

# WORLD YOUTH REPORT

## YOUTH

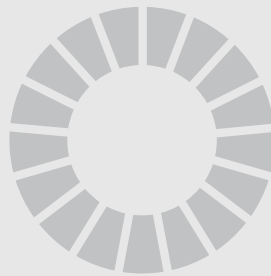
SOCIAL  
ENTREPRENEURSHIP  
AND THE  
2030 AGENDA





# WORLD YOUTH REPORT

## YOUTH SOCIAL ENTREPRENEURSHIP AND THE 2030 AGENDA



**United  
Nations**

Department of  
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Department of  
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The Department of Economic and Social Affairs of the United Nations Secretariat is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department works in three main interlinked areas: it compiles, generates and analyses a wide range of economic, social and environmental data and information on which Member States of the United Nations draw to review common problems and to take stock of policy options; it facilitates the negotiations of Member States in many intergovernmental bodies on joint courses of action to address ongoing or emerging global challenges; and it advises interested Governments on the ways and means of translating policy frameworks developed in United Nations conferences and summits into programmes at the country level and, through technical assistance, helps build national capacities.

[www.un.org/development/desa/youth](http://www.un.org/development/desa/youth)

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The *Report* represents a collaborative effort and reflects the input and contributions of experts in the field of youth social entrepreneurship and development. Much of the research and writing was carried out by Isabelle Legare (Social Affairs Officer) and Mario Spiezio (Associate Social Affairs Officer) under the guidance of Nicola Shepherd (Chief of the Programme on Youth Unit).

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# CONTENTS

|  |    |
|--|----|
| <b>ACKNOWLEDGEMENTS</b>  | iv |
| <b>EXPLANATORY NOTES</b>   | ix |
| Abbreviations used in the Report   | ix |
| Notes on regional, country and area groupings and subgroupings                   | x  |
| <b>EXECUTIVE SUMMARY</b>   | 1  |
| Introduction   | 1  |
| Social entrepreneurship  | 1  |
| Youth development and participation  | 2  |
| Youth social entrepreneurship: potential and challenges                          | 2  |
| Leveraging new technologies  | 3  |
| Recommendations  | 3  |
| Conclusion   | 3  |
| <b>INTRODUCTION</b>  | 5  |
| <b>CHAPTER 1: SOCIAL ENTREPRENEURSHIP</b>  | 9  |
| Introduction   | 9  |
| 1.1 The rise of social entrepreneurship  | 10 |
| 1.2 Defining social entrepreneurship   | 14 |
| 1.3 Comparing social enterprises with other entities                             | 16 |
| 1.4 Social entrepreneurship and the 2030 Agenda: a first look                    | 19 |
| 1.5 Social entrepreneurship and individuals “at the last mile”                   | 22 |
| 1.6 Measuring the social impact  | 29 |
| 1.7 Overview of some challenges  | 32 |
| 1.8 What about young people?   | 36 |
| Conclusion   | 37 |
| <b>CHAPTER 2: YOUTH DEVELOPMENT AND PARTICIPATION</b>                            | 39 |
| Introduction   | 39 |
| 2.1 Youth development and participation at a glance                              | 43 |
| 2.2 Youth employment at a glance   | 44 |
| 2.3 Social entrepreneurship: a viable employment route for youth?                | 55 |
| 2.4 Social entrepreneurship: an efficient development platform for youth?        | 57 |
| 2.5 Social entrepreneurship: a practical pathway to social change for youth?     | 58 |
| 2.6 Social entrepreneurship: supporting youth access to networks and resources?  | 60 |
| 2.7 Social entrepreneurship: an avenue for youth to contribute to social change? | 61 |
| Conclusion   | 63 |

|   |     |
|---|-----|
| <b>CHAPTER 3: YOUTH SOCIAL ENTREPRENEURSHIP: POTENTIAL AND CHALLENGES</b>                 | 65  |
| Introduction  | 65  |
| 3.1 SWOT analysis of young people as social entrepreneurs and relevant external factors   | 66  |
| 3.1.1 Strengths   | 67  |
| 3.1.2 Weaknesses  | 69  |
| 3.1.3 Opportunities   | 69  |
| 3.1.4 Threats   | 71  |
| 3.2 What can help youth launch and grow social enterprises?                               | 74  |
| Conclusion  | 85  |
| <b>CHAPTER 4: LEVERAGING NEW TECHNOLOGIES FOR YOUTH SOCIAL ENTREPRENEURSHIP</b>           | 89  |
| Introduction  | 89  |
| 4.1 New technologies and inequalities   | 90  |
| 4.2 New technologies and the Sustainable Development Goals                                | 92  |
| 4.3 Opportunities for young social entrepreneurs  | 93  |
| Conclusion  | 98  |
| <b>CHAPTER 5: RECOMMENDATIONS FOR AN ENABLING YOUTH SOCIAL ENTREPRENEURSHIP ECOSYSTEM</b> | 103 |
| Introduction  | 103 |
| 5.1 Recommendations   | 104 |
| 5.1.1 Optimizing the overall business environment   | 104 |
| 5.1.2 Strengthening entrepreneurial education and training                                | 105 |
| 5.1.3 Tailoring support networks to the needs of young social entrepreneurs               | 106 |
| 5.1.4 Ensuring access to financial services and products                                  | 107 |
| 5.1.5 Transforming innovation systems   | 109 |
| 5.1.6 Changing the narrative  | 110 |
| Conclusion  | 111 |
| <b>CONCLUSION</b>   | 113 |
| <b>REFERENCES</b>   | 116 |

## BOXES, FIGURES AND TABLES

### BOXES

|                |   |    |
|----------------|---|----|
| <b>Box 1.</b>  | What is an entrepreneurship ecosystem? . . . . .                              | 7  |
| <b>Box 2.</b>  | The Orenda Tribe: Art For Hope in Jordan and Lebanon. . . . .                 | 24 |
| <b>Box 3.</b>  | Tiwale: helping women in Malawi . . . . .                                     | 26 |
| <b>Box 4.</b>  | Agruppa . . . . .   | 34 |
| <b>Box 5.</b>  | Youth Venture . . . . .   | 71 |
| <b>Box 6.</b>  | Jamaica Social Stock Exchange . . . . .                                       | 73 |
| <b>Box 7.</b>  | The cooperative movement . . . . .  | 76 |
| <b>Box 8.</b>  | Incubators and accelerators . . . . .   | 78 |
| <b>Box 9.</b>  | UPSHIFT . . . . .   | 80 |
| <b>Box 10.</b> | The importance of financial literacy for young social entrepreneurs . . . . . | 83 |
| <b>Box 11.</b> | What works in youth entrepreneurship and self-employment? . . . . .           | 85 |
| <b>Box 12.</b> | Zipline: drones supporting health services in remote locations . . . . .      | 98 |
| <b>Box 13.</b> | Tykn: journey of a young tech social entrepreneur . . . . .                   | 99 |

### FIGURES

|                   |  |     |
|-------------------|--|-----|
| <b>Figure 1.</b>  | GDP per capita against the nascent social entrepreneurship rate, 2015 . . . . .  | 12  |
| <b>Figure 2.</b>  | Relationship between nascent social entrepreneurial activity and operational social entrepreneurial activity . . . . .                     | 13  |
| <b>Figure 3.</b>  | Labour force participation rates within the age Groups 15-24 and 25+, by region, 2000-2020. . . . .  | 45  |
| <b>Figure 4.</b>  | Working poverty rates within the age Groups 15-24 and 25+, by region, 2000-2020 . . . . .  | 46  |
| <b>Figure 5.</b>  | Rates of unemployment within the age Groups 15-24 and 25+, by region, 2000-2020 . . . . .  | 47  |
| <b>Figure 6.</b>  | Youth NEET rates, most recent estimates (2000-2018) . . . . .  | 48  |
| <b>Figure 7.</b>  | Relationship between ease of doing business index rankings and youth NEET rates, 2017 . . . . .  | 50  |
| <b>Figure 8.</b>  | Relationship between GDP per capita and the youth NEET rate, 2018 or most recent estimate . . . . .  | 51  |
| <b>Figure 9.</b>  | Relationship between income inequality and the youth NEET rate, 2018 or most recent estimate . . . . .                                     | 52  |
| <b>Figure 10.</b> | Relationship between peace and the youth NEET rate, 2018 or most recent estimate . . . . .   | 53  |
| <b>Figure 11.</b> | Relationship between the adoption of digital technology and the utilization of the talents of youth (aged 15-24) across the world. . . . . | 100 |

### TABLES

|                 |   |    |
|-----------------|---|----|
| <b>Table 1.</b> | Projected population of youth aged 15 to 24 years in 2020, 2030 and 2050 . . . . .        | 40 |
| <b>Table 2.</b> | Countries with the highest youth NEET rates (2018 or most recent estimates). . . . .      | 49 |
| <b>Table 3.</b> | Most important new technologies and their applications . . . . .                          | 94 |
| <b>Table 4.</b> | Examples of areas in which new technologies can promote sustainable development . . . . . | 96 |



