



CHAPTER

5

## CHAPTER 5

# RECOMMENDATIONS FOR AN ENABLING YOUTH SOCIAL ENTREPRENEURSHIP ECOSYSTEM

### INTRODUCTION

The ecosystems most beneficial for youth social entrepreneurship are those in which targeted technical support as well as tailored support in areas such as education, finance, networking and market-building are provided within an overall environment conducive to conducting business. In other words, an enabling ecosystem for young social entrepreneurs needs to be embedded in a sound business environment. This suggests that while improving the business environment is necessary, it is not enough.

While virtually all entrepreneurs face challenges such as burdensome bureaucratic and regulatory environments, young people also face age-related discrimination and often have limited skills and knowledge, smaller business-related networks, and severely restricted access to financial resources. Young women, youth with disabilities, and other vulnerable groups encounter added challenges which, if left unaddressed, will further exacerbate inequalities between groups of young people.



A holistic and focused approach for the development of an enabling social entrepreneurship ecosystem is needed to optimally support youth and leverage their potential. While it is widely acknowledged that young social entrepreneurs can play an important role in facilitating economic and social development and inclusion, existing ecosystems rarely harness their full potential. When enabling and adapted social entrepreneurship ecosystems are in place, realizing the full potential of youth social entrepreneurship – from both a youth development and a social impact perspective – will be within reach.

## 5.1 RECOMMENDATIONS

The development of enabling ecosystems that fully support young social entrepreneurs must be undertaken in close collaboration with youth. Young people need to be consulted on policies and programming as well as on the assessment of measures implemented to support their social entrepreneurship endeavours.

When building an ecosystem for the support of youth social entrepreneurship, a one-size-fits-all approach is not effective. The specific development landscape and social and economic contexts will profoundly influence the overall strategy for and elements of this ecosystem. All effective ecosystems, however, are anchored by firm commitments from and strategic linkages between a multitude of actors across numerous sectors of the economy and society. The subsections below highlight the most important building blocks for an ecosystem that fully supports young social entrepreneurs, offering recommendations aimed at ensuring an enabling environment for enterprise creation and growth. Ecosystems should be set up in a way that allows complementarity and mutual reinforcement between the areas listed below.

### 5.1.1 Optimizing the overall business environment

An overall business environment that includes processes adapted to both young entrepreneurs and social entrepreneurs will advance job creation, social progress and youth development. The following steps are necessary to develop a business environment in which the needs of young social entrepreneurs are acknowledged and addressed:

- Make youth entrepreneurship, including youth social entrepreneurship, a key element of all relevant strategies, policies and regulatory frameworks. Clear provisions for the support of young entrepreneurs can be integrated in national development strategies and in national policies on business and finance, employment, social protection, youth development, education, rural development, infrastructure, trade, innovation, ICT, gender equity, the inclusion of persons with disabilities, and immigration. Policies need to be based on evidence to the extent possible.
- Ensure that synergies are developed between all relevant strategies, policies, regulations and interventions so that the business environment and entrepreneurship ecosystem are characterized by comprehensive and holistic support for young social entrepreneurs.
- Meaningfully include young people in the development, review and evaluation of relevant strategies, policies and regulatory frameworks.
- Regularly assess all relevant policies, regulatory frameworks and requirements through youth and social entrepreneurship lenses to identify possible bottlenecks or processes that may overburden or penalize young social entrepreneurs.



- Review all relevant policies, regulatory frameworks and requirements and, where possible, incorporate new provisions or modify existing provisions to support and facilitate youth social entrepreneurship. Eliminating or reducing mandatory minimum start-up-capital requirements and simplifying business registration procedures (including decreasing or removing registration fees for young entrepreneurs) are actions that might be taken within this context.
- Develop informational materials relating to the business regulatory environment and any requirements adapted to the needs of young clients (including young social entrepreneurs). These materials should clearly explain processes, procedures, timelines and costs.
- Consider activating youth-dedicated resources such as staff, service bureaus or awareness-raising events to provide targeted support for young people seeking to register their enterprises or navigate various administrative processes.
- Implement incentives for young social entrepreneurs such as tax breaks, longer grace periods for fee payment or loan repayment, quotas for youth enterprises to access national markets, or special procedures to support the transition of youth social enterprises from the informal sector to the formal sector.
- Establish a task force that regularly reviews and evaluates the business environment and its specific impact on youth social entrepreneurship and makes

recommendations for improvements. This task force should be composed of representatives of the Government, the private sector, the economic and financial sectors, academia, the ICT sector, innovation hubs, youth organizations, community organizations and cooperatives – and of course young social entrepreneurs from a multitude of backgrounds.

