



Entrepreneurship & Self-Employment

September XX, 2017

Sequence of the Presentation



- Background
- Entrepreneurship
- Self-Employment



- In Punjab wage & salary employment is limited
- Punjab faces a demographic challenge that requires immediate attention
- Over the last 4 years, Punjab has provided skills to 2 million youth
- In Pakistan, approximately 250,000 students graduates from universities
- The Challenge remains to create productive jobs for this youth
- Fostering entrepreneurship and self-employment can ease of this pressure



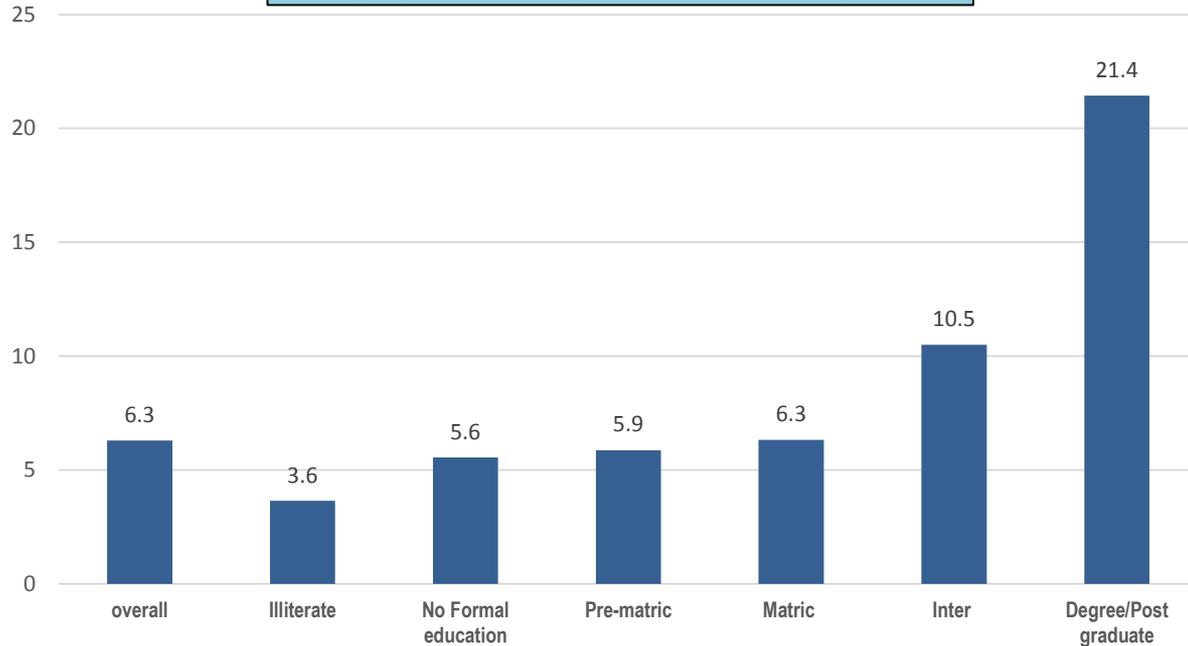
Entrepreneurship

To Cater for educated Youth by Supporting Start-ups or Enterprise Development

Challenge & Objective



Unemployment rate by level of education (2014-15)



Challenge
Youth with degrees face highest unemployment

Objective
Engage these educated youth productively and ensure economic contribution

Can Startups Help?



- Start-up craze on rise in Pakistan – however, no particular success
 - Over 700 startups initiated in Pakistan since 2010
 - Only 68 have been able to raise funds
 - 67% of these startups are still active and 53% are linked to an incubator/accelerator
- No specific employment generation data on startups
- International evidence suggests that employment multipliers of startups are low (next slide)

Evidence on Contributions by Startups



Firm Characteristics	Technology-Based Startup	A Typical Startup
Examples of Businesses	Biotech, IT products or services	Restaurants, Laundromats
Growth Path	Large potential for significant employment and revenue growth	Addition of a few jobs for this first few years, and then bankruptcy
Job Creation	Tend to employ more high-skilled/semi-skilled workers	Tend to employ more semi-skilled/low-skilled workers
Wages	Pays more than twice the national median wage	Pays less than the national median wage
Job Multipliers	Creates up to five indirect jobs in other industries	Creates little to no net new jobs
R&D Investments	Invests heavily in R&D	Little to no R&D investment
Trade	Focused on trade with international markets	Sells predominately in local markets

Alternative is Enterprise Development



- SME growth in Punjab has been lack luster
- Limited Fiscal space and thinking space has restricted innovation
- Lack of innovation has led to no enhancement of productivity
 - leading to stagnant employment shares and contribution to GDP
- International Evidence suggests
 - SMEs: represent 66 percent of permanent, full-time employment.
 - Share of employment by sector: services increases the most, followed by manufacturing (the agricultural sector shows a steady decline)



- **Choice 1:** Fund for Startups
- **Choice 2:** Fund for productivity led innovations for enterprise development
- **Choice 3:** Create a portfolio mix
 - Supports the Idea generation
 - Supports scale-up funding
 - Supports innovation
- **Issue:** Government Sector cannot be an equity partner, thus relies on grants
- Fiscal tightening makes a strong case for providing pure public goods

What can be done?