# EXPLANATORY NOTES

## ABBREVIATIONS USED IN THE REPORT

|                |   |                 |  |
|----------------|---|-----------------|--|
| <b>AI</b>      | artificial intelligence                                 | <b>SDGs</b>     | Sustainable Development Goals                                    |
| <b>CSR</b>     | corporate social responsibility                         | <b>SMEs</b>     | small and medium-sized enterprises                               |
| <b>DAI</b>     | Digital Adoption Index                                  | <b>SMS</b>      | short message service  |
| <b>ECLAC</b>   | Economic Commission for Latin America and the Caribbean | <b>SROI</b>     | social return on investment                                      |
| <b>GDP</b>     | gross domestic product                                  | <b>STEM</b>     | science, technology, engineering and math                        |
| <b>GEM</b>     | Global Entrepreneurship Monitor                         | <b>SWOT</b>     | strengths, weaknesses, opportunities and threats                 |
| <b>GPI</b>     | Global Peace Index                                      | <b>SWTS</b>     | school-to-work-transition survey                                 |
| <b>ICT</b>     | information and communications technology               | <b>TVET</b>     | technical and vocational education and training                  |
| <b>ILO</b>     | International Labour Organization                       | <b>UNCDF</b>    | United Nations Capital Development Fund                          |
| <b>ILOSTAT</b> | ILO Department of Statistics                            | <b>UNDESA</b>   | United Nations Department of Economic and Social Affairs         |
| <b>IoT</b>     | Internet of Things                                      | <b>UNDP</b>     | United Nations Development Programme                             |
| <b>ITU</b>     | International Telecommunication Union                   | <b>UNESCO</b>   | United Nations Educational, Scientific and Cultural Organization |
| <b>JIIM</b>    | Jamaica Impact Investment Market                        | <b>UNFCCC</b>   | United Nations Framework Convention on Climate Change            |
| <b>JSE</b>     | Jamaica Stock Exchange                                  | <b>UNHCR</b>    | Office of the United Nations High Commissioner for Refugees      |
| <b>JSIM</b>    | Jamaica Social Investment Market                        | <b>UNICEF</b>   | United Nations Children's Fund                                   |
| <b>JSSE</b>    | Jamaica Social Stock Exchange                           | <b>UNIDO</b>    | United Nations Industrial Development Organization               |
| <b>KILM</b>    | Key Indicators of the Labour Market (ILO)               | <b>UnLtd</b>    | Foundation for Social Entrepreneurs                              |
| <b>km/h</b>    | kilometres per hour                                     | <b>YDI</b>      | Youth Development Index  |
| <b>NEET</b>    | not in employment, education or training                | <b>YouthPOL</b> | ILO database on youth employment policies and legislation        |
| <b>NGO</b>     | non-governmental organization                           | <b>3D</b>       | three dimensional  |
| <b>OECD</b>    | Organization for Economic Cooperation and Development   |                 |  |
| <b>OST</b>     | out-of-school time                                      |                 |  |
| <b>R&amp;D</b> | research and development                                |                 |  |
| <b>ROI</b>     | return on investment                                    |                 |  |

## NOTES ON REGIONAL, COUNTRY AND AREA GROUPINGS AND SUBGROUPINGS

The terms “country”, “more developed regions” and “less developed regions” are used for statistical convenience and do not necessarily express a judgement as to the developmental stage of a particular country or area. More developed regions are comprised of all countries in Europe and Northern America, as well as Australia, New Zealand and Japan. The term “developed countries” refers to countries in the more developed regions. Less developed regions are comprised of all countries of Africa, Asia (excluding Japan) and Latin America and the Caribbean, as well as Melanesia, Micronesia and Polynesia. The term “developing countries” is used to designate countries in the less developed regions.

For analytical purposes, unless otherwise specified, the following country groupings and subgroupings have been used in this *Report*:

*Subgroupings of Africa:* **Northern Africa:** Algeria, Egypt, Libya, Morocco, Sudan, Tunisia, Western Sahara. **Sub-Saharan Africa:** Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d’Ivoire, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Mozambique, Namibia, Niger, Nigeria, Réunion, Rwanda, Saint Helena, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.

*Subgroupings of the Americas:* **Latin America and the Caribbean:** **Caribbean:** Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Bonaire, Sint Eustatius and Saba, British Virgin Islands, Cayman Islands, Cuba, Curaçao, Dominica, Dominican Republic, Grenada, Guadeloupe, Haiti, Jamaica, Martinique, Montserrat, Puerto Rico, Saint Barthélemy, Saint Kitts and Nevis, Saint Lucia, Saint Martin (French Part), Saint Vincent and the Grenadines, Sint Maarten (Dutch part), Trinidad and Tobago, Turks and Caicos Islands, United States Virgin Islands. **Central America:** Belize, Costa Rica, El Salvador,

Guatemala, Honduras, Mexico, Nicaragua, Panama. **South America:** Argentina, Bolivia (Plurinational State of), Bouvet Island, Brazil, Chile, Colombia, Ecuador, Falkland Islands (Malvinas), French Guiana, Guyana, Paraguay, Peru, South Georgia and the South Sandwich Islands, Suriname, Uruguay, Venezuela (Bolivarian Republic of). **Northern America:** Bermuda, Canada, Greenland, Saint Pierre and Miquelon, United States of America, Antarctica.

*Subgroupings of Asia:* **Central Asia:** Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan. **Eastern Asia:** China, Hong Kong Special Administrative Region, China, Macao Special Administrative Region, China, Democratic People’s Republic of Korea, Japan, Mongolia, Republic of Korea. **Southern Asia:** Afghanistan, Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka. **South-Eastern Asia:** Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam. **Western Asia:** Armenia, Azerbaijan, Bahrain, Cyprus, Georgia, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, State of Palestine, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen.

*Subgroupings of Europe:* **Eastern Europe:** Belarus, Bulgaria, Czechia, Hungary, Poland, Republic of Moldova, Romania, Russian Federation, Slovakia, Ukraine. **Northern Europe:** Åland Islands, Channel Islands (Guernsey, Jersey, Sark), Denmark, Estonia, Faroe Islands, Finland, Iceland, Ireland, Isle of Man, Latvia, Lithuania, Norway, Svalbard and Jan Mayen Islands, Sweden, United Kingdom of Great Britain and Northern Island. **Southern Europe:** Albania, Andorra, Bosnia and Herzegovina, Croatia, Gibraltar, Greece, Holy See, Italy, Malta, Montenegro, Portugal, San Marino, Serbia, Slovenia, Spain, the former Yugoslav Republic of Macedonia. **Western Europe:** Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands, Switzerland.

*Subgroupings of Oceania:* **Australia and New Zealand:** Australia, Christmas Island, Cocos (Keeling) Islands, Heard Island and McDonald Islands, New Zealand, Norfolk Island. **Melanesia:** Fiji, New Caledonia, Papua New Guinea, Solomon Islands, Vanuatu. **Micronesia:** Guam, Kiribati, Marshall Islands, Micronesia (Federated States of), Nauru, Northern Mariana Islands, Palau, United States Minor Outlying Islands. **Polynesia:** American

Samoa, Cook Islands, French Polynesia, Niue, Pitcairn, Samoa, Tokelau, Tonga, Tuvalu.

**ILO's regional groupings** have also been used in the *Report*. They can be found at <https://www.ilo.org/global/regions/lang--en/index.htm>

**World Bank's regional groupings** can be found at <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

The *Global Entrepreneurship Monitor 2015 to 2016: Special Topic Report on Social Entrepreneurship* draws on interviews conducted in 2015 with 167,793 adults in 58 economies. More information can be found at <https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship>



# EXECUTIVE SUMMARY

## INTRODUCTION

The *World Youth Report: Youth Social Entrepreneurship and the 2030 Agenda* seeks to contribute to the understanding of how youth social entrepreneurship can both support youth development and help accelerate the implementation of the Sustainable Development Goals. Towards this end, the *Report* first synthesizes the current discussion on social entrepreneurship and anchors it in the context of the 2030 Agenda for Sustainable Development. **Chapter 2** of the *Report* examines the situation of young people and whether youth social entrepreneurship can offer employment opportunities and support youth participation and other elements of youth development. In the **third chapter**, the *Report* assesses the potential of youth social entrepreneurship as a source of support for the 2030 Agenda and youth development in its broadest sense — and examines relevant challenges within this context. **Chapter 4** explores how new technologies can be leveraged to address some of the challenges faced by young social entrepreneurs and to further support youth social entrepreneurship in its efforts to advance sustainable development. The **final chapter** offers policy guidance to facilitate the development of enabling, responsive and sustainable national ecosystems for young social entrepreneurs.

Throughout the *Report*, information boxes and case studies illustrate the impact youth social entrepreneurship can have when entrepreneurship ecosystems are responsive to the needs, characteristics, constraints and ambitions of young people.

## SOCIAL ENTREPRENEURSHIP

Social entrepreneurship — born out of the cooperative movement that began in nineteenth-century Europe — gained traction in the 1980s and 1990s with the emergence of the social innovation and social enterprise schools of thought and practice. In the present context, social entrepreneurship is defined as entrepreneurial activity undertaken with the explicit objective of addressing societal problems. It is this convergence that informs the unique hybrid nature of social enterprises.

Several factors are responsible for the rising incidence and visibility of social entrepreneurship over the past few decades. Among these are the growing importance of social capital in the business sector and the need to fill widening gaps deriving from the inability of public institutions, non-governmental organizations (NGOs) and charities to meet the increasing demand for social services. Although social entrepreneurship is growing worldwide, prevalence rates vary widely both within and between regions. Measuring global and regional trends related to social entrepreneurship remains problematic, not least because the concept lacks a widely accepted framing definition, due in part to an underdeveloped theoretical base as well as the strong influence of the surrounding context on the nature of social entrepreneurship activities.

Recent estimates indicate that the implementation of the 2030 Agenda will require a much higher level of funding than initially projected, so financially efficient models such as social entrepreneurship that help address key sustainable development challenges merit increased attention and evaluation. Social entrepreneurship seeks

to generate profit for a purpose, employing sustainable economic logic to achieve social imperatives, and can complement other public and private efforts — in particular those aimed at responding to the needs of marginalized segments of society.

Social enterprises constitute an effective mechanism for engaging marginalized groups and creating opportunities for a wide range of economic actors. However, as social enterprises regularly serve vulnerable communities affected by complex issues that need to be addressed by multiple partners, accurately measuring their social impact remains problematic.

## YOUTH DEVELOPMENT AND PARTICIPATION

Evidence indicates that social entrepreneurship can contribute to sustainable and inclusive job creation. Unemployment among youth represents one of the greatest global challenges. Recent estimates suggest that 600 million jobs would have to be created over the next 15 years to meet youth employment needs. Finding decent work can be especially difficult for this demographic. It is estimated that 96.8 per cent of all young workers in developing countries are in the informal economy. In many cases, low youth unemployment rates mask poor job quality, especially in developing countries. The proportion of young people not in employment, education or training (the youth NEET rate) has remained stubbornly high over the past 15 years and now stands at 30 per cent for young women and 13 per cent for young men worldwide. Until structural barriers are removed, implementing employment-based interventions targeting young people may just fuel greater frustration. Under the proper conditions, however, social entrepreneurship can offer youth an avenue to explore in their quest for sustainable employment.

As social entrepreneurship leverages young people's talents and capacities, it can support individual development and efforts to effect change. Young people are still regularly excluded from policy and political decisions affecting their lives, and social entrepreneurship offers them an avenue to express their views and have an impact on society. Youth are increasingly demanding greater inclusion and meaningful engagement and are taking action to address development challenges themselves, including through social entrepreneurship.

