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WHAT WORKS IN ENTREPRENEURSHIP EDUCATION AND TRAINING PROGRAMS FOR YOUTH?

Executive Summary



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Introduction

This report, developed under the YouthPower Action task order of the YouthPower: Implementation Indefinite Delivery/Indefinite Quantity (IDIQ) contract, summarizes the evidence for effective youth entrepreneurship training and support interventions. The findings are based on an analysis of rigorously evaluated Entrepreneurship Education and Training (EET) programs that assessed results according to four main outcome categories: entrepreneurial status, firm performance, entrepreneurial capabilities, and entrepreneurial mindsets. The report frames the discussion by defining entrepreneurship and the different typologies relevant to U.S. Agency for International Development (USAID) programming. It is intended to help USAID staff and implementing partners understand the outcomes that can reasonably be expected from entrepreneurship programs and apply this understanding to the design and implementation of future ones.

The analysis is focused on evidence from entrepreneurship education and training programs for several reasons. First, young people are more likely to be in education or most easily reached by education and training institutions. Second, young people are typically better connected to the education and training system than to other types of business-supporting institutions (business development service providers, for example). Finally, high-quality research on youth entrepreneurship programming is limited, and the vast majority of youth-focused programs that have been rigorously evaluated are centrally focused on education and/or training.¹

In the face of large-scale youth unemployment worldwide, entrepreneurship has grown in popularity as an intervention, particularly where few wage jobs exist. Many donors deploy entrepreneurship programming to support better economic outcomes for youth, who are in many countries facing high unemployment due to economic stagnation, political and social instability, and a changing global economy. New start-ups and small businesses are widely seen as drivers of job growth (e.g., in Kenya and Ethiopia). With youth unemployment high in many low- and middle-income countries, particularly among some of the most educated students, entrepreneurship holds the promise of converting these unemployed youth populations into owners of dynamic businesses. Additionally, entrepreneurship education and training is directly or indirectly relevant to many types of USAID programming: workforce development, livelihoods and economic strengthening, economic growth, rural development, economic empowerment of women and girls, and outcomes for other at-risk and vulnerable populations.

However, entrepreneurial success is influenced both by the skills and characteristics of the entrepreneur and the supporting entrepreneurial ecosystem (or enabling environment) in which businesses are formed,

¹ Ellis, K, Williams C. Maximising impact of youth entrepreneurship support in different contexts: background report, framework and toolkit for consultation. London: Overseas Development Institute (ODI); 2011; Valerio, A, Parton B, Robb A. Entrepreneurship education and training programs around the world: dimensions for success. Washington: World Bank; 2014.

which varies widely, particularly in low- and middle-income countries. This ecosystem—the political and social context in which business formation and growth occurs—includes both “hard” factors such as the legal and regulatory framework and availability of finance capital and services, as well as “soft” factors such as a supportive, entrepreneur-friendly culture, the growth mentality of businesses, and attitudes toward risk. As a result, the effectiveness of entrepreneurship as a strategy to support youth employment and economic growth may vary between countries and subnational contexts. The factors that drove the success of entrepreneurial hot spots like Silicon Valley in the United States will likely not yield similar results in Kathmandu because of the differences in ecosystems.²

Additionally, entrepreneurship is not for everyone. Only a tiny portion of young entrepreneurs are able to successfully start businesses that create jobs. The majority of youth with low levels of literacy and skills start a business or become self-employed in subsistence activities allowing them to earn an income that is often below the level of wage employment. Moreover, as noted in a 2017 IDS paper, “while self-employment interventions may help young people cope slightly better in situations of precarity, it is unlikely to have transformational and wide-ranging effects on poverty reduction.”³

So how should youth development practitioners think about entrepreneurship education and training and, more broadly, entrepreneurship programming in their work? What is the evidence for effective entrepreneurship programming and when and how should practitioners include entrepreneurship in youth programs? As several economists and researchers have noted, “Youth focused research into entrepreneurship is still in its infancy and as a result very limited.”⁴ Fox and Kaul also note that impact evaluation literature on youth microenterprise is underdeveloped and, “Although the household production sector is where most youth will find employment opportunities, the impact evaluation literature does not yield a clear conclusion on what works, perhaps because the sector is so heterogeneous.”⁵

Despite this clear gap in the research, we summarize here the programming features that are most likely to generate positive outcomes in youth entrepreneurship based on extensive analysis of program evaluations and identify areas needing further research.