### 5.1.2 Strengthening entrepreneurial education and training

An experiential learning approach is essential for entrepreneurship education and training, as this best facilitates the acquisition of twenty-first century skills and competencies – which are valuable even if youth do not become entrepreneurs.<sup>23</sup> The following actions should be taken to ensure that young aspiring and nascent social entrepreneurs are provided with the education, skills and competencies they need to thrive in this modern era and contribute to the development of their communities and society:

- Include all aspects of sustainable development in school curricula starting at the primary level.
- Mainstream commercial entrepreneurship and social entrepreneurship education and training into school curricula. Start teaching skills and developing competencies relating to entrepreneurship at the elementary level, provide more extensive education and training at the secondary and post-secondary levels, and offer comprehensive internships and apprenticeships with private sector and community organizations.

<sup>23</sup> The workforce skills model developed by the McKinsey Global Institute classifies skills into the following five categories: physical and manual skills, basic cognitive skills, higher cognitive skills, social and emotional skills, and technological skills. Bughin and others (2018) predict that within occupations requiring more social and emotional skills, the demand for entrepreneurship and initiative-taking will grow the fastest, and within occupations demanding technological skills, the demand for advanced IT and programming skills will grow the fastest.



- Encourage the uptake of entrepreneurship (including social entrepreneurship) among NEET youth and provide targeted education and training for those who pursue this path. Ensure that any support measures developed for former NEET youth are adapted to their specific needs.
  - Ensure that entrepreneurship education includes social and developmental elements such as social impact measurement, stakeholder and community engagement, and social inclusion.
  - Make sure the entrepreneurship curriculum is engaging and that it is delivered by qualified instructors and entrepreneurs with experience in social entrepreneurship. Provide relevant training for teachers on a regular basis and foster partnerships with the private sector and community-based organizations to bring entrepreneurs and practitioners into the learning process.
  - Consider involving established young social entrepreneurs in curriculum development so that the language and content resonate well with young people.
  - Provide STEM students with social entrepreneurship education and training and arrange internships, apprenticeships and mentorships with the private sector and community organizations. This can promote the increased use of STEM in social development and in sustainable development more broadly.
  - Reform the education system, especially technical and vocational education and training (TVET), to ensure that skill development is aligned with labour market needs, especially in sectors that present the most opportunities for growth. Education is important for the entrepreneurs themselves, but social enterprises also need highly qualified workers. If local education systems cannot provide appropriately skilled workers in sufficient numbers, open access to global labour markets will be important.<sup>24</sup>
- Offer social entrepreneurship education and training through multiple channels, including online platforms.
  - Ensure that entrepreneurship curricula and the educational environment are adapted to the needs of young women, youth with disabilities, rural youth, and other vulnerable groups of young people. For example, young women may be more inclined to pursue entrepreneurship education if a good portion of the teachers are women.

### 5.1.3 Tailoring support networks to the needs of young social entrepreneurs

For youth social entrepreneurship to contribute optimally to youth development and the achievement of the 2030 Agenda, youth-friendly support systems and networks are critical. The following recommendations highlight a number of networking options that can be tailored to the needs of young social entrepreneurs:

- Ensure that business development services provided by the public and private sectors include support tailored to the needs of young social entrepreneurs. In adapting these services, consideration needs to be given to (a) the strengths and weaknesses of

<sup>24</sup> It was noted previously in this *Report* that the selection process for an accelerator programme can be highly competitive; in some cases there are many more applicants than spaces available, but the larger issue is often one of quality or eligibility. Most start-up accelerators face what is referred to as a “pipeline” problem, finding it difficult to enroll sufficient numbers of promising entrepreneurs into their acceleration programmes. This is essentially compelling many start-up accelerators to take an increasingly regional and even global approach.



youth that may affect or inform their experience as social entrepreneurs and (b) the specific challenges associated with social enterprises and the opportunities they offer to address social needs at the community level.

- Create in-person or online mentoring systems linking young social entrepreneurs with their more established counterparts. The mentoring should be managed so that it is well structured and represents a safe space for young people. This mentoring can involve local, national and international participants as well as participants across various sectors to ensure a broad exchange of ideas and foster innovation. Mentoring systems that are sector-specific can provide specialized knowledge as well as access to markets and value chains. Mentoring systems should be open to aspiring, nascent and active young social entrepreneurs; for those who are just beginning or have not yet embarked on this journey, mentoring can provide key guidance and direction. Special attention should be given to the gender dimension of mentoring, with young women given the option of being mentored by experienced women entrepreneurs.
- Establish peer-support systems, as these allow a broad diffusion of knowledge in informal contexts, which can reduce risks and failures among young entrepreneurs. Social networks are important for a number of reasons but play an especially critical role in reducing the feelings and effects of isolation among young entrepreneurs.
- Encourage both the public and private sectors to open dedicated channels for young social entrepreneurs – either through quotas or by pairing them with well-established enterprises – so that they have access to local, national and/or international

markets. Such approaches will help young social entrepreneurs refine and expand their knowledge, skills and networks.