Although creating and maintaining a successful social enterprise can present clear challenges, social entrepreneurship is appealing to youth, in part because it offers the unique combination of income generation and social impact. Entrepreneurs by choice and entrepreneurs by necessity both face numerous obstacles, but there are significant differences in terms of contexts and needs. The successful pursuit of youth social entrepreneurship is highly dependent on the confluence of enabling factors, conditions and settings — or what is known as the entrepreneurship ecosystem. The extent to which the potential of youth social entrepreneurship is realized depends in large part on this ecosystem.

## YOUTH SOCIAL ENTREPRENEURSHIP: POTENTIAL AND CHALLENGES

What are the strengths, weaknesses, opportunities and threats associated with youth social entrepreneurship? The *Report* offers a strengths, weaknesses, opportunities and threats (SWOT) analysis of internal and external variables influencing the realization of youth social entrepreneurship as a means to advance the 2030 Agenda.

Characteristics of individuals who successfully engage in entrepreneurship include creativity, resilience, inspiration, risk tolerance and action orientation. This represents a strength in the present context, as such attitudinal and behavioural qualities are often present in young people. It should also be noted that social entrepreneurship is most effective when the intervention is informed by local experience, meaning that social entrepreneurs are more likely to succeed when they have first-hand knowledge of and experience with the social issues they aim to address. Young people are thus best positioned to help address development challenges affecting their fellow youth and other members of the community who have less access to opportunities. Young people's limited life and professional experience can represent a weakness, however. Young social entrepreneurs who start ventures without sufficient knowledge, training or practice are at a disadvantage in the marketplace. The potential of the social entrepreneurship model is also weakened by the dependence of youth on others and their limited financial capital.

The 2030 Agenda offers an unprecedented opportunity to strengthen relationships between development agents such as young people, the private sector and

polymakers to produce effective and innovative solutions. Numerous actors, including global corporations, are increasingly willing to engage with young people and even meet them at the community level to support their endeavours. Youth social entrepreneurship in support of the 2030 Agenda represents a nimble and flexible option that allows a wide array of partners from all sectors to come together with youth and serve communities while generating employment. If this model is to be sustainable, however, it is necessary to identify and address practical impediments to entrepreneurial success among youth. Many countries have legal frameworks in place that may limit the active engagement of youth in the economic, financial, social and political spheres. Various — often arbitrary — legal and regulatory restrictions can seriously restrict the uptake of youth social entrepreneurship in certain countries. Limited access to start-up funds is still considered the most pressing challenge for young social entrepreneurs, however, and inadequate access to technology among youth and other vulnerable populations (the digital divide) further exacerbates inequalities within and across countries.

Action should be taken to leverage key strengths and opportunities and to mitigate weaknesses and threats. Institutional support is needed to foster sustainable inclusive growth and ensure that an enabling environment exists for young social entrepreneurs. Studies clearly demonstrate a strong correlation between support from established institutions and the effectiveness of social entrepreneurship. To succeed, young social entrepreneurs require assistance tailored to their needs and situations.

## LEVERAGING NEW TECHNOLOGIES

There is tremendous potential for young social entrepreneurs to utilize frontier technologies to tackle systemic social issues innovatively and effectively. Indeed, key new technologies can make a significant contribution to addressing societal needs and challenges in all countries, irrespective of development level. As young people are generally among the earliest adopters of trending technologies, they are poised to take advantage of innovations in this area to drive the impact of social entrepreneurship. However, the rapid development and diffusion of emerging and frontier technologies have the potential to exacerbate the digital divide and other inequalities. If not appropriately harnessed, new technologies can pose threats to sustainable

and inclusive development. Policymakers developing social entrepreneurship ecosystems should not discount the strong potential and existing social impact of such technologies. In particular, policymakers need to explore how emerging and frontier technologies might form the basis of innovations that could accelerate the achievement of the social objectives of the 2030 Agenda. Indeed, new technologies are already driving profound transformations in the realms of economic and social development and inclusion. Linking youth social entrepreneurship with new technologies represents an opportunity to disseminate and scale up technological solutions that can improve the global welfare while simultaneously developing the largely untapped potential of youth.

## RECOMMENDATIONS

Effective entrepreneurship ecosystems vary greatly but generally include key building blocks and scaffolds such as a solid business regulatory environment, entrepreneurial education and training, various support networks ranging from peer connections and mentoring systems to incubators and accelerators, financial regulatory frameworks and support mechanisms such as financial products and services and financial literacy education, innovation systems, and public information on youth social entrepreneurship and youth development in general. The ecosystems most conducive to successful youth social entrepreneurship are those that offer tailored support. The *Report* offers a series of recommendations that can help policymakers leverage the full potential of youth social entrepreneurship to advance the 2030 Agenda.

## CONCLUSION

The success of youth social entrepreneurship rests on an accurate assessment of its merits, opportunities and challenges and on the implementation of mutually reinforcing support measures. Tailored entrepreneurship ecosystems must be established to help young social entrepreneurs overcome challenges and make an impact. Social entrepreneurship represents one extremely promising and socially advantageous self-employment option for young people but is not a panacea for youth development and in no way releases policymakers from their broader obligation to address the needs of youth in a comprehensive and sustainable manner.





# INTRODUCTION

**THE** *World Youth Report: Youth Social Entrepreneurship and the 2030 Agenda* explores the complementary role social entrepreneurship can play in youth development and engagement worldwide. The *Report* seeks to synthesize various aspects of the current discourse on youth social entrepreneurship and provide a reference point within the youth development agenda and the broader sustainable development agenda. An overview of social entrepreneurship and a survey of the situation of youth are followed by an assessment of the opportunities and challenges associated with youth social entrepreneurship and targeted policy recommendations.

Estimates indicate that young people between 15 and 24 years of age number 1.21 billion and account for 15.5 per cent of the global population. Projections suggest that the youth cohort will reach 1.29 billion (15.1 per cent of the world total) by 2030 and almost 1.34 billion (13.8 per cent of the overall population) by 2050 (United Nations, 2019c).

According to recent statistics, “the rate of population growth remains especially high in the group of 47 countries designated by the United Nations as least developed, including 32 countries in sub-Saharan Africa [that also have the youngest age distribution in global terms]. With an average growth of 2.3 per cent annually from 2015 to 2020, the total population of the least developed countries ... is growing 2.5 times faster than the total population of the rest of the world” (United Nations, 2019b, p. 10). For these countries as a group, the number of youth aged 15 to 24 is expected to rise from 207 million in 2019 to 336 million in 2050 (ibid., p. 37).

A number of indicators attest to the precarious situation and unfulfilled potential of global youth with regard to socioeconomic



development and inclusion. The commitments linked to Sustainable Development Goal 8 – promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all – will not be met unless action is taken to address the fact that youth are still far more likely than their adult counterparts to be unemployed, underemployed, employed in the informal sector, or among the working poor. NEET rates for youth worldwide are currently around 30 per cent for young women and 13 per cent for young men (ILO, 2019).

Structural barriers make it difficult to improve these indicators. Slow economic development, inequality, and political instability undermine economic and social prospects for youth. The persistent and wide-ranging challenges facing youth worldwide necessitate a comprehensive development strategy – of which youth social entrepreneurship can constitute a valuable part.

Social entrepreneurship has gained wider currency over the past few decades, due in part to the growing importance attached to social capital in business and employment and the declining trust in public institutions. Seeking to fill gaps left by public institutions, NGOs and charities, social entrepreneurship represents a continually growing development factor. However, while social entrepreneurship is on the rise, it remains a comparatively rare phenomenon, and there is considerable interregional and intraregional variation in prevalence rates. This reality, coupled with persistent gender gaps in participation, attests to the unfulfilled potential of social entrepreneurship as a development strategy.

The hybrid nature of social entrepreneurship renders it a particularly attractive model for addressing the unmet economic and social needs and demands of youth worldwide. Social entrepreneurship marries a sustainable economic logic to social imperatives. Manifesting a form of profit with purpose, social entrepreneurship continually reinvests with the aim of social value creation.

Successful youth social entrepreneurship contributes directly to youth development and can also complement other socioeconomic development efforts, responding to the needs of marginalized segments of society.

Fundamentally, youth social entrepreneurship has the potential to act as an inclusive development strategy. It represents both a vehicle for youth development and an outlet for youth engagement in the advancement of the Sustainable Development Goals. In leveraging the talents and capacities of youth, youth social entrepreneurship services the goal of employment while activating youth as agents of change.

Executing an innovative idea with social impact does not represent a straightforward endeavour but rather requires a set of individual characteristics (agency) and a particular type of context (structure). Endogenous and exogenous factors may fortify or undermine the pursuit of youth social entrepreneurship and therefore warrant careful consideration. A critical analysis of relevant challenges and opportunities is a necessary point of departure for policymakers seeking to support youth social entrepreneurship and the success of young social entrepreneurs.

The successful pursuit of youth social entrepreneurship is dependent on the confluence of a multitude of enabling factors, conditions and settings that together constitute what is referred to as an entrepreneurship ecosystem. This ecosystem comprises entrepreneurial actors and networks as well as economic, educational, financial, institutional and technical conditions and structures conducive to entrepreneurial activity. Critically, such ecosystems must integrate new technologies in order to maximize the contribution of youth social entrepreneurship to global development. The present *Report* offers specific recommendations aimed at facilitating the development of nimble entrepreneurship ecosystems that can accommodate such technologies.

**BOX 1.****WHAT IS AN ENTREPRENEURSHIP ECOSYSTEM?**

Entrepreneurship ecosystems are the “sets of actors, institutions, social networks, and cultural values that produce and sustain entrepreneurial activity” (Roundy, Bradshaw and Brockman, 2018, p. 1) and can be said to represent “the combination of conditions that shape the context in which entrepreneurial activities take place” (Kelley, Singer and Herrington, 2016, p. 30). Entrepreneurship ecosystems are not direct, top-down tools for entrepreneurship promotion but rather “complex adaptive systems” that emerge from the “uncoordinated, semi-autonomous actions of individual agents” (Roundy, Bradshaw and Brockman, 2018, p. 3), with Governments serving as both actors in and shapers of the institutional framework.

