



## Business Environment Reform Facility

### *A Diagnostic Assessment on BE Constraints on Youth Entrepreneurship in Mozambique*

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Business  
Environment  
Reform  
Facility



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## About Business Environment Reform Facility (BERF)

BERF is funded by the UK Department For International Development (DFID) under the Business Environment for Economic Development (BEED) Programme. BERF is a central facility responding to demand from the DFID's priority Country Offices and stakeholders to initiate, improve and scale up business environment reform programmes. BERF is managed by a consortium led by KPMG LLP. The programme started in January 2016 and will finish in January 2019.

We provide expert advice, analysis of lessons learned, policy research about what works and what doesn't and develop innovative new approaches to involving businesses and consumers in investment climate reform.

BERF has a strong emphasis on strengthening the Business Environment for women and girls, as well as for young adults more generally. It is also aiming to improve the relationship between business and the physical environment including where relevant through linkage to climate change analysis. BERF recognises the need for appropriate political economy analysis in order to underpin business environment reform processes and interventions.

## About this Report

Research for this study was conducted by Gerry Finnegan between September and December 2016.

The views contained in this report are those of the authors and do not necessarily represent the views of KPMG LLP, any other BERF consortium member or DFID.

This is a working paper shared for discussion purposes only. No reliance should be placed upon this report.



## Acronyms

AIEMO	Association of Informal Economy in Mozambique
ANJE	Associacao Nacional de Jovens Empresarios de Mocambique
BDS	Business Development Services
BER	Business Environment Reform
BERF	Business Environment Reform Facility
BMO	Business Membership Organisation
BOI	Business Opportunity Identification
BVM	Maputo Stock Exchange (also XMAP)
BYST	Bharatiya Yuva Shakri Trust (India - linked to ICC)
CASP	Annual Private Sector Conference (chaired by President)
CIADAJ	Intersectoral adolescent and youth support committee
CIPE	Centre for International Private Enterprise
CO	Country Office
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
CTA	Mozambican Federation of Employers' Organisations
DB	(World Bank) Doing Business (survey)
DCED	Donor Committee on Enterprise Development
DFS	Digital Financial Services
DP	Development Partner
EDP	Entrepreneurship Development Programmes
EMAN	Estrategia de Melhoramento do Ambiente de Negocios (Strategy for improvement of business environment)
FAIZ	Fund to Support Youth Initiatives
FDI	Foreign Direct Investment
FEE	Female Economic Empowerment
FEMTECH	Women's Business Growth Programme
FISEXT	Global Financial Index Database



FUNDEC	Fund for the Development of Skills
GAPI	Promotion of Small Industry Mozambique
GEP	Graduate Enterprise Programme
GET	Gender and Entrepreneurship Together
GET-IT	Graduate Entrepreneur Programme through Information Technology
GIRBI	Interministerial group for removing barriers to investment
GIZ	The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GOWE	Growth Oriented Women Entrepreneurs
ICC	Indian Chamber of Commerce
ILO	International Labour Organisation
INEFP	National Institute for Employment and Vocational Training
IYF	International Youth Federation
JOBA	Skills For Employment (S4E)
<i>Ligada</i>	Support to adolescent girls and women (this project is now called Muva)
MCC	Mozambique Chamber of Commerce
M/SME	Micro and Small and Medium Enterprise
MEHD	Ministry of Education and Human Development
MESSE	Ministry of Labour, Employment and Social Security
MGCSA	Ministry of Gender, Children and Social Welfare
MIT	Ministry of Industry and Trade
MOSTIS	Ministry of Science and Technology Innovation Strategy
MSTHTE	Ministry of Science and Technology, Higher and Technological Education
MYS	Ministry of Youth and Sport
OECD	Organisation for Economic Cooperation and Development
PAGE	Partnership for Action on the Green Economy
PERPU	Strategic Program for the Reduction of Urban Poverty
PSD	Private Sector Development
TVET	Technical & Vocational Education & Training



TOT	Training of Trainers
TORs	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation
UNIDO-HP	United Nations Industrial Development Organisation and Hewlett Packard
VCD	Value chain development
WBL	Women, Business and the Law
WE	Women entrepreneur
WED	Women's entrepreneurship development
WEE	Women's economic empowerment
WEPs	Women's Empowerment Principles
WIPO	World Intellectual Property Organisation
YBI	Youth Business International
YE	Youth entrepreneurship
YEDS	Youth Enterprise Development Strategy – South Africa



## Contents

About Business Environment Reform Facility (BERF) .....	1
About this Report.....	1
<b>Executive Summary .....</b>	<b>1</b>
Constraints .....	1
Cross cutting issues .....	2
Recommendations .....	3
<b>1. Introduction.....</b>	<b>5</b>
1.1 Background and Context .....	5
1.2 Objective of the Assignment .....	5
1.3 Overall framework for youth entrepreneurship ecosystem .....	6
1.4 Methodology and Approach .....	8
<b>2. Key BE Constraints to Youth Entrepreneurship.....</b>	<b>12</b>
2.1 Obstacles to Business Start-up.....	12
2.2 Ineffective National Policies for Youth Entrepreneurship.....	13
2.3 Insufficient Access to Finance.....	18
2.4 BE Constraints.....	19
2.5 Lack of Business Development Services .....	22
2.6 Limited Private Sector Linkages and Ineffective Business Support Organisations .....	22
2.7 Limited Capacity of Business Membership Organisations.....	23
<b>3. Cross Cutting Issues .....</b>	<b>25</b>
3.1 Gender .....	25
3.2 Informality.....	26
3.3 Corruption.....	27
3.4 Environmental Sustainability .....	27
<b>4. Recommendations.....</b>	<b>29</b>
4.1 Facilitating Start-Ups and Supporting an Entrepreneurial Culture .....	29
4.2 Develop National Entrepreneurship and Innovation Strategy – EIS .....	33
4.3 Improving the BE for Youth Entrepreneurs.....	35
4.4 Increasing Access to Finance .....	35
4.5 Promoting Access to Entrepreneurship Development Training, BDS and Mentoring.....	36



4.6	Strengthening Membership of Associations and Business Linkages .....	39
<b>References</b> .....		<b>42</b>
<b>Annex 1</b>	<b>ToR – BER Diagnostic Assessments .....</b>	<b>47</b>
<b>Annex 1.a:</b>	<b>ToR BER Assessment on Youth Entrepreneurship.....</b>	<b>51</b>
<b>Annex 2</b>	<b>Stakeholder meetings/consultations.....</b>	<b>53</b>
<b>Annex 3</b>	<b>Literature and Programmes Review .....</b>	<b>54</b>
3.1	Global Youth Entrepreneurship.....	54
3.2	Africa Regional and Multi Country.....	57
3.3	Country Examples .....	57
3.4	Mozambique Entrepreneurship .....	58
<b>Annex 4</b>	<b>Core elements of a Youth Entrepreneurship Policy Table.....</b>	<b>59</b>



## Executive Summary

This report has been prepared under the Business Environment Reform Facility (BERF), funded by the UK Department for International Development (DFID). It provides an assessment of the key business environment (BE) constraints and other barriers faced by young entrepreneurs (15-35 years) in Mozambique, and identifies potential interventions to help stakeholders address these constraints. In addition, the report identifies a number of relevant global best practices on policies and programmes aimed at promoting youth entrepreneurship.<sup>1</sup>

Despite the fact that the Mozambican economy has been experiencing a minimum of seven per cent GDP growth over the past 10 years,<sup>2</sup> the formal job market remains static and is unable to create sufficient employment opportunities for the 400,000 or so young women and men entering the labour market each year. The promotion of youth entrepreneurship can help provide opportunities to unlock the potential of the Mozambican youth in starting and growing their own enterprises.

### Constraints

**Access to finance** for youth entrepreneurs remains problematic. However, the recently launched 2016 National Financial Inclusion Strategy developed by the Bank of Mozambique is aimed at expanding financial education and literacy, as well as extending access to financial products and services to unbanked segments of the population. In this context, special attention should be given to extending financial inclusion to youth entrepreneurs.

The government, with the support of development partners, has been prioritising improvements in the **regulatory framework** through the Business Environment Improvement Strategy (BEIS or EMAN-I and EMAN-II), resulting in an overall improved ranking for Mozambique in the IFC/World Bank's Doing Business (DB) reports. However, the BE reform process needs to do more to address and incentivise the large number of youth entrepreneurs, many of whom operate in the informal economy.

There are a number of government policies and strategies that can contribute to promoting youth entrepreneurship, such as the Innovation Strategy (2006-16), Youth Policy (2013), Employment Policy (2016), and, as mentioned above, the Financial Inclusion Strategy (2016). These policies and strategies, however, are rarely implemented in full, if at all. In order to provide a coherent and consistent approach in the promotion of entrepreneurship in Mozambique, including youth entrepreneurship, a new Entrepreneurship and Innovation Strategy is included in this report among the recommendations. The implementation of this Strategy should ideally be under the leadership of the Office of the Prime Minister, to avoid the strategy being siloed within one particular line ministry. From discussions with government officials during this assignment, this would seem to be a current priority, and the prospect of

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<sup>1</sup> These were not in original scope but were additionally requested by DFID Mozambique during the course of the assignment and reflected in amendment to TOR (at Annex 1.a).

<sup>2</sup> As stated in the National Employment Policy (draft document in English). Comments from DFID Mozambique (December 2016) have suggested this figure is incorrect, but no corrected figure has been indicated.



timely support from key development partners such as DFID could help guide and inform government on the scope and content of any such new strategy. A further positive step is that the Department of Youth attended a Commonwealth technical workshop held in Johannesburg (23-25 November 2016).<sup>3</sup>

There are insufficient **business development service** (BDS) providers supporting Mozambican micro, small and medium-sized enterprises (MSMEs), in particular youth entrepreneurs. As part of its preparations for getting involved in Mozambique, Youth Business International (YBI) has been trying to identify potential BDS partners in the country and has developed its own network model in order to implement Youth Entrepreneurship (YE) initiatives in the country.<sup>4</sup> Start-up and fledgling youth enterprises require access to effective BDS to generate jobs and incomes, and although such support can be offered through social enterprises such as Ideialab, ultimately these services can best be provided in a sustainable manner through a more enlightened, innovative and responsive commercial market. In the short to medium-term, capacity building support is required to enable commercial BDS providers to offer appropriate products and services and effectively cater to the needs of the youth entrepreneurship market.

**Business Membership Organisations (BMOs)** representing youth entrepreneurs and their small-scale enterprise members can play important roles in representing the interests of their members, and providing effective advice and services to benefit their membership. However, in Mozambique the human and financial resources of these organisations are meagre, and they require capacity building support to ensure their effectiveness, membership responsiveness and achieve sustainability in the longer term.

There are insufficient **business linkages** between mid-sized and large enterprises and MSMEs in Mozambique. Much needs to be done to promote entrepreneurial mind-sets among youth entrepreneurs, and to develop such sustainable business linkages. Initiatives by employers' organisations, sector-based associations and their corporate members in the form of corporate social responsibility (CSR) and creating shared value (CSV), can provide valuable entry points for implementing sustainable business linkages and for developing inclusive value chains. As with other components of the YE ecosystem, it is important to adopt a longer-term perspective in providing support for new and emerging YEs to enable them to successfully start up and grow their enterprises. Such support needs to be "joined up" and integrated to facilitate new business creation, increased sales, incomes and profits, and stimulate the creation of decent jobs in the longer term.<sup>5</sup>

### Cross cutting issues

Women in Mozambique experience a range of **gender-based inequalities** that limit their employment and entrepreneurship prospects. Women-owned businesses tend to generate lower levels of income, make less use of technology (including ICTs) and compared to male-owned businesses, are more often found in the service industries and the informal economy

<sup>3</sup> Additional information provided by DFID and YBI (December 2016).

<sup>4</sup> Ibid. At the time of writing, YBI has not yet developed a full-time presence in the country, although DFID Mozambique is encouraging its engagement in the field of youth entrepreneurship. YBI has signed a partnership with IdeiaLab (Jan 2017).

<sup>5</sup> This observation was reinforced in the comments received from DFID and YBI (December 2016).



(ILO, 2011). Furthermore, cultural issues present additional challenges e.g. multiple roles and power dynamics in the family, society and the workplace – as well as limiting women’s and girls’ aspirations. The DFID Muva (formerly Ligada) project on economic empowerment of women and adolescent girls in Mozambique is an important initiative aimed at gathering valuable information on the gender-based barriers impacting the economic empowerment of women and adolescent girls as well as in tackling these inequalities.<sup>6</sup> In addition, reports such as the ILO publication on the “Enabling environment for women in growth-oriented enterprises” (ILO, 2011) provide additional information on the country-specific barriers facing women in business.

With 80 per cent of workers in the informal economy,<sup>7</sup> **informality** dominates the context of youth entrepreneurship, and it is likely to do so for the foreseeable future. Nevertheless, the process of transitioning from informality to formality is important to the longer-term sustainability and growth of youth enterprises and more inclusive and targeted actions need to be taken to make that a reality.

Youth entrepreneurs need to be able to operate on a level playing field, free from **corruption**. The United Nations Capital Development Fund (UNCDF) Youthstart Global report illustrates that many young people interviewed see corruption as a major barrier to finding a job in both the formal and informal economies which continues to present a major cross-cutting challenge for young entrepreneurs (UNCDF, December 2015, p.30).

As well as promoting **environmental sustainability**, the recommendations of this assessment seek to identify new job opportunities in what is termed as the ‘green economy’ which can play an important part in rolling out future youth entrepreneurship initiatives.

## Recommendations

Based on the assessment of the constraints on youth entrepreneurship in Mozambique and a brief review of best global practices, this report presents a number of potential interventions, aimed at increasing start-ups and improving survival rates, increasing youth entrepreneurs’ sales, incomes and profits, and enhancing the quantity and quality of jobs in youth entrepreneurs’ enterprises.

Recommendations are focused around three broad approaches and presented under each main heading in order of priority (H = Higher, M= Medium and L=Lower as appropriate):

- 1) **Improving the BE for youth entrepreneurs and promoting an entrepreneurial culture**, including a visible and supportive role from government with new policy initiatives, coordinating with wider BE reform initiatives, and promotion of entrepreneurship education at secondary and tertiary levels (including Technical & Vocational Education & Training [TVET] institutions and universities). Specifically, the report recommends:
  - Improving the BE for youth entrepreneurs (4.3) H
  - Increased support to basic entrepreneurship education and entrepreneurial culture (4.1.1 & 4.1.4) H

<sup>6</sup> Limited information on Muva is currently available on public websites – as of 13 January 2017.

<sup>7</sup> UNCDF (2015), p.17



- Developing a National Entrepreneurship and Innovation Strategy (4.2) H
  - Promotion of the Graduate Entrepreneurship Programme (GEP) (4.1.2) M
  - Promoting entrepreneurial mind-sets and role of family in YE (4.1.5 & 4.1.6) M/L
  - Support for identifying viable business opportunities (4.1.3) M
- 2) **Promoting better access to BDS, mentoring and financial support** through:
- Promoting better access to finance (4.4) H
  - Developing entrepreneurship and enterprise development programmes (4.5.1) H
  - Building capacity of BDS providers and improve outreach to youth entrepreneurs (4.5.2) M
  - Developing mentoring capabilities (4.5.3) M
- 3) **Strengthening membership of representative, member-based associations** that provide effective service delivery, advocacy and lobbying, as well as creating stronger **business linkages** with larger private sector enterprises, through:
- Providing capacity building for youth entrepreneur associations and youth support agencies (4.6.1) H
  - Promoting corporate social responsibility (CSR) and related approaches in support of youth entrepreneurs (4.6.2) M
  - Strengthening the engagement of employers' organisations and business associations (4.6.3) M
  - Promoting business linkages and inclusive value chains in support of youth entrepreneurs (4.6.4) M
  - Engaging private sector foundations (4.6.5) M

The Mozambican government should play a leadership and coordinating role in association with DFID (and its related projects such as Joba and Muva) and other development partners as well as various social enterprises such as Ideialab, both in promoting youth entrepreneurship and in mainstreaming youth issues into BE reforms and other relevant policies and programmes. Given DFID's extensive investments in related projects in this area, it is in a strong position for leveraging its current support to a range of initiatives with a particular youth focus or with youth components.



## 1. Introduction

### 1.1 Background and Context

Much of the growth in Mozambique's gross domestic product (GDP) in recent years has been in capital-intensive mega-projects (aluminium, gas, coal), which generate few jobs. Given that the rest of the Mozambican economy has been rather static, few new jobs have been created in the formal economy, while the numbers of young people (school-leavers) entering the labour market has been expanding by approximately 40 per cent (approximately 420,000) per year.<sup>8</sup> Whilst entrepreneurship is not a panacea for youth unemployment, it can enable significant numbers of young people to create and grow their own enterprises, and in the process, create jobs for themselves and other young women and men. Based on its considerable experience in other countries, organisations such as Youth Business International (YBI) are confident that there is sufficient interest and capacity among young people in Mozambique to embark on entrepreneurship.<sup>9</sup>

### 1.2 Objective of the Assignment

As indicated in the attached terms of reference (see Annex 1), DFID has requested support from the Business Environment Reform Facility (BERF) to identify specific business environment (BE) constraints faced by young entrepreneurs (15-35 years) and recommend potential programming options for DFID Mozambique to help stakeholders address these constraints and strengthen youth entrepreneurship.

