

Strengthening micro-entrepreneurship for disadvantaged youth

Project Information Document (PID)

Case #	A
Project Name	Strengthening micro-entrepreneurship for disadvantaged youth
Project Theme	Youth unemployment
Region	MIDDLE EAST AND NORTH AFRICA
Country	Morocco

1. Project Context

1.1 Country Context

Despite Morocco's strong economic performance over the past 10 years, young people have been disproportionately affected by economic exclusion, with 51% of all 15-29 year olds being out of school and out of work.¹ This lack of economic opportunities also has serious social implications, as the inability to gain financial autonomy also affects young people's dignity and ability to start a family. While unemployment rates are higher among the more educated youth, the very vast majority of young people suffering from a lack of economic opportunities are the low-skilled (69% of all youth have less than a middle-school degree, and 20% are illiterate). In fact, low-skilled youth represent 63% of all unemployed youth, 78% of the discouraged, and 92% of the youth in domestic activities. Girls are particularly vulnerable, with a staggering 82% of those not in school being out of the labor force either for family reasons (63%) or discouragement (19%).

Moreover, even among those young people who are in employment, over 80% work in the informal sector, often under precarious conditions. Despite this scenario, most policy interventions in Morocco have to date focused on a minority of high-skilled unemployed youth, for example through the programs of the National Employment Agency ANAPEC, while ill serving the less educated majority.

The wave of civic protests that has swept the MENA region since the start of the Arab Spring has enveloped Morocco. The Arab Spring has shown the powerful consequences of exclusion and high levels of youth unemployment in the MENA region and in Morocco. Jobs are at the forefront of attention and youth unemployment is the main social, political and economic issue. Despite a relatively favorable socio-political situation compared to some other MENA countries, Morocco still has a lot to do to improve its social indicators which remain relatively low compared to the MENA average, and it particularly needs to make major progress to address inequality and vulnerability. The official unemployment rate stands at 9.1% but is three times higher for the 15-24 age group. These conditions, combined with the push for greater voice and dignity as part of the Arab Spring, provided fertile ground for frustration among the population.

Against the background of a new Constitution (2011) and a new government that took office in early 2012, Morocco has engaged in a dynamic process towards strengthening economic opportunities and social inclusion. However, while several high profile development programs and new sectoral strategies in the areas of education, employment, and youth have been initiated, additional efforts are needed to support the country-led reforms. Thus, the Government of Morocco seeks assistance in developing a support system for youth self-employment on the local level that can meet today's pressing needs while also building the institutional architecture and capacity to provide more and better job opportunities to young people over the long-term.

1.2 Sectoral and Institutional Context

In order to enhance economic opportunities and inclusion, there is an increasing interest among the government, civil society, and development partners to promote self-employment, including among youth. The government has recognized the strategic importance of very small enterprises, and is currently in the process of finalizing a National Strategy for Very Small

¹ World Bank. 2012. *Kingdom of Morocco: Promoting Youth Opportunities and Participation*. Washington DC.

Enterprises, which puts high value on formalizing informal enterprises and strengthening the availability of non-financial support services to small businesses at the local level. Indeed, micro- and very small enterprises with less than 9 people represent approximately 97% of businesses in Morocco, out of which over 60% or 1.7 million entities (2010) are in the informal sector.²

While Morocco has maintained the highest rates of micro-credit in the MENA region, starting and expanding a small business remains a serious challenge for Moroccans, especially for disadvantaged youth. Obstacles include the lack of access to information, skills, finance, land and property rights, pre-/post-start up orientation and business development support as well as administrative hurdles. In fact, even where public and NGO support services for self-employment exist, they are usually targeted to urban youth with a minimum of completed middle-school (e.g. OFPPT, MEDA) or even university level education (e.g. Moukawalati, Fondation Banque Populaire pour la Création d'Entreprise). School drop-outs and youth working the informal sector therefore currently have almost no opportunities to increase their productivity and formalize their existing income generating activities.

