effectively delivered SGB growth).

These five considerations have been codified as SCALE and used as guidance to enhance the alignment and delivery of support services to entrepreneurs that can yield the greatest impact.

SCALE comprises five considerations:

(i) Selecting the right enterprise, (ii) Charging enterprise to improve performance, (iii) Addressing challenges through problem-solving, (iv) Learning by evaluating enterprise performance, and (v) Leading by Example by improving one's organisation to better serve enterprises.

While SCALE is not youth-specific, the key considerations offered by SCALE can support BERs for young entrepreneurs. For example, SCALE can support design, targeting and performance management of public and private business support programs that seek to create stronger environments for young entrepreneurs. Tools like SCALE can aid governments and funders in investing in reforms that target more efficient youth enterprise support programs and support ecosystems that promote sustainable development and job creation.

See the [full SCALE report and toolkit from the Argidius Foundation](#).

109 World Bank (2020). *Re-thinking the Approach to Informal Businesses: Typologies, Evidence and Future Exploration*. Finance, Competitiveness and Innovation in Focus. World Bank, Washington, DC.

110 Collaborative for Frontier Finance (2018). *The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs*. Report produced in partnership with Omidyar Network / Dutch Good Growth Fund.

111 Argidius Foundation (2021). *How to fulfil the potential of Business Development Services using SCALE*. The Argidius Foundation, Switzerland. Available at: <https://www.argidius.com/en/learning/how-to-fulfill-the-potential-of-business-development-services-using-scale>

»»» RECOMMENDATION 3: OPTIMISING REGULATORY REFORMS TO BETTER SUPPORT YOUTH ENTREPRENEURSHIP



3.1: Optimise business start-up support procedures for youth businesses

Poorly regulated business environments can be detrimental to new firm entry, and young individuals in particular, can struggle more than older adults to launch successful start-ups in these contexts.^{112 113} Older adults are 1.7 times more likely to make it to running a business beyond 3.5 years than young people.¹¹⁴ This is due to a mix of reasons, including young people having limited experience and capital to sustain the running of business, which can be costly in poorly functioning business environments.¹¹⁵ Cumbersome government administrative procedures, unfair competition, overcrowded markets, and a lack of access to new ones are all seen as key challenges to boosting the longer-term sustainability of youth-led firms.¹¹⁶

These challenges contribute to it becoming more likely that young people will abandon their ventures before getting to market. Reforms that can help lower the pressures and risks for young people to start their businesses can allow them to grow and consolidate their activities, increasing the likelihood of them becoming established entrepreneurs.¹¹⁷

Registering a business can give entrepreneurs access to formal business support services and finance that can help them to grow. However, it is common in the ACP region for business registration processes to be time-consuming and costly. Young people often lack the financial resources and knowledge required to complete extensive government paperwork. When youth businesses struggle to survive, they may prioritise earning immediate income, regardless of size, over the potential long-term benefits of registering their business. This can be of particular significance to young female entrepreneurs who are more likely to operate informally and can be more likely to make decisions about their ventures out of necessity more so than men.¹¹⁸ See [Box 6](#) for how policymakers can optimise regulatory reforms for informal young female entrepreneurship.

One strategy that is of special interest for young people is adopting digital business registries. Digitising business registration processes can be vital for encouraging entrepreneurs to formalise, particularly young people. Digital services are more likely to be utilised by young business owners.¹¹⁹ Accessing government services digitally can be simpler and faster and help build confidence in the regulatory environment. Recent research suggests that establishing digital business registries can be advantageous for all entrepreneurs¹²⁰ but it may have a disproportionate positive impact on young entrepreneurs. See [Case Study 3](#) for an example of how establishing digital business registries can disproportionately benefit young entrepreneurs.

112 GEM (2016; 2018).

113 Shehu, E. and Nilsson, B. (2014). *Informal employment among youth: Evidence from 20 school-to-work transition surveys*. International Labour Office: Geneva.

