

Entrepreneurship serves young people in slums

There are always business opportunities somewhere, even in slums. They serve hope of a better future. In this article **Melanda Schmid** of the Environmental Youth Alliance of Canada, explains how UN-HABITAT's Urban Entrepreneurship Programme is helping young people learn the essential skills that make a huge difference to their lives in some of the worst slums in Nairobi, Kenya.



Local entrepreneurs cut bones to make jewellery in Kibera, Nairobi

PHOTO © TIM BRAUHN

Urban poverty problems such as insecurity, a lack of shelter, poor sanitation, water scarcity, and few if any job opportunities, overwhelmingly cloud the prospects of young people who today constitute the majority of urban populations in developing countries.

Interventions in slums are more likely to have a lasting impact and create self-sustaining solutions if they address livelihoods and economic security, as well as the other problems highlighted above.

So what can be the answer? Entrepreneurship is one way. Although not a one-size-fits-all employment solution, it does touch on one significant piece of the economic puzzle. In many developed economies, the small business sector is amongst the largest contributors to Gross Domestic Product, and building capacity in the small-scale activities already taking place in impoverished areas is one way to assist in the gradual transformation of informal business activities into formal ones, which can ultimately impact economic growth and serve to reduce poverty.

"We started with the premise that youth groups with some history of running small businesses could be supported in the expansion of those businesses if they could improve their basic business skills and practices, and get better access to finance and markets," says Karun Koernig, Senior Manager at Environmental Youth Alliance.

But finding an effective way to transfer complex business concepts to marginalized youth is not straightforward. This is because formal theory-based learning does not effectively transfer business skills, which are best learned on the job.

Building strengths

To meet this challenge, the Urban Entrepreneurship Programme used a business simulation process, developed for the African context. It involves a series of increasingly complex modules that include problem-solving and interactive game-based learning.

The learning sessions, delivered at intervals over six months, allowed the groups to experience realistic situations and learn from their successes and failures in the safety of the simulated environment. Bringing the learning process right to the location of the groups' businesses – most classes were held in the slums – and grounding it in real life

experience, the programme allowed learners to gradually apply key lessons about profit, margins, supply and demand and marketing to their day-to-day business practices.

In conjunction with this training, the Environmental Youth Alliance worked with each group to identify their highest potential businesses, and offered support tailored to the group's needs. This ranged from financial planning and access to financing, marketing and sales support, to coaching on strategic product enhancement. It also included assistance to community-wide networks around mutually beneficial business ventures.

Getting the financing and the confidence

"We had saved some money and we wanted to buy a bus, but we didn't know how to move forward," says Isaac Nderitu, Chairman of the Kinari Small-Scale Self Help group. This 31-member collective, who came to Nairobi some years ago after being displaced from their agricultural roots through political violence, operate stands at a busy roadside produce market, and also manage a sanitation block.

After saving for years, the group had a nest egg but no confidence in how to proceed, and no trustworthy mentors to ask for advice. The element of the programme that helped them was financial planning support.

"I was initially sceptical, but as we did the cash flow forecasts it became clear there was real profit potential," says Mr. Koernig, who worked with the group to create their loan proposal for a bus business. Armed with solid plans and profit projections, the Kinari Small Scale Self Help Group secured an EUR 11,000 commercial loan for a 29-seater bus, and earned accolades from the media and the government.

The group members still run their market stalls, but now also manage their bus, which runs the bus route right in front of their market each day and employs four staff. The group plans to one day purchase land and start their own farm, with the bus-business profits.

What made the bus project easy to finance was that it was a loan for a hard asset, which acts as its own collateral. The programme applied this same logic to financing the expansion of another youth group, one with potential to grow their small business in the garment and textile industry.

"Some youth groups don't have enough savings to purchase large equipment, and are not confident about their ability to repay," says Patrick Ominde, Junior Coordinator of the Urban Entrepreneurship Programme.

Another team, the Mathare No. 10 Youth Group, some trained in textile printing, was running a small manual screen-printing business making t-shirts and artwork. This group was set up with a low interest, longer-term rent-to-own agreement for the special printing needed.

The youth group now manages the machine, and ownership will be transferred to them formally upon successful completion of all payments. Paired with intensive marketing and sales support, the printing machine has made it possible for group members to secure large-scale printing contracts for shirts and other commercial or logo-printed merchandise. Their customers now include some of the city's biggest names.

Bridging the divide - connecting with outside markets

Securing market access for these youth groups has been a key element of the programme.

"Many of the youth groups in slums don't have standard business processes such as invoices or receipts, and lack knowledge of proper business etiquette. These youth wrongly assume formal sector business will think they are inferior and not take them seriously, when in reality they can deliver competitive products and services if they improve their soft skills," says Arnold Muema, a local sales and marketing consultant. With a bit of initial help in interfacing with a range of formal sector businesses, there are good indications that these groups can sustain and expand their client base.

