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Enabling poor rural people  
to overcome poverty

## **President's report on a proposed grant under the private-sector grants window to Making Cents International**

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**For: Approval**

## Contents

<b>Abbreviations and acronyms</b>	<b>i</b>
<b>Recommendation for approval</b>	<b>1</b>
<b>Part I – Introduction</b>	<b>1</b>
<b>Part II – Recommendation</b>	<b>2</b>
<b>Annex</b>	
Making Cents International (MCI): Scaling Up IFAD Rural Youth Employment Interventions in the NENA Region	3

## Abbreviations and acronyms

CEN	Central and Eastern Europe and the Newly Independent States
MCI	Making Cents International
NENA	Near East and North Africa
NEN	Near East, North Africa and Europe Division
SME	small and medium-sized enterprise
VSLA	village savings and loan association

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for a grant under the private-sector grants window to Making Cents International as contained in paragraph 8.

## **President's report on a proposed grant under the private-sector grants window to Making Cents International**

I submit the following report and recommendation on a proposed grant to the private-sector entity Making Cents International in the amount of US\$2,500,000.

### **Part I – Introduction**

1. This report recommends the provision of IFAD support to the private-sector entity Making Cents International (MCI).
2. The programme to be funded with the grant being submitted for approval by the Executive Board is described in the annex to this report:
 

Making Cents International (MCI): Scaling Up IFAD Rural Youth Employment Interventions in the NENA Region
3. The programme objectives and content are in line with the Fund's strategic objectives and the Revised IFAD Policy for Grant Financing (EB 2009/98/R.9/Rev.1).
4. The overarching strategic goal that drives the revised grant policy, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The policy aims to achieve the following outputs: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
6. The proposed programme is in line with the goal and outputs of the revised grant policy, as well as with the objective of the IFAD private-sector engagement strategy of strengthening ongoing IFAD investment projects and better supporting the growth of rural small and medium-sized enterprises. Moreover, it is entirely dedicated to the fifth principle of engagement of the IFAD Strategic Framework ("creating viable opportunities for rural youth"), which is highly relevant in the Near East and North Africa (NENA) region and is, in fact, part of the strategic workplan of the Near East, North Africa and Europe Division.
7. The programme's goal is to implement five distinct youth-inclusive debt, savings, equity and support-service activities in four targeted countries, building on previously implemented IFAD approaches in the Central and Eastern Europe and the

Newly Independent States region. The grant will leverage substantial cofinancing, amounting to US\$3,780,000, of which nearly 90 per cent will be in cash contributions. This shows the strong commitment of the recipient to the programme's success.

## **Part II – Recommendation**

8. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the programme for Scaling Up IFAD Rural Youth Employment Interventions in the NENA Region, shall provide a grant not exceeding two million five hundred thousand United States dollars (US\$2,500,000) to Making Cents International for a three-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze  
President

# **Making Cents International (MCI): Scaling Up IFAD Rural Youth Employment Interventions in the NENA Region**

## **I. Background**

1. The Arab world faces high levels of youth unemployment, underemployment and a shortage of opportunities for its rapidly expanding young population.<sup>1</sup> This problem is especially severe in rural areas, where a combination of limited natural resources, a poor enabling environment and low government investment has produced few economic opportunities for young people. Urban migration has been the response for many young people; however, most have not been absorbed into the workforce, fueling unrest and squandering the potential of this demographic dividend. While addressing the problem will require sustained efforts on many fronts, improving youth's effective access to finance is an important component of an overall strategy.
2. Making Cents International (MCI), the proposed grant recipient, is a dynamic social enterprise – a reputable source of high-quality technical assistance that is helping vulnerable populations – especially youth and women – start and grow businesses, participate in profitable value chains, access finance and obtain meaningful work. Silatech, its Qatar-based lead partner in the region, is also a social enterprise dedicated solely to financing youth employment and entrepreneurial opportunities in the Arab region. Both Silatech and MCI were invited to submit proposals to IFAD and they opted to join forces and submit a common proposal building on their respective comparative advantages. Through expert technical assistance provided by MCI, and project funding provided by Silatech, both organizations have increased the accessibility of financial services to urban youth in the Near East and North Africa (NENA) region. Under the proposed programme, MCI, in collaboration with Silatech, would leverage IFAD resources and know-how to replicate the same approach for the benefit of rural youth, using their complementary skills sets. MCI and Silatech were selected by IFAD – through a competitive and transparent process – because their proposal met all the qualifying criteria and was the best technical and financial proposal received. The grant recipient will accomplish the objectives through training and technical assistance, activities that could not be financed by a loan because MCI will not receive any income – during the life of the programme or afterwards – from the financial institutions being supported or their beneficiaries. A loan is not feasible for the local partners either, considering the high costs and risks inherent in beginning new product lines that target poor rural youth.