114 GEM (2013; 2015a).

115 GEM (2015a; 2015b).

116 *ibid.*

117 *Decent jobs for youth (2017) / OECD (2017).*

118 GEM (2015a 2015b).

119 Tang, Y. K. and Konde, V. (2020). *Differences in ICT use by entrepreneurial microfirms: evidence from Zambia*. *Information Technology for Development*, 26(2), pp. 268291.

120 Klapper et al (2019).

BOX 6 – Optimising Regulatory Reforms to support informal young female entrepreneurs

The experiences of men and women in the business environment can differ greatly due to the legal and social processes that are in place. Women’s decisions on whether to formalise their businesses and what potential trade-offs or opportunities they believe this might bring for them are shaped by these experiences. For women-led firms, especially those operating at the bottom of the pyramid, the costs of formalisation can outweigh the benefits. For instance, women can face legal barriers and gender discrimination when registering their businesses and dealing with officials.¹²¹ Equally, women may encounter various pressures from their families, including the notion that entrepreneurship may not be deemed a respectable career choice, and other obligations such as responsibilities towards the household. Policymakers must ensure that the business environment is gender-sensitive and that women’s experiences are taken into account when creating policies that affect them.

To promote entrepreneurship among both men and women, policymakers need to consider the following points:

- Policies that mandate formality may disproportionately affect women as they are often over-represented in the informal economy.¹²²
- Women should be included and encouraged to participate actively in gender-sensitive business environment reforms.¹²³
- Without incentives that help to remove the immediate burdens women face in doing business, like the public service provision of childcare or insurance, formalisation can be costly.¹²⁴

CASE STUDY 3: UNCTAD’s Digital Government Programmes supporting young entrepreneurs

UNCTAD’s digital government programmes supports governments to move complex procedures fully online. UNCTAD’s support includes developing digital single windows, trade and digital information portals, and digital documentation, among others. UNCTAD’s digital tools are especially helpful for those who encounter difficulties in carrying out government procedures, such as registering a business in person. This includes young people and women. UNCTAD’s digital business registries are one example where digitally enabled government reforms can have a demonstrably positive impact for young entrepreneurs.

For example, UNCTAD assisted the government of Benin in creating *Mon Enterprise*, an online platform that offers business registration and company search services. This digital window has improved access to registration for numerous young entrepreneurs who were previously deterred by cumbersome and costly processes or geographic distance from urban centres. As a result of this approach, the government witnessed a 181 percent increase in business registrations among young people within the first two years.¹²⁵ A similar UNCTAD initiative in Mali generated a corresponding surge of 263 percent in business registrations among young entrepreneurs.¹²⁶

121 Quak, E and Barenboim, I. (2022). *Female entrepreneurship and informality in low- and middle-income countries: what have we learned so far?* MUVA Paper Series. Brighton: Institute of Development Studies, DOI: 10.19088/MUVA.2022.001.

122 Quak and Barenboim (2022).

123 Hetherington, D. (2016) *Gender and Business Environment Reform: What Is ‘Best Practice’?*, Business Environment Reform Facility; Quak and Barenboim (2022).

124 Quak and Barenboim (2022).

125 Klapper, L., Miller, M., and Hess, J. (2019). *Leveraging Digital Financial Solutions to Promote Formal Business Participation*. World Bank, Washington, DC. <http://hdl.handle.net/10986/31654>.