Entrepreneurship ecosystems vary greatly but include key conditions that may be enabling or inhibiting; these include but are not limited to “financing, government policies, taxes and bureaucracy, government programs, school-level entrepreneurship education and training, post-school entrepreneurship education and training, R&D transfer, access to commercial and professional infrastructure, internal market dynamics, internal market burdens, access to physical and services infrastructure, and social and cultural norms” (Kelley, Singer and Herrington, 2016, p. 30).

While the needs of commercial and social enterprises overlap in important ways, there are significant differences that necessitate support adaptations within the entrepreneurship ecosystem. Young aspiring and nascent social entrepreneurs need additional or modified support mechanisms that address their age and relative inexperience as well as the social development aspects of enterprise creation and growth. What is certain is that an adapted ecosystem is essential to enable young people to become successful social entrepreneurs so that their collective talent and agency can help advance the 2030 Agenda for Sustainable Development.





## CHAPTER

# 1

## CHAPTER 1

# SOCIAL ENTREPRENEURSHIP

### INTRODUCTION

Social entrepreneurship — born out of the cooperative movement that began in nineteenth-century Europe — gained traction in the 1980s and 1990s with the emergence of the social innovation and social enterprise schools of thought and practice. However, the principles of social entrepreneurship have guided the actions of philanthropists, including those who are now called venture philanthropists, for centuries.

William Drayton, the founder of Ashoka: Innovators of the Public, a non-profit organization that fosters social entrepreneurship, is largely responsible for the popularization of the term social entrepreneur and is a prominent contributor to and proponent of the social innovation school of thought. Established in 1980, Ashoka is committed to mitigating income inequality through social entrepreneurship and supporting local social entrepreneurs. Drayton contends that social entrepreneurs can be a driving force for social change. Catalytic capital investment therefore needs to be directed towards those putting forward innovative sustainable and replicable ideas and models. Importantly, the social innovation school emphasizes social outcomes rather than income generation, drawing a clear distinction between social entrepreneurship and standard commercial ventures. This “changemaker” approach has been adopted by organizations such as Ashoka, Echoing Green, and the Schwab Foundation for Social Entrepreneurship.

During the 1980s, Edward Skloot and others advanced the social enterprise school of thought, building on the principle that



organizations to some extent use earned-income strategies to pursue social impact goals. Over the past several decades, much of the focus of the social enterprise school has been on earned-income activity among non-profits. Skloot wrote a number of influential books, including *The Nonprofit Entrepreneur: Creating Ventures to Earn Income*, and founded New Ventures, a consulting firm specializing in helping non-profits diversify their revenue streams and maintain financial viability.

The two schools of thought continue to influence the field of social entrepreneurship and how it is defined. Importantly, both emphasize the value of measuring social impact in social entrepreneurship financing.

Muhammad Yunus and the Grameen Bank have also played a prominent role in the rise of social entrepreneurship. With the founding of Grameen Bank in Bangladesh in the 1980s, Yunus helped bring global attention to the importance of pro-poor financial services and products in the fight against poverty. Grameen Bank provides microcredit and microfinance support for low-income entrepreneurs who would otherwise be unable to secure business loans, but it also encourages its members to generate a positive impact by becoming actively involved in the politics and development of their communities and country. In 2011, Yunus and three colleagues co-founded Yunus Social Business, a for-profit and non-profit venture fund seeking to transform philanthropic donations into investments in sustainable social enterprises.

Most schools of thought support the idea that social entrepreneurship is best served by harnessing approaches and tools from commercial business to create self-sustained enterprises dedicated to addressing human problems and reducing poverty — and thereby contributing to the achievement of the Sustainable Development Goals.

## 1.1 THE RISE OF SOCIAL ENTREPRENEURSHIP

The rise of social entrepreneurship should be examined within the context of the broader paradigm shift in business and employment. An important aspect of this change relates to the growing importance of both internal and external social capital for enterprises in general. Social capital can be viewed as “the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together” (OECD, 2007, p. 102).

Organizations are “increasingly judged on the basis of their relationships with their workers, their customers, and their communities, as well as their impact on society at large [...]. In many ways, social capital is achieving a newfound status next to financial and physical capital in value” (Social Enterprise Alliance, 2018, p. 2). Reports suggest that business leaders in many countries are embracing this new paradigm and now view their businesses more as institutions “integrated into the social fabric of society” (Bersin, 2018). A number of experts cite the role of the 2008-2009 global financial crisis in accelerating this shift.

The rising influence of social capital on the success of commercial enterprises is pushing business leaders not only to develop and maintain positive relationships with a wide array of groups, including local communities and customers, but also to seek their feedback to guide enterprise development. In other words, commercial businesses are increasingly focusing on external relations to guide their internal decision-making processes.

The growing importance of social capital is also linked to the relatively low (and declining) level of trust in public and political institutions,<sup>1</sup> with business

<sup>1</sup> The 2018 Edelman Trust Barometer reported that 52 per cent of people worldwide trusted businesses “to do what is right”, compared with a corresponding rate of just 43 per cent for trust in government institutions (see <https://www.edelman.com/research/2018-edelman-trust-barometer>).



leaders increasingly seeking — or being asked — to fill the perceived leadership void. In parallel to this, growing numbers of young people are questioning traditional assumptions regarding the role of the private sector. Enterprises are aware that the paradigm shift is creating new expectations among young people and that it can generate a whole new set of opportunities.

Governments have traditionally played a central role in social and economic development but are under increasing pressure due to fiscal imperatives and sluggish growth. Many have been compelled to implement cost-cutting measures, including the privatization of public responsibilities. Such public belt-tightening has had a significant impact on charitable organizations and other NGOs dependent on grants and subsidies. Social enterprises are moving into the space that charities and NGOs once occupied in great numbers. Over the past three decades, several organizations, funds, training programmes, conferences, and other scaffolding mechanisms have been established to support social entrepreneurs and are now part of the public domain (Bornstein, 2012).

Broadly speaking, the private sector is best positioned to complement, rather than replace, public sector development efforts (Lecy and Van Slyke, 2013). This approach is aligned with the guiding principles of the 2030 Agenda, in particular Sustainable Development Goal 17, which focuses on strengthening the means of

implementation and revitalizing the global partnership for sustainable development.

Although a significant number of global and national actors assert that social entrepreneurship is on the rise, major data gaps make it impossible to measure regional or worldwide trends with any degree of accuracy. However, surveys undertaken by the Global Entrepreneurship Monitor (GEM) in 2009 and 2015 provide recent snapshots of the state of social entrepreneurship (Bosma and Levie, 2010; Bosma and others, 2016).<sup>2</sup> The findings of the 2015 survey may be summarized as follows:<sup>3</sup>

- Overall, social entrepreneurship remains comparatively rare (relative to commercial business), though prevalence rates vary widely within and between regions<sup>4</sup> and among countries at similar stages of economic development (see **figure 1**). Relevant data need to be examined more closely to generate a proper analysis and understanding.
- Overall, 3.2 per cent of working-age individuals in the 58 countries included in the survey are engaged in social entrepreneurship in the start-up phase (nascent social entrepreneurial activity), with country figures ranging from 0.3 per cent in the Republic of Korea to 10.1 per cent in Peru. “By comparison, the rate of start-up commercial entrepreneurship averages 7.6 per cent in the world and ranges from 13.7 per cent in Viet Nam to a high of 22.2 per cent

<sup>2</sup> It is not possible to compare the results from the two waves of the GEM survey on social entrepreneurship owing to changes in the methodology used to collect data and identify social entrepreneurs (see Bosma and Levie, 2010; Terjesen and others, 2009; Bosma and others, 2016).

<sup>3</sup> The 2015 GEM social entrepreneurship activity research is based on interviews with almost 168,000 individuals aged 18–64 years in 58 countries (see Bosma and others, 2016). The results reflect respondents’ self-identification as social entrepreneurs; it is noted by Rivera-Santos and others (2014), however, that contextual dimensions affect self-perception in relation to social enterprises in sub-Saharan Africa, resulting in an underrepresentation of the social entrepreneurship phenomenon in that area.

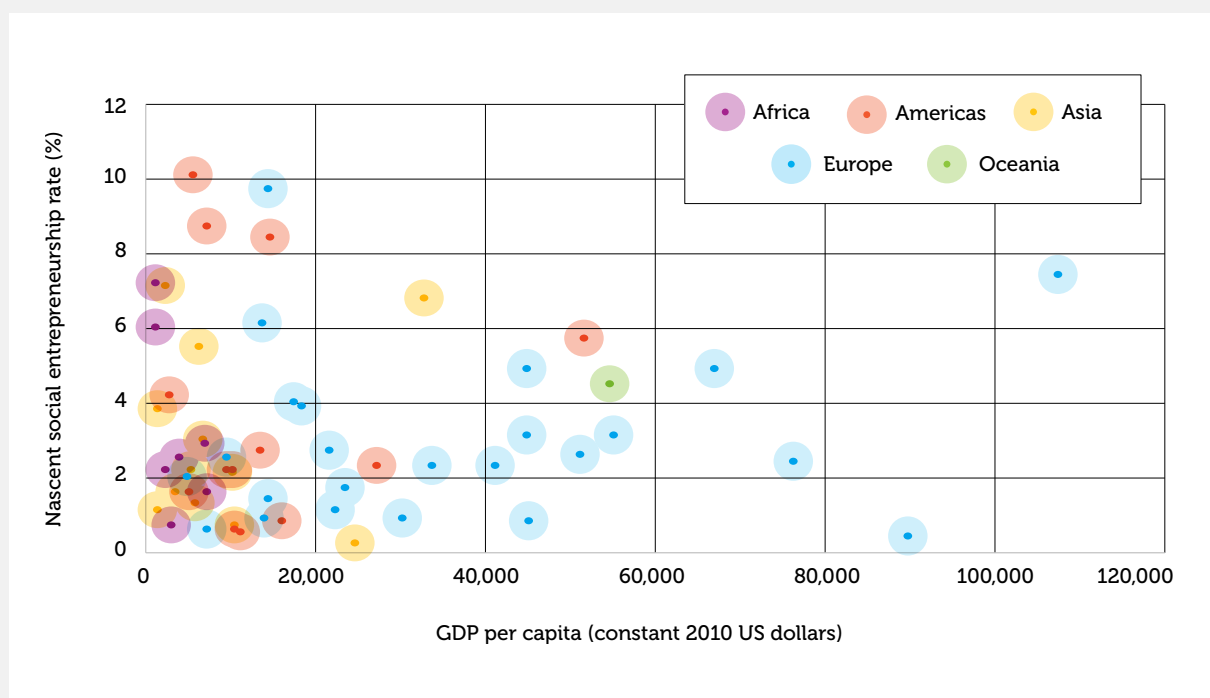
<sup>4</sup> A broad measure of commercial, social and overlapping entrepreneurial activity in the major world regions is shown in figure 4 of the *Global Entrepreneurship Monitor 2015 to 2016: Special Topic Report on Social Entrepreneurship* (Bosma and others, 2016, p. 13). “The broad measure considers individuals who are starting or currently leading any kind of activity, organisation or initiative that has a particularly social, environmental or community objective. The narrow measure imposes the following restrictions: that this activity, organisation or initiative (i) prioritises social and environmental value over financial value; and (ii) operates in the market by producing goods and services. The narrow definition is available for 31 economies” (ibid., p. 5).

in Peru” (Bosma and others, 2016, p. 5). The average prevalence rate for operational social enterprises (those past the start-up phase) is 3.7 per cent, ranging from 0.4 per cent in the Islamic Republic of Iran to 14.0 per cent in Senegal (ibid.).

