

Business Development for Youth Economic Empowerment in Moldova



UNICEF Moldova
USAID

Final report

May 2008 – May 2010

Contribution Data

Name of Project:	Business Development for Youth Economic Empowerment in Moldova
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Assisted Country:	Republic of Moldova
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Total Contribution Pledge Amount:	350,000.00 US dollars
Recovery Costs:	22,890.00 US dollars
Programmable Amount:	327,110.00 US dollars
Funds Used to Date:	327,054.61 US dollars
Balance of Funds Available:	55.39 US dollars
Duration of Contribution:	April 2010
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List of abbreviations and acronyms:

CAPMU - Consolidated Agricultural Project Management Unit
CLD – Credit Line Directorate
DA – Development Agency
IE – Individual Enterprise
JSDF – Japanese Social Development Fund
LPA – Local Public Administration
LTD – Limited Liability Company
MDG – Millennium Development Goals
MET – Ministry of Economy and Trade
MEY – Ministry of Education and Youth
NPYEE – National Programme on Youth Economic Empowerment
PFI – Participating Financial Institution
RISP2 – Rural Investment Service Project 2
SMEs – Small and Medium Enterprises
YSEEP – Youth Socio - Economic Empowerment Project

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1. EXECUTIVE SUMMARY

The project "Business Development for Youth Economic Empowerment in Moldova" extended the positive practices of providing grants to young people for business development during the period 2008-2009. The project was co-financed by USAID on the one hand, and the Japanese Social Development Fund (JSDF).

USAID funds (\$350,000) were successfully used to facilitate the access of young people to bank loans by providing grants to young entrepreneurs to start their own business and to develop a Concept Note on Revolving Funds for Business Developed for Youth. The project was implemented in partnership with the Ministry of Education, Youth and Sport, the Ministry of Economy, local authorities, non-government organizations (NGOs), the World Bank and Financial Institutions.

The outcomes of the project:

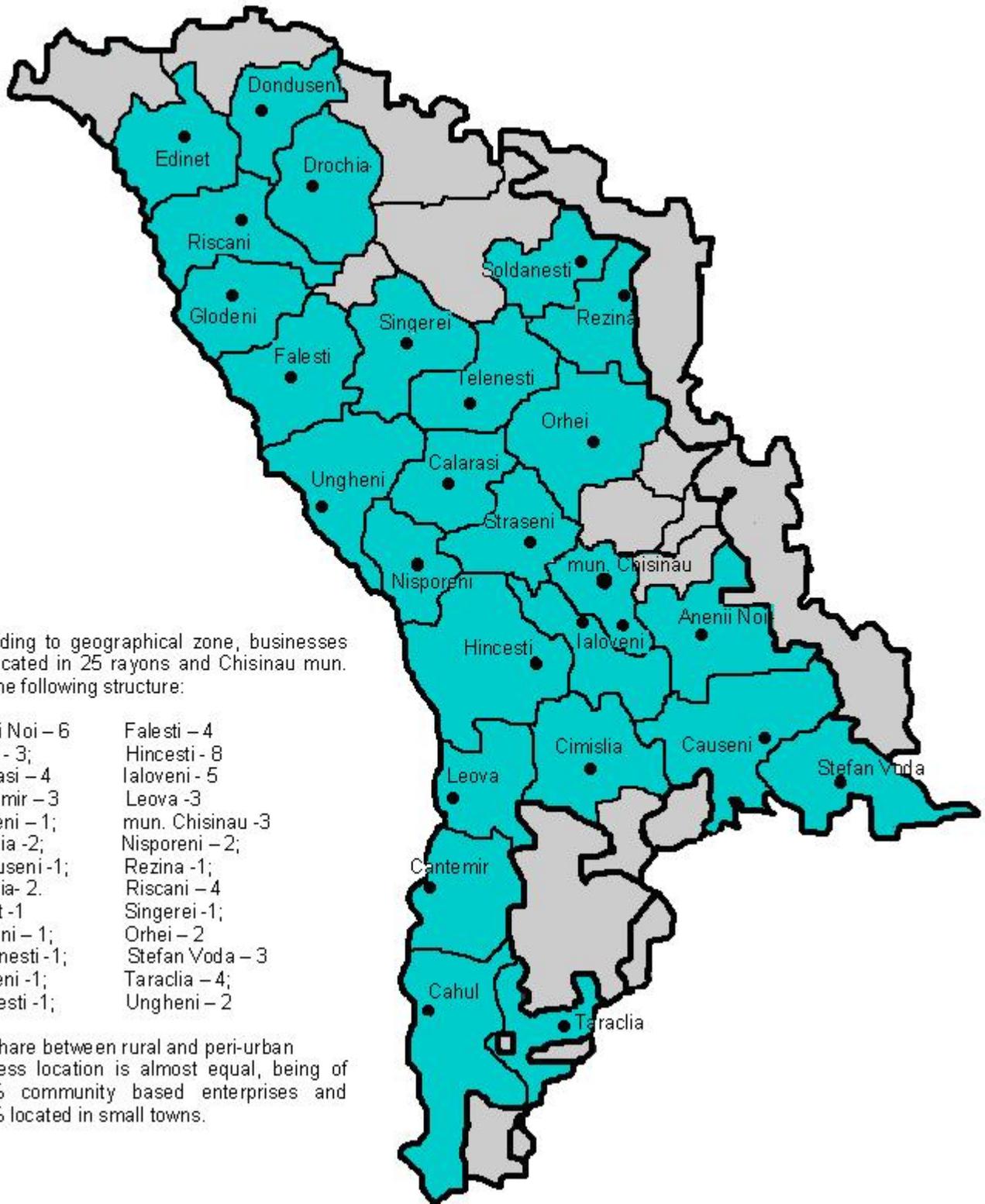
USAID funds contributed substantially to advocating for the inclusion of youth issues, especially youth employment, into the Moldovan Government's agenda, and to an increased awareness among young people and their high demand for support in business development. As a result, the **National Programme on Youth Economic Empowerment in Moldova** was launched in 2008. The new **National Programme "Re-think Moldova"**, presented by the Prime Minister to the donor community in Brussels, includes youth employment in the national priorities.

The main results of the project are:

- **69 businesses managed by young people** are viable and operational, including 61 businesses financed from USAID funds. The re-allocation of JSDF funds allowed to finance an additional eight businesses. The newly operational businesses created 108 new jobs (more jobs are expected to be created as some of these businesses are still new). The entrepreneurs' average age is 24.5 years. Twenty six per cent of them are young women. Their monthly salaries vary from MDL860 to 2500 (app. \$77-225).
- **The Concept Paper on revolving fund for business development for youth** was developed based on the lessons learned during the project implementation, and presented during the project closure conference. The main results and conclusions, challenges and recommendations were presented to the participants from the Ministry of Economy, Ministry of Education, World Bank, UNICEF, NGOs and beneficiaries of the project.
- **4,232 young people are informed** about project requirements and benefits through 300 promotional campaigns.
- **Hot line services are available** for project promotional campaign and youth consultation during the project implementation.
- **447 young people** (283 young men and 164 young women) from 29 districts of Moldova possess knowledge on how to start a business, management and human resources, marketing and sales, accounting and taxation, and financial management.
- **128 business plans** submitted to Participating Financial Institution (PFI) branches all over the country out of 139 business plans developed by trained beneficiaries with support provided by development agencies¹ (DAs).

¹ - Development agencies are local agencies that support young people in developing businesses.