Business Environment Reform (BER) is defined by the Donor Committee on Enterprise Development (DCED) as:

*“A complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.).”*

DCED explains further that:

*“Along with other private sector development initiatives, the business environment affects the performance of private enterprises in both the formal and informal economies. Business environment reform promotes the development of markets that encourage competition and enhance the effectiveness and sustainability of other development interventions. Many agencies consider a conducive business environment as one of the pre-requisites for economic growth and poverty reduction.”*<sup>10</sup>

As indicated in the expanded terms of reference (see Annex 1.a), DFID Mozambique additionally requested the inclusion of a summary of global best practices on youth entrepreneurship policies, programmes and actions. DFID indicated that their prime interest

<sup>8</sup> Whilst most reports cite between 300,000-400,000, latest information provided verbally by Julia Kraetke estimates 420,000, DFID Mozambique, 22 September 2016.

<sup>9</sup> Information provided by DFID and YBI (December 2016).

<sup>10</sup> Donor Committee on Enterprise Development (DCED), 2008.



was to identify global best practices, what works and what does not work, and how they could be of relevance to the Mozambican context.

### 1.3 Overall framework for youth entrepreneurship ecosystem

For youth entrepreneurship (YE) to be effective in a country such as Mozambique, it is necessary to have a supportive ecosystem. Such a system needs to demonstrate integration and progression from the point of generating greater awareness about entrepreneurship, through to the creation of viable start-ups, business development, consolidation and growth. These three major components are not intended as stand-alone forms of support, but rather as Figure 1 illustrates, a joined up BE to support the likely progression of youth entrepreneurs through the various stages of start-up through development and growth.<sup>11</sup>

In Figure 1 below, emphasis is given to promoting an entrepreneurship culture and mind-set, including through entrepreneurship education. A stronger entrepreneurship culture should lead to more and better quality start-ups based on identified business opportunities, and should also contribute to their longer-term viability. In the case of Mozambique, there are numerous interventions being undertaken to create greater awareness around the potential of entrepreneurship, including through the programme of the International Youth Federation (IYF), and several DFID-funded programmes, such as Muva and Joba among others. A variety of entrepreneurship awareness and education materials are in use, including the International Labour Organisation's (ILO) Know About Business (KAB) and Start and Improve Your Business (SIYB) manuals, and IYF's Passport to Success (PTS) programme. However, a more comprehensive approach to promoting an entrepreneurship culture and entrepreneurship education will be required within the ideal YE ecosystem, and recommendations are provided to move this forward.

To become successful, start-ups will require business and management skills, marketing and market research skills, access to information and communication technologies (ICTs), business planning, mentoring, leadership, and above all access to affordable and accessible finance for short- and longer-term requirements. It is essential that the BDS providers, along with the financial institutions, be aware of the longer term prospects for supporting youth entrepreneurs, and the importance of becoming part of their success story. As YE is a relatively new niche market for existing BDS providers, they will need some initial incentives in order to appreciate the commercial potential of the YE sector. At present, most of these components are underserved in the Mozambican YE market, and this report's recommendations provide practical suggestions for strengthening BDS and financial provision with a view to enabling the YEs to improve their sales, income and profits (see Figure 1 below).

As youth entrepreneurs' business grow, they will require supportive and complementary components within the YE ecosystem. The youth entrepreneurs' voice must be heard by policy-makers and the business establishment alike. Strengthening YE associations can be an important step in this process, thus ensuring that these associations are representative, member-based, financially and organisationally sustainable, and responsive to the needs and

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<sup>11</sup> This point was also reinforced in recent communications from DFID and YBI (December 2016) – "Entrepreneurship support needs to be joined up across preparing to start a business, BDS, access to finance, access to markets, networks, etc."



expectations of their membership. In addition, youth entrepreneurs' business concerns must also be mainstreamed into the existing business establishment, through strong links with private sector umbrella associations (e.g. CTA - Confederacao das Associacoes Economicas de Mocambique) and sector-based associations, as well as in economy-wide initiatives such as the Business Environment Improvement Strategy (BEIS) and the implementation of the new Financial Inclusion Strategy. This report's recommendations also propose actions to be taken to strengthening both the YE associations, as well as the linkages with private sector associations, including through direct engagement of private sector entities through approaches such as Corporate Social Responsibility (CSR) and creating shared value (CSV).

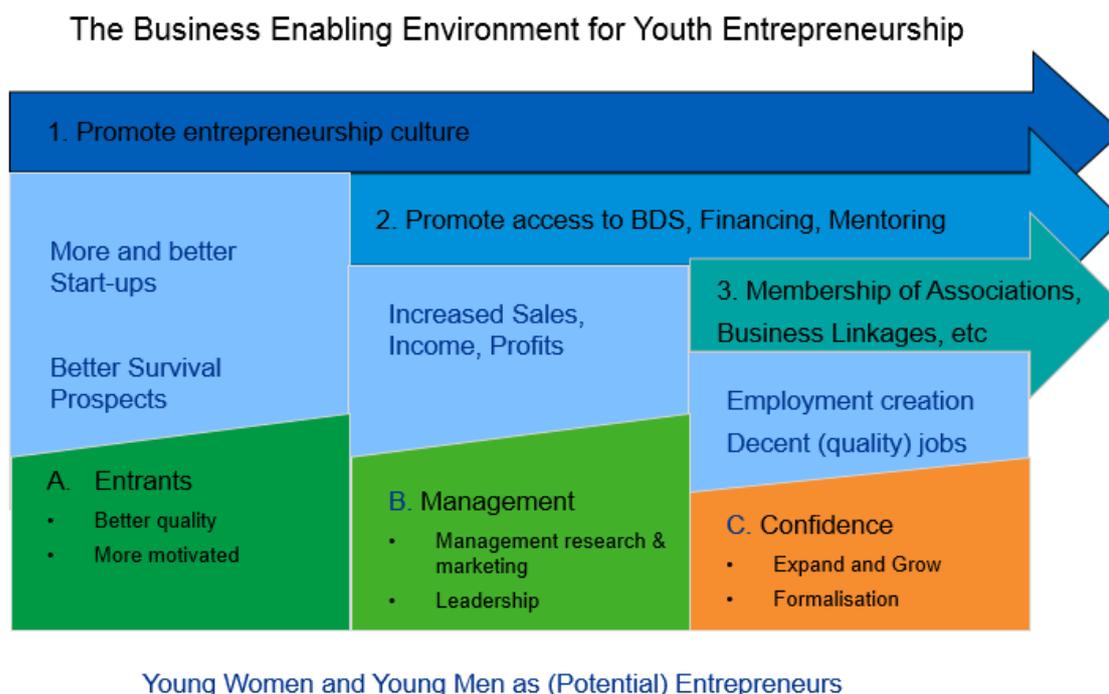
Based on discussions with DFID Mozambique as well as from a comprehensive review of documentation provided by that office, DFID Mozambique would appear to have a particular interest in YE programmes that can contribute to and can be assessed in terms of i) business creation and survival; ii) sales, profit and income, and iii) employment.<sup>12</sup> On that basis, these three components have been placed at the centre of the "Proposals to strengthen the Youth Entrepreneurship Ecosystem in Mozambique", as shown in Figure 1 below.

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<sup>12</sup> DFID. May 2016 (p8)



**Figure 1 Proposals to strengthen the Youth Entrepreneurship Ecosystem in Mozambique**



## 1.4 Methodology and Approach

### 1.4.1 Literature and Programme Review

The consultant conducted a literature review, which informed the approach to the study, and highlighted lessons as well as global good practices from recent and ongoing initiatives in YE, as summarised in Annex 3. This review specifically draws on resources suggested by DFID Mozambique on global best practices that are of relevance to YE in Mozambique.

The literature review covered BE reform and youth employment issues both globally and in the context of Mozambique, a sub-set of which was the literature relating to YE. The literature reviewed also covers broader youth policies and programmes, where these have considerable emphasis on youth employment and active labour market policies in support of youth as well as programme documents relating to DFID Mozambique’s collaboration with the World Bank in the *Let’s Work* Partnership, the DFID JOBA Skills for Employment (S4E) project,<sup>13</sup> DFID’s Muva project on the economic empowerment of women and adolescent girls, as well as DFID’s Leave No Girl Behind (LNGB) initiative as part of the Girls’ Education Challenge (GEC). DFID Mozambique provided links to background documents and recommended a list of key informants to be interviewed. Prior to the fieldwork, the consultant had an informative telephone discussion with a representative of YBI, with whom DFID is considering developing

<sup>13</sup> DFID Mozambique has recently shared information on two new reports: Centre for Employment Initiatives (no date provided). A desk study into the constraints to skills and job opportunities for young women, adolescent girls and marginalised youth in Mozambique; and CEI (March 2016) Report: Focal group youth study on constraints to skills and job opportunities for young women, adolescent girls and marginalised youth. It should be noted that these reports were received too late for inclusion in this report.



a partnership for its YE initiatives in Mozambique.<sup>14</sup> The full list of references at the end of this report provides details of the documents and websites accessed throughout the study. Box 1 below summarises key messages from this review.

### **Box 1 Key lessons from international experience and best practice on youth entrepreneurship**

The literature review in Annex 3 suggests the following lessons:

- The importance of creating a YE ecosystem in which young entrepreneurs can access support and progress from having a business idea to starting and growing a sustainable business;
- The need to engage young people and their representatives and associations in planning YE support programmes;
- The need to ensure that trainers and teachers of entrepreneurship education and entrepreneurship programmes have practical knowledge and experience of entrepreneurship and deliver training in an experiential manner;
- The importance of recognising that young women have different sets of experiences, demands on their time, expectations and dreams than young men, and this needs to be addressed when designing and implementing support programmes;
- A supportive entrepreneurial culture is necessary in order to create positive mind-sets for potential young entrepreneurs;
- While there is a lot of existing information and training material, targeting school-going youth, start-up entrepreneurs, as well as growth-oriented businesses, it is important to identify the most appropriate materials and approaches to meet the needs of the Mozambican market;
- There needs to be a joined-up wrap-around approach to support for youth entrepreneurs, including access to BDS, access to finance, and follow-up and support mechanisms such as counselling and mentoring;
- Associations of young entrepreneurs can play an important role in guiding and supporting fledgling first time entrepreneurs, and they should be engaging with officialdom and ensuring that youth entrepreneurs' voice and concerns are heard at various platforms and forums;
- Mainstream private sector organisations can also assist in helping to bring youth entrepreneurs into major business sectors;
- Considerable guidance on the key components of policy and policy development processes on YE is already available to assist Mozambique in terms of developing an entrepreneurship strategy or policy. (See Annex 3 for full list of sources)

#### 1.4.2 Fieldwork

The United Nations Capital Development Fund (UNCDF) Youthstart Global report<sup>15</sup> indicates that there are around 30 different agencies involved in youth activities in Mozambique, and a

<sup>14</sup> See terms of reference, Annex 1.

<sup>15</sup> UNCDF (December 2015) pp 47-49. It was not felt appropriate to copy the names of all organisations into this report (as requested by DFID Mozambique, December 2016), as the UNCDF report is widely circulated within Mozambique. It should be noted that at the time of writing, this report was the most up-to-date document specifically covering youth entrepreneurship in Mozambique. Consequently, the findings from the UNCDF report are frequently referenced in this report.



large number of these agencies were contacted during the study – either directly by interview or indirectly through email. During the fieldwork stage, the consultant met with individuals and organisations involved in youth employment and YE initiatives. These included staff from the above-mentioned DFID projects, representatives of international NGOs engaged in YE, international and national business development services (BDS) providers engaged in training and mentoring, UN agencies, financial sector project officials, and representatives from youth organisations, informal sector associations and women entrepreneur associations.

DFID Mozambique is part of the Youth Trailblazing Initiative (YTI), which puts young people at the centre of development. The aim of the YTI is to support young people to “transition into early adolescence and from education into employment, as well as to be agents and advocates for change”.<sup>16</sup> DFID Mozambique is working with a number of different partners, including YBI, with the intention of setting up a YE programme. Associacao Nacional de Jovens Empresarios de Mocambique (ANJE) in particular, was an important key informant, as ANJE has already formulated its own plans for promoting YE and it cooperates closely with the government.<sup>17</sup> Based on information from DFID Mozambique and the YTI, ANJE is likely to be one of the organisations that could play leadership roles as ‘beneficiaries, agents and advocates’ in any new YTI initiatives.

In order to ensure that recommendations would be tailored to the current Mozambican political and economic context, the consultant also held meetings with key government officials, including the director of one of the government training agencies, National Institute for Employment and Vocational Training (INEFP), the National Director of the National Youth Institute, as well as an adviser to the President on youth employment/entrepreneurship issues.

See Annex 2 for list of all persons consulted in-country.

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<sup>16</sup> DFID Youth Trailblazing Initiative – Mozambique as Trailblazer Country (DFID leaflet) However, DFID has indicated that this reference in the text is erroneous (Additional information from DFID and YBI, December 2016).

<sup>17</sup> Subsequent to this report being drafted, ANJE launched its own Youth Entrepreneurship Strategy in November 2016. The new ANJE strategy may provide opportunities for development partners to lend their support in implementing the strategy (DFID, December 2016).



#### 1.4.3 Focus Group Discussions

A round table discussion with a mixed group of 10 female and male youth entrepreneurs was arranged by DFID, and most of the entrepreneurs were affiliated to ANJE. This confirmed many observations from other phases of the YE assessment in Mozambique, such as gender issues affecting women entrepreneurs, and problems in accessing credit. A brief set of outcomes and lessons arising out of this meeting is provided in section 2.3 below.

#### 1.4.4 Additional Research

Additional research identifying and summarising global best practices, was undertaken through a second stage of the desk research following the fieldwork phase, and this was augmented by discussions with additional international key informants.



## 2. Key BE Constraints to Youth Entrepreneurship

### 2.1 Obstacles to Business Start-up

Limited educational and training opportunities resulting in a low level of business skills, an absence of entrepreneurship culture, and a lack of information on high growth potential sectors all present significant obstacles to youth entrepreneurs in Mozambique. There is a lack of YE role models for young women and men, and to this end the recommendation on the Graduate Enterprise Programme (GEP) should help to address this gap. As stated in the UNCDF Youthstart Global report on Mozambique, ‘Mozambique lacks a strong culture of entrepreneurship and an enabling environment to support the growth of SMEs.’<sup>18</sup> Up to the time when the YE expert met with government officials and advisers, there had been little indication from government of its support for YE.<sup>19</sup> To date entrepreneurship education has been introduced in a piecemeal and uncoordinated manner by several agencies and projects, and one informant referred to a prior Ministry of Education course on entrepreneurship where the students were being taught embroidery. While there is a general consensus that there is a weak entrepreneurial culture in Mozambique, this does not mean that there are many youth that have what YBI calls entrepreneurial will and capacity, and with the right support Mozambican youth entrepreneurs can be identified, encouraged and supported to success.

For example, at the start-up stage, it is difficult for youth entrepreneurs in Mozambique to identify viable and profitable market segments for their new businesses. The UNCDF Youthstart Global has identified several sectors as ‘*the most promising economic opportunities for youth*’, including the tourism sector, building, construction and extractive sectors, ‘bottom of the pyramid’ retail sector and agriculture. In addition, the current BERF assessments (of which the YE study is a part) have also identified sectors with potential for growth, including forestry, construction, energy, and agriculture, with particular reference to cassava, cashew nuts and pigeon peas.<sup>20</sup> As indicated in the UNCDF Youthstart report, ‘*There are untapped opportunities for youth employment (in agriculture) along the various value chains in extension, aggregation, trade, and small-scale processing; however, youth have a negative impression of the sector and interventions in this space will require a significant investment in facilitating a change of perception.*’<sup>21</sup>

The report also indicates (p.31) that ‘*Youth awareness about the number and type of economic opportunities available to them is extremely low and largely determined by their experience and environment. Youth with primary or no qualifications are not well informed about jobs economy-wide; their aspirations are often driven by what they judge to be successful within their immediate community.*’ This report’s recommendations propose a range of business opportunity identification techniques that can be applied with groups of youth entrepreneurs, as well as exploring the application of micro-franchising (as already

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<sup>18</sup> UNCDF, 2015, p.30.

<sup>19</sup> The Department of Youth participated in the Commonwealth’s YE workshop in Johannesburg, November 2016, and lent its support to the launch of ANJE’s YE strategy (also November 2016). These could prove to be positive growth shoots from government in the promotion of YE in Mozambique.

<sup>20</sup> According to new information from DFID Mozambique, sesame has been added as a fourth crop (December 2016).

<sup>21</sup> Mozambique country report, African Economic Outlook, 2014 – cited in UNCDF, p.28.



ongoing with Muva) to particular business sectors, and business opportunities in the 'green economy' (jobs relating to environmental programmes, recycling etc.).

