

IGC Policy Brief Template

Title: *Role of Business Skills and Capital Constraints in Micro Enterprise Development*

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Short summary paragraphs:

I. **Policy Motivation for Research:** *the policy and research question(s) addressed by this project, and a brief explanation of why they are crucial for policy-making in targeted countries*

Recent research suggests that small enterprises in developing countries face a number of challenges to growth, including lack of skills, capital constraints and poor self-control. The "Role of Business Skills and Capital Constraints in Micro Enterprise Development" project is a rigorous evaluation of the issues that constrain young entrepreneurs, using a gold standard methodology to understand what constrains businesses from growing, and what can be done to overcome these constraints. The evaluation uses a number of novel approaches to understand what constrains entrepreneurs.

II. **Policy Impact:** *what decision or policy will be shaped as a result of this work*

The ILO, who has developed such training programs in over 40 countries in the last 20 years, is interested to understand the impact of such programs, and if there is a more cost effective approach. This project will help the ILO further develop their trainings to improve effectiveness. These results will also be transmitted to the other organizations that make up the audience of this program in the hope it will help develop their programs further as well.

III. **Audience:** *the audience or key decision makers targeted by this brief*

The wider development community, including NGOs and international organizations, will be interested in the results. The Government of Uganda has expressed interest in economic development focused on youth employment and entrepreneurial development. Uganda has a fast-growing population of youths but few options for formal sector employment. The Government of Uganda has targeted youth employment as a development priority to continue its economic success. Evaluation findings will be of particular interests to private organizations investing in entrepreneurship and enterprise development. Microfinance institutions will be attractive to learn on ways for attracting and serving youth as potential clients in a win-win perspective.

Main sections:

IV. **Policy Implications:** *Identify the key messages on the policy implications of your research in bullet point form. Please use one sentence providing a brief description of each bullet together with one paragraph that accompanies each bullet to substantiate or explain further the bullet.*

- Business owners face constraints to expansion. It is not easy for small business owners to save the capital necessary to expand their businesses. This research will show how these constraints interact with competing behavioural and family expectations.
- These constraints may be alleviated with the right policy. This project will develop concrete information to understand what is the best way to overcome these constraints, and what it is that organizations can do to help businesses develop.

V. **Implementation:** *Please provide guidance for policymakers as to how to implement policy measures based on the implications of your research by devising a number of 'action points'. Please discuss constraints that could arise in the implementation of these 'actions points' and suggest ideas on how to confront those. If applicable, please also discuss issues in replication of results, or in scaling up, or any cross-country experience, that arise in thinking about implementing decisions that would be influenced by your research.*

Action point 1: The results of the business skills training component of this evaluation will suggest to policy makers if business skills can be taught, and if so, what they can do to benefit business owners.

Action point 2: The results of the cash grants component of this evaluation will suggest to policy makers the role credit constraints play in business growth, and if ending these constraints is good for business expansion.

Action point 3: The results of the loan component of this evaluation will suggest to policy makers if, rather than simply handing out cash, enticing greater expansion of MFIs will contribute to business growth.

VI. **Dissemination:** *Please suggest individuals or institutions, along with emails and/or postal addresses that you would like the IGC to send soft and hard copies of your final working paper and policy brief. Ideally, we would like to disseminate IGC findings to those in the policymaking community in developing countries in Africa and South Africa.*

The project is not yet ready to be disseminated. When it is read, we would like to send the results to a number of organizations, including the national government in Uganda, which has demonstrated great interest in the research. Planned engagement strategies involve other activities of the ILO and YEN with young people, youth entrepreneurship practitioners, and researchers country-wide, including workshops and seminars under a Competitive Grant Scheme for Youth Organizations and YEN Fund for Impact Evaluation in Youth Employment.

The study's communication strategy will rely heavily on existing communication tools of the YEF, which will extensively publicize activities and results in massive means in Uganda, Tanzania, and Kenya.

Communications with local, district/province, and national level audiences in Uganda will be done jointly with the National Curriculum Development Center. The communications will focus on dissemination of results to relevant stakeholders. Communications of results at the global level will be undertaken by the different agencies and institutions involved in the research, namely the ILO, the Youth Employment Network, and the World Bank. Dissemination mechanisms include forums and conferences.

VII. **Further Readings:** a brief (non-technical) list of related writing.

There are three inter-related areas of research that this project fits within. First, the cash grant literature, including work by Suresh de Mel, David McKenzie and Chris Woodruff, has found large effects from cash infusions into male run businesses, but modest to zero effects for women. Second, microfinance research, while still relatively new, has been spearheaded by Dean Karlan, who has worked with MFIs in Latin America and found little welfare effects, though some positive consumption effects. Finally, the research on business skills training has not included a gold standard design and so is not clear. The work of Chris Blattman and this author suggest some impacts from training, but the evidence is still not strong.

IGC Policy Brief Evaluation

Title: Title of Project

Authors: List name and main affiliation for each person

General comments:

[A short blurb as to how we see the policy brief and what the key points of the evaluation are.]

Evaluation and feedback:

Policy Motivation

-

Policy Impact

-

Audience

-

Policy Implications

-

Dissemination

-

Implementation

-