126 UNCTAD (2021).

The pandemic has accelerated the digital transformation of business registries, but many ACP countries, notably those in Sub-Saharan Africa and the Caribbean, are still lagging. According to World Bank Doing Business data, just 31% of Latin American and Caribbean economies and 29% of Sub-Saharan African economies had an electronic system encompassing the complete business registration procedure.¹²⁷ The Pacific Islands area has made progress towards establishing digital business registrations, with at least the Cook Islands, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu having some digital registry service, with Kiribati and Palau in the works.¹²⁸ In addition, to make business registries appropriate to the needs of young entrepreneurs, some governments have extended grace periods on digital business registration procedures to enable them to comply with the various administrative processes involved.¹²⁹



3.2: Streamline business support for young entrepreneurs

Fragmented and poorly integrated government services for entrepreneurs can cause considerable and often costly delays in doing business. For instance, ICR interviews found that inefficiencies in government services in Papua New Guinea frequently impede people, particularly young people, from establishing a business. It was explained that while many young individuals view entrepreneurship as a promising career choice they can have trouble getting formal identification cards, particularly in remote areas, which they need to start a business. This holds them up in the other processes involved when registering a business and can undermine other initiatives government agencies have taken recently to reduce the time it takes to register a company.

Similarly, entrepreneurs in ACP countries frequently have to engage with or navigate various government agencies to find the services they require. This can be especially difficult for young entrepreneurs. Young people, especially young women, can lack the confidence and knowledge necessary to access conventional government services, and they frequently require assistance locating or obtaining the support they need to grow. For example, a young entrepreneur interviewed for the ICR Facility in Fiji explained that dealing with public services can be time-consuming and daunting for some. Other young entrepreneurs frequently lack the skills and confidence to interact with government processes and civil servants. While some entrepreneurship support is accessible at the start-up stage, efforts to access the support available beyond these stages can be limited (Avikesh Kumar, young entrepreneur and youth advocate from Fiji).

Governments can adopt different initiatives to help streamline business support services for young entrepreneurs. For instance, governments can set up digital systems that help connect entrepreneurs with various government services. Through partnerships such as UNCTAD's Digital Government Programme, partners are working with ACP governments to help them streamline complex procedures to help people, particularly marginalised youth and women, access government services more easily and quickly from their devices. Yet notably, 72% of Sub-Saharan African and 67% of Latin American and Caribbean economies still lack such services.¹³⁰

Similarly, other governments have established one-stop shop initiatives to streamline government support services. Whilst one-stop shop initiatives are used to support different groups, they are seen as a particularly successful reform for strengthening the support for young entrepreneurs.¹³¹ See [Case study 4](#) on developing one-stop-shop initiatives.

127 World Bank (2021).

128 Asian Development Bank (2022). *Pacific Private Sector Development Initiative Annual Report*. ADB, July 2022: ISBN 978-92-9269-618-4.

129 UNCTAD (2015a).

130 World Bank (2021).

131 UNCTAD (2015a).

CASE STUDY 4: One-stop-shop for young entrepreneurs (Jamaica)

One-stop shops for young entrepreneurs have dedicated spaces where young people can access support for different stages of their business journey. In addition, one-stop-shop services can assist governments in coalescing existing youth enterprise support and helping identify and fill critical support gaps.¹³² The Ministry for Youth Affairs in Jamaica developed a Youth Entrepreneurship Strategy as part of its implementation of the National Youth Policy and coordination of the country's youth entrepreneurship ecosystem. The strategy has a priority *"To assist in the creation of a sustainable business environment that is sensitive to the needs of micro, small and medium enterprises (MSMEs) and youth-run enterprises."* (p.9). A goal for supporting this vision included a one-stop shop for supporting young entrepreneurs, offering reliable market information, mentorship, and broader business development services. The strategy outlined the [Jamaican Youth Business Trust \(JYBT\)](#) would lead this, with core support functions provided by other

private and public sector organisations, including Young Entrepreneurs Association (YEA) and Jamaica Business Development Centre (JBDC).

JYBT today offers support services for young people to start and run businesses, including personal development and entrepreneurial development skills training, mentorship, guidance on starting up a business in Jamaica, and the provision of broader business development services. JYBT has grown to be a leading hub for youth entrepreneurship in Jamaica and continues to advance its mission through facilitating partnerships, supporting the government, and international exchanges and outreach. For example, JYBT is an active member of the [Youth Business International \(YBI\) network](#) (the world's most extensive youth entrepreneurship network for youth entrepreneurship support organisations) and co-hosts events such as Global Entrepreneurship Week alongside other organisations in the Caribbean.