This report identifies lessons and good practices on entrepreneurship education programmes, as well as for graduate entrepreneurship programmes (GEPs) appropriate for tertiary institutions such as vocational training centres and universities. Lessons from the World Bank publication,<sup>22</sup> classified between secondary and higher education as well as for potential and practising entrepreneurs, have been incorporated in the recommendations on enterprise education below.

The recommendations propose a number of ways for strengthening the entrepreneurship culture for young people in Mozambique. Reference is made to the work of Shujaaz in Kenya, as well as the emerging work around entrepreneurship and families (Faila et al). In addition, DFID in Mozambique has reported that it is developing its "youth brand/multi-media platform".<sup>23</sup>

## 2.2 Ineffective National Policies

Any proposed YE initiatives need to complement and build upon national priorities as enshrined in national development plans, policies and strategies. There are several existing policy frameworks that refer to YE, the Youth and Employment policies, as well as the Innovation Strategy and Gender instruments, discussed in detail below.

Based on a review of these policies and key informant discussions, this assessment finds that there is low likelihood of either the Youth Policy and Implementation Plan or the Employment Policy providing the necessary emphasis to effectively promote entrepreneurship. In each case, while entrepreneurship is mentioned, it is buried away deep inside a plethora of issues relating to broader youth and employment issues respectively. Furthermore, as reported below, these policies/strategies are seen as belonging to their respective ministries, and do not have a broad interdisciplinary engagement across the economy.

Based on discussions with the President's adviser on youth enterprise and the Director of the National Youth Institute, there would appear to be political will to strengthen YE in the country, but political will by itself is not sufficient. Unlike these existing policies, it is proposed that a new Entrepreneurship and Innovation Strategy would fall under the Office of the Prime Minister. A new strategy could be a valuable mechanism for providing coherence and consistency across a range of BE reform and YE support initiatives, and based on the outcomes of the Commonwealth's workshop in Johannesburg (November 2016)<sup>24</sup> it would appear that the Commonwealth and other participating partners are ready to support such a development.

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<sup>22</sup> World Bank. 2014

<sup>23</sup> DFID commented as follows: "Communications and information need to be a separate recommendation and would fit better with our plans for the new youth brand/multi-media platform currently being scoped by Purposeful Productions. Important here is that there is no mention of the critical importance of attitude in entrepreneurship." (DFID and YBI, December 2016). Specific information about this platform was not available during the analysis stage of the assignment.

<sup>24</sup> The expert does not have any specific information from the Commonwealth's workshop, although he was able to advise DFID of the event in advance. Thanks to feedback received from the YBI person in attendance, this update has been added. (DFID and YBI, December 2016)



The proposed Entrepreneurship and Innovation Strategy is intended to fall under the Office of the Prime Minister, thus avoiding any specific ministerial ownership. Nevertheless, since the fieldwork stage and the drafting of the report, there have been two developments that may impact on the prioritisation of the stand-alone strategy (as stated in recommendation 4.2) - in early November, ANJE launched its own “Entrepreneurship Strategy”, and it is understood that this was supported by the National Youth Institute and Department of Youth; secondly, in late November a Commonwealth/ UNCTAD workshop on YE in Johannesburg, South Africa, in which Mozambique’s Department of Youth participated. Furthermore, apparently the Commonwealth (along with other possible partners) has lent its support to strengthen YE in Mozambique.<sup>25</sup>

### 2.2.1 National Youth Policy (2013)

The National Youth Policy<sup>26</sup> was adopted by the government in 2013, and was subsequently supported by an implementation strategy. The policy advocates for the government ‘to adopt measures that encourage the initiatives of young people, which assist in the eradication of poverty, particularly in simulating income generating activities that contribute to the development of the country’s economy.’<sup>27</sup> The Ministry of Youth and Sport (MYS) is responsible for all matters related to youth, including the implementation of this policy. The National Youth Institute provides advice to the MYS with regard to the implementation and monitoring and evaluation (M&E) of this policy.<sup>28</sup>

Pillar IV of the strategy, covers Employment, Self-employment and Youth Entrepreneurship.<sup>29</sup> The strategy includes components such as training young entrepreneurs in small business management, stipulating that a proportion of CSR funds should be designated to support entrepreneurship, organising provincial and district youth entrepreneur exhibitions, and organising annual YE camps during school/college holidays. Several of these components of the Youth Policy and Implementing Strategy dealing with youth entrepreneurs are also reiterated in this report’s recommendations for strengthening the YE ecosystem in Mozambique, such as training in business skills, support from CSR funding, and youth entrepreneur exhibitions and trade fairs.

Government’s proposals, such as those mentioned above, need to be planned and implemented in a coherent and integrated manner, with a view to short-, medium- and longer-term impacts, otherwise there is the risk that they become yet another “wish-list” for YE development in Mozambique.

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<sup>25</sup> More detailed information on the outcomes of this workshop would be needed to determine how both of these events are likely to impact on recommendation 4.2, and whether they hold out the possibility of external technical and financial support to make an entrepreneurship (and/or Entrepreneurship and Innovation) strategy a reality.

<sup>26</sup> Republic of Mozambique. 2013. National Youth Policy and Implementation Plan – unofficial translation from original Portuguese documentation

<sup>27</sup> Mozambique: Assembly Approves Youth Policy, 2013; See: <http://allafrica.com/stories/201310290315.html>.

<sup>28</sup> UNCDF, 2015.

<sup>29</sup> Emprego, Auto-Emprego e Empreendedorismo Juvenil



Despite this recent effort by the government, the 2015 UNCDF report (p.30) states that ‘there are few existing initiatives designed to tap into the entrepreneurship potential of Mozambique’s very young population’.

There is the danger that the NYP is seen only as a priority for the MYS, or more specifically of the Department of Youth and the National Youth Institute. This risk is apparent when looking at the operations of the Inter-Sectoral Committee for the Support of Youth and Adolescent People (CIADAJ), the inter-ministerial body on youth and adolescents, which has met infrequently.

In November 2016 the youth entrepreneur association, ANJE, launched its own Youth Entrepreneurship Strategy.<sup>30</sup> It is likely that this initiative could also provide a stimulus for targeted support by development partners (such as DFID) to YE in Mozambique.

### 2.2.2 National Employment Policy

The National Employment Policy was approved by the Council of Ministers in September 2016, and builds upon the earlier Employment and Vocational Training Strategy (2006). The adoption of a policy is no guarantee of implementation or action. Nevertheless, where new initiatives are being developed, such as the proposed Entrepreneurship and Innovation Strategy, which are in support of YE, there is greater likelihood of acceptability and success if they are seen to be in line with and contributing to existing government policies and priorities.

As with the Youth Policy, the Employment Policy has sections that demonstrate consistency in promoting and supporting entrepreneurship, including particular reference to YE, as well as to broader youth employment issues.

Section 1.4 of the Employment Policy relates to ‘*Measures on Education on Entrepreneurship and Training in Business and Management*’, and indicates that the purpose is to contribute to strengthening a culture of entrepreneurship especially among youth and women, facilitating their transition from education to the world of work in order to stimulate innovation and job creation.

Among its ‘Main Courses of Action’ the Policy states: ‘*to promote and institutionalise education on entrepreneurship in primary and secondary schools, technical and vocational training, universities and other educational institutions, and to develop the capacity of Business Development Services providers to facilitate training on practical business management and technical support to entrepreneurs, especially to young graduates and women who start business.*’ As a complement to Section 1.4, Section 1.7 covers issues relating to ‘Measures on Youth Employment’, including the creation of incubators for assisting young companies.

Although it is early days for this new policy, it is important that the interests of youth entrepreneurs are not overlooked, particularly when it comes to policy implementation.

As noted above with respect to the National Youth Policy, there is a risk that the new Employment Policy will only be seen as an instrument of the Ministry of Labour, Employment and Social Security (MESSE), formerly Ministry of Labour. Previously, the Ministry (of Labour) had not demonstrated any clear understanding of entrepreneurship, and tended to favour

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<sup>30</sup> Feedback received from DFID Mozambique office, December 2016.



handing over technical toolkits to young trainees from its INEFP programmes, rather than developing awareness, education and mind-sets in support of an entrepreneurial culture.

### 2.2.3 National Development Strategy (NDS)

Covering the 2015 to 2035 period, this strategy aims to improve the living conditions of the population across the country. The four pillars of this strategy are:

- development of human capital;
- development of infrastructure of productive base (e.g. Special Economic Zones, roads, ports and railways, etc.);
- research, innovation, and technological development (e.g. creation of specialised centers of research and development in key sectors of high potential); and
- institutional coordination (e.g. improving inter-institutional coordination, law reform, etc.).

However, this document does not identify youth as a specific target population.<sup>31</sup>

### 2.2.4 TVET Reform (2012)

Up until very recently, the Mozambican Vocational Training System was supervised by a wide range of ministries and private sector bodies, including the Ministry of Education with responsibility for technical education, and the Ministry of Labour responsible for overseeing vocational training. The TVET reform process seeks to improve the quality of training institutions and increase access of disadvantaged Mozambicans to the system through mechanisms such as the Fund for the Development of Skills (FUNDEC) (a competitive professional skills development fund focusing on rural areas and informal sectors). This process is being supported by World Bank and DFID (through its Skills for Employment S4E/Joba project), among others. Experiences from INEFP (coming under the Ministry of Labour etc.) would indicate that TVET institutions are generally not very effective in promoting entrepreneurship capabilities, and specific interventions would be required.<sup>32</sup>

### 2.2.5 Plan for the Reduction of Absolute Poverty (PARPA) (2011 – 2015)

This was the latest in a series of 5-year plans starting from 2001 onwards. The plan aimed to enhance vocational training programmes with a focus on agriculture, agro-processing and industrial maintenance, and youth training through its three key pillars:

- Increase output and productivity in the agriculture and fisheries sectors;
- Promote employment; and
- Foster human and social development.<sup>33</sup>

From 2015 onwards, the National Development Strategy (see 2.2.3) has taken over this role.

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<sup>31</sup> UNCDF, 2015.

<sup>32</sup> As indicated in comments received from DFID and YBI, YBI research has shown that the potential is there for TVET and entrepreneurship support to be complementary (December 2016).

<sup>33</sup> Information accessed from UNCDF, 2015.



## 2.2.6 Business Environment Improvement Strategy (2013-2017)

The government has adopted a Business Environment Improvement Strategy (BEIS), also known as the Strategy for Improvement of the Business Environment - Estrategia de Melhoramento do Ambiente de Negocios (EMAN-I and EMAN-II). Programmes supporting these strategies have been funded by the UK, the US, Germany, the World Bank and others. The progress of these reforms and specific BE constraints on youth entrepreneurs are discussed below under Section 2.4.

## 2.2.7 Other Government-led Initiatives

Other relevant government policies include the **Ministry of Science and Technology Innovation Strategy (MOSTIS)** which was adopted in 2006 to run up to 2016. Although the policy would appear to have run its course, its content remains highly relevant to the promotion of entrepreneurship in Mozambique. The proposal for a new strategy on Entrepreneurship and Innovation (see below) embraces the importance of innovation and its role in underpinning an entrepreneurial culture.

In addition, the **National Gender Policy** (formulated as a series of 5-Year Plans for Advancement of Women) (2005-2009)<sup>34</sup> has as one of its seven strategies 'Women, Poverty and Employment'. Any new efforts in promoting YE for young women (as well as young men) in Mozambique would contribute to the government's aims of promoting economic empowerment of women, in line with Beijing +10 in which Mozambique participated. Also, the upcoming theme of the United Nations Commission on the Status of Women (CSW), to be held in New York, March 2017 is on women's economic empowerment (WEE) in the changing world of work, and delegates and representatives from Mozambique will participate in that event.

Various other national economic and trade policies/strategies should also be reviewed from the perspective of their potential impacts on YE in the country, and more needs to be done to provide appropriate incentives and stimulus, as well as to reduce actual and perceived barriers to entry and growth, taking account of the concerns and interests of this important constituency. As the UNCDF report indicates (p.22), there are opportunity costs associated with inaction (in terms of omitting youth entrepreneurs).

However, like many policies in Mozambique, in reality these policies and strategies are rarely implemented in full, if at all. For example, the 2013 National Youth Policy, followed by an Implementation Strategy, Pillar IV of which refers directly to YE. An Inter-Sectoral Committee for the Support of Youth and Adolescent People (CIADAJ) was also created to facilitate more inclusive engagement in policy implementation, but this committee rarely meets. In addition, in September 2016 the Council of Ministers adopted the National Employment Policy which, once again, makes reference to youth and entrepreneurship. However, few key informants met expressed optimism about the outcomes of such policies, indicating that they 'looked great on paper' but fall short on implementation. Furthermore, participants in the YE round table

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<sup>34</sup> This 'policy' does not appear in websites, but was referenced in the ILO 2011 publication - [http://www.ilo.org/wcmstp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/publication/wcms\\_184769.pdf](http://www.ilo.org/wcmstp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_184769.pdf) . No reference was found to a more recent policy.



organised during this assignment indicated that the process followed by government in developing its Youth Policy (2013) did not include sufficient consultation of youth.

The fact that these policies already exist provides an institutional framework within which pressure can be brought to bear on government to speed up their implementation. There are also opportunities for development partners to support timely implementation, particularly in relation to sub-components of Pillar IV of the strategy. Although a new strategy on entrepreneurship and innovation is proposed coming directly under the Office of the Prime Minister, lessons can be drawn from past experience as well as from global good practices and guidance (e.g. from the South African Youth Enterprise Development Strategy – YEDS, see 4.2 below) to ensure that a broad-based and inclusive platform is created to add commitment to implementation.

### 2.3 Insufficient Access to Finance

The UNCDF Youthstart Global report<sup>35</sup> indicates that the major challenge facing young entrepreneurs in Mozambique is access to capital. Consultations with youth involving 57 young women and men in rural and urban areas, identified limited access to capital as a common problem. Access to finance was also highlighted by the group of ten young entrepreneurs brought together for the round table discussion on 22 September 2016 as part of this study. Several of the findings of the UNCDF Youthstart Global report are also referred to below.

The current access to finance context in Mozambique consists of many actors, but the majority operate within the informal economy.<sup>36</sup> Within the formal economy, in addition to the large commercial banks, there are over 200 microfinance operators. Mozambique was ranked 18th in sub-Saharan Africa, below the regional average, in terms of ease of getting credit.<sup>37</sup> As reported by YBI, a key issue (in common with most countries) is the lack of loan finance accessible to young entrepreneurs, i.e. the requirement for collateral and high interest rates as well as short-term nature of funding, all of which effectively excludes young entrepreneurs and makes the finance unsuitable for youth businesses.<sup>38</sup>

Stakeholder interviews conducted for the UNCDF study showed *'both a mistrust and misunderstanding of formal services, with individuals preferring to access credit through friends, relatives, and loan sharks'*.<sup>39</sup> Furthermore, the low levels of comfort with the formal banking mechanism is further demonstrated by the fact that 60 per cent of the population are excluded from formal financial services, 74 per cent of adults are unfamiliar with insurance and 69 per cent unfamiliar with bank branches.<sup>40</sup>

While in general youth are aware of the government funds available to them, such as the Fund to Support Youth Initiatives (FAIZ), the Strategic Program for the Reduction of Urban

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<sup>35</sup> UNCDF, 2015.

<sup>36</sup> Mozambique Country Diagnostic report, UNCDF Making Access Possible, 2015 – as cited in UNCDF report.

<sup>37</sup> Doing Business 2015: Going Beyond Efficiency, Economy profile, Mozambique, World Bank, 2014, accessed from [www.doingbusiness.org](http://www.doingbusiness.org).

<sup>38</sup> Comment received from YBI, December 2016.

<sup>39</sup> Stakeholder interviews reported in UNCDF report, 2015.

<sup>40</sup> Finscope Survey, 2014.



Poverty (PERPU), the Fund to Support Young Entrepreneurs (ProJovem), and the District Development Funds, they do not know how to access this capital.<sup>41</sup> They believe that the process of accessing these funds would benefit from greater transparency.

Digital Financial Services (DFS), including the use of telephone banking, offer the potential for enhancing the effectiveness of government transactions, such as cash transfers, while also acting as channels for improving financial inclusion, particularly for Mozambican youth. DFS could enhance the effectiveness of the various government youth funds by ensuring that funds are paid to the right person and by eliminating fraudulence and the possibility of double paying an individual.<sup>42</sup> Low literacy rates, an underdeveloped regulatory framework, infrastructure and product ranges are some of the key challenges to implementing DFS.

The Bank of Mozambique in 2016 launched its Financial Inclusion Strategy, which is aimed at accelerating access to financial services in the population. The Bank of Mozambique's support for innovation in financial inclusion is likely to support the growth of DFS in the country. This provides an opportunity for DFID to engage with the government and central bank on this issue and to support efforts to inject YE interests and concerns into these initiatives.