AREAS COVERED BY THE PROJECT



According to geographical zone, businesses are located in 25 rayons and Chisinau mun. with the following structure:

Anenii Noi – 6	Falesti – 4
Cahul - 3;	Hincesti - 8
Calarasi – 4	Ialoveni - 5
Cantemir – 3	Leova -3
Causeni – 1;	mun. Chisinau -3
Cimisia -2;	Nisporeni – 2;
Donduseni-1;	Rezina -1;
Drochia- 2.	Riscani – 4
Edinet -1	Singerei -1;
Glodeni – 1;	Orhei – 2
Soldanesti -1;	Stefan Voda – 3
Straseni -1;	Taraclia – 4;
Telenesti -1;	Ungheni – 2

The share between rural and peri-urban business location is almost equal, being of 50.7% community based enterprises and 49.3% located in small towns.

2. UPDATE ON YOUTH SITUATION AND EMPLOYMENT

Moldovan youth of today are the first generation raised after the declaration of independence of the Republic of Moldova in 1991. They constitute the largest population group in the population age structure. Currently, the population of 10-24 years accounts for 26% of general population with a total number of 930.5 thousand persons.

Considering the impact of the financial and economic crisis on the poverty rate, the social economic situation of the country is unlikely to improve much in the next few years. Studies supported by UNICEF, the World Bank and other UN agencies show that families with many children are particularly affected. While children constitute 24 per cent of the total population, they represent nearly 28 per cent of the extremely poor population of the country. Children in poor families often have a limited access to basic services, information and professional training, which makes them more vulnerable to unemployment, violence, exploitation, human trafficking, abuse and risky behaviour.

In 2009, the unemployment rate among young people aged 15-24 years was 15.4 per cent, compared with 11.2 per cent in 2008. The economic development trends show that the economic crisis emerged in Moldova at the end of 2008 will raise the number of unemployed, especially among young people.

A UNICEF-supported study² shows that 53 per cent of rural youth and 25 per cent of urban youth have no or low computer skills, showing a disparity in skills and access when searching for employment between urban and rural areas.

Young people represent a significant share of the migrating population, with some studies estimating a total of 30-40% of migrants being people below the age of 25. While more than half (58%) of surveyed young people intend to migrate for work, they would do this mostly for short periods of time of less than three years, with only 10% not intending to come back³.

Taking into account the above mentioned facts, one of the solutions for improving the socio-economic situation of young people was to promote self-employment among youth aged 18 to 30 and to support them in launching their own businesses in Moldova. Following the economic and financial crisis, banks impose strict criteria for the allocation of grants, and young people are often unable to access grants. The provision of grants to facilitate the access to bank loans for youth is essential in creating employment opportunities for young people.

3. PROJECT OBJECTIVE

The overall objective was to scale-up existing job creation opportunities for young people by:

- a) Implementing innovative income-generating activities;
- b) Facilitating a process of learning how to identify business ideas and to formulate and set up businesses in partnership with a local financial institution;

² - Youth in Moldova, 2009 - UNICEF

³ - Ibid.

c) Ensuring equal opportunities for young women and men to access grants.

4. SPECIFIC OBJECTIVES

- (i) By the end of 2009, job creation opportunities for young people will be scaled-up and around 60 new viable micro-enterprises owned by youth will be operational.
- (ii) Institutional and human capacities on gender equality will be strengthened and equal opportunities for women and men to access grants will be ensured.
- (iii) A concept paper on revolving fund for business development for youth will be developed based on positive experiences and lessons learned from project implementation.

5. PLANNED ACTIVITIES AND RESULTS ACHIEVED

The donors' financial contribution towards the planned activities was agreed as follows:

USAID (\$350,000 USD) Provision of grants to young entrepreneurs and project support costs.

JSDF (\$178,000) Information and awareness campaign;
Collection, screening of applications and training in preparing business plans;
Support for young entrepreneurs (legal registration, submitting credit and grant applications, capacity building);
Support after businesses creation (assistance with procurement, consulting on accounting, marketing, management, M&E);
Monitoring & Evaluation.

The activities below are presented in the order of their implementation.