2 The annual Global Entrepreneurship Monitor provides the most robust cross-national comparison of entrepreneurship outcomes for youth and adults. London: Global Entrepreneurship Research Association. See: <https://www.gemconsortium.org/>.

3 Flynn J, Mader P, Oosterom M, Ripoll S. Failing young people? Addressing the supply-side bias and individualisation in youth employment programming: Institute of Development Studies Evidence Report 216. Brighton: IDS; 2017. Available from: https://www.youthpower.org/sites/default/files/YouthPower/resources/ER216_FailingYoungPeople_AddressingtheSupplysideBiasandIndividualisationinYouthEmploymentProgramming.pdf

4 Blattman C, Ralston L. Generating employment in poor and fragile states: evidence from labor market and entrepreneurship programs (July 19, 2015). Washington (DC): World Bank; 2017 (last update). Available from: <https://ssrn.com/abstract=2622220>.

5 Fox L, Kaul U. The evidence is in: how should youth employment programs in low-income countries be designed? Washington (DC): USAID; 2017.

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Entrepreneurship—the formation and growth of business enterprises through innovation—is one method of achieving economic growth, increased productivity, and expanded employment.

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or managing growth-oriented businesses (firms) that employ non-family members and focus on generating new value.”⁶ Aligned with USAID’s technical guidance, global business schools, governments, and many foundations tend to focus on high growth, innovation-oriented entrepreneurs. However, entrepreneurship programs have spread to serve diverse populations in a range of economic situations. Many global development donors, for example, include a focus on self-employed persons operating at or near subsistence (sometimes referred to as “necessity” or “survival” entrepreneurs) who are neither innovation driven nor growth oriented.

Not everyone agrees whether the term “entrepreneurship” should be applied equally to the heterogeneous population of development program beneficiaries, particularly where livelihood enhancement rather than economic growth or **productive transformation** are the main objectives. Although important differences exist between entrepreneurship and livelihoods-oriented programming, practitioners continue to use entrepreneurship programming to achieve diverse objectives. And, while developing-country youth may have more limited opportunities for growth and value creation due to their economic and social circumstances, there is general agreement that development programming should build youth capacity for innovativeness in solving problems in their communities and in creatively developing both livelihoods-focused and opportunity-driven businesses. As Harvard Business Review noted, “A key to accelerating the growth of developing economies will be the ability to encourage more and more entrepreneurs throughout these countries, both in growing cities and in rural areas. While they may not be unicorn entrepreneurs [creating companies valued at \$1 billion or more], they can create value in their neighborhoods and perhaps beyond.”⁷

Defining Entrepreneurship

To provide guidance on what aspects of an entrepreneurship program might have the highest probability of positive outcomes, it is important to clearly define entrepreneurship and the basic components of entrepreneurship programs. We build this definition below and use it to distinguish between entrepreneurship programming and other types of interventions throughout this guidance document.

Entrepreneurship refers to the formation or growth of (profit-seeking) business enterprises, normally those based on innovation. USAID’s Global Food Security Strategy Technical Guidance defines entrepreneurship as “starting

6 U.S. Government’s Global Hunger & Food Security Initiative. Global Food Security Strategy Technical Guidance on Employment and Entrepreneurship. Washington (DC): U.S. Agency for International Development (USAID); 2017.

7 Hagel, J. We need to expand our definition of entrepreneurship. Harvard Business Review [Internet]. September 28, 2016. Brighton (MA): Harvard Business Review. Available from: <https://hbr.org/2016/09/we-need-to-expand-our-definition-of-entrepreneurship>.