There is limited training in financial management available to youth in Mozambique. The use of credit shows a trend where borrowers either access credit in emergency situations or when making a long-term purchasing decision. Further, there is a low level of awareness around financial services as a result of the rules that govern the informal banking sector.<sup>43</sup>

Research has shown that a subset of entrepreneurs could benefit greatly from improved financial access.<sup>44</sup> These entrepreneurs exhibit a desire for training in order to improve their businesses. Micro-entrepreneurs are better represented (than other categories) within the labour force from a financial access perspective, with only 36 per cent facing formal and informal financial exclusion. However, 34 per cent of micro-entrepreneurs rely solely on informal financial mechanisms.<sup>45</sup>

Overall, this evidence suggests that financial education and financial literacy programmes have a key role to play in boosting access to finance for youth entrepreneurs, and this needs to be combined and integrated with the provision of effective BDS, otherwise the financial institutions will face high default rates, leading to lack of sustainability of support programmes, and reinforcing prevailing negative stereotypes of youth as high risk borrowers.<sup>46</sup>

## 2.4 BE Constraints

As noted above, the government has adopted a BEIS and a number of initiatives supporting BE reform under BEIS have been funded by the UK, the US, Germany, the World Bank and others. These various BEIS initiatives have helped to improve Mozambique's standing in the

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<sup>41</sup> Findings from youth focus group discussions conducted under the UNCDF report, 2015.

<sup>42</sup> Ibid.

<sup>43</sup> UNCDF and Mobile Money for the Poor: 'Digital Financial Services in Mozambique, Briefing Note 1', 2014. See: [http://www.uncdf.org/sites/default/files/Documents/bn\\_mozambique\\_final.pdf](http://www.uncdf.org/sites/default/files/Documents/bn_mozambique_final.pdf). – as cited in UNCDF report.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Additional input received from YBI, December 2016.



World Bank's DB rankings, leading to improvements in recent years. This strategy aims to improve the ease of DB and attract more foreign investment across different sectors. The two main objectives of this strategy are simplifying procedures and improving competitiveness. As part of this strategy, the government is working on '*a unified website for all information related to legislation, procedures, required documents, and complementary services.*'<sup>47</sup> Although these may appear as positive steps, it would be important to ensure that those youth entrepreneurs who do not have regular and reliable access to the Internet are not further disadvantaged as a result of these reforms. Moreover, much has still to be done to make these reforms relevant to the large number of youth entrepreneurs in the informal economy, as well as for those in the formal economy. As stated in the UNCDF report (p.18) SME growth (where most youth entrepreneurs operate) is (still) constrained by heavy red tape and a poor business climate, as well as by lack of access to affordable capital.

The UNCDF report also states that the stakeholders interviewed in preparing its report mentioned '*lack of access to finance, weak infrastructure, corruption, complex regulations, land rights as key barriers to self-employment and entrepreneurship.*'<sup>48</sup> The report also states that '*Significant improvements to the business environment and the regulation of SMEs are needed in order to leverage the job creation potential of entrepreneurship, and make existing enterprises more efficient.*' The report continues, the '*strategy will certainly represent a step in the right direction. However, current efforts seem to focus more on business registrations than on business creation and growth*' (p.30). The overall pace and depth of BE reform remains unsatisfactory. Excessive bureaucracy, outdated or irrelevant policies, corruption, and underlying structural problems continue to plague the BE. In addition, youth entrepreneurs should be rewarded by various forms of incentives and stimuli, rather than being hampered and hindered by a range of barriers to self-employment and entrepreneurship.

#### 2.4.1 Business Registration: Starting a Business and Youth Entrepreneurs

As reported in the World Bank's DB reports<sup>49</sup> between 2008 and 2016, Mozambique has made the process of starting a business simpler by introducing flat registration fees, computerising its registry and introducing electronic publication of the incorporation notice (DB2008), eliminating the minimal capital and bank deposit requirements (DB2010), and introducing a simplified licensing process (DB2011). In addition, paying taxes have been made easier including the introduction of a new value added tax (VAT) with a simplified scheme for small companies (DB2009), and introducing an online system for filing social security contributions (DB2016). However, most recently Mozambique's ranking dropped by 6 places from 2015 to 2016 (from 118 to 124 in global rankings for starting a business), but the report does not give any particular reasons for this fall in Mozambique's ranking or its standing relative to other countries (DB2016).

Key informants confirm that there has been considerable simplification of the major business regulations and licensing arrangements with the introduction of 'all-in-one' (or 'one-stop-shop') facilities. These improvements have been brought about largely by implementation of the

<sup>47</sup> Mozambique: Strategy for the Improvement of the Business Environment - EMAN II (2013-2017), 2013; See: [http:// allafrica.com/stories/201306071240.html](http://allafrica.com/stories/201306071240.html).

<sup>48</sup> UNCDF, 2015 (p.30)

<sup>49</sup> See <http://www.doingbusiness.org/reforms/overview/economy/mozambique> - accessed 10-19-2016



government's EMAN-I and more recently EMAN-II, both of which have been supported by the World Bank, UK (DFID), the US (USAID), Germany (GIZ) and others.

Box 2 below gives a few examples of how young entrepreneurs perceive and have experienced challenges in starting their own enterprises:

### **Box 2 Experience of Youth Entrepreneurs**

LM saw an opportunity as an individual micro-finance operator. She got support from her family and was able to invest her own savings to start with. She started out lending to her friends and many people asked for loans after that. She wants to be able to expand to other cities (than Maputo) and to lend to SMEs as well as individuals. Her aim is to graduate from an MFI to a micro-bank.

MR got his idea for an IT business from his partners. He received support from his family and invested his own savings to start his business. However, he has had the challenge of not being able to access enough finance for his business. He had difficulty finding information about the particular regulations and procedures relating to his business. He hopes to be able to invest in research and development and expand his business.

BM developed her accounting business idea from carrying out a market scan of various opportunities. In the beginning she experienced gender barriers as society does not believe in women's leadership. She also experienced difficulties with access to finance, finding suitable office accommodation, getting the right information, training and retaining staff, and managing clients from distant locations. She hopes to expand her business into other sectors, such as real estate management and related services.

Source: Round table discussion with 10 youth entrepreneurs on 22 September 2016.

However, in terms of sector specific regulations and issues relating to the day-to-day running of a business (as opposed to starting one) difficulties have been reported by the youth entrepreneurs at the round table with regard to complying with labour laws, health and safety, product standards and quality, etc. There is still room for further simplification, transparency, better governance and some incentive to facilitate youth entrepreneurs benefitting from a speedy transition from informal to formal economy businesses.

Many of the BE reforms being undertaken by government (with support of several development partners) aimed at simplifying business start-up are likely to have a limited impact on many young entrepreneurs. For example, as stated above the emphasis on improvements in 'online' services may have limited impact as many young entrepreneurs may lack internet connectivity.<sup>50</sup> Similarly, first-time entrepreneurs may experience various transaction costs (e.g. transport costs, obtaining information and documentation) as being prohibitively expensive, even after these reforms have been effected. This could provide an important window for DFID and other key development partners to inject a YE perspective into the BE reform process in Mozambique, and ensure that the reforms actually address and support the start-up context of these first-time entrepreneurs, rather than acting as disincentives and barriers to enterprise formation. In addition, staff training should be provided to ensure that the relevant officials from various ministries are sensitive to and supportive of the needs of the fledgling youth entrepreneurs.

<sup>50</sup> Observation made by YBI (December 2016).



## 2.5 Lack of Business Development Services

Youth entrepreneurs in Mozambique require more and better support in starting and running their own enterprises. The literature review has pointed to the importance of business skills training and mentoring as key elements of support for youth entrepreneurs. Mozambique lacks a vibrant BDS 'sector', and there is not a strong tradition of mentoring. As an illustration of this, Ideialab Mozambique<sup>51</sup> is having to recruit and train its own mentors, rather than being able to identify experienced and volunteer mentors. The literature review has identified innovative approaches towards mentoring, including the use of mobile mentoring and e-mentoring that could be particularly useful where there is a shortage of potential mentors. In order to strengthen the capacity and outreach of BDS providers, training of BDS providers allied to a challenge fund is being proposed.

## 2.6 Limited Private Sector Linkages and Ineffective Business Support Organisations

One shortcoming of recent investments (both domestic and foreign) and the government's investment promotion policies is that there has been a strong emphasis on capital-intensive 'mega projects' (aluminium, gas, coal). Whilst these investments have contributed significantly to GDP growth, which has been running at 7 per cent per annum over the last decade, these projects have not resulted in commensurate job growth, as characterised by what is termed as 'jobless growth'.<sup>52</sup> The government would be well-advised to give greater emphasis to the potential job content in new capital projects – including those funded by government itself, as well as by foreign direct investment (FDI) and other private sector investors.

There have been some attempts to capitalise on FDI agreements (where the foreign investor is expected to 'give something back' to the local community) in terms of local content and sourcing, but this does not appear to have been systematic or thorough. In the case of South African investors in Mozambique, most will be familiar with the King III Principles whereby all listed companies in South Africa are obliged to report on their CSR activities.<sup>53</sup> In most cases CSR tends to be voluntary and is often applied in an ad hoc, one-off and philanthropic manner. However, increasingly companies are turning to a more sustainable and business-like approach with local business partners through CSV,<sup>54</sup> which promotes more business-to-business relationships, rather than ad hoc voluntary/ philanthropic contributions which tend to be the norm for CSR.

Some of the business focus is on value chain development (VCD) which enables larger businesses to source materials and inputs from local small-scale producers and suppliers. In developmental terms, the larger partner in this relationship also provides technical support to the smaller (and local) producer, such as the youth entrepreneurs themselves, to enable them

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<sup>51</sup> Ideialab is a Mozambican BDS provider that has concentrated on supporting women entrepreneurs, partly through the adaptation of a South African FEMTECH programme, as well as by developing its own cadre of mentors. YBI is in discussions with Ideialab in the context of YBI's future plans for promoting youth entrepreneurship in Mozambique. See - <http://www.ideialab.biz/>

<sup>52</sup> As an example, investment in the Benga coal mine constitutes 13.6% of GDP, yet only creates 150 direct and 4,500 indirect jobs. (Source: GIZ, 'Improving the business environment' – accessed 08.09.2016 - <https://www.giz.de/en/downloads/giz2014-en-pro-econ-business-environment.pdf>)

<sup>53</sup> See <http://www.iodsa.co.za/?kingIII> – Draft King IV Principles have already been circulated for discussion.

<sup>54</sup> See Harvard Business Review, January-February 2011 - <http://www.hbs.edu/faculty/Pages/item.aspx?num=39071>



to comply with expectations in terms of quantity (filling orders on time) and quality (such as minimising rejected or faulty products).

In addition, the UN's Global Compact (between business and society) and the related Women's Empowerment Principles (WEPs) provide numerous ways in which business can partner sustainably with local small-scale entrepreneurs (including youth entrepreneurs), businesses and communities. According to web searches, the Global Compact initiative in Mozambique does not appear to be very active at the present time, although the German-South African Chamber of Commerce in Mozambique is promoting the work of the Global Compact.

The review of global best practices indicates there are opportunities to adapt some of the 'King' principles from South Africa, link them to more sustainable approaches than CSR (such as CSV), and promote a strong emphasis on YE and youth employment.

The recommendations under 4.6 below would promote the greater engagement of large businesses (including foreign investors) and business associations with indigenous youth entrepreneurs through economically sustainable means. In addition to CSR, support will be given to CSV, business linkages and VCD. For such schemes to be successful, it is essential that the local youth entrepreneurs acquire the necessary technical, managerial and marketing skills to meet the quality and quantity requirements of their corporate customers. Business linkages and VCD programmes would include such components. However, it will be necessary to build a "pathway of support" to identify and bring young entrepreneurs from ideation and informal businesses, through micro businesses and on to their development as SMEs, where they can start to be a part of formal supply chains.<sup>55</sup>

## 2.7 Limited Capacity of Business Membership Organisations

Business associations play an important role in providing services and guidance for their members, as well as in advocating for the business interests of their respective sector(s) by representing their business interests in negotiations with government, development partners and at major economic and trade forums. However, youth entrepreneur organisations such as ANJE are over-stretched, lack resources, and are approaching a time when the leadership will no longer be designated as 'youth'. Associations such as ANJE require ongoing support to ensure that they are representative, member-driven and providing effective service delivery. They also need to ensure that they continue to be democratic, financially and institutionally sustainable, and have effective succession plans in place.<sup>56</sup> A cluster of this report's recommendations addresses these requirements, as shown in Figure 1 and in section 4.6 below.

In many countries, national employers' organisations and chambers of commerce play key roles in reaching out to emerging business sectors, including to youth entrepreneurs. That is not yet the case in Mozambique, and the apex employers' organisation, Mozambican Federation of Employers' Organisations (CTA), does not effectively engage in outreach approaches to target those in the informal economy, or those under-represented segments

<sup>55</sup> Comments received from DFID and YBI (December 2016)

<sup>56</sup> Additional information provided by DFID indicated that it is providing support to ANJE (DFID, December 2016).



such as youth and women. Furthermore, CTA does not have a strong tradition of engagement in business linkages programmes and VCD, but as the 'voice of the private sector', it needs to play a more proactive role in supporting fledgling enterprises and youth entrepreneurs. Appeals could be made directly to the sector-based associations and large corporates affiliated to CTA, and engage with those members and affiliates on YE.

The US-based Centre for International Private Enterprise (CIPE) has produced a guide for business associations and chambers to reach out to and support youth entrepreneurs. Also, as CTA represents Mozambican employers at the ILO, there are opportunities to work through that channel to try and engage CTA in implementing ILO Recommendation R.204 on the transition from the informal to formal economy, as well as engaging with the ILO's Youth Employment programme. (ILO's capacity building support could be accessed for both initiatives.) A complementary strategy would be to 'get behind' CTA as the apex organisation, and deal with its sector-based associations (affiliates and members), which are likely to be more hands-on in their activities.



### 3. Cross Cutting Issues

A number of issues cut across both the diagnostic assessment of BE constraints and the formulation of recommendations — these include gender, informality, corruption and environmental sustainability. These cross-cutting issues will need to be carefully integrated into future interventions.

#### 3.1 Gender

Women and girls in Mozambique are subject to discrimination and gender-based inequalities. In order to address the worst of these problems, the UN Joint Programme on Action for Adolescent Girls, under the leadership of United Nations Population Fund (UNFPA),<sup>57</sup> aims to provide assistance and support to approximately one million girls in Mozambique to reduce the number of child marriages and teenage pregnancies, as well as to try and ensure that girls have the opportunity to remain at school and further their education and livelihoods prospects. In addition, in September 2016 DFID launched its regional programme on Leave No Girl Behind<sup>58</sup> in Mozambique, the purpose of which is to provide literacy, numeracy and skills relevant for life and work to young girls, reduce their vulnerabilities and enhance their livelihood prospects.

DFID launched its Muva programme on the economic empowerment of women and adolescent girls in Mozambique in 2015. This new programme should have a positive impact on the entrepreneurship prospects of young women in the country, and thus complement broader YE promotion work. The Ligada study<sup>59</sup> on the perceptions of youth (both young women and young men) highlights many of the differences in attitudes and aspirations between young women and young men in Mozambique. The reports states that *'The limitations of the dreams of the (female and male) adolescents interviewed and the types of role models they identify with, necessarily limit their life choices and chances. Without broadening their horizons in terms of possibilities in the new and emerging employment [and entrepreneurship] sectors [...] they will not even take the first step towards decent work [or entrepreneurship]'* (p.59).

The ILO conducted an assessment of women in growth enterprises in Mozambique<sup>60</sup> in order to propose appropriate programmes and policy actions in support of women growing their existing enterprises. The assessment shows that women-owned businesses tend to generate lower levels of income, make less use of technology (including ICTs) and are more often found in the service industries and the informal economy. Cultural issues present additional challenges for new and emerging women entrepreneurs (e.g. multiple roles and power dynamics in the family, society and the workplace).

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<sup>57</sup> See - <http://www.unfpa.org/news/joint-un-programme-aims-empower-over-1-million-girls-mozambique>

<sup>58</sup> See - [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/559123/leave-no-girl-behind.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/559123/leave-no-girl-behind.pdf)

<sup>59</sup> Ligada. November 2015.

<sup>60</sup> ILO. 2011.



According to a women's business growth programme, FEMTECH, in South Africa, which partners with Ideialab in Mozambique on the delivery of training programmes, young women entrepreneurs face other unique challenges:<sup>61</sup>

- Less access to business and management training;
- Lack of confidence and risk-aversion to thinking big;
- Limited access to business networks;
- Lack of access to digital technologies and online media, and therefore less likely to use online business tools for exploiting opportunities;
- Lack of collateral for raising capital to expand their businesses; and
- Extensive family responsibilities and difficulty in achieving work/life balance.

UNCDF (2015) also emphasises high levels of unemployment among young women as well as higher levels of illiteracy among women (approximately 60%, versus 30% for men) (p.18). Parental expectations that young women stay in the home (p.32), also work against many young women wanting to start and grow their own enterprises.