Source: Jamaica Youth Entrepreneurship Strategy



3.3: Advance reforms that support youth-led firms to grow and scale

Although regulatory processes in the ACP region have improved over time, particularly in support for business start-ups,¹³³ young entrepreneurs continue to face significant impediments to growth and scale. Regulations can be unfair, favouring established enterprises over new entrants. As a result, young entrepreneurs can require assistance competing with adult-led enterprises and participating in regional and global value chains. By advancing regulatory reforms that support smaller youth-led enterprises in particular, policymakers have the potential to significantly impact youth entrepreneurship throughout the region and help level the playing field. One example of reform that aim to support smaller youth-led enterprises is preferential procurement policies, such as Kenya's preferential procurement initiative, The Access to Government Procurement Opportunities (AGPO) programme (see [Case Study 6](#)).

132 UNCTAD (2015a).

133 World Bank (2019; 2020).

CASE STUDY 5: Kenya's Access to Government Procurement Opportunities (AGPO) programme

The Access to Government Procurement Opportunities (AGPO) programme is an example of a demand-side affirmative action BER in Kenya that recognises the disparity between youth and adult-led enterprises. The AGPO aims to increase possibilities for youth, women, and people with

disabilities (PwDs) to participate in the delivery of public services. The AGPO legally grants youth, women, and people with disabilities preferential procurement access by giving these groups 30% of total government procurement chances.¹³⁴



3.4: Good Practice for Taking Action

There is no «one-size-fits-all» approach to maximising regulatory reforms for assisting youth-led enterprises, and evidence on which reforms best serve young entrepreneurs differs by circumstance. As a result, governments should conduct a thorough impact assessment to inform national youth entrepreneurship and MSME strategies; identifying the most critical reforms and determining how best to support youth. In line with this, some of the practices policymakers can use to support planning regulatory reforms for young entrepreneurs include:

Use a mix of incentive-based reforms – both pull and push incentives. This works best for supporting youth-led start-ups.

To better support youth start-ups, policymakers should focus on gender-sensitive strategies that reduce costs and maximise the benefits of formalisation. Enterprise compliance and registration are only essential to young entrepreneurs as far as it makes economic and social sense for them. Rather than formalisation being solely the objective of youth businesses, policymakers should link reforms to efforts that help them survive and grow. This can be achieved by removing barriers to doing business, such as the time and costs of registering, and boosting their productivity through accessible support and resources.

Avoid copy-and-paste regulatory solutions.

Young entrepreneurs can react differently to changes in the business environment depending on their circumstances. When considering reforms such as affirmative action and others, policymakers should consider how new regulations for youth-led businesses will affect their participation and establish the appropriate reforms that can support their involvement. Understanding critical support needs or reforms of both young men and women could be advanced through promoting mechanisms for gender-sensitive public-private sector dialogs that include young entrepreneurs. For example, to ensure that young people may compete fairly in highly competitive bidding processes, responsible ministries such as finance and public procurement could hold dialogs to understand specific support to youth-led and female-led enterprises that are necessary to improve their participation.¹³⁵ Reforms that work in one setting may not function in another. Evidence demonstrates that in fragile situations, government procurement reforms are unlikely to be «quick wins» for assisting entrepreneurs, and regulatory institutions' essential capacities are likely to be relatively limited.¹³⁶ Other measures, such as establishing one-stop shops (see [Case Study 4](#)), are more likely to support entrepreneurs in the short-term than those focused on cutting red tape and reducing regulatory burdens.¹³⁷

¹³⁴ Government of Kenya. Access to Government Procurement Opportunities (AGPO) Programme. <https://agpo.go.ke/>.

¹³⁵ World Bank (2019; 2020).