The matrix below shows the diverse range of types of entrepreneurs targeted by development projects. Acknowledging the persistence of diverse types of entrepreneurs has provided a “big tent” to entrepreneurship development efforts, permitting global business schools, governments, and foundations to maintain their focus on high growth, innovation-oriented segments, while leaving room for donors to expand the definition of an entrepreneur downward to include self-employed persons operating at or near subsistence. The data analyzed for this report cut across several of these entrepreneur types.

Table 1: An Inclusive Typology of Entrepreneurship⁸

Type	Description	Relevance to USAID Youth Programming	Literacy & Skills Level
Opportunity-Driven (Serial/High-Growth)	Opportunity driven, focused on building companies, wealth creation. Often in, but not limited to, technology ventures.	Limited relevance.	HIGH 
Social	Social ventures intend to affect change, create employment, or serve neglected customer base, usually with social motive or marketing story.	Potential relevance to a wide range of youth engagement. May include both higher and lower socioeconomic status youth, though often in different roles.	
Aspiring	Potential entrepreneur seeking first profitable business opportunity; limited entrepreneurial skill set.	Secondary and higher education graduates with higher socioeconomic status.	
Micro-Enterprises	Are own-account (self-employed) enterprises in nonagricultural sectors that employ at least one nonfamily worker on a continuous basis.	Most youth workforce development programming for at-risk and marginalized youth focuses on this segment for job placement opportunities.	
Household Enterprises	Motivated by the creation of sources of income, these are nonfarm enterprises operated by a single individual or with the help of family members.	Highly relevant for youth who want to use their skills and energy to create a nonfarm income source for themselves and their families.	
Survival/Necessity	Motivated by survival or lack of other options: engages in a business activity because of limited opportunities for remunerative employment.	Most livelihoods-oriented programming for at-risk and marginalized youth focuses on this segment.	LOW 

⁸ Adapted from Fox and Pave Sohnesen, 2012; Macke 2005.

Core Entrepreneurial Skills

- Opportunity identification
- Ability to capitalize on opportunities through resource mobilization
- Business model execution

This typology accommodates a focus on both at-risk and marginalized youth, as well as secondary and tertiary education graduates who by virtue of higher levels of literacy and skills may be more likely to engage in growth-oriented entrepreneurship. It also provides some insight into potential future segmentation of entrepreneurship training efforts for youth in varying life situations. In fact, the typology can help inform how to more clearly delineate which kind of youth “entrepreneurs” are being targeted in program designs.

Entrepreneurship Education and Training

(Entrepreneurship Programming) encompasses a heterogeneous array of interventions, including formal academic education programs as well as standalone training programs that share the broad objective of providing individuals with the entrepreneurial mindsets and skills to support participation and performance in a range of entrepreneurial activities.

opportunity identification and resource mobilization.⁹ The opportunity identification competency is sometimes referred to as “entrepreneurial mindset,” and is included in our analysis of evaluation research. A skills-based definition of the entrepreneur, then, focuses on the deployment of these core entrepreneurial competencies to achieve value creation through a business enterprise.

Entrepreneurship Skills

Entrepreneurship rests on three widely recognized skills or competencies that can be imparted through entrepreneurship-focused education, training, or workforce development. Entrepreneurs are people who apply these competencies to develop and grow profitable businesses. The development of entrepreneurial skills through education and training, both curricular and noncurricular, is a widespread practice in supporting the goal of expanded entrepreneurship, and there is a strong consensus about what constitutes entrepreneurial skills in academic entrepreneurship literature. A comprehensive literature review commissioned by the UK Department of Business Innovation and Skills in 2015 noted that the core entrepreneurial skills are distinct from, but related to, business leadership and management skills. Basic business skills, including management, financial literacy, marketing, the sales process, and business operations are largely embedded in the “business model execution” competency, but these skills alone are not viewed as sufficient to enable entrepreneurship because of the centrality of

⁹ Department for Business Innovation and Skills (U.K.) (2015) Entrepreneurship Skills: literature and policy review.” BIS Research Paper No. 236, September 2015.