The above evidence suggests a need for targeted measures to: develop young women's willingness and capacity to engage in entrepreneurship, including e.g. gender specific role models and mentoring; to support to alleviate or accommodate domestic work and care responsibilities in any support programmes; and to address parental mind sets specifically about young women's entrepreneurship.

### 3.2 Informality

Informality presents a key concern and challenge in Mozambique where 80 per cent of workers are in the informal economy. The majority of small-scale entrepreneurs in Mozambique, including a large number of youth entrepreneurs, are reluctant or unable to formalise — to register as a business or taxpayer — and as a consequence they cannot take advantage of the legal, financial, and marketing benefits offered, at least in principle, by judicial, banking, and economic systems. Accordingly, understanding and addressing the drivers of informality is an essential part of supporting YE in Mozambique. While BE reforms in developing countries typically focus on reducing the costs of administrative compliance and sometimes even target informal actors such as street vendors, experts argue that increasing the potential benefits of formalisation may provide stronger incentives to informal or semi-formal entrepreneurs to voluntarily transition to the formal economy. For example, providing certain basic workplace protections or accessible dispute resolution mechanisms may encourage previously informal entrepreneurs to consider the benefits of registering and paying taxes.<sup>62</sup> The reality is that there is a 'grey area' between informality and formality (what has been referred to as a 'hybrid' economy),<sup>63</sup> where some young people can be operating businesses

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<sup>61</sup> See literature from FEMTECH SA, Ideialab as its Mozambican agent

<sup>62</sup> Kormos, Remy (Winter 2013). Pro-Poor business law and regulatory reform. Developing Alternatives, DAI.

<sup>63</sup> This term has been used by Ela Bhatt, founding member of the Self-Employed Women's Association (SEWA), India



which are unregistered and yet are able to access various forms of support and financial resources.

As a member of the ILO, Mozambique government, employers' organisations and workers' organisations are entitled to seek guidance and support in domesticating and implementing ILO Recommendation R.204 (2015) on the transition from the informal to formal economy. This is an issue that would require further follow up by the government and social partners, as well as by development partners such as DFID.

The focus of this study has been to look at how there can be more and longer-lasting start-ups, improvements in sales, incomes and profits, and significant increases in the quantity of employment and decent jobs. This would apply to youth enterprises/entrepreneurs across both the formal and informal economies.

### 3.3 Corruption

In relation to transparency and anti-corruption, Mozambique ranks 112 out of 168 countries assessed by Transparency International.<sup>64</sup> In addition, there is a strong perception among both young men and young women that there is a lack of transparency in terms of entering the labour market and finding a job, and this is likely to carry over into the operations of the largely unregulated 'informal economy' within which many of the fledgling and actual youth entrepreneurs endeavour to develop their businesses. To date there does not appear to be any firm evidence of the corruption practices impacting young entrepreneurs when setting up their own businesses. However, in the context of young people accessing the labour market, evidence has been provided by the DFID Ligada project. The Ligada report<sup>65</sup> provides information on a range of prices that a young person is expected to pay for a 'job placement', from Mts 4,000-8,000 for a private sector job in Nampula, to Mts 20,000 for a mining job in Tete, and two to three (monthly) salaries for jobs such as security guards, clerks or receptionists (p.55). These rates are indicative of the sorts of challenges that youth entrepreneurs are likely to experience in starting and running their own enterprises, and it would be worthwhile to conduct further research in this area.

### 3.4 Environmental Sustainability

Environmental sustainability would play an important part in rolling out any major YE initiatives, including responsible production techniques and product sourcing, as well as in developing a new entrepreneurship and innovation strategy. In the context of workable recommendations, particular attention is drawn to the potential for 'green jobs'<sup>66</sup> and the support of the Partnership for Action on the Green Economy (PAGE),<sup>67</sup> both of which would promote

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<sup>64</sup> See - <http://www.transparency.org/country#MOZ>

<sup>65</sup> Ligada (now Muva), November 2015

<sup>66</sup> According to ILO's definition of 'green jobs' – 'Green jobs are decent jobs that contribute to preserve or restore the environment, be they in traditional sectors such as manufacturing and construction, or in new, emerging green sectors such as renewable energy and energy efficiency'. - [http://www.ilo.org/global/topics/green-jobs/news/WCMS\\_220248/lang--en/index.htm](http://www.ilo.org/global/topics/green-jobs/news/WCMS_220248/lang--en/index.htm)

<sup>67</sup> See - Bringing together the expertise of five UN agencies - UNEP, ILO, UNDP, UNIDO and UNITAR - and working closely with national governments, the Partnership for Action on the Green Economy (PAGE) offers a comprehensive and coordinated package of technical assistance and capacity building services. PAGE represents a mechanism to coordinate UN action on green economy and to assist countries in



environmentally responsible and sustainable forms of procurement, processing and production.

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achieving and monitoring the emerging Sustainable Development Goals, especially SDG 8: 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.' <http://www.un-page.org/events/2016-green-economy-academy-3-%E2%80%93-14-october-2016-turin-italy>



## 4. Recommendations

As previously illustrated in Figure 1, there are three sets of performance criteria that can be applied to assess the effectiveness of YE programmes:

- 1) more start-ups and better survival;
- 2) increased sales, incomes and profits; and
- 3) jobs created.

These are placed at the centre of all proposals for strengthening the YE ecosystem.

The performance criteria can be achieved as described below.

- 1) **Improving the BE and promoting an enterprise culture:** The recommendations in sections 4.1, 4.2 and 4.3 would have as a goal more and better prepared young female and male entrants engaging in entrepreneurship, thus leading to more and better start-ups and better survival prospects for youth-owned enterprises.
- 2) **Promoting better access to BDS, mentoring and financial support:** The recommendations in sections 4.4 and 4.5 below, should lead to better access to finance, improved management of enterprises, better marketing and improved leadership skills, thus increased sales, income and profits.
- 3) **Strengthening membership of associations and business linkages** that provide effective service delivery, advocacy and lobbying, as well as creation of stronger linkages with larger private sector enterprises; if effectively implemented, the recommendations in section 4.6 below should lead to business expansion and growth and the transition towards formalisation, which in turn could contribute to the creation of more and better jobs.

Indicative priority levels have been attached to each of the specific recommendations. The various components proposed below should be prioritised in conjunction with Government of Mozambique (GoMoz), DFID and other development partners, based on their respective priorities and available budgets.

### 4.1 Facilitating Start-Ups and Supporting an Entrepreneurial Culture

#### 4.1.1 Basic Entrepreneurial Education (HIGHER PRIORITY)

New curricula should be developed and adapted in a systematic and consistent way, along with the provision of training and training of trainers to ensure effective delivery at all levels throughout all secondary and tertiary levels as well as TVET centres. The GoMoz should strive to ensure that every young person be educated on entrepreneurship—which would help develop an entrepreneurial culture in Mozambique. Following on the Department of Youth's involvement in the Commonwealth-led workshop in November 2016, additional support for entrepreneurship education should be offered by the core partners in that event.<sup>68</sup> In developing these materials guidance can be taken from the World Bank catalogue of global

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<sup>68</sup> These have included Commonwealth, UNCTAD, ILO and YBI.



best practices in entrepreneurship education.<sup>69</sup> The ILO's What Works for Youth Employment (www.ww4ye.org) platform should also be consulted for global best practices in enterprise education.<sup>70</sup> YBI has developed its own entrepreneurship modules and training of trainers (TOT) programmes (in Portuguese, as applied in Brazil), specifically to embed entrepreneurship in TVET centres, and this expertise can be brought to bear once YBI establishes itself in-country.<sup>71</sup>

This recommendation should lead to a stronger entrepreneurial mind-set among school- and college-going young women and men, thus creating a more aware and committed cadre of fledgling young entrepreneurs in the coming years. Special attention needs to be given to ensuring that the persons delivering entrepreneurial education are well trained and well versed in entrepreneurship, and able to facilitate teaching in an experiential manner.<sup>72</sup>

**Potential implementing partners:** GoMoz and its respective education and training (TVET) ministries, IYF, UNIDO, ILO (KAB<sup>73</sup>, GET<sup>74</sup> Ahead for Youth in Enterprise<sup>75</sup> & SYOB<sup>76</sup>), Commonwealth, UNCTAD, YBI, World Bank

#### 4.1.2 Graduate Enterprise Programme (GEP) (MEDIUM PRIORITY)

Various good practices on GEP and related programmes have been identified, including those described in the World Bank (2014) publication from Uganda, Benin, UK and elsewhere. The GEP can be implemented in two phases: firstly, organising awareness-raising on YE (e.g. through ILO's Know About Business programme) on a pilot basis for final year university students, and secondly inviting applications from among those who have completed the awareness raising (first stage) for a 3-month intensive 'incubator-cum-training' GEP. This could be piloted at a selected university and across several faculties with the support of the education ministries. As indicated in 4.1.1 above, the GEP facilitators should be appropriately trained with relevant practical experience in entrepreneurship. The graduates would require follow-up support and mentoring in developing their business plans, accessing finance and successfully starting up their enterprises.

Other GEP experiences from elsewhere should be considered, including the United Nations Industrial Development Organisation and Hewlett Packard (UNIDO-HP) and the Graduate Entrepreneur Programme through Information Technology (GET-IT) programme in Uganda, Kenya and South Africa (see below). E-based approaches in assisting graduates in undertaking entrepreneurship activities, including through the UNIDO-HP GET-IT initiative can also be considered.

Where they have been introduced, GEPs have enabled well-educated young people to start their own businesses. Experience in Mozambique shows that the further a young person goes

<sup>69</sup> World Bank. 2014. *Entrepreneurship Education and Training programs around the world* - <https://openknowledge.worldbank.org/bitstream/handle/10986/18031/9781464802027.pdf?sequence=1>

<sup>70</sup> Annex 3 provides additional information and resources.

<sup>71</sup> Additional information provided by DFID and YBI (December 2016).

<sup>72</sup> Additional observation provided by DFID Mozambique – "Entrepreneurship support needs to be delivered in a practical and experiential way by facilitators able to draw on personal experience to address 'real life' challenges that will arise in the training and support." (DFID Mozambique, December 2016)

<sup>73</sup> Know About Business

<sup>74</sup> Gender and Entrepreneurship Together (GET)

<sup>75</sup> Produced in association with the Commonwealth's Africa Youth Centre, Lusaka.

<sup>76</sup> Start Your Own Business



in education, the less likely they are to consider entrepreneurship as an acceptable and viable career option. A pilot initiative such as this could break that mould and create an attractive precedent for other young people. In the context of Mozambique, these graduate entrepreneurs could prove to be very useful role models.

**Potential implementing partners:** ILO's Know About Business (KAB) + local BDS provider for GEP (to be determined); GoMoz, UNIDO and HP's Graduate Entrepreneurship Training through IT (GET-IT) (Egypt, South Africa, Kenya, Uganda)

#### 4.1.3 Business Opportunity Identification (BOI): Facilitating Start-ups (MEDIUM PRIORITY)

As the UNCDF report (p.32) indicates, '*Overall, information on employment, entrepreneurship, or internship/apprenticeship opportunities is limited at all levels*', and this is a situation that has to be addressed. Business opportunity identification (BOI) approaches will help identify and promote sectors that have potential for viable business opportunities for young entrepreneurs. This approach can be delivered through stand-alone workshops, as well as by being integrated into entrepreneurship development training, and will be conducted by local BDS providers. Below is a list of some approaches extracted from the literature review, as well as examples of approaches developed by the consultant in Zambia, Thailand, UK and Ireland.

- Conduct training on BOI for potential youth entrepreneurs, based on identified sectors: e.g. those sectors identified in Youthstart Global report (UNCDF/FSDMo) on Mozambique, and those included in the ongoing BERF assessments for Mozambique.
- Explore the potential for 'Green Jobs' in Mozambique, for example through lessons from the Zambia Green Jobs Programme (UN Joint Programme), and training conducted by ILO Turin Centre (Italy), either in Turin or in regional locations, in association with the Centre's Partnership for Action on the Green Economy (PAGE) programmes.
- Promote micro-franchising initiatives in identified sectors and draw lessons from pilots being planned/conducted by DFID Ligada in Mozambique to enable young people to start up in business in tried-and-tested sectors involving modest investments.
- Conduct market scoping exercises based on 'Inside-Out' (moving from the entrepreneur's interests and experience to the market) and 'Outside-In' (moving from identified market opportunities back to the entrepreneur's capabilities, expertise and experiences).
- Seek out non-traditional applications of traditional skills, particularly in relation to young women having caring, catering and tailoring skills. This approach seeks to reinforce the significance of the traditional skills, as well as identifying opportunities for applying those skills in more lucrative market possibilities.
- Systematic market research, as highlighted in the World Bank/IYF Guide,<sup>77</sup> to ensure that there is a potential demand for the youth entrepreneurs' business ideas.
- Gap analysis to identify unmet needs of local (large) businesses, sectors and local communities.

<sup>77</sup> Global Partnership for Youth Employment (2014).



These approaches to business opportunity identification can be implemented through selected local BDS provider(s).

**Potential implementing partners:** GoMoz, YBI, Ideialab, and various BDS providers.

#### 4.1.4 Strengthening Entrepreneurial Culture (HIGHER PRIORITY)<sup>78</sup>

Based on experiences from Shujaaz in Kenya, which has been operational since 2009, the entrepreneurial culture in Mozambique can be strengthened through the use of a social interactive multi-media programme to develop a credible information source and networking mechanism for existing and potential youth entrepreneurs in Mozambique. This approach has worked effectively in Kenya. The approach would help to promote positive entrepreneurial mind-sets through effective use of youth-oriented social media. As stated by the Shujaaz informant, Sally Capper:<sup>79</sup> *“Shujaaz media activities are grounded in the insights and findings produced by rigorous research, including that gathered using our unique youth-friendly GroundTruth research methodology, which relies on a creative use of traditional and innovative research tools and approaches to identify and address key barriers, motivators and stimuli that hinder or facilitate positive social change. The GroundTruth research informs the strategy and the design of nuanced, interactive, omni-channel persuasion campaigns, which engage young Kenyans in conversations on social issues, challenge and modify their perception and attitudes, and nudge normative behaviour change.”*

This approach could prove to be very effective in “the role of communications, information, outreach and campaigns”,<sup>80</sup> as well as in changing mind-sets in Mozambique and bringing about more positive attitudes towards YE.<sup>81</sup>

**Potential implementing partners:** GoMoz to take the lead in promoting an entrepreneurial culture for youth entrepreneurs; DFID to support adopting and adapting Shujaaz approaches from Kenya; YBI and IYB to promote entrepreneurial culture, Standard Bank and Shell to make resources more freely available for YEs, including through a planned Standard Bank website.<sup>82</sup>

#### 4.1.5 Entrepreneurship Attitudes and Family Support (LOWER PRIORITY)<sup>83</sup>

Youth entrepreneurs in Mozambique often face resistance or opposition from their families, as starting one’s own business is still not perceived as a respectable and viable career option by many families. This context has been explored in Uganda and elsewhere by both the World Bank and ILO. If the family situation proves to be a problem for potential entrepreneurs, it would be important to learn more about the positive and negative dynamics and impacts of families on youth entrepreneurs. This would be achieved by piloting controlled entrepreneurship development programmes (EDP) with two mixed groups of young women

<sup>78</sup> This recommendation was removed at the QA stage and has been reinstated to take account of the global good practices sought by DFID Mozambique.

<sup>79</sup> Email communication with the YE consultant, 17 October 2016.

<sup>80</sup> This approach has been emphasised in recent communications received from DFID Mozambique (December 2016).

<sup>81</sup> The YE expert is unsure about how this initiative could be linked to a new DFID proposal by Purposeful Productions and during the fieldwork stage he was not aware of this new development. (Additional information provided by DFI and YBI, December 2016).

<sup>82</sup> Additional information provided by DFID and YBI (December 2016).

<sup>83</sup> As for 4.1.4 above, this recommendation has been reinstated.



and young men: group 1 to be selected with involvement and support of family unit (treatment); group 2 selected and trained outside of family engagement (control). This would test out ideas from Uganda around the idea that “Business is tough; families are worse” (Fiala for World Bank and ILO) and determine how the cultural and family context of Mozambique could be changed to become more supportive of YE. YBI notes that their work in Uganda and elsewhere suggests that “family and community attitudes particularly strong barriers for women entering entrepreneurship, and must be explicitly tackled to bring women into programmes. Working just with the women themselves is of limited effectiveness; we need to work with fathers, husbands, and other family and community members”.

**Potential implementing partners:** World Bank & ILO - based on work by Nathan Fiala (Uganda), YBI in furthering its work on the importance of families in entrepreneurship culture.

#### 4.2 Develop National Entrepreneurship and Innovation Strategy – EIS (HIGHER PRIORITY)

As discussed above in Section 2.6, Mozambique’s Ministry of Science and Technology Innovation Strategy (MOSTIS) was developed for the 2006-2016 period. One programming option for the GoMoz would be to support stakeholders in developing a new strategy which would incorporate YE, and involve extensive public-private dialogue thus helping to ensure that the strategy is inclusive and incorporates the needs of youth. As a global good practice, the South African Youth Enterprise Development Strategy (YEDS) provides guidance on how this could be achieved.