- Social entrepreneurship is often associated with youthful idealism. Among individuals between the ages of 18 and 34, “there is a greater representation of nascent social entrepreneurs than nascent commercial entrepreneurs in three of the world’s regions – namely the Middle East and North Africa, sub-Saharan Africa and Western Europe” (ibid.). Nascent social entrepreneurs are those who have

taken concrete action in the past 12 months to start their respective ventures and are currently involved in social entrepreneurial activity. It is interesting, given the employment challenges faced by youth in the three regions, that more young people appear to be pursuing social entrepreneurship than commercial entrepreneurship. One possible explanation is that young people are assigning equal value to the dual benefits of social entrepreneurship, seeing it as a way to both generate their own employment and help address development challenges faced by their communities. Among operating (non-nascent) initiatives, social entrepreneurs outnumber commercial

**FIGURE 1. GDP PER CAPITA\* AGAINST THE NASCENT SOCIAL ENTREPRENEURSHIP RATE, 2015**



Sources: DESA, based on Bosma and others (2016); World Bank, World Development Indicators (<https://datacatalog.worldbank.org/dataset/world-development-indicators>).

\* Constant 2010 United States dollars.

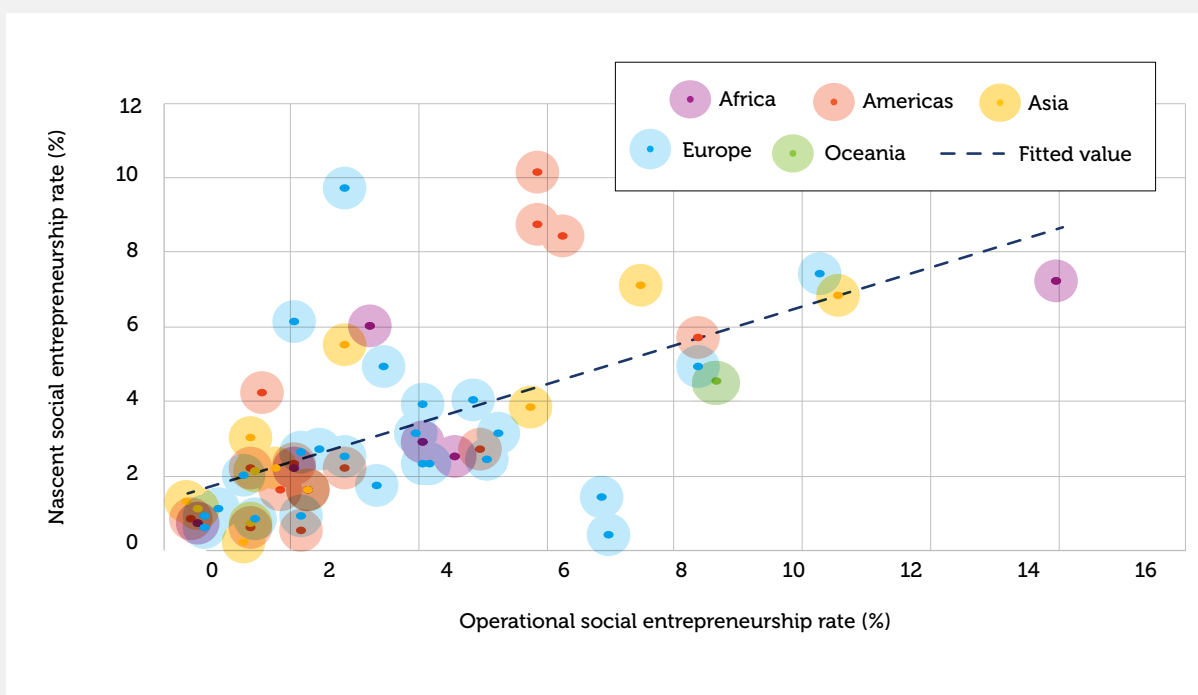


entrepreneurs in all global regions except Latin America and the Caribbean (ibid.).

- Although there are gender gaps in social entrepreneurship in most regions, they are narrower than those found in commercial entrepreneurship (ibid.).
- In every region except sub-Saharan Africa, social entrepreneurs tend to have a relatively high level of education (ibid.).
- Half of the social entrepreneurs involved in broad social entrepreneurial activity at the operational stage reinvest profits in their social enterprises (ibid.).

Operational social entrepreneurship rates are positively correlated with early-stage or nascent social entrepreneurship rates (see **figure 2**). In other words, having more active social entrepreneurs is associated with having larger numbers of social entrepreneurs in the start-up phase. This may suggest that countries with more active social entrepreneurs have more supportive systems and an enabling environment conducive to the expansion of new social entrepreneurial activity. It is also believed that the growing visibility of social enterprises serves as a source of inspiration, making social entrepreneurship a more appealing option for aspiring entrepreneurs. While descriptive in nature, these associations suggest

**FIGURE 2. RELATIONSHIP BETWEEN NASCENT SOCIAL ENTREPRENEURIAL ACTIVITY AND OPERATIONAL SOCIAL ENTREPRENEURIAL ACTIVITY**



Source: DESA, based on Bosma and others (2016).



that supportive entrepreneurship ecosystems and visible examples of successful social entrepreneurial activity can potentially empower and encourage young social entrepreneurs. The growth of social entrepreneurship in an area is also likely to provide more opportunities for peer support and horizontal exchange.

## 1.2 DEFINING SOCIAL ENTREPRENEURSHIP

While social entrepreneurship is enjoying increased visibility and garnering more interest around the world, the concept lacks a widely accepted framing definition, due in part to an underdeveloped theoretical base as well as the strong influence of highly variable surrounding contexts on the nature of social entrepreneurship activities. The existing body of research on social entrepreneurship is relatively sparse. There are a limited number of empirical studies, and most of these are rather narrow in scope (Hoogendoorn, 2011; Short, Moss, and Lumpkin, 2009). Some researchers acknowledge that having a more comprehensive definition increases applicability while reducing specificity (Bacq, Hartog and Hoogendoorn, 2013). On the ground, however, the impact of the surrounding context on the nature of social entrepreneurship activity has contributed to the development of a wide variety of models, making the adoption of an agreed-upon framing definition difficult (Kerlin, 2010; Mair, 2010).

A key building block of any definition is “entrepreneurship”, defined by Gries and Naudé (2011, p. 217) as “the resource, process and state of being through and in which individuals utilize positive opportunities in the market by creating and growing new business firms”. However, the core element defining social entrepreneurship is the intentionality of social change or social value creation rather than wealth creation (Dees, 1998). For instance, social entrepreneurship may emerge in response to unfavourable contingencies such as economic crises

to compensate for the reduced availability of resources (Molina and others, 2018).

Essentially, social entrepreneurship seeks to create value or generate a positive impact on society by offering services or products that answer unmet needs or by offering different solutions to social challenges. Social entrepreneurship is often perceived as a mechanism for addressing unfair situations that contribute to exclusion, marginalization or suffering within segments of society that are not empowered to change these situations on their own. The main “customers” of social entrepreneurs are marginalized or disadvantaged groups or individuals who do not possess substantial financial means.

Although profits matter to social entrepreneurs, they do not represent the impetus behind their endeavours. The financial goals of social enterprises are in place to support and maximize the intended social impact. Typically, most of the profits generated are reinvested in a manner that will further support the social impact goals and sustainability of the social enterprise. A limited proportion of the profits may be distributed among the members involved in social enterprises, though decision-making processes are not tied to capital ownership (Bidet and Spear, 2003).

Researchers have been known to use the term “blended value” — reflecting a combination of financial, social and environmental objectives — to describe social enterprises (Emerson, 2003). The concept of blended value circumvents the common binary and therefore reductive perception that the overarching objective of an enterprise must be either financial or social. As blended-value entities, social enterprises seek to maximize the full range of potential returns and impacts. Within this context, value creation could include not only superior service delivery but also socioeconomic empowerment and systems innovation. “This is conceptualized in the notion of blended value that combines fully monetized



Photo: Pezana Rexha



**“Pana Storytelling Furniture”, a social enterprise created by a young Albanian architect, uses reclaimed wood to create furniture. Pana Storytelling Furniture trains and employs members of society who would normally have difficulties finding a job, such as persons near retirement and persons with disabilities.**

social impacts with more conventional financial data to judge the outcomes of a social venture” (Nicholls, 2008, p. 18, citing Emerson, 2003, and Nicholls, 2004).

The analogous concept of “profit with purpose” has gained traction among both academics and practitioners. While enterprises seeking both financial and social gains can take several forms, they all endeavour to achieve a balance between profitability and the fulfilment of a social mission.

Social entrepreneurs find purpose in creating social impact not only as a result of an operational process but often through the process itself. They seek opportunities to add social impact along the entire value chain, frequently employing and training disenfranchised groups as part of their social mission or revitalizing depleted community resources such as housing stock. The process of social entrepreneurship may thus be characterized by a range of social missions that are addressed at different points in the value chain used by entrepreneurs seeking to generate a social impact (Bidet and Spear, 2003, p. 8).<sup>5</sup>

Another feature of social entrepreneurship is its embeddedness within local communities and its capacity to nurture long-lasting relationships with local stakeholders (Bidet and Spear, 2003). These relationships are key to ensuring that the social impact, or social value, generated by a social enterprise is on target and sustainable. Some experts prefer the expression “societal impact” to describe the wide-ranging impact of social entrepreneurship, as this broader term more accurately reflects the fact that social enterprises generate economic, social, environmental and other types of impact (Ebrahim and Rangan, 2014).

