



***Bidaya* programme: promoting self-employment among youth in Tunisia**

Enda's client-centred process for designing youth products.

In post-revolution Tunisia, 80% of the unemployed population is made up of youth. Enda is firmly committed to supporting young people from disadvantaged areas. Thus, over 200000 young people (35% of whom are rural and 16% farmers) have benefited from more than 510000 loans with Enda, for a total of 440 million dinars (\$220 million).

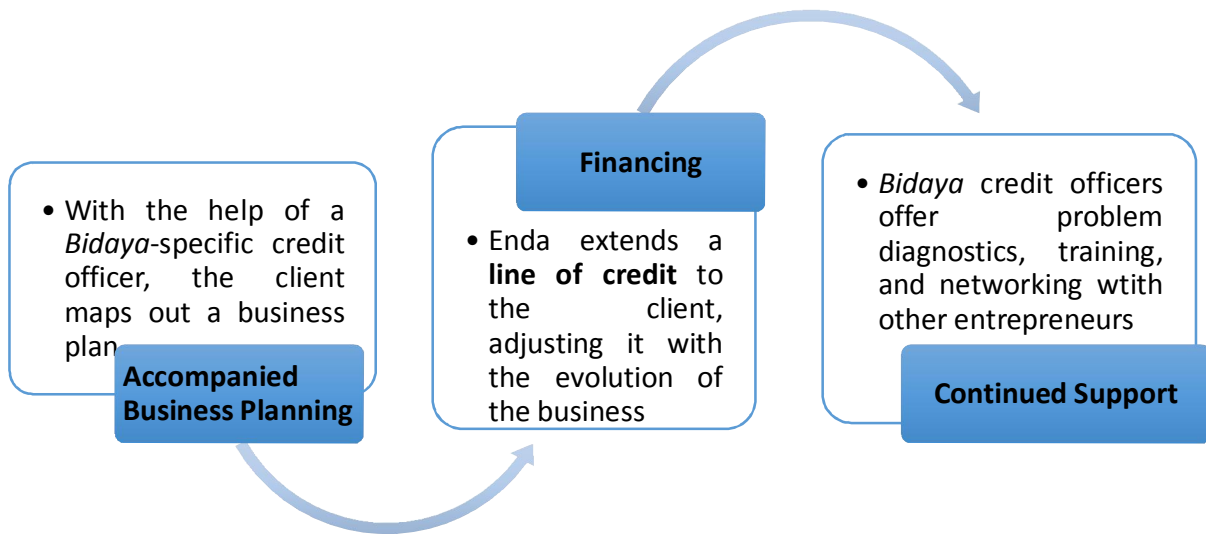
Product Highlights.

Aware of the role young people can play in driving economic development and social change, Enda introduced a program called "*Bidaya*" in late 2011, with the support of the Swiss Confederation. *Bidaya* is a credit-plus-mentorship product that promotes entrepreneurship among young people. The product is available to young people (under 35 years old) who wish to start a business but do not have capital and may also lack business skills and knowledge. The program encourages unemployed youth to consider self-employment, rather than waiting for a salaried job (sometimes for years).

Enda understands that unemployed youth often need more than financial support when creating a new enterprise. Therefore, *Bidaya* was designed with three components, designed to move young entrepreneurs from a business idea to a profit-generating business (see graphic).



Graph. **Components of Bidaya**



Product Design Process.

Enda is committed to a client-centred development process, and the development of *Bidaya* was no exception. Armed with an idea of the problem (rampant youth unemployment) and a general product idea (a line of credit product with mentorship), Enda’s Marketing Department organized a market study with youth, to understand the needs and preferences of this target group. Enda invited the young adult children of existing borrowers to participate in focus groups/individual interviews as well as non-client young people registered in the country’s employment bureau.

The market study helped sharpen Enda’s understanding of the problems facing youth in Tunisia. Despite being relatively well-educated, most of the participants had few entrepreneurial skills and little confidence in their ability to start and manage a business. They also felt rejected by the economic system due to prolonged un-/underemployment, and felt excluded from financial services.

After conducting phone-interviews with a random sample of 50 youth, drawn from 300 funding requests gathered from various public and private structures, pilot sites were selected based on the unemployment rate, the number of received applications and infrastructure. Before introducing first Bidaya’s pilot in November 2011, Enda worked hard on upgrading its processes and information



systems, developing specific tools (procedures, forms...) and SMART goals, providing pilots' staff (loan officers, area managers, operational coordinators, facilitators, product manager) with intensive training, and diversifying its communication channels through local partnerships with employment bureau and business centres.