¹³⁶ Glanville, M., Kerušauskaitė, I. and Harley F. (2016). Scoping Study on Business Environment Reform in Fragile and Conflict Affected States. Business Environment Reform Facility: DFID, UK Government.

¹³⁷ Glanville et al (2016).

»»» RECOMMENDATION 4. ENHANCING COORDINATION AND MONITORING OF REFORMS SUPPORTING YOUTH ENTREPRENEURS

Monitoring and coordination of different youth entrepreneurship reforms are crucial for strengthening entrepreneurial ecosystems' capacities to support young women and men.¹³⁸ This contributes to the advancement of joint initiatives that can support young entrepreneurs across the ACP region and instils good practices and procedures inside different stakeholder organisations within a business environment that can assist them.



4.1: Develop better and gender-sensitive monitoring and assessment systems for youth entrepreneurship reforms

The absence of monitoring and evaluation infrastructure to assess or inform government policies for youth entrepreneurship presents a challenge in determining their effectiveness, as there are no established baselines, objectives, indicators, or targets to assess progress. Assessment and monitoring systems need to be gender-sensitive to capture the evolution of women entrepreneurship and ensure policies do not reinforce gender disparities. Furthermore, this lack of infrastructure to inform policy decisions increases the risk of governments accepting or expanding youth entrepreneurial initiatives without a thorough assessment of their potential outcomes or feasibility. These were highlighted as common issues holding up business environment improvements for young entrepreneurs in interviews conducted for the ICR Facility with Entrepreneurship Support Organisations in Africa and the Caribbean.

“One of the main challenges we face in the Africa region is that new government policy and programmes for youth entrepreneurship can often be ‘reproductions’ of previous policies whose impact goes poorly understood. Beyond anecdotal evidence, we do not know what immediate reforms to prioritise to improve them.”

(Mr. Charles Ocici, Enterprise Uganda)

Building a more robust baseline knowledge of «what works» at the national and regional levels is critical for strengthening youth entrepreneurship in ACP countries. In addition, better data and monitoring regimes on youth entrepreneurs are essential to designing successful BERs. Reforms based on incidental knowledge can result in imprecise planning and the potential to cause market distortions (e.g., displacement of other business owners). Making cohesive monitoring and learning mechanisms for youth entrepreneurship within and between public and private sector institutions to measure the progress of programmes will also be critical for anchoring good practice.

Data on young entrepreneurs, in general, can be scarce and often incidental in ACP countries. Therefore, ensuring that suitable data collection and monitoring infrastructure are available to inform reform proposals is essential. Data should be gender sensitive. One way this can be enhanced is by building youth-specific and gender disaggregated data points into tools like Regulatory Impact Assessments and MSME Tests, such as those used in the EU's Better Regulation Toolbox.¹³⁹ One example of where an innovative MSME policy monitoring tool has been adopted in the ACP region is Kenya's Private Sector Alliance (KEPSA) MSME policy index, which seeks to measure and track the progress of BERs for MSMEs (see [Case Study 6](#)).

¹³⁸ UNCTAD (2015a).

¹³⁹ European Commission. Better regulation: guidelines and toolbox (https://commission.europa.eu/law/law-making-process/planning-and-proposing-law/better-regulation/better-regulation-guidelines-and-toolbox/better-regulation-toolbox_en).

CASE STUDY 6:

The Kenya Private Sector Alliance (KEPSA) MSME policy index

In Kenya, the *Kenya Private Sector Alliance (KEPSA)* developed an MSME policy index to help measure and track the progress of BERs for MSMEs. The Index is organised around eight policy areas to make recommendations for MSME development in policy, legislation, regulations, programs, and support systems.¹⁴⁰ The KEPSA MSME Policy Index is borrowed from best practices in ASEAN countries¹⁴¹ and is the first in Africa. Though the Index is not exclusive to youth entrepreneurs, it aims to help the government set objectives for MSME policy development by identifying crucial areas for improving the business environment. Its indicators support young entrepreneurs in most operating MSMEs. Other partner organisations can also

leverage the data to support better youth entrepreneurship policy and practice. The Index may also lend itself in the future to extend current indicators to include those that can capture more youth-specific enterprise information that can further Kenya's business-enabling environment. Similarly, KEPSA has recently launched Kenya's first private sector gender mainstreaming policy which is intended to offer guidance to companies and organisations seeking to optimise gender equality and women's empowerment initiatives. The policy also provides guidance to organisations on how to set clear targets, measure, report and communicate gender-mainstreaming objectives.¹⁴²