The Entrepreneurial Ecosystem and Youth Entrepreneurship Programming and Outcomes

The enabling environment is another broad factor that affects how the entrepreneurship methodology is employed. The broad enabling environment for entrepreneurship is commonly referred to as the entrepreneurial ecosystem, which comprises services, resources, policies, norms, relationships, and attitudes. A 2014 Organisation for Economic Co-operation and Development (OECD) report stated: "Our definition of an entrepreneurial ecosystem...is as follows: a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g., firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g., the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment."¹⁰ For our purposes, the importance of the ecosystem concept highlights that entrepreneurial skills and capabilities are not the only determinants of success, and that environmental factors may strongly influence the effectiveness of youth entrepreneurship interventions.

Summary Findings from Evaluated Entrepreneurship Programs

The research team reviewed a broad base of literature on evaluated entrepreneurship programs in order to identify the features associated with positive outcomes in four domains related to entrepreneurship including measures of economic well-being. The report aggregates the best evidence from a sample of 37 programs in developing countries that were rigorously evaluated, combining an extensive dataset of donor programs collected by the World Bank, a meta-analysis of youth entrepreneurship programs, and evaluations of USAID youth entrepreneurship programs.¹¹ The evaluations included a mix of program types (five education and 32 training) and age cohorts.¹²

In addition to analyzing the total sample of 37 projects, the team analyzed subsets of programs that targeted eight subgroups/populations: practicing entrepreneurs (22 projects); potential entrepreneurs (15 projects); rural agricultural (5 projects); rural nonagricultural (8 projects); female-only (17 projects); mixed-gender (20 projects); at-risk (16 projects); and not-at-risk (21 projects).

¹⁰ Mason and Brown, 2014.

¹¹ The research consisted of a systematic literature review and analysis of available data from three primary sources: Valerio A, Parton B, Robb A. Entrepreneurship and education training programs around the world: dimensions for success. Washington (DC): World Bank; 2014; Klue et al. Interventions to Improve the Labour Market Outcomes of Youth: A Systematic Review of Training, Entrepreneurship Promotion, Employment Services and Subsidized Employment Interventions (2016); and additional evaluations from the USAID Development Experience Clearinghouse (DEC). Full citations for each evaluation appear in the full report.

¹² Seventeen of the 32 evaluated programs included beneficiaries of at least 30 years of age, so not all of the programs targeted youth. This reflects the lack of rigorous evaluations available on youth-only entrepreneurship programs.

66

Potential entrepreneurs

are young people who have no business experience or only limited experience selling goods for survival. They typically have not had formal exposure to entrepreneurial concepts, methods, or mindsets. **Practicing**

Entrepreneurs are young people who already engage in business activity, either on their own or as part of a family unit.

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Recommendations for each subgroup are provided in five programming areas: (1) training delivery method (2) training duration; (3) training content (4) “complementary services” for individual participants; (5) “complementary services” for participants’ firms or businesses. In the full version of the report, we present the most highly recommended “feature” or “element” for each subgroup and the top training content areas.

Programs were analyzed based on their success in generating results in four outcome domains: (1) *entrepreneurial and economic status*¹³ of individual participants, including business participation, employment, and income; (2) *firm/business performance*, measuring improvements in the businesses in which participants are engaged; (3) *entrepreneurial capabilities*, including participants’ competencies, knowledge, and technical skills related to entrepreneurship; and (4) *entrepreneurial mindsets*—socioemotional skills and entrepreneurial awareness associated with motivation and future success in entrepreneurship. Not all programs measured all four of these outcomes.