As noted previously, contextual factors play a critical role in social entrepreneurship. Local needs and opportunity structures influence the emergence of social entrepreneurship and the development of relevant value propositions that contribute to meaningful change in behaviour and attitudes, relationships between social groups, and the social order over time. It follows that social enterprises do not organize or centre their activities primarily around the need to generate substantial financial profits (Nicholls, 2008).

<sup>5</sup> A value chain is a series of activities — including development, production, marketing and post-sale services — that add value to a product or service.



Social entrepreneurs can bring about positive change in the larger community directly through their activities but also by involving marginalized individuals in their operations (Bidet and Jeong, 2016). Participatory governance and democratic management are often exercised, reflecting close collaboration with community members the social enterprise seeks to serve. In other words, social enterprises tend to leverage existing local resources to create a new situation or new stable equilibrium to address the exclusion or marginalization of the target group.

The legal structure and status of social enterprises vary widely — a reflection of both the (supportive or obstructive) ecosystem in place and the (limited or abundant) means at the disposal of social entrepreneurs. In operational terms, social enterprises are generally described by experts as being somewhere between commercial businesses and non-profit entities.

As the foregoing illustrates, significant variability characterizes virtually every aspect of social entrepreneurship, making the formulation of a universal definition extremely difficult. The lack of definitional clarity may be impacting the present legitimacy of social entrepreneurship, which Nicholls (2010) refers to as “a field of action in a pre-paradigmatic state that currently lacks an established epistemology”. It has been put forward that “if the social entrepreneurship field is to progress, the next two decades should be characterized by unity in construct definition and by examining the social entrepreneurship construct through a variety of established theoretical lenses with clear boundary conditions” (Howaldt, Domanski and Schwarz, 2015, pp. 92-93, citing Short, Moss and Lumpkin, 2009, p. 173).

In the present *Report*, social entrepreneurship is understood to be entrepreneurial activity with the explicit objective of addressing societal problems. The following

core elements, drawn from Bidet and Spear (2003), can be said to characterize social entrepreneurship:

- An initiative launched by an individual or group of individuals;
- An explicit aim to benefit the community;
- Decision-making power not based on capital ownership;
- Participatory governance involving those affected by the venture;
- Limited profit distribution.

This definition includes formally and informally constituted organizations and activities launched by individuals and teams. It underlines the relevance of local contexts and communities, as well as the centrality of the social mission. Importantly, the definition integrates internal processes such as decision-making and human resource practices, as they are an integral part of the social value proposition.

### 1.3 COMPARING SOCIAL ENTERPRISES WITH OTHER ENTITIES

The unique nature of social enterprises derives from their hybrid structure, which represents a fusion of traditional commercial firm and charitable/non-profit organization. This generally has positive implications for financing. In many cases, their legal status and related regulatory requirements allow social enterprises to take advantage of funding opportunities offered to for-profit operators. The use of market mechanisms to achieve financial self-sustainability is the main difference between social enterprises and charities/NGOs, as the latter — while also focused on social impact — rely almost exclusively on donations, subsidies or grants to support their operations. Because of their social mission, social enterprises



can also utilize many of the same sources of funding as NGOs and charities, including grants and donations (UNIDO, 2017). However, unlike NGOs and charitable organizations, which usually depend on limited sources of funding, social enterprises can more flexibly turn to loans and equity capital and to blended/mixed forms of financing (Hanley, Wachner and Weiss, 2015). The diversification of revenue streams means that such enterprises generally have greater freedom in investment decisions geared towards the achievement of social goals and missions. A good portion of the literature affirms that social enterprises aim to be financially sustainable by not relying primarily on grants and similar subsidies.

In the area of finance and investment, social enterprises often enjoy certain advantages over commercial corporations. Commercial enterprises are compelled to generate dividends or other forms of revenue for their owners, whereas social enterprises typically reinvest most of their profits in the running of their operations and create social value (Bidet and Spear, 2003). Social entrepreneurs are able to approach “social investors” and global organizations willing to relax their return expectations to support a social cause and can also partner with public investors, private philanthropists, and third-sector development entities (Hanley, Wachner and Weiss, 2015). Socially oriented ventures can also benefit from the support of intermediary organizations offering information and incubator services or platforms that match funders with social businesses. The public sector is often another important source of support. Government procurement strategies might favour social enterprises over purely commercial endeavours. Depending on their size, social enterprises might be eligible to take advantage of micro-finance services or to compete for social investment or social impact bonds introduced by Governments.

In many respects, the actions of social enterprises overlap with those of commercial enterprises, but social enterprises need to take additional steps related to their

social impact focus. These include developing a business plan that considers community needs in addition to market needs, building a marketing and branding strategy that is inclusive and adapted to the target population, managing finances and keeping accounts in a way that ensures compliance with all regulations relevant to both for-profit and non-profit organizations, measuring performance based on social impact as well as income and revenue, and managing human resources in a way that both attracts and retains talent and empowers vulnerable groups.

Social enterprises and a growing number of commercial enterprises are engaged in some form of social action. The main difference is that corporate social responsibility (CSR) programmes add a social angle to commercial business without making social impact the primary mission. The first priority of commercial enterprises is to generate profit for their owners or shareholders, and this often entails a cost to society or the environment. Along with the increasing corporate focus on social impact, commercial enterprises are also starting to create stronger relations with their clients.

Many commercial and social actors have incorporated strategies associated with social entrepreneurship to create a wide array of hybrid models designed to leverage social capital. In the same manner, social entrepreneurs have borrowed practices from other entities in the commercial and social spheres to develop models of value creation guided by the principle of sustainable development.

Essentially, social enterprises occupy an intermediary space between the private and public sectors; in the latter context, they may be said to operate within the third sector and the social and solidarity economy. Social enterprises comprise a wide range of entities with diverse structures and purposes seeking to leverage private resources for public good.



UN Photo / Logan Abassi

**Young residents of Léogâne, Haiti, check for their names on voting lists before casting their ballots in the country's presidential elections. Social enterprises can contribute to young people's desire to express their views and have an impact on society.**

The services offered by social enterprises are meant to alleviate social problems and to enhance the public good. For instance, by reducing youth unemployment, social enterprises can help ease the frustration felt by young people and contribute to increased political, social and economic stability in their regions or countries. Operations such as these are important for the well-being of society at large, but they also come with a number of financial advantages. They are engaged in social development but aim to be self-sustainable. In broader terms, by creating employment, social enterprises effectively reduce government expenditures on social support, and the different mechanisms through which social

enterprises stimulate the economy translate into higher State income through increased taxation (Haugh, 2006) — though this is possible only if social enterprises operate in the formal sector, which is proving to be a challenge in a number of countries and contexts.

Because the mission of social entrepreneurs is the betterment of society, they may be led to invest in sector-level capacity and may actually encourage or enable complementary or even competitor organizations to grow to further a shared social mission — rather than focusing primarily on capturing a greater market share for their own organizations.



## 1.4 SOCIAL ENTREPRENEURSHIP AND THE 2030 AGENDA: A FIRST LOOK

Increasing attention is being directed towards social entrepreneurship as a means to address key sustainable development challenges in developed and developing countries (Seelos, Ganly and Mair, 2006). As outlined Sustainable Development Goal 17, which focuses on strengthening the means of implementation and revitalizing the global partnership for sustainable development, a multi-stakeholder approach delivers better economic, social and environmental results than does any single organizational entity acting alone (Tinsley and Agapitaova, 2018). Target 17.17 encourages and promotes “effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships”. Within this framework, social enterprises offer international organizations and national Governments an additional partner in scaling up efforts to achieve the 2030 Agenda.

Recent estimates indicate that the implementation of the 2030 Agenda requires a substantially higher level of funding than initially projected. Current assessments show that financing needs for the Sustainable Development Goals total around \$6 trillion annually, or \$90 trillion over 15 years.<sup>6</sup> Sluggish-to-moderate economic growth and divergent political interests are impeding international financial cooperation on sustainable development initiatives. In the present economic and political climate, the efficient mobilization of existing resources and the employment of innovative approaches are crucial to the achievement of sustainable development. By both supporting and integrating the development efforts of Governments, NGOs, civil society and commercial entities, social entrepreneurship offers a

financially and operationally efficient means of advancing sustainable development.

Evidence shows that social entrepreneurship can contribute to sustainable and inclusive job creation and overall local development (OECD, 2018b). Recent estimates indicate that in 2016, social enterprises benefited 871 million people in nine countries in Europe and Central Asia, providing services and products worth €6 billion and creating employment, particularly among the most marginalized social groups (SEFORIS, 2016). Social enterprises in Australia have already generated 2-3 per cent of GDP, creating jobs for 200,000 people, and there are indications that these figures may rise to 4 per cent of GDP and 500,000 jobs within the next 10 years (Smith, 2017).

Social entrepreneurship contributes to the economic growth and competitiveness of countries and regions (Amorós, Fernández, and Tapia, 2012; Audretsch and Keilbach, 2004; Audretsch and Keilbach, 2008), revitalizing local economies and enhancing the potential for progress in the societies in which they operate (Harding, 2004). Young people, in particular, tend to have a strong awareness and appreciation of the manifold benefits of social entrepreneurship, recognizing that it offers as a way of both doing valuable work and making a living (Perić and Delić, 2014).

Social enterprises can engage in both internal and external job creation, with many providing job opportunities for people other than the owners. In the United Kingdom, for example, where the social entrepreneurship sector is relatively well-established, around 100,000 of the 470,000 existing social enterprises employ individuals other than the owner (Stephan and others, 2017). When social enterprises establish operations in geographic areas that are not attractive to commercial companies,

<sup>6</sup> Included in the opening remarks of Peter Thomson, President of the General Assembly of the United Nations, at the High-Level SDG Action Event: SDG Financing Lab (see United Nations, General Assembly, 2017).