4.2: Develop robust coordination mechanisms for youth entrepreneurship reforms

Coordination of youth entrepreneurship reform initiatives has often not kept up with the growing interest in youth entrepreneurship across the ACP region. As a result, youth entrepreneurship support ecosystems are frequently fragmented and not conducive to scaling, affecting young people's capacity to start, build, and scale their firms.¹⁴³ This was highlighted by our research as a key barrier to supporting youth entrepreneurs to thrive throughout the ACP region.

Poor coordination of national youth entrepreneurship reforms can lead to information asymmetries, poor targeting, geographic and gender-based inequities in business support services (much of which is generally urban-centric)¹⁴⁴, and issues enforcing reforms. When governments are unable to spearhead youth entrepreneurship agendas, donors, non-governmental organisations, and other private institutions usually do so. Significantly, if not adequately coordinated, donor and third-sector activities can limit the extent and growth of ecosystems. For instance, some of the challenges ecosystems are affected by include: short-term programme financing, project-based programmes that are narrow in scope and aims; reforms can be inappropriate for the context, and governments can develop an over-reliance on foreign-led technical assistance that can hold back the capacity building of nationally led organisations. This last point is seen as a significant impediment to building up entrepreneurial ecosystems in the Pacific region.¹⁴⁵

140 United Nations Department of Economic and Social Affairs (2020). *Formalisation of MSMEs in Africa*. UNDESA: New York.

141 OECD (2022). *SME Policy Index*. ISSN: 24136883 (online). <https://doi.org/10.1787/24136883>.

142 Kenya Private Sector Alliance (KEPSA) (2022). *Media Sensitization on the Private Sector Gender Mainstreaming Policy* (Online Article). <https://kepsa.or.ke/kepsanews/media-sensitization-on-the-private-sector-gender-mainstreaming-policy>.

143 UNCDF (2022).

144 *ibid.*

145 *ibid.*



4.3: Good Practice for Taking Action

Developing effective monitoring and coordination mechanisms to help manage youth entrepreneurship reforms across different public and private sector agencies is critical. Nevertheless, with many ecosystems still nascent or emerging, policymakers need to adopt initiatives appropriate to their current level of entrepreneurial ecosystem maturity and the size and maturity of public institutions to handle coordination and enforcement. Below are good practices for strengthening the monitoring and coordination of national youth entrepreneurship initiatives in ACP ecosystems.

Policymakers should evolve existing monitoring systems and indicators to integrate youth and gender-sensitive entrepreneurship objectives.

This may entail integrating indicators inside existing monitoring infrastructure or requiring the development of new ones.¹⁴⁶ It can be challenging to monitor cross-agency activities for youth entrepreneurship and integrating youth entrepreneurship policy indicators into existing monitoring systems can be difficult. Some strategies that institutions can use to improve monitoring for youth entrepreneurship reforms include: defining clear national and subnational level performance indicators for youth entrepreneurship, setting up independent monitoring and evaluation routines for youth entrepreneurship activities; and promoting the collection of youth entrepreneurship data in national surveys/assessments.¹⁴⁷ There are examples of innovative approaches that can help ACP policymakers inform how to strengthen existing monitoring and coordination regimes. In South Africa, an expert contributor interviewed for the ICR Facility discussed that the government is implementing uniform monitoring and reporting indicators that all agencies can use to track the outcomes of youth employment and entrepreneurship outcomes. This initiative aims to improve institutional conditions and provide enabling environments for young people to succeed in entrepreneurship or work.