- 1 / For the eight subgroups of beneficiaries, entrepreneurship programs most frequently improved individuals’ *entrepreneurial status and firm/business performance*. This suggests that USAID program designers and implementing partners can reliably generate improvements in *individual entrepreneurial status* (income or employment for program beneficiaries) and *firm performance* of those participants with existing business activities, using entrepreneurship interventions. In only two cases—currently practicing entrepreneurs and rural nonagricultural populations—programs generated positive outcomes related to entrepreneurial *mindsets and capabilities*. It is unclear whether the programs we analyzed are not measuring changes in other types of skills or whether these changes are more difficult to detect.
- 2 / Entrepreneurship programming elements that led to positive outcomes across nearly all eight subgroups include instructor-led learning environments; training content that emphasizes general business skills; entrepreneurship skills including opportunity identification, a blend with vocational skills training; and supporting entrepreneurial skills including product design and “pitching” to potential funders.

¹³ Employment and wage outcomes are included in “status” measures because not all young program participants will start businesses, but entrepreneurship interventions may have other positive impacts on their livelihoods that reflect positively on programs, including wages and labor market participation.

3 / Effective entrepreneurship programs also provided additional services to address entrepreneurship constraints that participants—particularly youth—and their businesses commonly face. Facilitating access to finance and providing business coaching (or mentoring) are the two most effective among all services provided. The majority of programs (1) provided small capital grants or loans to start up a business, (2) provided financial prizes based on pitch/business model competitions, (3) provided access to more formal loans or credit, or (4) selected participants who were already in microfinance programs.

The limitations of this body of evidence should be noted. The data did not shed light on the differences between programming that is effective for youth and for adults, the specific differences in optimal delivery methods, or which contextual factors influence the optimal training and complementary services packages and how much influence they exert. This is due in large part to how programs and subsequent evaluations were designed. We also must caution that the evidence base is drawn from heterogeneous programs that may not be perfectly comparable. For example, it is not entirely clear whether existing evaluation research presents apples-to-apples comparisons of outcomes because some business skills training programs in the sample do not emphasize entrepreneurial competencies as we define them here. Nonetheless, our findings support several recommendations.

Recommendations for Youth Entrepreneurship Programming.

Recommended core features of entrepreneurship programming for all subpopulations

Programs for nearly all youth subgroups/populations can be built around a core set of features, typically producing outcomes related to entrepreneurial and economic status. Across the board, program designers should strongly consider the following components in entrepreneurship programs:

- **Training conducted by a recognized educator** (a trainer, teacher, or university professor).
- **Training held in a classroom setting** and complemented by experiential learning and/or mentoring or business coaching, for most populations.
- **Training content focused on four priority areas:** general business and management skills; core entrepreneurship skills including opportunity identification and resource mobilization; vocational skills; and supporting entrepreneurial skills including product design and pitching to potential funders.
- **Access to finance or means of gaining access to finance** whether through cash grants, loans, partnerships with microfinance institutions, or other means.

Recommended program features to serve specific youth subpopulations

Where USAID wishes to tailor programming to specifically address the needs of a subgroup of youth, some important features should be adapted.¹⁴ For each group, the recommendations are:

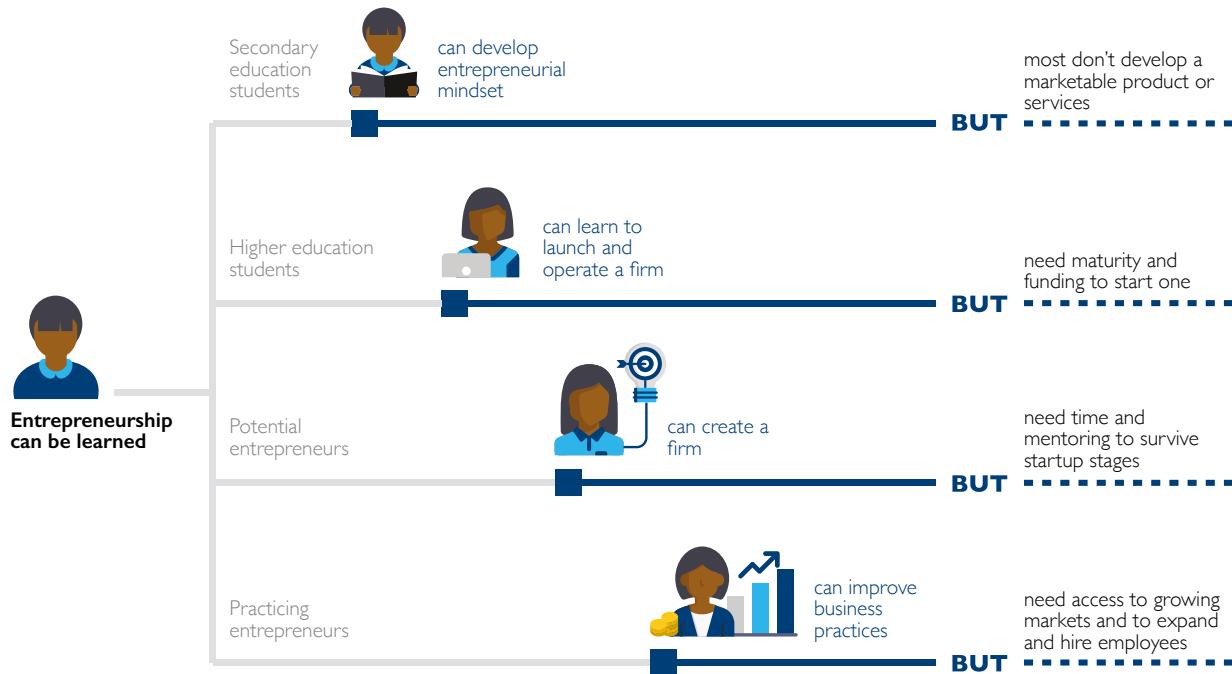
¹⁴ These recommendations are based on analysis of different subsets or “slices” of the total set of programs. These subsets vary in size/number and, in many cases, overlap.

- **Potential Entrepreneurs** (those who do not currently operate a business): provide longer training periods to compensate for limited business experience and focus on training in core entrepreneurial skills such as opportunity identification and teamwork.
- **Practicing Entrepreneurs** (those who currently have businesses): shorten training for to less than two weeks, prioritize business coaching, and use broad-based, rather than sector-specific training and services to address the widest variety of business contexts.
- **Rural youth engaged in agriculture:** structure programs more like traditional business or enterprise development training, with less emphasis on promotion of opportunity-driven entrepreneurship, reflecting their lower tolerance for risk. Training durations should be short to not take much time away from farm activities and should include vocational skills. Financial incentives should also be offered to cover costs for program attendance (e.g., transportation, waiving fees, meals/refreshments).
- **Rural youth not engaged in agriculture:** shorten training to less than two weeks, offer ongoing business coaching, and use broad-based, rather than sector-specific training and services to address the widest variety of business contexts. Strongly prioritize general business management skills, financial literacy, and sales and marketing competencies, and offer financial incentives to cover costs for program attendance.
- **Female-only groups:** provide training by a recognized educator in a face-to-face classroom context, include general business skills, provide business coaching, and support participants in niche businesses. Financial literacy and marketing/sales training should also be included when the goal is to support business performance objectives for participants with existing businesses.
- **Mixed-gender groups** (intentionally mixed): provide programming that follows the female-only group model to generate individual status outcomes, with emphasis on general business skills and facilitating access to finance. However, to support business/firm performance in mixed groups, business people should be the preferred trainers, and hands-on learning approaches are strongly suggested.
- **At-risk youth populations:** Provide hands-on/applied/experiential training rather than classroom training and focus on helping youth start “niche” businesses related to their vocational skills. At-risk populations may also benefit from longer training programs.
- **Not-at-risk youth populations** (groups that exclude all at-risk youth): provide training in smaller class sizes and in a hands-on/applied/experiential format, rather than in a classroom setting.

