



YOUTH INCLUSIVE FINANCE IN TIMES OF CONFLICT AND CRISES: Lessons from Afghanistan & Colombia

Speakers



Tim Nourse

President, Making Cents International



Arelis Gomez

Chief of Party, USAID Colombia Rural Finance Initiative,
Chemonics International



Omaid Deqati Rahimi

Banking Capacity Team Lead, USAID Financial Access for
Investing in the Development of Afghanistan, Chemonics
International

EMERGING GUIDELINES FOR DESIGN AND IMPLEMENTATION OF YOUTH-INCLUSIVE FINANCIAL SERVICES

- » **Establish institutional readiness**
- » **Involve youth in market research and product development**
- » **Develop products and services that reflect the diversity of youth**
- » **Ensure that youth have safe and supportive spaces**
- » **Provide or link youth to complementary non-financial services**
- » **Focus on core competencies by utilizing partnerships**
- » **Involve community**

Financial Services in Colombia

» Colombia:

- Middle-income, third largest economy in Latin America
- 2014 GDP \$377.7 billion; per capita GNI of \$7,780
- Population of 48.9 million
- Youth (ages 15-24) are 18% of the population

» Sophisticated financial system; however,

- does not yet fully reach rural sectors (barriers of information, cost, and risk)
- limited access to finance constrains rural productivity and sustained economic growth

» Post-conflict transition

- Decades of conflict with paramilitary groups (FARC)
- Prolonged socioeconomic instability



USAID Colombia Rural Finance Initiative

- » 5-year, USAID-funded program designed to improve financial intermediation in rural Colombia, with specific focus on the following components:
 - Improved Rural Financial Intermediation
 - Reduced Barriers to Rural Financial Services
 - Modernized Financial Environment
 - Learning, Knowledge Management, and Communications
- » Currently in its first year of operations; focused on groundwork for enhancing and expanding the provision of financial services of Colombian finance and microfinance entities
- » Programs based on risk management as opposed to risk avoidance—focusing on incorporating youth into the mainstream by reducing access barriers



Financial Services In Afghanistan

» Islamic Republic of Afghanistan:

- 32.5 million people
- 64% of 32.5 million (20.8 million) people are under the age of 25
- 20% of the population are between 15 and 24 years old

» Afghanistan has a young financial sector, which has been growing rapidly post-Taliban

» Afghanistan has been in conflict for decades:

- Faces security threats, weak governance, and corruption.
- Afghanistan is one of the poorest countries in the world
- Uncertainty about the future – people are hesitant to save their money in financial institutions
- Lack of infrastructure and security makes it difficult for the staff of these institutions to reach underserved markets and rural areas



The USAID Financial Access for Investing in the Development of Afghanistan Project

- » USAID's FAIDA project helps the Afghan government and the private sector develop a robust financial sector capable of providing financial services and of developing a financial legal framework and market infrastructure that will foster economic growth
- » \$108 million program; February 2011- August 2016, with components:
 - Enterprise
 - Banking Capacity
 - Regulatory
 - Better Than Cash
 - Gender Mainstreaming Unit
- » Supports Afghanistan Microfinance Association in organizing Youth Access to Finance workshops and provides technical assistance in developing youth loan products



Opportunities and Challenges in Colombia

» The Challenges

- Lacking assets, youth encounter difficulties in meeting collateral requirements
- Youth inability to provide collateral is even more difficult in rural areas where most commercial banks require land as collateral

» The Opportunity

- Youth have a high demand for FS due to the high unemployment rates, driving entrepreneurialism
- Growing interest in youth financing among microfinance institutions (result of client near-saturation and over-indebtedness in the urban sector)
- Youth more receptive to innovative financial services, including MFS and DFS

» RFI's Experience

- RFI is in the process of launching its Challenge Grant Funds for Innovation, promoting innovative financial services products and improving access for underserved populations



Opportunities and Challenges in Afghanistan

» The Challenges

- Youth lack collateral and start-up funds
- Lack of youth networking opportunities and role models for youth
- High percentage of illiteracy and unemployment
- Brain drain among university graduates due to conflict and lack of opportunities

» The Opportunity

- High demand for youth financial services
- Afghan Deputy Ministry of Youth Affairs to provide youth-orientated training, entrepreneurship programs and networking opportunities

» FAIDA's Experience

- Introduced MFIs to entrepreneurship and vocational training centers
- Trained MFIs on developing youth loan products



Agradecemos la iniciativa de Finanzas Rurales de USAID por su apoyo con nuestro compromiso.

Es por esto que nos complace compartir con ustedes las historias de progreso que hemos construido en diferentes municipios de nuestro país.

Descarga
el video



Q&A – CHALLENGES & OPPORTUNITIES



CHEMONICS



Working With Financial Institutions in Colombia

- » What motivates financial institutions:
 - Market forces driven by the need to expand the client base
 - Providing credit to start ups mainly to address high youth unemployment
- » What worries financial institutions:
 - Colombian insurance companies statistics - 18-35 age group labeled as the riskiest borrowers
 - Chamber of Commerce statistics - start-ups have a 67% chance of failure in the first 12 months of operation; 37% chance during months 13-24
- » RFI's Experience
 - Providing non-financial services such as technical assistance and training is key to reducing the risk associated to youth
 - PAR30 rates of 7% or less, vs. expected of 67% or more



Working With Financial Institutions in Afghanistan

- » What motivates financial institutions
 - Increasing income by expanding their client base to include youth
 - Addressing youth unemployment helps improve providers' reputations
- » What worries financial institutions
 - MFIs are often hesitant to lend to youth because youth tend to lack collateral, training, and experience
- » FAIDA's Experience
 - Introducing MFIs to BDS organizations -- youth graduates of vocational programs are less risky borrowers
 - Training MFIs on providing group loans or involving parents to establish collateral
 - Assisting MFIs with installing e-kiosks in order to reduce costs and expand their client base





Q&A – WORKING WITH FINANCIAL INSTITUTIONS

Experience in Colombia

- » Continuing non-financial services (literacy, technical assistance for enterprise development):
 - Direct technical assistance
 - Enhanced capacity for service delivery on behalf of Colombian financial intermediaries
 - Microcredit Loan Officer training program targeting youth and vulnerable populations
- » Reducing barriers to finance:
 - Reducing client eligibility minimum age requirements to 18 years of age
 - Reducing business years in operation criteria to six months

Experience in Afghanistan

- » Involving youth in market research and product development
- » Branding loan products for youth
- » Developing products and services that reflect the diversity of youth
- » Linking youth with complementary non-financial services
- » Introducing youth to start-up loans, entrepreneurship or vocational training, and business planning





QUESTIONS?

Thank you for tuning in!



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www.YouthEOSummit.org

www.YouthEconomicOpportunities.org

Summit@makingcents.com



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