Another option would be to support the government’s efforts to formulate a YE policy, and it is proposed that unlike existing related policies, this policy or strategy would fall under the Office of the Prime Minister, thus avoiding specific ministerial ownership of the initiative. Table 1 in Annex 4 illustrates the wide range of components that various organisations recommend for inclusion in YE policies. The multi-donor UNCTAD Policy Guide (UNCTAD and the Commonwealth, with workshops being implemented in association with ILO and YBI), is an excellent resource for application in Mozambique. According to latest information received, it was agreed at the Commonwealth-led workshop, held in Johannesburg in November 2016, that YE strategies should be developed for Mozambique in association with the Department of Youth.<sup>84</sup> As indicated above, this workshop brought together the resources of key partners, such as the Commonwealth, UNCTAD, YBI, and ILO, and DFID had also been invited to the event. This consortium approach provides excellent opportunities for moving forward with a new and dedicated YE strategy for Mozambique.

At the country level, there would be great potential for creating a YE platform for sharing information and approaches around YE, and various DFID-funded projects could form the core of this platform – e.g. JOBA on skills development, Muva dealing with young women and gender issues, FSDMo covering various aspects of access to finance and financial support services, as well as YBI (among others) with global expertise on YE, including BDS, mentoring and access to finance, and the Standard Bank (and its proposed YE website) along with the

<sup>84</sup> Additional information provided by DFID and YBI (December 2016).



Shell initiative in support for Mozambican SME.<sup>85</sup> This platform could also serve to reinforce the importance and prioritisation of youth entrepreneurs' access to finance under the new Financial Inclusion Strategy.

Additional sub-components can be incorporated from those recommended by others – e.g. involvement of the private sector and BDS are two important components to be included, and management skills can be incorporated as part of skills development; mentoring is also a form of business development service.

Drawing on a wide range of global lessons, the literature proposes procedures for embarking on policy review and formulation, guidelines on the ideal content for national policies or strategies, as well as sets of principles to guide policy formulation and implementation. These lessons on policy formulation and content are reflected in the recommendations which follow below, relating to the process for initiating a National Entrepreneurship and Innovation Strategy. As indicated above, the South African Youth Enterprise Development Strategy (YEDS) (2014 to 2023) is a good example of *'harmonisation with strategic processes pursued by different national ministries [...] to exploit synergies. (It) was aligned to the National Youth Policy, the New Growth Plan Framework, the Framework on Gender and Women Economic Empowerment, the Cooperatives Development Strategy, the Integrated Small Business Development Strategy, and the National Industrial Policy Framework, all of which have enterprise-related objectives.'* (UNCTAD, 2015, p.24). Given the number of related policies in Mozambique, lessons should be drawn from the South African experiences when formulating a strategy for Mozambique.

The proposed strategy includes an 'innovation' component. Unlike in MOSTIS, the innovation component ought not to be tied specifically to 'science and technology', but should embrace innovations in products and services, as well as marketing and process innovations, and more emphasis be given 'inclusive innovation' (as described by OECD).<sup>86</sup> The proposed Strategy initiative should adopt a set of guiding principles, and the South African YEDS provides seven principles to inform implementation. These are: (1) Youth enterprise development and entrepreneurship is a shared responsibility; (2) Participatory and collaborative approach; (3) Human rights and diversity; (4) Responsiveness and relevance; (5) Accountability; (6) Youth as a target group, and (7) Transparency<sup>87</sup> Similarly, UN-DESA has also highlighted a number of 'youth policy-making lessons'. These include: (i) Be explicit regarding the degree of youth participation; (ii) be relevant to young people's own interests and lived experience; (iii) be action-oriented; (iv) value and foster analysis and reflection; and (v) provide opportunities for youth-adult partnership.<sup>88</sup>

Implementation Challenges: Although such policies can help to provide a consistent, integrated and cohesive framework for YE, there is the concern that in Mozambique the policy may not be implemented effectively, as to date little has been done on implementing the Youth Policy (2013), and the implementation of the Employment Policy (2016) is just starting. For

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<sup>85</sup> Standard Bank and Shell committed to the success of Mozambican SMEs - <http://www.standardbank.co.mz/en/News/Standard-Bank-and-Shell-committed-to-the-success-of-Mozambican-SMEs> - website accessed 13 January 2017

<sup>86</sup> OECD, 2015.

<sup>87</sup> Department of Trade and Industry, Youth Enterprise Development Strategy (2014-2023): (p.33)

<sup>88</sup> UN-DESA, 2016.



this reason, the Office of the Prime Minister is the recommended “home” for this EIS initiative, thus avoiding specific ministerial ownership. The guidelines provided in the literature take account of ownership and implementation challenges and promote more inclusive and representative platforms and processes that are more likely to lead to accountability and effective implementation in line with the above-mentioned YEDS components as well as the UN-DESA guidance.

**Potential implementing partners:** GoMoz – Office of the Prime Minister, Commonwealth, UNCTAD, ILO and YBI, Ideialab, World Bank

#### 4.3 Improving the BE for Youth Entrepreneurs (HIGHER PRIORITY)

This report recommends that government takes the lead in YE programming and it should be designed to in partnership with key development partners (e.g. DFID and its various related projects) in order to help coordinate all partners involved in BE reform, in order to mainstream youth issues into BE reform and to ensure that the constraints that most impact youth entrepreneurs are carefully targeted. For example, it was noted above that many youth entrepreneurs are not aware of some of the simplified business registration procedures. The GoMoz and its key line ministries should do more in terms of outreach and awareness campaigns to address youth entrepreneurs and their associations, and inform potential start-ups of these simplified procedures as it would appear that there is still a lot of ignorance and incomplete understanding of the procedures and their benefits. In addition, some informants indicated that they had difficulty in obtaining relevant information and forms. Officially these improvements have been or are being implemented, but in reality there remains the perception among many youth entrepreneurs that the procedures are bureaucratic, time-consuming, and involve additional and unanticipated transaction costs - thus discouraging many of them from transitioning from informality to the formal economy. For example, up-to-date information on relevant regulations and procedures for start-up enterprises should be included in all entrepreneurship education and entrepreneurship development training programmes. In addition, associations of youth entrepreneurs such as ANJE should receive capacity building support in order to enable them to play a greater role in service delivery and lobbying for further business simplification, particularly for youth entrepreneurs. Although considerable government effort and development partner funding is going into the Business Environment Improvement Strategy (BEIS and EMAN-II), more needs to be done to ensure that YE interests are injected and mainstreamed into these reforms, and that the reforms are relevant for the large number of entrepreneurs (including youth entrepreneurs) operating mainly in the informal economy.

**Potential implementing partners:** GoMoz, DFID (in a coordinating role, to ensure YE is mainstreamed into all government and development partner-assisted initiatives), World Bank, Sida (supporting Youthstart in Mozambique), USAID (SPEED+ through its support for the BEIS).

#### 4.4 Increasing Access to Finance (HIGHER PRIORITY)

The new Financial Inclusion Strategy (2016-2022) provides excellent opportunities for stepping up financial literacy and improving financial inclusion to the youth market, and to youth entrepreneurs in particular. The GoMoz and the Central Bank should capitalise on this



new opportunity to ensure that financial inclusion strategies are developed to support new and emerging youth entrepreneurs. This report recommends that DFID YE programming be designed to work closely with GoMoz and help coordinate government and development partners involved in promoting financial inclusion in order to mainstream youth issues into access to finance initiatives.<sup>89</sup> Experience in Mozambique and in the region suggests that this approach would be effective in supporting YE. For example, the Zambian central bank, Bank of Zambia, has been carrying out innovative approaches to improve financial inclusion to under-banked segments, such as women. It has organised special events where all commercial banks were invited to display the services that they offer to specific segments, such as women. Also, in association with New Faces New Voices<sup>90</sup> and the ILO,<sup>91</sup> it has arranged for training its own staff as well as staff from commercial banks to improve outreach and readiness for dealing with women and women entrepreneurs.

As the Financial Inclusion Strategy is new, this provides opportunities for ensuring that youth entrepreneurs' financial requirements (in terms of financial literacy as well as access to affordable, relevant and appropriate financial products and services) are mainstreamed into the strategy's evolving implementation context. Given DFID's commitment to championing YE, there is an important role to be played in working alongside government and coordinating with other development partners to ensure that this is achieved. Access to finance needs to be joined up with BDS support, including mentoring and follow-on services. It also needs to be well-structured to manage any potential conflict between business needs and loan repayments, and it requires significant investment by financial institutions in staff training, policy formulation and implementation, YE-focused responsive product design, and appropriate incentive schemes.<sup>92</sup> The new Financial Inclusion Strategy could be the stimulus for such an integrated and joined in approach.

**Potential implementing partners:** Central Bank of Mozambique, World Bank, UNCDF, Sida, FSDMo, YBI, DFID, ILO, USAID and SPEED, Standard Bank and Shell

## 4.5 Promoting Access to Entrepreneurship Development Training, BDS and Mentoring

### 4.5.1 Entrepreneurship and enterprise development training (HIGHER PRIORITY)

Expanding and growing an enterprise requires more strategic skills and support than starting up an enterprise. Effective assessment methodologies can assist in identifying and recommending the types of support that entrepreneurs require to grow their enterprises. A good example is the 'Growth-Oriented Women Entrepreneurs' (GOWE) programme developed by the African Development Bank (AfDB) in association with the ILO. This assessment guide as applied to 'growth-oriented women entrepreneurs' (originally developed for Ethiopia, Kenya, Tanzania and Uganda) could be adapted for youth entrepreneurs in Mozambique.

<sup>89</sup> DFID Mozambique has also shared a YBI PowerPoint presentation on "Introducing: Youth Business International and support to young entrepreneurs in access to finance" (December 2016).

<sup>90</sup> See - <http://www.nfnv.org/> New Faces New Voices was created by Ms Graca Machel.

<sup>91</sup> Using ILO's FAMOS Guide and Check - ILO. 2006. Female And Male Operated Small Enterprises - [http://www.ilo.org/empent/Publications/WCMS\\_116094/lang--en/index.htm](http://www.ilo.org/empent/Publications/WCMS_116094/lang--en/index.htm)

<sup>92</sup> Additional inputs received from DFID and YBI (December 2016).



A variety of entrepreneurship training programmes will be required to meet various segments of the YE market. This would include (using World Bank 2014 categories): secondary level and higher (including university) level entrepreneurship education, entrepreneurship training for potential and practising entrepreneurs and, in addition to those, entrepreneurship training as a complement to skills (TVET) training to be planned in association with DFID's S4E Joba project, as well as training for specific segments of the market (e.g. women's entrepreneurship, to be planned in association with DFID-funded Muva).<sup>93</sup>

Another option that may be relevant for certain beneficiaries who have ready access to the internet in Mozambique in the use of online training programmes, which also provide follow-up support and mentoring, as well as effective monitoring and evaluation in order to help minimise attrition rates. This could include HP Life e-learning as conducted by UNIDO in Morocco and Tunisia (ESP – Entrepreneurial, Skills, Pass).<sup>94</sup> This approach allows large numbers of young people who have access to the internet to be able to develop their entrepreneurial skills at their own place. Other e-based programmes are also shown below as well as among the resources in Annex 3.

In addition, entrepreneurship development training can be provided alongside access to finance (training-cum-finance), and lessons can be drawn from Bank of Industry (BOI) Youth Enterprise Support (YES) Programme, Nigeria<sup>95</sup> and well as from the Kenya Youth Enterprise Development Fund. Other more integrated, joined-up approaches should be explored to include additional components (e.g. networking, counselling, etc.) in a wrap-around manner.

**Potential implementing partners:** GoMoz and relevant line ministries and business support agencies, AfDB, ILO, OYE SNV MasterCard Foundation, YBI/Accenture study on Mentoring, social enterprises such as Ideialab, Build Your Business e-training (IYF and Microsoft), HP Life e-learning (in Portuguese), as applied to effect in Morocco and Tunisia in association with UNIDO, IYF in Sub-Saharan Africa, including Mozambique. SNV & MCF.

#### 4.5.2 Capacity Building for BDS Providers and Enhanced Outreach to YEs (MEDIUM PRIORITY)

The term business development services (BDS) embraces all forms of non-financial support for enterprises and includes training (in technical skills, entrepreneurship and business management), counselling and mentoring, business linkages, marketing and trade fair support, and so on. These services can be provided by government agencies, donor-assisted projects and commercial providers. As entrepreneurship is not at a very advanced stage in Mozambique, there is the need for a wide range of BDS for start-up and growth enterprises, as well as capacity building support for the commercial BDS providers to enable them to better serve youth entrepreneurs.

The YBI Northern Uganda Youth Enterprise Programme (NUYEP) which is supported by DFID, demonstrates the importance of mentoring, and the strong support delivered from Enterprise Uganda (an experienced and credible BDS provider) as critical elements in its

<sup>93</sup> Annex 3 provides additional information and resources.

<sup>94</sup> See- <http://entrepreneurialskillsPASS.eu/resources/hp-life-e-learning.html>

<sup>95</sup> See - <http://www.boi.ng/yes/> - this is already being implemented in partnership with YBI in Nigeria (additional information provided by YBI and DFID, December 2016).



success. In the case of Mozambique, where there is a lack of commercial BDS providers, support would need to be provided to strengthen the technical capacity building of BDS and training providers in Mozambique.<sup>96</sup> Once operational in Mozambique, YBI should become involved in strengthening the capacity of local delivery partners (such as Ideialab) through workshops and ongoing monitoring and evaluation.<sup>97</sup>

This capacity building support could also be strengthened through a small ‘challenge fund’ aimed at stimulating greater outreach by BDS providers in the short- to medium-term to assist target (female and male) youth entrepreneurs. In this case lessons can be drawn from the International Centre for Entrepreneurship and Career Development (ICECD), Ahmedabad, India, and ILO<sup>98</sup>, where together they promote greater outreach by local BDS providers to untapped segments of the market, including women entrepreneurs – thus benefitting both the BDS providers by identifying an underserved market, as well as the target enterprises who obtained access to relevant BDS.

Similarly, it is recommended that the Mozambican government in association with DFID explore the existing e-based business support platforms for youth entrepreneurs, more specifically the commercial potential of the UX Information Technologies Platform<sup>99</sup> and its Biscate website in Mozambique for promoting employment and entrepreneurship, education and training, and financial inclusion for youth entrepreneurs.<sup>100</sup> It would appear these initiatives have been developed by the commercial market with little or no subsidy from government or development partners.

**Potential implementing partners:** ILO, YBI, Commonwealth, in association with ICECD, India (drawing on ILO approach with ICECD in Ahmedabad, India)

#### 4.5.3 Developing and Strengthening Mentoring Capabilities (MEDIUM PRIORITY)

Based on a range of experiences in developing mentoring approaches, this is an important component of the YE ecosystem. Drawing of lessons from the UK (e-mentoring conducted globally by Cherie Blair Foundation), India (mobile mentoring), and YBI and Ideialab in Mozambique, it is important to step up the identification and training of mentors to support potential, fledgling and existing youth entrepreneurs. In these situations, cited above, strong and supportive business relationships have been developed between the mentor and mentee, and many mentees report on success in entering new markets. There are also benefits for the mentoring person and agency, as the mentor also reports benefits from the mentoring process

<sup>96</sup> It has been proposed that due to the lack of existing BDS support, Mozambique needs to import qualified BDS providers in order to boost the BDS provision in the country. (Additional information provided by DFID and YBI, December 2016).

<sup>97</sup> Additional information provided by DFID Mozambique and YBI (December 2016).

<sup>98</sup> See – Are WE being served? <http://www.value-chains.org/dyn/bds/docs/192/Finnegan%203-9%20doc.pdf>

<sup>99</sup> During the fieldwork stage, the consultant was informed by several people about the UX platform, which seems to be performing well. It was not possible to meet the key people behind this development. In this context, it is worth exploring the future economic potential of this initiative. See <http://www.ux.co.mz/>

<sup>100</sup> Mozambican startup UX Information Technologies has launched Biscate, an app that connects workers in the informal sector to customers through USSD and web technologies.

**Biscate**, which already has over 4,000 workers registered, allows blue-collar workers such as plumbers, electricians and carpenters to register using a basic mobile phone, and customers to request their services. - <http://disrupt-africa.com/2016/09/mozambican-startup-connects-informal-handymen-with-customers/> - webpages accessed 13 January 2017.



as it can provide mentors with wider exposure to new regions, new markets and new business developments (as cited in report of Cherie Blair Foundation).

YBI is one of the potential support agencies that has carried out a lot of mentoring with youth entrepreneurs in a wide range of countries, and this expertise should also be made available within Mozambique, in association with the activities of its network of potential partners such as Ideialab.