Photo: © ILO / Marcel Crozet

**When social enterprises establish operations in geographic areas that are not attractive to commercial companies, they can help revive local economies and create new job opportunities.**

they can help revive local economies and create new job opportunities (Commission Expert Group on Social Entrepreneurship, 2016). Social enterprises may also be able to provide jobs in situations in which commercial entities downsize in order to meet financial goals (Molina and others, 2018). Because social enterprises have a social mission and a strong connection to the local community, they are ideally positioned to push for expanded development in areas in which they are most needed.

In regions characterized by high levels of poverty and chronic underemployment, especially among young people, the impact of social entrepreneurship can be considerable (Schøtt, Kew and Cheraghi, 2015). Social entrepreneurship may be undertaken to fulfil a specific local need or mission, but it can also contribute to broader strategies and interventions aimed at reducing

unemployment and poverty. In developed countries with traditionally large welfare systems, for example, social entrepreneurship can complement ongoing initiatives or help compensate for declining welfare provisions (Choi and Majumdar, 2014).

Because social entrepreneurs must make prudent use of limited resources, they often find alternative ways to service the community, including capitalizing on personal networks, combining inputs, repurposing tools, and drawing from resources that can be secured at no cost or with minimal investment (Baker and Nelson, 2005). They often utilize public spaces or other cost-effective premises for novel purposes. They attract volunteers to work for their ventures and encourage participants to stretch their skills and apply them to new endeavours or in new domains (Sunduramurthy and others, 2016). They



develop innovative organizational and service structures characterized by flexibility and adaptability (Hlady-Rispal and Servantie, 2018), adjusting their operations as needed to maintain their ability to operate in the market (Azmat, Ferdous, and Couchman, 2015). Importantly, social entrepreneurs working with marginalized populations develop innovative solutions that are precisely aligned with the needs of the target group (Tinsley and Agapitaova, 2018). Solutions must be economical and provide value for money, which means that social enterprises tend to invest in high-quality but comparatively simple products and services. By focusing on simplicity and affordability, social enterprises can achieve profitability using an operational model that effectively disrupts prevailing industrial practices (Grohs, Schneiders, and Heinze, 2015).

As social enterprises are actively engaged with the people they aim to support, this model is particularly appealing to marginalized communities seeking both economic opportunity and social inclusion. The social benefits for the various groups of stakeholders associated with the social enterprise and for the community as a whole are abundant but are very difficult to measure. The success of a social enterprise can hardly be determined using standard quantifiers such as return on investment (ROI). Alternative tools and indicators need to be developed and uniformly adopted to obtain a clear and complete picture of the impact of social entrepreneurship on those it serves. This important topic is explored further in section 1.6.

Social entrepreneurs have to develop a business model that adequately balances the dual goals of pursuing a social mission and making business operations financially sustainable (Moizer and Tracey, 2010). Financial sustainability not only derives from investment and operational decisions but is also influenced by the broad environment in which social enterprises operate. Further, as these hybrid businesses have both financial and social goals, social enterprises face the peculiar challenge of convincing their stakeholders of both their financial

viability and their commitment and ability to cater to the social cause.

Social enterprises often operate in rapidly changing environments and must be agile enough to make timely adjustments in products or services while also maintaining financial viability. To be nimble and impactful at the same time can be a tall order. If a social enterprise lacks solid financial or operational footing, a change in the environment can result in business collapse. Finding steadfast and enduring financial partners can be a challenge. Investors are interested in financial returns; those who are dedicated enough to sacrifice a portion of their returns for the sake of social impact must make a long-term commitment — which may not be aligned with their standard investment approach.

The financial yields of necessity-based entrepreneurship rarely match those of opportunity-based entrepreneurship (Kautonen and Palmroos, 2010). The willingness to compromise on profit-making is not enough to support a sustained, long-term contribution to social development, however. To continue to have an impact, social entrepreneurs must maintain the viability of their business ideas. Social enterprises must be driven by innovation and creativity if they are to make an effective and long-lasting contribution to sustainable development (Iwueke and Blessing, 2014).

Relatively speaking, the social enterprise sector lacks visibility and legitimacy, and this can limit the ability of social entrepreneurs to obtain funding, access markets, attract talent and scale up their activities (De Simone and Tora, 2016). Social enterprises working with marginalized and stigmatized groups find it particularly challenging to form strong relationships with suitable partners and often end up networking solely with other social enterprises (Tracey and Phillips, 2016). Many social entrepreneurs find it difficult to secure investment funding during both the inception and growth phases of their ventures. The



investor community may perceive social enterprises to be burdened by regulatory controls or constraints and may thus see them as a higher risk and potentially less profitable than other types of businesses. Some social enterprises are outside investors' target groups because they are too small or too large (Dichter and others, 2013). Ultimately, even those social enterprises that are considered for or able to secure funding might have relatively little bargaining power with the investors.

## 1.5 SOCIAL ENTREPRENEURSHIP AND INDIVIDUALS “AT THE LAST MILE”

The fruits of economic and social development are not enjoyed by all. In many remote and rural areas, urban slums, and other underserved areas, residents lack basic facilities and services such as water, food, power, education, health services and safe housing. These conditions, together with inadequate opportunities for decent work, prevent affected populations from being able to improve their living situations. Young people are often among the most vulnerable in these settings. The increasing frequency and severity of natural and man-made disasters is likely to further jeopardize the livelihoods of youth, particularly those who experience displacement or reduced access to natural resources (UNDP, 2013).

Individuals at the last mile are members of vulnerable, marginalized or other disadvantaged groups who live in extreme poverty in remote locations, informal settlements or other hard-to-reach areas and usually receive little or no development aid or State support. Those at the last mile are by no means a homogeneous group. It is important to recognize the intersections of identity based on gender, ethnic group, economic status, sexual orientation, and other factors, as these characteristics influence the challenges and needs of last-mile populations. Societal norms, stereotypes and legislation can

make individual characteristics a source of multiplicative disadvantage and limit legal protection or opportunities to participate in local decision-making. The last mile is perhaps best defined as “not only the poorest of the poor, but also the people, places and small enterprise levels that are underserved and excluded, where development needs are greatest, and where resources are most scarce” (Pedrajas and Choritz, 2016, foreword).

As alluded to above, the intersecting forms of exclusion faced by those at the last mile require careful consideration. Individual forms or manifestations of discrimination or inequality in access to opportunities have a negative impact on specific groups. However, certain groups are burdened by multiple disadvantages that further deepen their exclusion and lack of access to opportunities, and this often extends across generations. According to the *Report on the World Social Situation 2016 – Leaving No One Behind: The Imperative of Inclusive Development*, these groups “are statistically invisible — that is, omitted from the sample design of household surveys and population censuses — [and] are frequently those at the highest risk of being left behind” (United Nations, 2016, p. 56).

It has been pointed out that “targeting the last mile is different from promoting sustainable development overall and hoping that the most excluded and marginalized benefit” (Pedrajas and Choritz, 2016, p. 84). Where the challenges experienced by those at the last mile are most severe, Governments often face financial and institutional constraints that undermine their ability to address the needs of marginalized groups, and commercial enterprises — even those inclined to support social development — often shy away from countries and contexts characterized by high risk and low profit potential (Tinsley and Agapitaova, 2018). Social enterprises, with their focus on social impact, can help bridge this gap by providing customized services for those suffering from intersecting inequalities, many of whom are at the last mile.



**A view of the Kutupalong Rohingya Refugee Camp in Cox's Bazar, Bangladesh. In many remote areas, residents lack basic facilities and services. Social enterprises, with their focus on social impact, can help bridge this gap by providing customized services for those suffering from intersecting inequalities, many of whom are at the "last mile".**

Social enterprises can carry out initiatives that complement broader structural responses to the challenges faced by those living at the last mile, creating a "multiplier impact effect" as they help vulnerable groups and generate positive externalities (Santos, 2012). Social enterprises may support and implement interventions focused on a wide range of development goals, including poverty reduction and environmental sustainability (Azmat, 2013).

As part of their social mission, social enterprises can provide or support the provision of basic goods and services that enable local communities to make a living or improve their livelihoods (Seelos, Ganly and Mair, 2006). Tinsley and Agapitaova (2018) have identified 40 effective

market-based solutions that social enterprises have developed to serve the poor; examples include low-cost chain schools providing highly standardized education, mini power grids that are designed to connect remote communities without existing electric grids, telemedicine-based health care, community-level waste collection systems, and serviced toilets that improve sanitation in urban slums. Other social enterprises might aim for different but equally important outcomes, focusing primarily on goals such as achieving empowerment or deepening cultural embeddedness. **Boxes 2 and 3** provide examples of initiatives that have targeted marginalized populations in Jordan, Lebanon and Malawi.



## BOX 2.

## THE ORENDA TRIBE: ART FOR HOPE IN JORDAN AND LEBANON

Established in 2016 by a young man from Jordan with just a few hundred dollars, the Orenda Tribe is a value- and purpose-driven enterprise that uses art and storytelling to empower children in vulnerable situations. Engaging in what is referred to as “artivism”, the Orenda Tribe holds tailored art workshops for children that focus on fostering empowerment, breaking barriers and developing life skills while also raising awareness about different social issues.

Revenue is generated through the sale of lifestyle products such as T-shirts and tote bags with designs inspired by the art created by children attending the workshops. Under the Tribe’s Art For Hope initiative, art workshops are offered in refugee camps, orphanages and under-resourced schools in Jordan. For every T-shirt sold, one child from a marginalized community is enrolled in (and receives art materials for) an art workshop designed to empower children in difficult situations. To date, the Orenda Tribe has undertaken 31 projects in 12 communities in Jordan and Lebanon and has touched the lives of 5,404 children.

This social enterprise was recently recognized by Causeartist, a leading consortium of impact investors, as one of seven brands\* impacting the world through helping alleviate the refugee crisis (Trahant, n.d.). On the Tribe’s website, Orenda is defined as “a mystical force present in all people that empowers them to affect the world, or to effect change in their own lives”.

Source: The Orenda Tribe (see <https://www.theorendatribe.com/>).

\* The other six brands recognized were Starbucks, LinkedIn, Airbnb, SITTI Soap, Joggo and 734 Coffee.