- Encourage incubators and accelerators to offer services adapted to youth social entrepreneurship. Business incubators and accelerators are gaining recognition as effective support mechanisms for young entrepreneurs endeavouring to start and grow their businesses. These structures take a variety of different forms, including physical institutions, virtual platforms, or combinations of the two. Their focus can be sector-specific (such as incubators in the ICT and agribusiness sector) or designed to provide targeted services (including market linkages and access to investors).
- Promote physical and online shared spaces and networks for young social entrepreneurs to facilitate the exchange of knowledge and resources and to strengthen their collective voice – similar to what cooperatives do for their members.

#### 5.1.4 Ensuring access to financial services and products

Obtaining financing is a challenge for virtually all entrepreneurs but is especially problematic for young people pursuing social entrepreneurship. Financial service providers generally identify youth as a high-risk group because the vast majority lack a credit history, an employment record and collateral. The following actions can greatly improve young social entrepreneurs' access to financial services and products:

- Reform the financial ecosystem so that it is fully inclusive, equitable, and able to meet the needs of all types of young social entrepreneurs. Ensure that



vulnerable groups, including young women, are not excluded from this financial system.

- Employ a holistic approach that combines training and support (such as advisory services) with the provision of financial products. Evidence suggests that when financial services such as loans are provided without any type of training or mentoring, the returns on investment are not significant.
- Embed financial literacy education in primary and secondary school curricula and include more complex financial literacy courses in entrepreneurship education and training programmes. Young entrepreneurs with limited financial literacy are often unable to fully leverage financial opportunities, access a wide range of financial services and products, and make decisions that will increase the chances that their social enterprise will succeed from a financial perspective.
- Support young people's efforts to build a credit history by offering saving incentives. Establishing a financial history early on will help young people develop creditworthiness and credibility with financial service providers, which can improve their chances of accessing financial services later on. Financial institutions may need to lower the minimum age to open an account or allow parents to easily open a savings account in their child's name so that young people have the opportunity to manage their accounts on their own.
- Raise awareness among financial service providers of the need to offer financial products and services tailored to the needs of young entrepreneurs, including young social entrepreneurs. Then build and strengthen their capacity to develop and deliver financial services and products that respond to these specific needs.
- Support the development and adoption of innovations that can make financial service provision more inclusive. Priority should be given to finding cost-effective ways to reach remote young clients and other youth typically characterized as inaccessible. Digital financial services can be tailored to the needs of youth and combined with financial literacy applications, SMS text messaging or gamification techniques so that young people not only have increased access to finance but are also able to engage in more responsible financial management behaviours. Digital connectivity enables youth to seek and receive information on both traditional and alternative financing options and opportunities.
- Develop mechanisms to assess financial products and services tailored to young people, including young social entrepreneurs. Assessment systems can warn youth of possible risks by, for example, identifying "loan sharks" targeting young entrepreneurs and sharing this information with youth networks in a timely manner.
- Ensure that young social entrepreneurs have access to impartial and accurate information on youth-oriented financial services and products available from financial service providers.
- Activate measures that increase youth access to financial products, such as government guarantees for loans from financial service providers and collateral-free loans for pre-approved clients.
- Modify impact accelerators so that they can better leverage funding to bridge the "valley of death" (the critical period between idea formation and positive revenue growth) for young social entrepreneurs.



Developing countries face a critical scarcity of risk capital sources.

- Offer special funding schemes for youth social enterprises that may be perceived as high risk, including those focusing on innovation, new technologies, the green economy, vulnerable groups, and last-mile communities.
- Provide better social protection to young people transitioning to social entrepreneurship, as this can represent a major risk-reduction incentive. Ensure that such protection is gender-sensitive.
- Explore how various Islamic financing instruments can help young social entrepreneurs seeking funding.
- Introduce innovations to diversify and expand the range of financial products and services available to young social entrepreneurs. Attracting venture capital investors and impact investors, broadening access to crowdfunding platforms, leveraging the international remittance system, and setting up mechanisms that facilitate peer-to-peer lending and investing represent some of the possibilities.