Therefore, enhancing the productivity of young informal workers through training and skills upgrading has emerged as a key priority to foster employment and inclusion.³ This will require re-orienting and tailoring the design and delivery of training and enterprise support towards the particular needs of young informal workers, offering practical, community-based interventions that allow combining learning with earning and that provide assistance beyond the set-up stage of youth-led micro-enterprises.

2. The Objectives

The Project Development Objective (PDO) is to provide targeted disadvantaged youth between the ages of 15-29 years with access to quality business development services. The project should achieve the PDO through a focus on: a) strengthening the institutional capacity of national and local stakeholders to provide quality assistance to youth in starting and growing their micro-enterprises; and b) rigorous learning about the effectiveness of comprehensive self-employment support to disadvantaged youth in view of expanding access.

2.1 Key Results

Progress towards achieving the project's development objective should be measured by a series of quantitative and qualitative indicators at the PDO level (such as "Direct project beneficiaries (number), of which female (%), who receive skills training" or "Percentage of income-generating activities which are viable 12/24 months after having benefited from support through the project") and at the component level (such as "Number of contracts signed with NGOs and private providers" and "Evidence of user feedback influencing program delivery").

As part of the monitoring system, there should be also be an effort to monitor the success and viability of business activities supported by the project, as well as tracking income changes of young beneficiaries and their access to finance as a result of the project.

3. The Challenge

The evaluation of the proposal will be based on how well the following challenges are addressed:

1. How can innovative online systems and other ICT solutions be used to reach and engage youth from the informal sector, including project monitoring? How can ICT solutions best be used for training and coaching? (Note: very few youth in the target group own a smart phone)
2. The project team is considering a special project arm targeting several hundred young ICT Entrepreneurs: What concepts, issues and skills will be need to be addressed during the capacity building of interested participants? What are useful minimum requirements and experience in the field new participants should have?

² Government of Morocco, 2011. *Stratégie Nationale de Promotion de la TPE – Rapport final*.

³ For further information, please see: World Bank, 2011. *Striving for Better Jobs: The Challenge of Informality in the Middle East and North Africa Region*

Youth Summit 2013 – Development Case A

4. The Opportunity

4.1 Concept Description

To achieve its objectives, the proposed project should adopt a locally-based approach to provide nonfinancial support services to young informal sector workers and other disadvantaged youth along the life-cycle of a micro-enterprise, thereby enhancing their ability to access existing financial services and increase the viability of their income-generating activities. Specifically, the project will identify key local markets and existing trades with high potential for upgrading and value chain integration, and provide a) Entrepreneurship training (life skills, business skills, and link to financial services), b) Post-creation business development support (e.g. mentoring, physical location, distribution). In doing so, the project should bring together local civil society champions, private sector players and local governments with the relevant public sector institutions that have a strong local presence, such as the Ministry of Youth and Sports (through its “Maisons de Jeunes” and “Foyers Féminins”), and Entraide Nationale (through its “Centres d’Education et Formation” and “Centres de Formation par Apprentissage”).

While supporting self-employment in Morocco and other countries has often focused on more educated unemployed youth cohorts, it is increasingly recognized that focusing on youth in the informal sector may be a more promising approach as they tend to be more inclined to start a small business (i.e. not waiting for salaried jobs) and often have already acquired some work experience (e.g. in the family business, agriculture, small-scale services, etc.) that is important to starting and growing a small business.

The proposed project should be informed by rigorous evidence stemming from entrepreneurship interventions across the world. While the evidence across youth entrepreneurship programs is very heterogeneous, a few common lessons emerge. Overall, “comprehensive” programs, usually containing a package of training, financing, and ongoing coaching/mentoring, perform better, since they address the multiple barriers youth are facing in starting or expanding a business. For existing business owners, receiving business training appears to be more important than gaining access to finance in expanding their activities. There is also evidence that approaches targeting women specifically may yield better results than generalized programs that also try to include women, which could be particularly relevant where gender specific barriers such as cultural norms are widespread. Finally, specific evidence from Morocco’s National Human Development Initiative confirms that successfully supporting income-generating activities requires in-depth local market analysis, strong emphasis on marketing and project profitability, good linkages to micro-finance institutions, the need for technical assistance beyond the initial set-up stage.