During the product pilot process and the early days in the roll-out phase, Enda continued to refine the product. In view of young women's low application rate, Enda adopted gender equality indicators and new age-related policies, which nearly doubled women participation rate in the programme. The institution learned that the accompanied business planning step (see **Graphic**) must be quite rigorous, in order to avoid problems with the client's business later on. Now, that step involves an in-depth client interview to assess the product idea and weed out nonviable business ideas. During the first step, the client also develops a detailed business plan with the support of the loan officer, including a market, technical and financial studies. The financing step has also evolved with experience—key components include preferential rate, flexibility on payment schedules, grace period and possibility of rescheduling or restructuring if there is some problems. Finally, the third step—continued support for the business—proven to be essential for the client's long-term success, particularly in view of high start-up death rate during first years. This is an on-going relationship in which the accesses troubleshooting support, technical training, and networking opportunities.

Bidaya's results.

From its deliberate choice of targeting unemployed people and start-up, *Bidaya* project challenged a major best practice principle for eligibility of the microfinance industry in managing risks; the client's business should have at least one year operation.

Fact that the survival rate of the *Bidaya* client businesses after five years of operation is about 85%, the formality rate exceeds 60%, and that the PaR is 2.2% suggest that *Bidaya* may have succeeded in developing financial and non-financial products which meet the needs of start-up business while respecting the principles of prudence of the microfinance industry.



As in December 2015, 63% of *Bidaya's* loans were granted to young people aged from 18 to 35 years, 46% to women, 21% to university graduates and 35% to unemployed at the time of joining the programme.

The programme has supported the creation of 7 900 new ventures creating more than 15 700 new jobs, including the promoter, with a total investment exceeding \$13 million. More precisely, *Bidaya* programme succeeded in consolidating around 600 jobs and creating around 7 200 additional jobs, excluding promoters. All these figures, job creation, formality and the low bankruptcy rate attest to the efficiency of *Bidaya's* micro-entrepreneurs selection process. Indeed, a client who received eliminatory mark is 21% less likely to develop his project and creates 0.3 less formal additional jobs.

The impact evaluation study has shown that the likelihood of start-up survival and growth would be much greater for micro-entrepreneurs who received technical vocational education and training, and with previous entrepreneurial and/or salary experiences within the same industry. On the other hand, new graduates create more jobs, especially those who received entrepreneurship and business management training.

In addition, we found out that start-ups from the production and craft sectors are more likely to develop and create jobs, while those from the service sector are more likely to formalize. Furthermore, the impact evaluation study has evidenced that rural areas are more successful than urban areas in terms of growth and job creation.

The impact evaluation study has also demonstrated the positive impact of *Bidaya's* financial component on start-ups' survival (7% more per additional \$1 000), growth (9% more per additional \$1 000), formalization (3% more per additional \$1 000), and job creation (0.3 additional job per additional \$1 000). These impacts would be higher for long-term asset and production equipment loans compared to working capital loans.

However, for some start-ups, funding and creation support would only slow down and postpone the bankruptcy fate. Thus, *Bidaya* programme need to strengthen both micro-entrepreneurs and micro-enterprises capabilities through post-creation support taking into account regions' specific dynamics and socio-economic risks, inter- and intra-regional mechanisms, and asymmetry of sector dynamics. For this,



Enda is therefore seeking partnerships, mainly with private-sector actors, hoping to harness the practical experience of business-people to assist these young start-ups. This exists on a limited scale in Tunisia but rarely, if ever, targets poor people or micro-enterprises. Enda shall need substantial numbers of mentors but they will gain great satisfaction from the support they provide.

Besides, *Bidaya* results contrast with the conclusions of a recent study of the World Bank study conducted in Tunisia, concerning Tunisian young employment conditions (Breaking the Barriers to Youth Inclusion, 2012) which underline the marginal participation of young women in rural and urban self-employment sector. Even though it is harder for women to move to formal sector, the impact evaluation study has shown that women are more likely to grow their businesses and create decent jobs.

Today, Enda works on developing a complete strategy to foster and develop sustainable entrepreneurship as part of the *Bidaya* programme's expansion by further improving its procedures, accelerating the disbursement rate and developing an efficient coaching and mentoring process for micro-entrepreneurs. It also works on expanding the current programme to remote inland areas, adapting proven models to the local context, leveraging new resources, developing new partnerships, unlocking vulnerable people in remote rural areas through mobile technology and internet connectivity, adding new services and developing a full package of financial and non-financial services.

This strategy involves: (1) developing a new line of financial products for start-ups and small enterprise, (2) developing a new line of services to support and help start-up businesses reach sustainability by setting up: new micro-insurance products and a new branchless system, and (3) supporting business incubators, coaching programmes, mentoring programmes, exchange programmes, a help desk, and soft skills and leadership training, with priority for women and vulnerable groups.