### 5.1.5 Transforming innovation systems

While often a complex undertaking, innovation in the context of social entrepreneurship can have a deep and wide impact, particularly on the most marginalized communities; this is evidenced by the examples presented in **chapter 4**. However, young people will be unable to build their capacity to innovate unless they are provided with the proper support. Implementing the following recommendations can help stimulate innovation among young social entrepreneurs:

- Help young social entrepreneurs partner with representatives of the academic sector, the private sector, the public sector, and community organizations to address urgent development issues through innovation and the use of new technologies. Social impact incubators located within educational institutions, technology hubs or technology parks can provide an enabling environment for joint innovation efforts. To ensure inclusiveness, young women, youth with disabilities, rural youth, and other vulnerable young people can be offered incentives to participate in technology education and can be provided with access to innovation facilities and networks.
- Invest in ensuring that digital highways extend to even the most remote communities and are well connected to the local entrepreneurship ecosystem. Basic digital infrastructure — broadband connections, mobile networks and Internet access points — should be regarded “as a necessary universal resource for all” (Mehta, Pazarbasioglu and Irigoyen, 2018); for young social entrepreneurs seeking to address societal challenges in today’s world, this is essential.
- Provide universal access to basic nineteenth-century technology. While the emphasis here is on twenty-first century technologies, it should not be forgotten that the lack of basic amenities such as electricity is still cited by entrepreneurs in developing countries as their number one constraint to doing business. Basic infrastructure such as roads and logistical facilities are also vitally important to enterprises in terms of market access.
- Give due attention to the commercialization of technology and link this with experimental entrepreneurship education. Barr and others (2009) provide information on a technology entrepreneurship



and commercialization education and networking programme that helps young entrepreneurs understand a technology, recognize potential market opportunities for applying or using the technology, move forward with product ideation, and develop technology-product-market linkages.

- Expand the notion of the triple helix to a quadruple helix to incorporate civil society and highlight developing country contexts. This will help embed societal goals in new start-ups during the ideation phase.

### 5.1.6 Changing the narrative

If youth social entrepreneurship is to realize its full potential and contribute optimally to the achievement of the 2030 Agenda for Sustainable Development, it must be integrated into national development strategies and policies. For these national strategies and policies to be cohesive and mutually reinforcing, they need to be developed collaboratively by diverse groups of stakeholders that include young people themselves. The following steps can be taken to help change the way youth social entrepreneurship is perceived:

- Raise awareness of the 2030 Agenda and the critical role played by young people in generating solutions for sustainable development. Highlight the fact that while young people have specific development needs, their efforts contribute significantly to accelerating progress towards the achievement of all Sustainable Development Goals.
- Promote entrepreneurial skills such as problem-solving, learning from failure, critical thinking and collaboration as critical to success in the twenty-first century – regardless of career choice. Ensure

that skill promotion efforts are sensitive to gender, ability, location and other relevant factors.

- Launch public awareness campaigns and dialogues focusing on the key role youth social entrepreneurship can play in social and economic development. Share information on support systems available to young people. Make sure that NEET youth and other vulnerable groups such as young women, youth with disabilities and rural youth are made aware of these campaigns and support systems.
- Ensure that social entrepreneurship is well integrated into career fairs and other events geared towards youth who are in the process of selecting a career. Invite successful social entrepreneurs to school career fairs.
- Support competitions and awards for young social entrepreneurs, focusing on their community impact rather than on the entrepreneurs themselves. It is important to highlight and celebrate what can realistically be achieved in different contexts as a way of acknowledging intrinsic value (and the fact that “unicorns” and “gazelles” are rare exceptions and should not be perceived as the norm).





## CONCLUSION

Youth NEET rates have remained stubbornly high over the past two decades. Youth employment policies and investments regularly fail to generate a sufficient number of decent jobs for young people. Youth who have difficulty finding employment may eventually abandon their search for work or end up with seasonal or hazardous jobs in the informal sector. Young people who decide to pursue social entrepreneurship often face obstacles that prevent them from achieving a sustainable livelihood – even as they endeavour to contribute to the development of their communities. Unless action is taken to address the barriers to youth social entrepreneurship and youth

employment more generally, neither young people nor their countries will realize their full potential.

A supportive environment is essential for young entrepreneurs. An enabling ecosystem for youth social entrepreneurship fosters innovation, promotes social inclusion, provides a solid foundation for tackling youth unemployment and underemployment, and advances sustainable development. It is crucial that entrepreneurship ecosystems be developed using an evidence-based approach that mobilizes multiple stakeholders, including young people, and generates synergies between all elements of the ecosystem.