## **II. Rationale and relevance to IFAD**

3. The proposed grant will pilot the introduction of financial services and other business advisory services tailored to the specific needs of young entrepreneurs in the NENA region. The Near East, North Africa and Europe Division (NEN) encompasses two subregions: NENA and Central and Eastern Europe and the Newly Independent States (CEN), and thus has the opportunity of using grant funding to replicate and scale up successes from one subregion to the other. To that end, the proposed grant will seize the new rural development paradigm brought about by the "Arab spring" to foster the uptake of private-sector-led, small and medium-sized enterprise (SME) development interventions that have proved effective in addressing youth employment needs in the CEN transition countries.
4. The programme will seek to address key root causes of NENA's growing rural youth unemployment. In particular, it will work on lack of access for young people to appropriate financial services, quality business and employment training, and market and job information. These service gaps are common in rural areas, but are

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<sup>1</sup> The Arab world has a "youth bulge" of more than 100 million people, one third of the total population. Youth unemployment has increased sharply in the period 2011-2012, reaching 27.9 per cent, the highest level in the world, as a consequence, inter alia, of current social and political unrest.

particularly severe for youth due to financial service providers' common perception that they are riskier and thus more expensive to serve – as well as the added challenge of sustainably addressing a young person's lack of business or job skills. Despite these challenges, the benefits of success are high. Debt finance supports young entrepreneurs looking to take advantage of value chain opportunities, facilitating their ability to serve as producers or service providers to agricultural value chains. Savings services can help young people amass assets that can be used for business or educational purposes, while insurance services can protect them and their households against the potentially devastating impacts of drought or loss of key household members. Equity and value chain finance to SMEs support large-scale investments in agricultural value chains or rural areas, improving agricultural productivity and employment prospects for youth.

### **III. The proposed programme**

5. MCI and Silatech were selected through a competitive process<sup>2</sup> to test and replicate packages of financial and non-financial instruments that have a direct impact on youth entrepreneurship and employment. They will implement five distinct youth-inclusive debt, savings, equity and support-service activities – modelled after successful IFAD approaches in the CEN region – in the four targeted countries (Egypt, Morocco, Tunisia and Yemen). Implementation of these activities will both lead to measurable results during the grant period, and provide replicable models that can be further scaled up across the IFAD portfolio afterwards.
6. The overall goal of the programme is to increase youth employment and self-employment by building the capacity of local institutions to provide youth-inclusive financial and non-financial services to rural youth and/or the enterprises that employ them.
7. The programme has three objectives:
  - Build the capacity of local financial institutions to develop and deliver five youth-inclusive financial instruments in rural areas of Egypt, Morocco, Tunisia and Yemen.
  - Build the capacity of local institutions to develop and deliver five complementary youth-inclusive non-financial services to support youth employees, entrepreneurs and/or recipients of financial instruments in rural areas.
  - Consolidate and share learning from the programme through practical knowledge products and events that will support the scaling up and replication of youth-inclusive financial and non-financial instruments for rural youth.
8. The target age-group for this programme will be low-income youth, 15-35 years of age, living in rural areas, who are involved either in agricultural production or in activities associated with rural markets. Due to legal restrictions in lending, loan products will target only youth over 18. Moreover, MCI understands that women and adolescent girls are key actors in improving livelihoods and industry competitiveness, and they will be of particular concern to this programme. MCI understands the unique challenges and barriers to accessing financial and non-financial services that women and young girls face in the NENA region, given the religious and cultural context, and will design products and services that meet their particular needs. It is anticipated that at least 35 per cent of all programme beneficiaries will be girls and young women. M&E indicators will be disaggregated by gender.

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<sup>2</sup> NEN issued a formal request for proposals and five potential recipients were short-listed and assessed.

9. The programme will rely on a variety of targeting methods to maximize grant proceeds accruing to poor rural youth. The specific method will depend on the country context and what local partners are already using; however, it specifically relies on geographical as well as product-feature targeting. The three-year programme will comprise three main components: (i) financial services; (ii) non-financial services; and (iii) learning activities.