Across all programming contexts, both the capacities of youth and the quality of the entrepreneurial ecosystem will impact youth entrepreneurship outcomes. As illustrated in Figure 1, young entrepreneurs face different opportunities and challenges based on their skills and resources. In a development environment with a poorly developed or overtly hostile ecosystem, it is not realistic to expect large or immediate improvements in entrepreneurial performance from youth. These environments most likely lack the very networks, resources, experience, and power that could allow other entrepreneurs

to overcome the limits of the ecosystem. In addition, research has found that for many participants in business and entrepreneurship training, particularly the poorest, incomes may rise immediately after program completion, but these gains are likely to be short lived.¹⁵

Figure 1. How to Be Realistic about Youth Entrepreneurship



Source: Modified by FHI 360 based on Valerio, 2014.

Therefore, entrepreneurship programs targeting youth should ensure the approaches and expectations are realistic for the youth population being served, entrepreneurship is not viewed as a panacea to solve all livelihood challenges, and partners are selected who understand how to adapt entrepreneurship programs to the local context. USAID practitioners should consider these factors both in interpreting research and in making decisions about programming.

Areas for Further Research and Innovation

The report's findings raise several important issues and highlight the needs for more nuanced monitoring and evaluation in order to better understand outcomes from entrepreneurship programs.

¹⁵ Blattman et al, 2015.

Data to measure magnitude of program effects and efficiency in generating outcomes is lacking

This report's analysis was limited because the data on evaluated programs are not sufficiently comparable to allow us to look at the magnitude of outcomes across programs or in relation to costs. To compensate for differences in data between reviewed programs, our analysis treats outcomes in each domain as "binary"—either programs generated a particular outcome or they did not. Our recommendations can inform the choice of programming elements in several domains, but cannot estimate the magnitude of the effect of programs, either individually or comparatively. This suggests the need for improving program data quality and increasing standardization of monitoring and evaluation.

Data needed on the "entrepreneurial ecosystem"

Entrepreneurial ecosystem quality data were not available for a large enough sample of program contexts for us to draw robust conclusions from the analysis. In addition, the lack of information about the magnitude of program effects (noted above) means that we cannot (1) definitively establish the existence of ecosystem effects in programming, (2) determine the size of influence of ecosystem factors on program results, or (3) determine whether some programs did not produce outcomes (overall or in specific domains) because of ecosystem-related issues. With better data on magnitude of effects of specific programs and complete cross-national data on entrepreneurial ecosystem quality or reliable proxies, this analysis would be able to support more robust, context-specific recommendations.

More attention to measurement of youth entrepreneurial capabilities and mindsets is needed

Of the programs reviewed, most that resulted in positive outcomes were in the area of individual entrepreneurial status and firm/business performance outcomes. However, if entrepreneurship education and training is to be offered to youth as part of education-focused interventions, USAID and program implementers need more and better information about how to generate meaningful outcomes in entrepreneurial capabilities and mindsets. This is particularly true where USAID wants to support youth to stay in school and gain the transferrable entrepreneurship skills that will eventually support improved labor market or self-employment outcomes. More attention to these intermediate outcomes in program monitoring and evaluation would begin to build this evidence base, while longer-term (five- to 10-year) controlled longitudinal studies of economic outcomes for students receiving entrepreneurship education while in school would strengthen our understanding of the value of entrepreneurship programming.

More evidence is needed on the effectiveness of cash grants versus credit facilitation for youth entrepreneurs

Available data are insufficient to show whether financial assistance to program participants should be structured as cash grants or through facilitated access to microfinance or mainstream lending. Some research has demonstrated robust impacts of small grants of initial capital to young, high-risk program participants, and other research suggests stronger effects of cash grants compared to microfinance access. Future research should explore comparative outcomes of cash versus credit for specific youth subpopulations.

Evidence is lacking on effectiveness of training as compared to other services

Much more work is needed to address the widely cited lack of evidence regarding the comparative effectiveness of training-centric versus non-training-centric youth entrepreneurship programming for different populations, particularly in light of the increasing scrutiny that training interventions are receiving. USAID program designers and implementing partners should consider designing interventions to facilitate evaluation of different combinations of training and nontraining program elements for different subpopulations.

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