In the same way as he helped the printing project, Mr. Muema worked with the Be Smart Fashion Design Association youth group, who are trained tailors but struggle to maintain year-round business levels.

As with many youth groups running small businesses, one of the greatest barriers is the scope of their current market. With Be Smart, Mr. Muema linked the group to major coastal resort hotels in need of staff uniforms, and encouraged them to push themselves beyond traditional designs into this new, potentially lucrative market. The group has filled their first order and is looking forward to more in future.



Youth working with printing machine

PHOTO © UN-HABITAT/MELANDA SCHMID

Strength in the community – youth power

The Environmental Youth Alliance Volunteer, Justin Sekiguchi is the point man for one of the most exciting components of the Urban Entrepreneurship Programme – the creation of Waste Management Centres, operated by networks of youth groups in a community, as businesses.

“While not all waste, water and sanitation activities that youth groups undertake can be run as successful businesses, especially in isolation, there is good business sense in having youth groups get together and process recyclable materials on a large scale,” says Mr. Sekiguchi.

Mr. Sekiguchi's team has been able to mobilize more than 500 young people in the two Nairobi slums of Makadara and Mathare. Each is equipped with a shredding machine to add resale value to waste plastics, but is also set up to handle the processing of scrap metal, glass, and paper or cardboard.

Beyond the physical infrastructure, the co-ordinators focused on strengthening existing bonds between neighbouring youth groups within the community, and facilitating cooperative networks that have the capacity to run these centres and the equipment as a team – and for profit.

Their training included interactive business simulation, the technical aspects of waste

Supporting youth-led development - Canada and Norway

In 2008, UN-HABITAT signed a partnership with the Canadian NGO, the Environmental Youth Alliance. The programme aims to find replicable solutions to the problem of massive youth poverty in urban slums, through collaborative, youth-led development activities. It has focused on improving the small businesses of 16 youth groups, representing over 300 young people. After a baseline study of the groups' activities, which included waste management, water and sanitation, as well as an array of small slum-based informal sector businesses, the Environmental Youth Alliance delivered tailored interventions aimed at maximizing business growth, improving profits – and livelihoods. Norway, a strong advocate for the empowerment of women and young people has since 2006 supported UN-HABITAT's youth programme. It backed the establishment of One-Stop Youth centres and in 2008, the Opportunities Fund for Youth-Led Development, a unique mechanism within the UN system, to support urban youth-led initiatives, with USD 1 million annually.

management, recycling, and the operation of plastic-processing machines. In addition to the training, the two groups each received step-by-step support for the creation of management structures for their centres, and were full participants in the planning and execution of their working premises.

The construction phase for their premises, which ran in parallel with the various training and the management advice, provided temporary employment for 30 youth, as well as significant business for local suppliers and service providers.

On an ongoing basis, there are now 20 active youth groups with some 550 members, now successfully managing the centres profitably in two of Nairobi's lowest-income neighbourhoods.

The centres have the potential to benefit the livelihoods of hundreds of jobless young people over the long term.

But the process has not been simple or straightforward. Indeed, both communities face ongoing challenges of political strife and internal factions, some of which continue to flare up and interrupt business activities.

Nonetheless, the shared, youth-led management of the waste management centres stands as a hopeful symbol of change for the better. Tackling waste management in slums, so closely tied to problems of health and sanitation, in a way that also addresses issues of livelihood and economic security, is something that UN-HABITAT hopes to replicate in future through similar initiatives that build on the Urban Entrepreneurship Programme's successes.

Learning all the time

What is clear from the baseline study of the 16 participant groups and their businesses, and from the experience of the Urban Entrepreneurship Programme pilot, is that these groups cannot simply build their way out of poverty by providing waste, water or sanitation services to equally impoverished customers.

They need to be linked to markets outside the slums and low-income areas they are currently comfortable with. But they need support to develop their highest business potential, so that the much needed services they provide in their poverty stricken communities can be still more sustainable.

In the words of Mr. Nderitu of the Kinari Small-Scale Self Help Group: “People joined together have the power to lift each other because I myself cannot do it alone.”

While simply pushing large numbers of jobless youth through entrepreneurship training is unlikely to have much impact, in the longer term, delivering thoughtfully tailored programmes designed to support fledgling youth-led business activities may do so.

This is one of the key strengths that set the Urban Entrepreneurship Programme apart from generic business and entrepreneurship training programmes. UN-HABITAT hopes these innovative entrepreneurship methods can be applied to its activities in slums across the board in future. They are also principles which the agency believes crucial for municipal and local governments and authorities to adopt if they are to meaningfully address issues of youth and urbanization, which are so intricately linked. ♦