Invest in long-term capacity building initiatives of national and local organisations in ACP countries to support youth and gender-sensitive entrepreneurship ecosystems.

National and local organisations in ACP countries may lack the expertise and capabilities to effectively support youth and women's entrepreneurship, and therefore require capacity building to take ownership of key functions in building conditions for sustainable local support and business ecosystems. Unfortunately, the role of initiatives investing in the long-term capacity building of these institutions can be overlooked in favour of short-term projects or foreign-led technical assistance. It is important to prioritise investment in funding efforts that focus on long-term capacity building for national and local organisations. This approach can make a significant difference in empowering these institutions to develop and grow sustainable support systems for young entrepreneurs. Further, it can be particularly important among indigenous institutions where different cultural understandings of entrepreneurship remain a barrier in accessing appropriate support. By building the capacity of indigenous organisation this can help to provide effective entrepreneurship support, appropriate for the contexts.

¹⁴⁶ *ibid.*

¹⁴⁷ UNCTAD (2015a).

Develop coordination mechanisms for existing donor and third-sector entrepreneurship initiatives that can advance partnerships that contribute to ecosystem building.

Some associations have established multi-stakeholder and regional-level forums that build horizontal capacity among partner organisations and BER reform. In 2015, the ASEAN Business Advisory Council proposed the establishment of *ASEAN Young Entrepreneurs Council* to regional leaders as the official voice for young entrepreneurs in the ASEAN policy-making process. The Council represents youth entrepreneurship organisations in the region and plays a crucial role in developing conducive business environments for young entrepreneurs. One function of its activities involves advancing the monitoring and learning of different BERs that can provide better conditions for new and existing entrepreneurs back up into ASEAN regional policy. Similarly, Youth Connekt Africa's (YCA) model for national capacity building is one example that has worked to 'graduate' some of the difficulties caused from poor coordination. YCA works in multi-stakeholder environments and serves as a «hub» for coordinating existing national initiatives such as youth entrepreneurship. YCA collaborates with many development partners to avoid duplication of efforts and to assist successful ones in scaling and growing. It provides specialised technical and financial resources, knowledge sharing, and assistance in enhancing national ownership of economic agendas such as youth entrepreneurship. Securing government support was one of the most critical components of the YCA's success. YCA accepts to work in new countries only if the initiative's initial funding commitment comes from the country's youth ministry.¹⁴⁸ This helps to garner governmental backing and aids YCA in addressing some of the more significant difficulties that plague fragmented ecosystems. This model can help governments with poorly developed youth entrepreneurship policies to advance the essential pillars required to help young entrepreneurs navigate their ecosystems. To date, YCA activities have been replicated across 32 African countries.

148 African Union (2020).

CONCLUSION

Interest in youth entrepreneurship has increased throughout Africa, the Caribbean, and the Pacific (ACP) in recent years. However, the necessary gender-sensitive business environment regulations and policy coordination measures to properly support young entrepreneurs have often lagged behind. As a result, many youth entrepreneurial ecosystems remain fragmented. ACP business environments can impose restraints on young entrepreneurs and contribute to unequal playing fields for youth-led enterprises, especially young women-led firms. This happens for different reasons and manifests differently throughout the region.

This report provides several examples of how governments and other stakeholders can help young male and female entrepreneurs be better placed to start and operate their businesses. It makes four recommendations for how policymakers in the ACP regions can support youth entrepreneurship and strengthen the performance of youth-led firms to contribute to more comprehensive economic development in the ACP region.

The next ICR Reports will focus on how BERs can effectively support youth employment and participation in public and private sector dialogue. They will again make recommendations for policymakers and highlight how the ICR Facility can support the delivery of BERs across ACP countries through its technical assistance component.

View the other reports here:

icr-facility.eu/youths-economic-empowerment-1

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