**Potential implementing partners:** YBI & Ideialab (South Africa and Mozambique), Business and Youth Starting Together (BYST) mobile mentoring clinics (India), Cherie Blair Foundation and online mentoring - UK and international context

## 4.6 Strengthening Membership of Associations and Business Linkages

### 4.6.1 Capacity Building for Youth Entrepreneur Associations (HIGHER PRIORITY)

Capacity building support should be provided for youth entrepreneurs' associations (e.g. ANJE),<sup>101</sup> Association of Informal Economy in Mozambique (AEIMO), as well as other youth support organisations, and this could be achieved through programmes offered by ILO's Turin Centre. There is frequent criticism of the high cost of using Turin Centre as a training location, however, the Centre also offers more cost-effective country-specific training in Portuguese and to date several programmes have already been held in Mozambique on a number of topics. Such programmes can contribute capacity building support to improve the representativeness, service delivery and succession planning (e.g. beyond 35 years old.) for these associations. Through this training, the associations should be in a stronger position to be able to offer support and services to their members. In addition, through programmes such as these, links should be forged with other international and regional associations of Youth Entrepreneurs (e.g. Commonwealth Association of Youth Entrepreneurs – CAYE).

**Potential implementing partners:** GoMoz and Department of Youth, YBI, Commonwealth, UNCTAD, ILO

### 4.6.2 Promoting CSR and CSV Approaches to benefit YEs (MEDIUM PRIORITY)

Drawing on lessons from South Africa and Johannesburg Stock Exchange, the engagement of the Mozambique Stock Exchange and in-country CSR programmes should be sought to promote a greater emphasis on YE.<sup>102</sup> Following upon the content of Pillar IV of the Youth Policy implementation strategy, there is the proposal that a proportion on Mozambican companies' CSR funds should go to support entrepreneurship. The private sector in Mozambique should undertake to promote greater engagement of youth entrepreneurs, including through their CSR programmes and by promoting sustainable approaches to

<sup>101</sup> The DFID Mozambique office has also advised that it provides support to ANJE in terms of "creating stakeholder engagement tools". (Additional information received from DFID and YBI, December 2016.)

<sup>102</sup> As an extract from the King III reports indicates: Increasingly, companies view corporate social responsibility, corporate social investment and other social initiatives as central to doing business – companies no longer treat them as merely nice to have and done on an ad hoc basis, but as part of their business strategy and, in turn, supporting business growth. Companies have drifted away from naive types of activities that are thinly-veiled marketing ploys undertaken to improve their corporate citizenship profiles. - <http://admin.sun.ac.za/admin/Finance/new/docs/king%20III.pdf>



creating shared value (CSV) between corporates and local youth entrepreneurs. This can also involve urging members of Global Compact in Mozambique<sup>103</sup> to prioritise YE support. The Southern African-German Chamber of Commerce (AHK), in association with GIZ, actively promotes CSR initiatives among its members in Mozambique to promote links between development and the private sector.<sup>104</sup> This should also involve promoting effective partnerships with CTA (the apex employers' organisation) and its sector-based associations, as well as Mozambique Chamber of Commerce (MCC) and lead corporates committed to CSR and CSV approaches. In this way lessons can be drawn from the King Principles, Johannesburg Stock Exchange and the Institute of Directors in South Africa.

**Potential implementing partners:** GoMoz, GIZ and various private sector chambers and employers' organisations, DFID, ILO, UN Global Compact, UNDP

#### 4.6.3 Strengthening Business Associations' Engagement (MEDIUM PRIORITY)

As well as having strong, representative associations of youth entrepreneurs that provide service delivery to their members, it is also important to ensure that YE issues are mainstreamed into the priorities, strategies and programmes of umbrella business associations and key business and economic platforms. In addition, it would be valuable to draw on lessons from the US CIPE Guide to Youth Entrepreneurship Programs, developed for Chambers of Commerce and Business Associations.<sup>105</sup> Through this Guide, support can be provided to Confederacao das Associacoes Economicas de Mocambique (CTA - Mozambican federation of employers' organisations) and its constituent trade/sectoral associations, as well as MCC to enable them to engage more effectively in YE initiatives, particularly in terms of identifying small-scale business opportunities aimed at sourcing products and services for which demand exceeds supply, and which often have to be sourced from outside the country. In addition, links could be explored with the DANIDA-funded Fundo para Ambiente de Negocios (FAN) Foundation.<sup>106</sup>

<sup>103</sup> See <http://csridentity.com/globalcompact/mozambique.asp>. Although established in 2003, the Global Compact does not appear to be very active in Mozambique.

<sup>104</sup> By taking advantage of close physical proximities and shared interests, the AHK and GIZ are striving to involve the private sector in development efforts and foreign-policy measures as efficiently as possible. For that reason, the AHK office is cooperating closely not only with the GIZ, but also with other development agencies. Public-private partnerships (like DeveloPPP or Afrikafazilität) and the promotion of corporate social responsibility (CSR) are positive examples of links between development policy and the private sector. The idea behind CSR is to encourage private companies to engage in – and fund – meaningful development initiatives. The Southern African-German Chamber of Commerce and Industry maintains its own competence centre that provides consulting to companies on CSR-related issues. Fighting corruption and cooperating with the UN Global Compact initiative are other important topics. - <http://www.dandc.eu/en/article/new-chamber-commerce-and-industry-mozambique-wants-engage-private-sector-companies>

<sup>105</sup> See CIPE. 2013.

<sup>106</sup> As recommended by DFID Mozambique and YBI (comments received, December 2016), additional information was sought on the FAN Foundation – “FAN – the Fund for Business Environment alias “Fundo para Ambiente de Negócios” - has since 2011, with funds from Danida supported private sector organisations in Mozambique with the objective to make the business environment in Mozambique more conducive to socially balanced private sector growth. More than 80 partner projects have been supported. From August 2016 FAN will be transformed from a project implemented under a management contract with an international consultant company to a permanent and independent non-profit institution, the FAN Foundation..” – website consulted 11 January 2017 -



**Potential implementing partners:** GoMoz, DFID, USAID and US-CIPE, ILO

#### 4.6.4 Promoting Business Linkages between large firms and YEs (MEDIUM PRIORITY)

These programmes have been effective in Kenya, Zambia and elsewhere.<sup>107</sup> There are also opportunities to enhance business linkages between large and small firms (youth entrepreneurs) using UNIDO's Computer Model for Feasibility Analysis and Reporting (COMFAR) and Sub-contracting and Partnership Exchanges (SPX) approaches. Well-established models can be tapped into to ensure the effectiveness of business linkage initiatives in Mozambique.

**Potential implementing partners:** USAID through US CIPE Guide to Chambers of Commerce and Business Associations, World Bank, Nordic development partners (Sweden, Finland, Denmark, Norway), ILO, UNIDO – some of its approaches are already available in Mozambique

#### 4.6.5 Encouraging Engagement of Private Sector Foundations in Support of Youth Entrepreneurship (MEDIUM PRIORITY)

Step up the engagement of international companies and private sector foundations in support of YE in Mozambique.

**Potential implementing partners:** HP, MasterCard Foundation, Cherie Blair Foundation

### Concluding Remarks

Finally, an overarching recommendation is that based on its several project activities linked either directly or indirectly to YE, through its various projects operating in related fields to YE, DFID may wish to offer a coordinating role in working alongside government and other development partners both in promoting YE and in mainstreaming youth issues into BE reform and other relevant policies and programmes. This can build on the elements of support to YE within the Youth Trailblazing Initiative, the Skills for Employment S4E/JOBA project, the Muva project on economic empowerment of women and adolescent girls, and the recently launched educational challenge programme, LNGB.

<sup>107</sup> It was reported that there had been an unnamed business linkages project was unsuccessful in Mozambique. However, with this non-specific information it was not possible to find out more. (Additional information from DFID and YBI, December 2016).



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- YouthMap – USAID & International Youth Foundation - <http://www.iyfnet.org/youthmap-africa/>



## Overview

DFID Mozambique places job creation at the heart of its economic growth programming with a strong focus on working with micro, small and medium enterprises (MSMEs) to create jobs and support enterprise development and to take advantage of the opportunities created by foreign direct investment (FDI). DFID Mozambique also aims to address critical bottlenecks in the operating environment such as land administration, energy, skills and access to finance.

DFID Mozambique has approached BERF (Business Environment Reform Facility) for support in 1) bringing a Business Environment (BE) perspective to the World Bank's Let's Work Partnership (LWP) value chains analysis, 2) identification of constraints to youth entrepreneurs and youth stakeholder engagement, and 3) identification of Business Environment constraints to the development of a market for off-grid renewable energy in Mozambique.

## LWP Value Chains

DFID Mozambique is working with the World Bank on the LWP pilot in Mozambique. LWP is a global partnership that unites organisations dedicated to providing effective solutions to the global jobs crisis by harnessing the potential of the private sector to help create more and better jobs, especially focused on inclusion of women and youth. LWP will conduct seven country pilot projects with a two-pronged strategy a) removing constraints to private sector led job creation (e.g. investment climate, access to finance, infrastructure and reducing skills gaps); and b) strengthening value chains in ways that provide opportunities for MSMEs, informal sector enterprises, women and youth. The Mozambique country pilot has identified 3 strategic sectors (agriculture, forestry, construction) which have potential to create more and higher value jobs. A comprehensive programme to create jobs will be designed and implemented.

BERF has been asked to support the LWP Mozambique pilot by identifying Business Environment constraints facing businesses across these three sectors: agriculture (cassava, cashew nuts and pigeon peas)<sup>109</sup>, forestry and construction. The study will complement the value chains studies to be carried out by Global Development Solutions using their standard supply chain mapping/analytics methodology to identify the most promising sub-sectors in terms of job creation and productivity growth.

## Youth

DFID Mozambique is part of the Youth Trailblazing Initiative, which puts young people at the centre of development. The aim is to support young people to “transition into early adolescence and from education into employment, as well as to be agents and advocates for change”.<sup>110</sup> DFID Mozambique is working with Youth Business International (YBI), to set up a youth entrepreneurship programme, potentially in partnership with Ajuda de Desenvolvimento

<sup>108</sup> These ToRs have been extracted from a report to DFID Mozambique – Report on Mozambique Scoping Mission 16<sup>th</sup> to 19<sup>th</sup> May 2016 (17<sup>th</sup> June 2016). DFID Mozambique has provisionally approved the ToRs but wishes to combine the 3 ToRs into one to provide for improved synergies, a reduced administrative workload and a longer timeline to allow for local circumstances.

<sup>109</sup> Sesame was subsequently added to this list of crops. (DFID Mozambique, December 2016)

<sup>110</sup> DFID Youth Trailblazing Initiative – Mozambique as Trailblazer Country (DFID leaflet)



de Povo para Povo (ADPP), a Mozambican NGO focusing on poverty reduction across the country. YBI may apply for funding to the DFID-funded Skills for Employment/JOBA programme in Mozambique, skills for employment initiative that supports the training market operations of non-state training providers.

BERF has been asked to support this programme by identifying BE constraints faced by youth entrepreneurs (ages 18-35) in Mozambique. The aim is to work with the Government of Mozambique (GoMoz) on improving the Business Environment and incentivising young people to become self-employed or to start a job-creating small business.

### Off-Grid Renewable Energy

DFID Mozambique is in the process of designing a new programme, BRILHO<sup>111</sup> Energy Africa Mozambique, which aims to address the energy access challenge in the country. The objective of the programme is to promote rural economic growth and human development by unlocking the potential of the private sector to provide off-grid renewable energy access in Mozambique. The programme will undertake a number of different interventions focusing on Green Mini-Grids (GMG), solar home systems and solar portable lights (lanterns), and improved cook stoves (biomass).

BERF has been asked to support the BRILHO programme by identifying Business Environment constraints facing the private sector wishing to enter the market for off-grid renewable energy.

### Objectives

- 1) To undertake a general Business Environment diagnostic to identify economy-wide constraints to doing business in Mozambique.
- 2) To undertake sector-specific diagnostics of the Business Environment, focusing on three priority sectors: agriculture (cassava, cashew nuts and pigeon peas), forestry and construction.
- 3) To identify specific Business Environment constraints faced by young entrepreneurs (15-35 years), as part of the general Business Environment diagnostic.
- 4) To undertake a sector-specific diagnostic of the Business Environment for the off-grid renewable energy sector.
- 5) To develop prioritised specific policy recommendations to GoMoz for general and sector-specific Business Environment reform to integrate into their National Policy Action Plan.

### Links with Business Environment Reform, investment and poverty reduction

The assignment links directly to improving the Business Environment in Mozambique and to binding constraints to investment in job creating sectors with particular focus on women and youth. The Theory of Change (ToC) starts with improved Business Environment policy and programmes (through direct policy advocacy with GoMoz), which mitigates binding constraints to investment (through removal or modification of laws and regulations and institutional barriers impeding investment), thereby resulting in poverty reduction (through inclusive opportunities and greater competitiveness of MSMEs). The assignment provides expert external assistance and does not replace the work of DFID civil servants.

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<sup>111</sup> BRILHO means 'bright' or 'shine' in Portuguese.



## Client and Beneficiaries

The client is DFID Mozambique. The main direct beneficiaries are the World Bank's LWP Mozambique country pilots and the private sector. Other potential indirect beneficiaries are ministries, departments and agencies (MDAs), business membership organisations (BMOs) and civil society organisations (CSOs) and the poor, in particular women and youth.

## Scope

The scope of this assignment includes:

- Consultations with DFID Mozambique.
- Consultations with GoMoz and MDAs, BMOs and CSOs, including groups representing the urban and rural poor.
- Consultations with Development Partners, including USAID, World Bank, ANJE, YBI, Ministry for Mineral Resources and Energy (MIREME), Ministry of Economy, Ministry of Agriculture, EnDev, GOGLA, Global Alliance for Clean Cookstoves and other relevant organisations.
- Consultations with expert sector-specific organisations e.g. FAO, AGRA, REACT, EEP, GSMA M4D.
- Links with other relevant DFID Mozambique and World Bank programmes.
- Systematic reference to one or more of these cross-cutting issues:
  - Gender: participation by women in business and in the labour market;
  - FCAS: constraints arising from conflict in the midlands/north of Mozambique;
  - Environment and climate change; and
  - PEA and implementation.
- Develop and explain policy recommendations to the GoMoz for Business Environment Reform process and findings.

## Specific Scope for BER Advisor to Youth Entrepreneurship:

- Contribute to/feedback on the development of the diagnostic templates to ensure WEE aspects are adequately captured;
- Lead on the production of the Youth Entrepreneurship BER diagnostic for JOBA. This includes gathering of data/information, analysis and drafting of the report following a template agreed with the Team Leader;
- Lead on identifying informants, setting up meetings and carrying out interviews for the YE report, in coordination with the Team Leader;
- Provide support to the Team Leader as it may be requested from time to time (i.e. reviewing WEE issues for other reports)
- Deliver a presentation at one or two stakeholders/clients workshop as/if needed.

## Method

- Desk based review of general Business Environment constraints in Mozambique, building on existing Business Environment diagnostic assessments and other reports. As part of this, identify:
  - constraints specific to agriculture (cassava, cashew nuts and pigeon peas), forestry and construction;



- constraints faced by young entrepreneurs; and
  - constraints in the off-grid renewable energy sector.
- Stakeholder consultations in Mozambique to identify general Business Environment constraints, as well as those specific to youth, agriculture/forestry/construction (alongside value chains study undertaken by GDS), and off-grid renewable energy;
  - Sample survey of young entrepreneurs in Mozambique to examine Business Environment constraints and reform preferences of young people, conducted (possibly on-line) in collaboration with the leading youth BMO ANJE;
  - Stakeholder roundtable/focus groups in Mozambique to present and discuss preliminary findings and further refine conclusions;
  - Final report including data analysis and conclusions and recommendations to GoMoz for Business Environment reform.



## Annex 1.a: ToR BER Assessment on Youth Entrepreneurship

### Overview

The Business Environment Reform Youth Entrepreneurship assessment is ongoing in Mozambique. There will be a workshop consultation with approximately 20 young entrepreneurs on Thursday 22 September 2016, and this is a request for assistance and support for a contribution towards facilitating and interpretation at the workshop. Furthermore, interpretation support is also requested to facilitate discussions between the Youth Sector Expert and key informants, particularly those from Government of Mozambique, during meetings on 19 to 21 September.

In addition, as a result of a change of emphasis within the TORs as requested by DFID, the YS Expert is expected to identify relevant global best practices on policies aimed at promoting youth entrepreneurship. The Expert will only be able to undertake this work once the fieldwork is completed from 23 September onwards. These new findings would have to be adapted for application within the prevailing Mozambican government structure, and it is necessary to engage a local consultant to follow through with this additional task, under the leadership of the Expert.

### Objectives

Accompany Youth Sector Expert to meetings during 19 to 21 September 2016 and provide interpretation as necessary.

Assist with interpretation and facilitating at youth entrepreneurs' workshop on 22 September 2016. A report will be provided to the BERF Team (in English) summarising the findings from the workshop.

Following on the Expert's mission, to maintain close contact with Youth Sector Expert and follow up as necessary with national counterparts (in government and elsewhere); Provide further responses and feedback to Youth Sector Expert; share selected recommendations with national counterparts; gather their responses and feed back to the Expert.