5.1 INFORMATION AND AWARENESS CAMPAIGN

A set of communication channels were used to ensure the project visibility at the local and national levels: visibility materials, mass-media interventions, hotline services and inter-personal promotional awareness. 300 information campaigns in 34 districts, including Chisinau municipality were conducted during the reporting period. Some 4,232 young people received information about project participation requirements and benefits.

The communication campaign included the following project visibility materials on the economic component: video spot for the launch of the project; folders, stickers, project banner, leaflets, posters, brochures on 10 success stories; and documentary movie on successful businesses created under the previous project.

Communication materials were distributed through the following institutions: Ministry of Education and Youth, Ministry of Economy and Trade, Organization for supporting small and medium enterprises, National Employment Agencies (35 local representations all over the country), Youth Resource Centres and NGOs, and four Development Agencies. The project promotional materials were also placed on the informative boards of the local public administration facilities.

As a result of the awareness campaigns, the development officers managed to identify several categories of participants: young people who manifested a great interest towards the information presented, young entrepreneurs who already have businesses and would like to extend them and undecided young people. The first and the last categories of participants were invited to attend the regional trainings on Business Development. The young entrepreneurs were invited to participate in the National Programme on Youth Economic Empowerment.

5.2 TRAINING SESSIONS ON BUSINESS DEVELOPMENT

Training sessions included courses on how to start a business, management and human resources, marketing and sales, accounting and taxation, and financial management. During November 2008 – March 2009, 29 regional trainings were conducted. Candidates for the training were selected based on their preliminary registration with the Project Hotline and during the Awareness campaigns.

Some 447 young people (283 young men and 164 young women) from 29 districts of Moldova (including Chisinau) successfully completed the training courses. Participants acquired knowledge in organizational management, marketing, taxes, basic accounting, production and business plans development. During the training sessions, young people manifested interest and openness towards discussed topics and many of them reflected entrepreneurial practices through their own business ideas. Candidates were advised on issues related to further bank procedures, funding criteria, etc.

Regional training workshops were closely monitored and the training materials assessed.

5.3 SUPPORTS FOR YOUNG ENTREPRENEURS

Support to young entrepreneurs was provided according to the viability of their business plans and acceptability of their entrepreneurial ideas. The initial credit appraisal was done by the participating financial institutions. A free-of-charge assistance for feasibility studies and business plans development, selection of legal form of organization, enterprises registration, and credit application was provided to all candidates. During the project implementation period, young entrepreneurs received on-the-job training. As result, 139 business plans were developed, out of which 128 were submitted to PFI branches all over the country.

5.4 PROVISION OF GRANT TO YOUNG ENTREPRENEURS

Once the business plans were developed and declared eligible, participating financial institutions selected the business proposals based on their feasibility. Selected business projects were financed from three different sources:

- (i) personal contributions in cash or in kind for at least 10 per cent of the total project cost,
- (ii) an equity-building grant financed by the project and representing up to 50 per cent of the total project cost and
- (iii) 40 per cent two-year (or longer) loans from financial institutions working with Rural Investment Service Project 2 in Moldova.

From the total number of submitted applications, **69 business plans were financed**, including **61 businesses with USAID funds**. The re-allocation of JSDF funds allowed to finance an additional 8 youth businesses. All grant funds were disbursed as planned.

The total investment amount constitutes MDL7, 811,388, including:

- bank loans: MDL2,889,804 (app. \$260,300);
- grants: MDL3,589,430 MDL (app. \$323,400);
- personal contributions: MDL1,332,154 (app. \$120,000).

On average, a grant did not exceed the amount of MDL52,021 (app. \$4,700) per person. Bank loans constituted MDL41,881 (app. \$3,800) and the personal contribution was MDL19,307 MDL (app. \$1,700), representing 17 per cent of the total investment per business.

Despite specific efforts to enrol more young women, and the fact that more than a third of the participants in the training workshops were women, only 26 per cent of the newly launched enterprises are managed by them. Most of the young people came from rural areas, where the poverty rate is high.