#### **IV. Expected outputs and benefits**

10. The proposed grant is expected to generate a minimum of:
- Five financial pro-youth instruments/approaches tested in NENA countries;
  - Three models that proved successful in CEN to be adapted and scaled up in NENA countries;
  - Capacity-building of beneficiaries in financial services (support in drafting business plans, financial literacy training);
  - Capacity-building of partner financial institutions in risk assessment and upgrading their capacity to appraise agricultural loans;
  - Financial instruments piloted in at least two IFAD-supported projects to be designed over the next lending cycle (2013-2015);
  - Knowledge products on the effectiveness of the financial instruments and capacity-building activities in the NENA context and assessment of the impact of the programme on target groups.
11. In addition, the IFAD learning agenda related to youth employment issues will greatly benefit from the partnership with MCI, the organizer of a high-level global youth conference – the Global Youth Economic Opportunities Conference – as well as the partnership with Silatech, which is leading a prominent initiative funded by the State of Qatar to promote large-scale job creation, entrepreneurship and access to capital and markets for young people in the NENA region. These partnerships provide a unique opportunity for IFAD to further highlight its contributions to global donor-community efforts to mainstream youth issues in the broader development agenda. In just six years, MCI’s annual conference has become the premier learning event in this field.
12. In total, these financial support services are expected to reach more than 15,000 rural young people and provide direct employment to over 3,750 youth with training, market- and employment-related information, financial services and jobs. An additional hallmark of the programme is its commitment to and emphasis on learning. MCI will leverage its expertise in this area to document and disseminate lessons learned in order to enable IFAD to replicate proven practices, and youth and rural-finance practitioner communities to learn from project experiences.

#### **V. Implementation arrangements**

13. MCI will serve as the programme manager of the grant, responsible for obtaining key results, implementing technical assistance, providing oversight to partners, managing the budget and completing financial and narrative reporting. It will further ensure that each local partner is progressing in its individual implementation plan, that grant-wide milestones are being met and that a close relationship with IFAD is developing. Though MCI will be managing the overall budget, it should be noted that the majority of funds will be sub-granted to local partners through Silatech and the Aga Khan Development Network (AKDN).
14. Silatech will serve as the major strategic partner in this programme, managing the relationship with and sub-granting to four local institutions. It will co-invest US\$3,350,000 of its own financial resources to match the IFAD contribution in youth-focused projects, and will provide high-level advice on the type and

characteristics of financial and non-financial products. Silatech will sub-grant US\$1,100,000 of IFAD grant funding to local partners.<sup>3</sup> MCI will buttress this relationship with additional technical assistance in order to help ensure that the new products are effective in the more-difficult rural environments proposed.

15. To ensure effective implementation, MCI and Silatech will communicate regularly on programme implementation, meeting on a daily basis at the beginning of the programme to jointly design the launch, and scheduling regular, biweekly or monthly check-in calls as the programme progresses. They will have joint quarterly communication with each local implementing partner to track progress against programme deliverables, coordinate technical assistance and address funding and any other operational support necessary to achieve the objectives of the grant. MCI will also have a direct communication relationship with Silatech's grantees in order to ensure timely flow of information for programme management and reporting purposes.
16. Five local partners from the four targeted countries will implement the youth-inclusive financial and non-financial services. Each of the partners will receive a sub-grant of US\$200,000-350,000, which they will use to conduct marketing, pay for one-off services, train staff and provide incentives to youth. Local partners will report on activities to MCI directly or through Silatech. MCI and Silatech will also encourage cross-institutional learning by convening three regional conferences in which partner institutions will come together to learn from each other, share experiences and brainstorm solutions to problems. The programme will be supervised by IFAD, and implemented in agreement with IFAD financial management procedures and guidelines for procurement, financial reporting, audit and fund flow requirements. MCI will enter into agreements with implementation partners in the region that reflect the agreed flow of funds detailed in the programme design, while it remains ultimately responsible for funds management. Annual audited financial statements for the grant will be submitted to IFAD that consolidate expenditures incurred by all grant sub-recipients, who will be accountable to MCI for use of sub-grant funds and will be subject to normal audit oversight.

## VI. Indicative programme costs and financing

17. The total cost of the programme is estimated at US\$6,280,000. IFAD will contribute US\$2,500,000 (40 per cent), while cost-sharing from in-kind and cash contributions will amount to US\$3,780,000 (60 per cent of total budget). This includes a \$3,350,000 cash contribution from Silatech; \$300,000 from local organizations; and a \$130,000 in-kind contribution from Making Cents International.

### Summary of budget and financing plan (Thousands of United States dollars)

	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
1	Salaries	469	340
2	Programme expenditures through sub-grants	1 378	3 350
3	Travel and allowances	315	
4	Audit, publication and communication	86	90
5	Overhead	252	
	<b>Total</b>	<b>2 500</b>	<b>3 780</b>

<sup>3</sup> First Microfinance Foundation and Om Habibeh Foundation in Egypt, Al Barid Bank in Morocco, Tuninvest in Tunisia and Al-Amal Microfinance Bank in Yemen.



## Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Youth employment and self-employment in the NENA region is increased by building the capacity of local institutions to provide youth-inclusive financial and non-financial services to rural youth or the enterprises that employ them	<ul style="list-style-type: none"> <li>Increased number of youth will have access to &amp; use financial or non-financial services to begin or expand a business in 3 years (Target: 12,600 financial; 15,250 non-financial, 35% of participants will be women and 40% will be living below the national poverty line);</li> <li>Increased number of youth will be employed by SMEs or begin/expand businesses thru direct project support (Target: 3,750);</li> <li>Increased number of youth-inclusive financial &amp; non-financial instruments that are accessible &amp; adapted to rural youth in NENA &amp; documented sufficiently to allow replication and up scaling (Target: 5 financial, 5 non-financial)</li> </ul>	Management Information Systems (MIS) of Financial Service Providers; MIS of SMEs; Product description from service providers; knowledge products	Financial & non-financial products are viable; Financial & non-financial services are scalable; Appropriate market conditions exist to hire youth or to begin businesses
Objectives	1. Build the capacity of local financial institutions to develop and deliver five youth-inclusive financial instruments in rural areas of Tunisia, Morocco, Egypt, and Yemen	<ul style="list-style-type: none"> <li>Increased number of rural youth that have started or expanded an enterprise after receiving a loan (Target: 3,650);</li> <li>Increased number of youth with savings accounts (Target: 10,000);</li> <li>Total number of youth served with financial services (Target: 12,600);</li> <li>Increased volume of loans disbursed to rural youth (Target: US\$500 000);</li> <li>Increased volume of deposits held by rural youth (Target: US\$300 000<sup>4</sup>);</li> <li>Increased capacity of local staff to develop and deliver youth-inclusive financial services</li> </ul>	MIS; Attendance records for trainings (ARTs)	Market Research demonstrates demand for the financial and non-financial product; Financial and non-financial products are considered viable by the local institutions; Market conditions are stable
	2. Build the capacity of local institutions to develop and deliver five complementary youth-inclusive non-financial services to support youth employees, entrepreneurs &/or recipients of financial instruments in rural areas	<ul style="list-style-type: none"> <li>Increase number of youth trained on rural enterprise dev. (Target: 7,700);</li> <li>Increase in number of youth trained in financial literacy (Target: 5,000);</li> <li>Increased number of youth employed by SMEs (Target: 100);</li> <li>Increased number of youth utilizing mobile services (Target: 5000);</li> <li>Increased capacity of local staff to develop &amp; deliver youth-friendly non-financial services (Target: 230);</li> <li>Total number of youth served with non-financial services (Target: 15250)</li> </ul>	MIS; Employee Records (SMEs); ARTs	
	3. Consolidate & share learning from the program thru practical knowledge products and events that will support the replication & scaling up of youth-inclusive financial & non-financial instruments for rural youth	<ul style="list-style-type: none"> <li>Increased availability of knowledge in the sector to promote scaling up of youth-inclusive financial &amp; non-financial instruments (Target: 1000 individuals);</li> <li>Increased application of knowledge among individuals in sector to promote scale up &amp; replication of youth-inclusive financial &amp; non-financial instruments (Target: 100 individuals)</li> </ul>	Follow-up surveys for individuals accessing learning products & other stakeholders	Product pilots prove to have potential for up scaling or replication

<sup>4</sup> Average current deposit size at Al Barid is US\$10-15. The Programme aims to triple the size by adding the US\$10 match and encouraging youth to save an additional \$10 for a total of \$30 per account.