### Link with BER/investment/jobs/poverty (ToC)

This assignment falls within the scope and TORs of the Youth Sector Expert's TORs and thus links to the BER Youth Entrepreneurship assessment. This assignment provides expert external assistance and does not replace the work of DFID civil servants.

### Client and Beneficiaries

The client is the DSFID Country Office, Maputo.

The beneficiaries are the Government of Mozambique and youth entrepreneurs in the country.

### Scope

This work falls within the assignment of the Youth Sector Expert and consequently the scope of the assignment falls within the Expert's TORs.

### Method



This assignment will be implemented in the context of the BERF Youth Entrepreneurship component.

#### Timeframe

10 work days to be undertaken between 19 September and 10 October 2016.

#### Deliverables

Interpretation support for BERF Youth Sector Expert

Translation on workshop notes and findings from Portuguese to English.

Contributions towards YE Expert's

#### Dissemination

As these are sub-inputs into the Youth Sector Expert's assignment, they will be incorporated and disseminated by the lead Expert.



## Annex 2

## Stakeholder meetings/consultations

Name	Role	Organisation
Dianne Cornes	Director of Network Members	YBI
Maria Overeem	Team Leader	JOBA/Skills for Employment (S4E)
Igor Felice	Employment Specialist	ILO
Ilidio Caifaz	Country Director	IYF
Rotafina Donco	Technical Director	Maraxis
Julia Kraetke	PSD Adviser	DFID
Martin Johnson	PSD Adviser	DFID
Luca Crudeli	Team Leader	BERF
Flavio Quembo	President	ANJE
JuscelinaGuirengane	Deputy President	ANJE
Araujo Daraujo	Member	AEIMO
Inacio Machoco	Member	AEIMO
Katia Agostinho	Market Analyst	FSDMo
Tatiana Pereira	Co-founder	Ideialab
Sara Fakir	Co-founder	Ideialab
Tina James	Director	Femtech, South Africa
Mariam Umarji	Member	FEMME
Letitia Klemens	Member	FEMME
Salmina Merique	Gender and HIV Programme Officer	UNDP
Apogeu Siniquinha	National Assistant	SNV
Jeroen van der Linden	Sector Leader	SNV
9 young entrepreneurs	Group discussion	AEIMO Youth wing
10 youth entrepreneurs	DFID round table	ANJE members
Rui Mapatse	Director	National Youth Institute
Luize Guimaraes	Program Manager	<i>Ligada</i>
Gabriel Machado	Private Sector Portfolio Manager	<i>Ligada</i>
Jaide Madeira	Adviser	Office of President
Anastacia Chembeze	General Director	INEFP
Martin Johnston	Private Sector Dev. Adviser	DFID Mozambique
Julia Antonia Kraetke	Private Sector Dev. Adviser (DESA)	DFID Mozambique



## Annex 3 Literature and Programmes Review

Below are some of the more relevant resources and materials sourced during the desk research and fieldwork stages of this assignment. Following responses received from the DFID Mozambique office (December 2016), additional information has been provided on a “planned Standard Bank website” that would provide useful resources for youth entrepreneurs in Mozambique. On several occasions during the assignment, efforts were made to communicate with the relevant Standard Bank official, but contact was only established after the report had been completed. The materials below should also contribute to the planned Standard Bank website.<sup>112</sup>

In addition, DFID Mozambique had requested additional information on the “proven impact” of these initiatives, but it has not been possible to provide this information in the two additional days allocated for identifying global good practices in YE.

### 3.1 Global Youth Entrepreneurship

#### *United Nations*

The ILO’s platform on youth employment – What Works in Youth Employment ([www.wwinye.org](http://www.wwinye.org)) provides a lot of information on aspects of youth employment, and includes repositories of approaches on youth policies, youth entrepreneurship, and other categories. It provides links to a summary of 15 youth entrepreneurship programmes implemented globally. The ILO is an important resource in terms of quantifying global and regional youth employment data on a regular basis (e.g. Global Employment Trends for Youth; World Economic and Social Outlook – Youth, etc.). The ILO is also an active member in several global and regional partnerships for youth, including the Global Initiative on Decent Jobs for Youth.

**United Nations Conference on Trade and Development (UNCTAD)**, in association with the Commonwealth, has produced a Policy Guide on Youth Entrepreneurship.<sup>113</sup> The guide states that ‘While it is primarily intended as a resource tool for use by policy-makers, the guide is also relevant for decision-makers in intergovernmental and international organisations as well as NGOs and development agencies involved in youth entrepreneurship. The guide [...] identifies key priority areas for policy focus that have an impact on youth. [...] The guide identifies specific measures under each policy area and recommends actions for policy-makers to create an enabling entrepreneurial ecosystem for young people.’ (p9) The core policy elements recommended in the Guide are included in section 3.3.1 below. Therefore, the guide is highly relevant for DFID, the Government of Mozambique and others, and it is referenced here as a valuable tool for youth entrepreneurship strategy formulation in Mozambique.

The **United Nations Department for Social and Economic Affairs (UN-DESA)** report on Youth Engagement,<sup>114</sup> launched to coincide with global Youth Day, 12<sup>th</sup> August 2016 has a

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<sup>112</sup> Standard Bank and Shell committed to the success of Mozambican SMEs - <http://www.standardbank.co.mz/en/News/Standard-Bank-and-Shell-committed-to-the-success-of-Mozambican-SMEs> - website accessed 13 January 2017

<sup>113</sup> UNCTAD. 2015.

<sup>114</sup> UN-DESA. 2016. (pp 47-54)



section on entrepreneurship, and the core policy components have been included in Table 1 (see Annex 4) and inform the views on youth entrepreneurship policies in this report.

#### *Other Official Literature and Initiatives*

The **Commonwealth Secretariat** has launched the first-ever Global Youth Development Index and Report which provides a snapshot of development for young people in 183 countries.<sup>115</sup> Such an index could serve as a useful mechanism for monitoring changes and improvements over time on youth entrepreneurship in Mozambique, as well as comparing performance with other countries.

**Organisation for Economic Co-operation and Development** (OECD) has produced a Policy Brief on Youth Entrepreneurship,<sup>116</sup> and the European Microfinance Network (EMN) has a Study on Youth Entrepreneurship.<sup>117</sup> The report states that ‘young people are affected by their families, teachers and society as a whole’, and that ‘parents and teachers are not very aware of the requirements and opportunities of entrepreneurship’ which results in lack of encouragement for entrepreneurial activities and even negative social attitudes that act as an obstacle to youth entrepreneurship’. Education and training programmes ‘do not do enough to nurture entrepreneurial attitudes and skills’. Prior work and entrepreneurship experience in a major determinant of business start-up and entrepreneurial performance, ‘entrepreneurs with greater initial financial resources are more likely to succeed’, ‘young people have limited business networks and limited business-related social capital’, and ‘market barriers also affect youth entrepreneurship’ as customers may be sceptical about their businesses. These studies have also helped to inform the consultant’s recommendations,<sup>118</sup> particularly in terms of the impact of family on youth entrepreneurs and the importance of entrepreneurship education.

In the broader context of youth policies, the **African Peer Review Mechanism** commissioned the South African Institute of International Affairs to prepare a Policy Briefing on ‘Successful Youth Policy: Lessons from the African Peer Review Mechanism’,<sup>119</sup> and it highlights success components of generic youth policies, including investing in systemic information collection and analysis, recognising a youth policy as an inclusive long-term strategy, setting realistic objectives, improving the capacity of states to implement policies, and ensuring that youth bodies are given a voice and the opportunity to participate in governance and development. .

**DFID’s** *Some reflections: The impact of Youth Entrepreneurship Programmes*<sup>120</sup> provides an overview of what should be expected of youth entrepreneurship initiatives in terms of business creation and sustainability; increased sales, income and profits, and job creation.

#### *Independent Literature and Initiatives*

The **Solutions for Youth Employment** (S4YE) programme’s report on Towards Solutions for Youth Employment, was a useful resource as it gives prominence to themes such as entrepreneurship and financial inclusion, entrepreneurship promotion interventions,

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<sup>115</sup> See - <http://youthdevelopmentindex.org/>

<sup>116</sup> OECD. 2012.

<sup>117</sup> EMN. 2012.

<sup>118</sup> Table 1 in Annex 4 includes the policy components recommended by EMN.

<sup>119</sup> SAIIA. 2<sup>119</sup> Tab

<sup>120</sup> DFID. May 2016.



entrepreneurship promotion's impacts on youth employment, and gender dynamics and young women's needs in the labour market.

**YBI**, in association with the Global Entrepreneurship Monitor (GEM), the Prince's Trust and Accenture, produced a report on *Generation Entrepreneur? The State of Global Youth Entrepreneurship*.<sup>121</sup> This report provides a background to the youth unemployment situation, including on 'why youth entrepreneurship matters' and 'factors inhibiting youth entrepreneurship' (p.12), and places the approach of youth entrepreneurship in a broad economic and political context. Among the lessons and recommendations from this report, entrepreneurial attitudes are important, hence the emphasis on promoting an entrepreneurial culture. Access to mentoring is important for youth entrepreneurs, and as indicated in almost all reports access to finance is essential. The report also emphasises the importance of having access to the internet.

**GEM** produces annual global reports on the state of entrepreneurship covering more than 60 countries,<sup>122</sup> as well as occasional thematic reports. The report on *Africa's Young Entrepreneurs: unlocking the potential for a brighter future*,<sup>123</sup> is based on findings from 9 countries in Africa (not Mozambique, but includes neighbouring Malawi, South Africa and Zambia, as well as Angola) adopts a broad approach to look at how youth entrepreneurs fit into the African regional context. The report identifies four areas that can be targeted to unleash the potential of Africa's young entrepreneurs – education and training, business support and advice (including mentoring), business capital and financial support, and ICT and technology (p.9). The report gives attention to the influence of gender on youth entrepreneurship in Africa. In relation to expectations for job creation and growth in the countries included, 98 per cent of youth enterprises in Malawi expect to create 0-5 jobs, whereas for Angola and Nigeria the figure is closer 60 per cent, while 15 per cent of youth enterprises in Botswana and South Africa, and 0 per cent of enterprises in Malawi and Zambia expect to create 20+ jobs.

Under the **Global Partnership for Youth Employment**, the World Bank and International Youth Foundation (IYF) produced *Supporting Youth Entrepreneurs: A practical guide to quality programming*.<sup>124</sup> This information would help to inform the content and coverage of proposed entrepreneurship development programmes for Mozambique. More specifically in the context of youth entrepreneurship education and training, the World Bank has produced *Entrepreneurship Education and Training Programs around the World: Dimensions for Success*.<sup>125</sup> In considering recommendations for improving the entrepreneurship culture, through entrepreneurship education in particular, in Mozambique, the latter World Bank document is a useful source for tried and tested approaches. It promotes the idea of 'wrap-around services' which involves entrepreneurship education and training programmes being linked to mentoring, networking, access to finance and a range of other related support interventions. It also provides detailed descriptions of entrepreneurship education for secondary education, higher education, entrepreneurship training for potential entrepreneurs,

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<sup>121</sup> YBI. 2013.

<sup>122</sup> See - <http://www.gemconsortium.org/report/49480>

<sup>123</sup> IDRC, 2015 – in association with GEM

<sup>124</sup> IYF. 2014.

<sup>125</sup> World Bank. 2014.



and entrepreneurship training for practicing entrepreneurs. In addition, in its more detailed descriptions of particular programmes, the report includes several that could have relevance for Mozambique, including the Women's Entrepreneurship Programme in South Africa, Economic Empowerment of Adolescent Girls and Young Women – EPAG, targeting potential entrepreneurs in Liberia, Technoserve El Salvador – and Technoserve is also very active in Mozambique, South African Institute for Entrepreneurship (SAIE), and ILO-led programmes on Start and Improve Your Business (SIYB), Know About Business (KAB), and Growth Oriented Women Entrepreneurs (GOWE).

### 3.2 Africa Regional and Multi Country

**UNIDO's** partnerships with HP include the Hewlett Packard HP LIFE e-Learning (available in Portuguese) which is 'a free, online training programme that enables students, teachers and entrepreneurs to gain the business and IT skills that help create jobs and stimulate economic growth'. It has a range of 25 courses available for participants. UNIDO has implemented this programme in conjunction with other complementary components: finance, in association with African Development Bank, and other UN agencies, such as the ILO and Food and Agriculture Organisation (FAO) in countries such as Tunisia. Also the UNIDO-HP GET-IT<sup>126</sup> programme is operational in South Africa, Kenya and Uganda. Reference is made to these initiatives in the recommendations shown in 3.3 below.

### 3.3 Country Examples

**Uganda:** YBI (NUYEP)<sup>127</sup> is providing mind-set training and business follow-up, with particular emphasis on one-on-one mentoring as YBI sees that the follow-up support is crucial to the success of the enterprises. Two lessons that emerge from NUYEPO that are important for this report are (i) the importance on mentoring, and (ii) the need to have a strong and effective BDS partner, such as Enterprise Uganda, which is a UNCTAD Empretec accredited training centre, and these are integrated into this reports recommendations.

**Zambia:** UN Joint Programme. Led by the ILO. Green Jobs programme (2013-2017). Among the approaches adopted by the programme are the ILO's 'Start and Improve Your Green Construction Business', artisan skills on solar panel making, installation and repair, market development training for small-scale forestry growers. Such pilot initiatives should also be considered for Mozambique, and given its proximity lessons can easily be acquired from the Zambia programme.

**South Africa's** Youth Enterprise Development Strategy is a good practice as highlighted in the UNCTAD Policy Guide, and lessons are drawn from it in relation to formulating the proposed strategy in entrepreneurship and innovation.

**Benin:** Graduate Entrepreneurship Programmes and 'Start-up Valley'. The World Bank Entrepreneurship Education and Training publication makes reference to a number of higher education programmes, including 'Training for promoting entrepreneurship' which was carried

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<sup>126</sup> United Nations Industrial Development Organisation and Hewlett Packard (UNIDO-HP) Graduate Entrepreneur Programme through Information Technology (GET-IT)

<sup>127</sup> Northern Uganda Youth Enterprise Programme



out over a 12-week period for final year students at a university in Uganda led to an increase in business ownership within a 12-month period.<sup>128</sup> There are also GEP initiatives from the UK. This report's recommendations propose an 8-9 month period of weekly entrepreneurship awareness sessions using the ILO's Know About Business (KAB) programme, followed by a more intensive 12-week full-time programme training-cum-counselling GEP programme. The Start-Up Valley initiative at a university in Benin is worthy of serious consideration by the Government of Mozambique, particularly as there is the vision that the Zambezi Valley could become an IT and entrepreneurship centre for the country (as indicated by Dr. Jaide, adviser to the President<sup>129</sup>).

**Kenya:** Through the use of social media, since 2009 Shujaaz Kenya has developed develop a credible information source and networking mechanism for young people in Kenya, where the approach has worked effectively. In the Mozambican context, this could help to promote positive entrepreneurial mind-sets through effective use of youth-oriented social media.

**Kenya and Nigeria:** Youth Enterprise Development Fund, **Kenya** and the Youth Entrepreneurship Support (YES) programme in **Nigeria** are examples of programmes that combine entrepreneurship development training with access to finance. In the case of the former, there is also a particular sectoral emphasis on 'creative industries'. The combination of training-cum-finance should also be adopted for youth entrepreneurs in Mozambique, and this is included among the recommendations in section 3.3.2.

### 3.4 Mozambique Entrepreneurship

Much of the literature and development partners' priorities to date have been in the area of **technical and vocational education and training** (TVET), including both public and private sector training providers. Due to the extensive volume of existing literature as well as donor assisted projects on TVET, the review for this study has not duplicated that work. Nevertheless, TVET is an important part of the supportive context for youth entrepreneurs.

In the case of youth entrepreneurship in Mozambique, the report by **UN Capital Development Fund** and Financial Sector Deepening Mozambique (UNCDF/FSDMo) on Youthstart Global<sup>130</sup> gives an overview of ongoing programmes and potentials for entrepreneurship within Mozambique, including an assessment of viable business opportunities for youth entrepreneurs. Given the aims of the two lead organisations (UNCDF and FSDMo), considerable emphasis is given to access to finance.

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<sup>128</sup> World Bank. 2014 (p.39)

<sup>129</sup> Meeting with consultant took place on 21 September 2016.



## Annex 4 Core elements of a Youth Entrepreneurship Policy Table

Table 1. Core elements of a Youth Entrepreneurship Policy (or Strategy)					
Components/Source	UNCTAD (cum-Commonwealth)	ANJE	UN-DESA	OYE (SNV & MCF)	European Microfinance Network (EMN)
Optimising the regulatory environment	X				X
Entrepreneurial culture		X			X
Entrepreneurship education	X		X		X
Business development services				X	X
Skills Development	X				
Technology exchange	X	X			
Access to technology		X			
Innovation	X				
Incubation				X	
Access to Finance & Capital	X	X	X	X	X
Promoting awareness	X				
Networking	X			X	
Targeted support systems			X		
Involve private sector			X		
Mentorship programmes			X	X	
Foster YE ecosystem			X		
Strengthen management skills		X			
Impact assessment					X

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