From the total number of financed business, 39 were credited by Moldova Agroindbank, 13 businesses by Moldincombank, 9 businesses by FinComBank, 6 businesses by Rural Finance Corporation, and 2 business plans were financed by Victoriabank. Interest rates varied from 10.5% up to 16.8%.

The ratio between agro-businesses and non-agricultural enterprises represent 38% to 62% respectively. The disaggregation by the field of activity shows that 35 businesses (51%) provide various services in rural localities, 31 businesses (45%) have production activities, and 3 enterprises (4%) are doing trade.

The grants were used to purchase technical equipment (new and second hand) for the provision of services such as: passenger transportation, Internet, decoration, photography, laundry, auto repairs, disco clubs, sport gyms, entertainment centres, hotel services, excavation, dentist cabinet, and accounting.

The newly operational businesses created 108 new jobs. From the total number of employees, 76.8% are young people aged between 18 and 30. Monthly salaries vary from MDL860 to 2500. The average entrepreneurs' age is 24.5 years.

5.5 POST-CREATION ASSISTANCE

Development agencies provided free-of-charge post-creation assistance to young entrepreneurs on procurement, accounting, marketing, management and monitoring. Development Officers were responsible for visiting young people, monitoring their progress, providing on-the-job training and business advice to the managers and staff. All services provided by the development agencies were recorded in written and signed by both parties.

During the reporting period the most requested subjects of consultancy were: finance/accounting – 30%, legal advice – 22.3%, management – 21.2%, and marketing and technologies -17.4 % and 6.8 % respectively.

5.6 MONITORING AND EVALUATION

The main purpose of the monitoring and evaluation component was to

- (i) document the project implementation results through the financial and physical monitoring of project activities;
- (ii) provide feedback to the project management to allow adjustment of project activities as required, and
- (iii) evaluate the quality and adequacy of project implementation.

A planning, reporting and monitoring system was developed to record performance and achievements in implementing project activities. This was based on annual and quarterly workplans and reports. Ongoing monitoring and field visits were conducted by the UNICEF officer and the programme assistant responsible for the project implementation, by the project coordinator hired under project support costs, and by officers of the development agencies who regularly reported on project achievements.

A concept note on creating a revolving fund for youth business development was developed based on the project experience and lessons learned. The project practices, results, lessons learned and the concept note were presented to the project stakeholders, partners and beneficiaries during the Project Closing Conference in February 2010.

6. CONSTRAINTS

The main constraints of the project during the project reporting period were:

- The project started seven months later than planned due to difference in operational procedures between UNICEF and the World Bank, which co-financed the project implementation with the JSDF grant. However the objective was reached by the end of the project;
- Due to the financial crisis that hit Moldova very harshly at the end of 2008, the participating financial institution had to set tougher credit application conditions for young people. This decision had a dramatic influence on project implementation and beneficiaries, who were requested to provide the collateral for both the grant and the credit (instead of only for the credit). In order to facilitate access of young entrepreneurs to credits, several meetings with representatives of the donor community, line ministries, and financial institutions were organized. As a result, the Rural Credit Guidelines were amended to remove the collateral for the grant. In addition, several banks were added to the list of participating financial institutions.
- The processing of business plans took a longer period of time than it was planned. Due to this delay, documents like evaluation report on proposed collateral, property statements from cadastre lost their validity. Therefore beneficiaries suffered additional costs to re-confirm the legitimacy of these mandatory documents.

7. UTILIZATION OF FUNDS

During the reporting period, the expenditure amounted to **\$327,054.61** from the USAID funds. Out of this amount, **\$305,000** were disbursed to the implementing agency the Consolidated Agricultural Project Management Unit (CAPMU), and were provided as grants for selected candidates in line with UNICEF and Governmental rules and procedures.

JSDf transferred \$178,000 through parallel financing for the consultancy services provided by the four Development Agencies for promotional campaigns, regional training, and development of business plans.

The Financial Report is attached.