- **Government can set up an independent investment fund**
- **Fund to focus on a portfolio mix:** fund selection and pilotind of ideas, fund successful running ideas and allow investment in innovation for enterprise development
- Punjab Government becomes equity investor in startups, the gains can be reinvested in the fund for sustainability. – **Make an exception**
- **Finance Department already has a framework for innovation fund**
 - Can be strengthened to accommodate above coverage

Preconditions for the Fund to Deliver



- **Entrepreneurship more practically taught in higher education**
- **2nd and 3rd tier universities strongly included**
- **Fund process must be transparent and fully laid out**
- **Punjab government should solicit space in National Incubation Centers**
- **Enterprises (SMEs) in services and manufacturing may be preferred for productivity innovation grants**
- **The Fund can start with seed investment of PKR 500 million**
- **The returns from successful scale-ups can be reinvested for sustainability**

Is Start-up Loan a viable option?



- UK as part of its strategy to strengthen the fundamental have a started a 'start-up loan' scheme
- Huge success stories

<https://www.startuploans.co.uk/success-stories/>



Self Employment Scheme

To cater for skills / TVET graduates



- International evidence of such schemes is heterogeneous
- Schemes in Sri Lanka and Uganda saw huge success
 - Significant employment and income creation
 - Loan recovery was as high as 87% in Sri Lanka
 - Large number of women entrepreneurs formed
- Evidence from Mongolia, India, South Africa & Philippines had mixed results
 - Credit did not automatically improve entrepreneurial activities
 - Suggested that 'Entrepreneurship Training' play a critical role
 - Skills Graduates are not usually good managers of business
 - Providing these business skills are essential



➤ Objective

- Provide loans to 'Skills Graduates' who may fall under:
- Equipping oneself with relevant tools & equipment
- Setting up a 'one man' business with further employment generation possibility
- Setting up a business in partnership with a group of 'skills' graduates

➤ Eligibility Criteria

- Individual between the age of [18-24](#)
- Valid residential address/domicile for Punjab
- Valid training record from approved body and trade under the scheme
- Initially to include TEVTA, PSDF and PVTC courses

Areas to Consider under Eligibility



- **List of training courses:** the courses must be pre-notified (as provided)
- **Minimum Qualification:** Lower Secondary
- **Minimum Document Requirement:** Valid Id-Card & Proof of Address
- **Eligibility Criteria:**
 - Certification from an approved institution/body
 - Experience / on job training for at least 3 months
 - Certification for attending a one month entrepreneurship boot-camp

Size of Loan per Applicant



Category	Size (PKR)
setting up an individual business that may or may not employ other skills graduates (Vocational Graduates)	Up to 150,000
setting up a business in partnership with a group of skills graduates (Vocational Graduates)	Up to 450,000
setting up an individual business that may or may not employ other skills graduates (DAE Graduates)	Up to 350,000
setting up a business in partnership with a group of skills graduates (DAE Graduates)	Up to 1,050,000

* Groups will be a maximum of 3



- Eligible Expenses
 - Equipment & tools, initial setup costs, materials, wages and rent
- Rate of Interest
 - The loan will be interest free
- Management & Processing Charges
 - No charge to applicants
 - The government will negotiate charges with service providers
- Security & Collateral
 - No collateral for loans under PKR 500,000
 - For larger group loans some form of formal collateral as agreed by Bank
 - Could be a movable asset



- Gestation period
 - Minimum 3 month window with no repayment
 - Preferred is 6 months

Repayments



Category	Size (PKR)	Repayment Terms
setting up an individual business that may or may not employ other skills graduates (Vocational Graduates)	Up to 150,000	Up to 24 months from the completion of gestation period
setting up a business in partnership with a group of skills graduates (Vocational Graduates)	Up to 450,000	Up to 15 months from the completion of gestation period
setting up an individual business that may or may not employ other skills graduates (DAE Graduates)	Up to 350,000	Up to 24 months from the completion of gestation period
setting up a business in partnership with a group of skills graduates (DAE Graduates)	Up to 1,050,000	Up to 36 months from the completion of gestation period



Step 1

- Establish a management unit – PSDP can be considered or PSIC
- Cell will be responsible for
 - Creating awareness in partnership with TEVTA, PSDF and PVTC
 - Contract management to outsource loaning to service providers
 - Reporting based on inputs received from service providers and M&E



Step 2

- PSDF to design a one-month Entrepreneurship Bootcamp
- The camp will allow:
 - Further screening and data collection of graduates
 - Specific training on managing money and handling business tradeoffs
 - Students as part of camp formalizing their business plans
 - Business plan will indicate the suggested amount and use of loan
 - The Bootcamp will recommend those who qualify for a loan



Step 3

Lending Model

- **Two – Tier Lending**
 - For Loan Categories up to 500,000 – Microfinance Model
 - A scaling-up of the PSIC existing scheme
 - Additional Features such as boot camp and enhanced access to be included
 - Selection via open tender
 - For Loan categories between 500,000– 1,000,000 – Bank of Punjab
 - Bank of Punjab to administer the loan
 - BoP will require suitable collateral / or government can provide guarantee
 - A third party hired will perform handholding
- PKR 5 billion revolving loan facility can be created to cater 15,000 direct beneficiaries a year



Thank You

Max Un-employed between 18-25 Years