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
8	<p><b>Outputs</b></p> <p><u>Financial Products</u></p> <ol style="list-style-type: none"> <li>Youth-focused <b>savings</b> product developed at Al Barid Bank in Morocco</li> <li>Youth-entrepreneurship <b>loans</b> developed at Al Amal Bank in Yemen (based on Islamic principles) and First Microfinance Foundation in Upper Egypt</li> <li>Rural Youth Village Savings and Loan Association (<b>VSLA</b>) product developed by Plan Int'l in Egypt</li> <li><b>SME investments</b> to develop supply chains &amp; services that increase opportunities for youth-managed businesses in rural areas of Tunisia;</li> </ol> <p><u>Non-financial Products</u></p> <ol style="list-style-type: none"> <li><b>Financial literacy services</b> developed and provided to youth in rural Morocco through Al Barid Bank.</li> <li><b>Rural enterprise development training and services</b> developed for youth-run businesses at Al Amal Bank in Yemen and Plan Int'l VSLA program in Egypt</li> <li>A <b>mobile-based rural market information system</b> developed specifically for youth and provided by Tunisiana</li> <li><b>Business development services</b> targeted at youth participants in horticultural value chains in Upper Egypt through AKDN partner Om Habibeh Foundation</li> <li><b>Mentoring and support services</b> to rural SMEs to create job/business opportunities for youth in Tunisia</li> </ol> <p><u>Build &amp; disseminate knowledge</u></p>	<ul style="list-style-type: none"> <li>1 youth savings product developed;</li> <li>1 Youth Village Savings and Loan Association product developed.</li> <li>10,000 rural youth begin saving;</li> <li>US\$300,000 in volume of deposits among youth savers.</li> <li>1 youth business loan developed.</li> <li>1 rural youth enterprise loan developed;</li> <li>1 VSLA enterprise loan developed.</li> <li>3,650 youth receive a loan by the end of the Programme and have started or expanded a business by the end of the Programme;</li> <li>US\$500,000 in volume of loans disbursed;</li> <li>US\$3,000,000 of equity investment in rural SMEs</li> </ul> <ul style="list-style-type: none"> <li>1 financial literacy curriculum adapted to rural youth in Morocco; 5,000 rural youth have received financial literacy training;</li> </ul> <ul style="list-style-type: none"> <li>1 rural enterprise focused training course adapted; 1 business development skills training adapted to rural youth in Egypt; 2 youth enterprise development centers are established in Egypt; 7,700 young people trained in rural enterprise development</li> <li>230 local partner staff trained in youth-inclusive service delivery; 75% of training participants report that they would recommend the training to a peer;</li> </ul> <ul style="list-style-type: none"> <li>1 mobile application designed to improve rural market inefficiencies; 5,000 youth utilize mob services;</li> <li>5 SMEs in rural areas provided info to make supply chain more youth-inclusive; 100 youth employed by SMEs; 100 youth expand/begin business to serve SMEs; 10 SME staff trained</li> </ul> <ul style="list-style-type: none"> <li>5 knowledge products on each financial &amp; non-financial services package disseminated to 1000 individuals, of which 100 individuals cite use of knowledge product in their own work; 3 regional workshops attended by all major partners</li> </ul>	<p>MIS; Attendance records for financial literacy and staff trainings; Training Evaluations (TE)</p> <p>MIS; Employee Records (SMEs); ARTs; TEs</p> <p>MIS; Attendance records for staff training and rural Enterprise development training; TEs</p> <p>MIS; ARTs; TEs</p> <p>VSLA Management Records; ARTs; TEs</p> <p>Availability of knowledge products and final Programme report; Track downloads</p>	<p>There is sufficient demand for youth financial and non-financial services; The pilot services will result in uptake at pilot sites; Roll out will result in uptake and retention of clients</p> <p>Learning from the Programme is considered unique, innovative, and valued by stakeholders</p>
	<p><b>Key Activities</b></p> <ol style="list-style-type: none"> <li>Conduct institutional assessments &amp; build the capacity of local institutions to conduct market research with youth</li> <li>Build capacity of local partners to design/adapt &amp; pilot financial &amp; non- financial services</li> <li>Provide specialized tech assist to local partners to prepare for roll-out of financial &amp; non-financial services</li> <li>Refine products &amp; services &amp; develop further strategy with local partners</li> <li>Consolidate lessons learned into know. products &amp; final Programme report</li> <li>Conduct outreach to find opportunities to disseminate learning to broader sector via regional/global conferences or online</li> <li>Monitor &amp; evaluate the progress of financial institutions in reaching young people</li> </ol>	<ul style="list-style-type: none"> <li>Institutional assessments and market research reports written</li> <li>Training delivered; Financial and non-financial services designed and piloted</li> <li>Specialized training provided; Financial and Non-financial services rolled-out</li> <li>Financial and Non-financial services adjusted; Next steps defined</li> <li>Reports written</li> <li>Conferences/Learning events attended</li> <li>Indicators of success tracked</li> </ul>	<p>Availability of assessments &amp; market research report</p> <p>Attendance records for workshops; workshop pre-tests/agendas; Product prototype description; Pilot test plan</p> <p>Availability of product profile in Operations Manual; Strategic Plan</p> <p>Reports available</p> <p>Online evidence of materials; agenda/session description from conferences &amp; learning events</p> <p>MIS; Employee Records (SMEs); ARTs</p>	<p>Local financial institution is able to organize assessments;</p> <p>Demand for financial and non-financial products exist;</p> <p>Market research results yields enough information to develop a marketable package of services;</p> <p>Buy-in for product concepts exists at all levels of the institution;</p> <p>Product adjustments will lead to uptake</p>