1. The Orenda Tribe's team is painting a mural meant to inspire children to pursue their dreams. The mural is painted inside a public school located in a governorate in Jordan called Ma'an. This project is part of The Orenda Tribe's initiative of spreading purposeful art into marginalized areas.
2. Girls from a Gaza Refugee Camp in Jordan, during the ice-breaking activity in a workshop that the Orenda tribe was running at the camp.
3. In a girl's public school in Naour, Jordan. The Orenda Tribe transformed a landfill into a garden and safe space for children. The Orenda Tribe upcycled tires, planted plants, and added furniture and paint. The flowers in the background include inspirational words written by the children.
4. The Orenda Tribe beautifying the main yard of a girl's public school in Naour, Jordan, with artwork from the students themselves. The artwork was created during an art workshop that The Orenda Tribe implemented earlier in that school on the topic of bullying and during which the students were asked to draw what a bully-free environment would look like.

Photos: Zaid Souqi



## BOX 3.

**TIWALE: HELPING WOMEN IN MALAWI**

Malawi, one of the world's poorest countries, is landlocked and relies primarily on agriculture. About 80 per cent of the residents live in rural areas, and more than 60 per cent subsist on less than \$1 per day. In many cases, girls and women face additional challenges in the areas of development and empowerment; only 16 per cent of girls complete primary school, and women are particularly vulnerable to hardships deriving from low socioeconomic status, higher-than-average rates of HIV and AIDS, and one of the world's highest rates of maternal mortality.

Ellen Chilemba — at the age of 18 — established Tiwale, a for-profit social enterprise committed to improving the lives of women in Malawi. Tiwale means “let us shine/glow” in Chichewa, a Bantu language spoken in parts of Malawi and in Mozambique, Zambia and Zimbabwe. Since 2012, Chilemba and her team have trained 150 women as entrepreneurs while also offering grants, loans and training aimed at helping participants achieve empowerment and independence.

One of the Tiwale programmes provides women with tie-dye skills, which they use to produce traditional tapestries. Some of the revenue from the sale of their handiwork is used to fund other programmes offered by the organization that give women opportunities for self-sufficiency. Among the initiatives funded are a school grant programme (covering fees, transportation costs, and school supplies and offering a small living stipend) and the flagship microfinance loan programme. The latter is essentially a business plan challenge: innovators with the best ideas receive \$70 interest-free loans to help transform their vision into action. The loans must be repaid over the course of 10 weeks, but that has not been a problem for any of the 30+ winners — all of whom have successfully launched their own profitable small businesses, with some earning as much as \$7 per day.

In 2015, Ellen Chilemba was named one of Forbes Africa's “30 Under 30”.

Source: Tiwale (see <https://www.tiwale.org/>).



2.

1. Tiwale offers workshops led by a team aged 14 to 19 years old.
2. Opening of the Tiwale Community Center, after 5 years of meeting outside.
3. Tiwale team member Lydia Tembo making a face mask to be distributed in Malawi during COVID-19 pandemic.
4. One of the Tiwale's programmes provides women with tie-dye skills which they use to produce traditional tapestries. Tiwale uses a portion of its tapestry sales profit to fund other programmes offered by the organization that give women opportunities for self-sufficiency.

Photos: Tiwale Community Based Organization



3.



4.



## CHAPTER

# 1

A number of social entrepreneurship models have been developed to serve marginalized groups in developed countries; many have been successfully deployed to meet the needs of the homeless (Teasdale, 2010). Social enterprises provide services (such as housing or other accommodations), training, employment and opportunities for participation, and they engage in awareness-raising among the broader stakeholder groups. The refugee situation in recent years provides an example of the type of role social enterprises can and do play in such contexts. The influx of refugees and asylum-seekers from the Syrian Arab Republic, Afghanistan and Iraq into European countries has highlighted the need for additional support

(Commission Expert Group on Social Entrepreneurship, 2016). Public authorities have developed services to support the arrival, survival and integration of these migrants, but the magnitude of the refugee crisis has been such that State-led responses have proved insufficient. Social enterprises have been quick to react, complementing public interventions and advocating for the integration of migrants (Benton and Glennie, 2016).

By contributing to both economic and social well-being, social enterprises can complement and support government actions and policies aimed at addressing the needs of marginalized groups (Zahra and others, 2009).



UN Photo / Sahem Rababah

**A young boy at the Zaatari Refugee Camp in Jordan. Social enterprises have often been quick to react, complementing public interventions supporting refugees and internally displaced people.**



## 1.6 MEASURING THE SOCIAL IMPACT

Vulnerable communities are affected by complex issues involving multidimensional factors and numerous actors. Addressing such issues requires substantial financial and human resources from multiple partners, including the Government and the private sector. Social entrepreneurship can play a key role in coordinating these resources by attracting both private and public funding (for limited profit-making, reinvestment in the enterprise and self-sustainability), by contributing to and supporting the achievement of national development objectives, and by advancing a model of value generation that is socially minded and aligned with the framework and goals of the 2030 Agenda.

It is important for social enterprises to identify and communicate the nature and magnitude of the challenges they seek to address, as they need to demonstrate the benefits their products and services bring and the impact they have on target communities (Schwab Foundation for Social Entrepreneurship and World Economic Forum, with Bertha Centre for Social Innovation and Entrepreneurship, 2017). Without the appropriate tools to measure both the level of social need and the impact of remedial measures, social entrepreneurs may fail to convince shareholders, partners and stakeholders to provide sustained support for their endeavours. Measurement of impact is also needed to ensure that social enterprises, which often have a lot of operational freedom, act in a sustainable and ethical manner (Zahra and others, 2009). In the long run, the lack of accurate and consistent means of measurement could have a negative impact on the legitimacy, replicability and magnitude of social entrepreneurial activity (Littlewood and Holt, 2018).

The measurement of social impact has become a widely studied topic, and there are many models that assess the activities or outcomes of businesses focusing

on a single industry or on multiple sectors (Rawhouser, Cummings and Newbert, 2019). Overall, it is possible to distinguish four main clusters of measurement models that each serve a different purpose (Grieco, Michelini and Iasevoli, 2015). First are models that focus on quantitative indicators of social impact; these are also helpful in identifying the costs involved in producing that impact. Second, a large body of models identifies key qualitative variables that help organizations take a critical look at their own activities. Third, there are models (such as the global reporting initiative, or GRI) that use both qualitative and quantitative measures to assess the achievement of objectives. Fourth, there are different types of certificates that typically require both qualitative and quantitative data but differ from reporting due to their emphasis on ongoing data collection.

Most social enterprises are keen to measure their social impact as reflected in their core mission. Along with financial figures, social entrepreneurs tend to report both social and environmental indicators (Nicholls, 2009). These and other relevant indicators — which are often produced from an assessment of the relationships between inputs, processes, outputs, outcomes and impact — are often used to measure the efficiency and effectiveness of social entrepreneurship (Zappalà and Lyons, 2009). In 2016, Sonen Capital developed a special framework for social enterprises to link investment strategies to the achievement of the Sustainable Development Goals and to measure the social, environmental and financial performance of investments in relation to those Goals. The framework builds on the metrics used in the Global Impact Investing Network approach (IRIS+) and connects those with the long-term targets of the 2030 Agenda to assess the impact of social enterprise on the realization of the Sustainable Development Goals.

Another widely used measure is social return on investment (SROI), which goes beyond economic indicators to provide a cost-benefit analysis focusing on outputs



generated by individual projects. SROI assesses the social, economic and environmental outcomes generated by an enterprise relative to the capital investment and aims to evaluate the venture's contribution to an important development process. Quantitative metrics such as SROI can be useful for comparing the operational efficiency and outcomes of different projects and social enterprises.

The wide use of SROI across different types of initiatives and programmes can pose challenges for the assessment of social value, however (Kroeger and Weber, 2014; Pathak and Dattani, 2014). Social entrepreneurship delivers a number of intangible benefits, including improved community cohesion and self-belief. It may not be possible to measure those benefits objectively. However, qualitative information can be valuable, allowing assessors to recognize the importance of social enterprises that address individual life situations in depth. In sum, while economic indicators are more easily quantified and measured, the analysis of social impact and change is somewhat more challenging and requires the use of mixed methods that include both quantitative and qualitative indicators.

Another consideration in assessing social impact is the distinction between high reach and high transformation (Alvord, Brown and Letts, 2004). Although some social enterprises do not reach many people, they often make a fundamental difference in the lives of those individuals selected for their programmes. Very few social enterprises achieve both high reach and high transformation; for this to happen, multi-layered innovation is needed to catalyse high levels of social transformation reaching millions of people. However, social enterprises have the potential to generate high transformation in the communities they work with. This type of impact should not be underestimated.

As an extension of this, attention should be given to the challenges linked to measuring the scope of

social impact. For example, how can intergenerational outcomes generated or activated by social enterprises be measured? How is it possible to capture the diffusion of the impact from the immediate circle of stakeholders (beneficiaries, employees, donors and partners) to the wider society? What approaches can be used to identify the role a social enterprise – or the social entrepreneurship sector in general – has played in the advancement of broader systemic changes that involve individuals, communities and Governments? (Schwab Foundation for Social Entrepreneurship and World Economic Forum, with Bertha Centre for Social Innovation and Entrepreneurship, 2017)

In assessing social impact and social change, it is necessary to identify the values and priorities underlying the choice of what to measure and the type of metric to be used (Arvidson and others, 2013). Deciding on the optimal equilibrium between financial input and social outcomes is ultimately a question of political will, societal norms and individual values. Hence, stakeholders and external actors evaluating social enterprises must be clear on their purpose for measuring impact and how to obtain information on the aspects that are valuable to them.

Identifying appropriate measurement tools and approaches is not the only concern. The fact is that many social enterprises do not have the resources or capabilities for extensive measurement, and the evaluation processes may represent a substantial administrative burden for them. It is important that social enterprises be supported in designing and implementing effective measurement and monitoring systems, and that the social indicators are not developed solely for funders and public officials but can be used to help social enterprises shape their strategies and decision-making (Hanley, Wachner and Weiss, 2015).

As “double bottom line” organizations, social enterprises must be concerned with both economic and



social profitability, and measuring the latter poses the greatest challenge (Dart, Clow, and Armstrong, 2010). Since social impact plays such a central role in evaluating the success of a social enterprise, measuring it properly is crucial not only for decision-making processes but also for financial stability. Having a clear grasp of social impact, especially in term of benchmarks, supports the efforts of social enterprises to establish realistic objectives, monitor and evaluate performance, make informed decisions, and attract investors in a competitive manner. However, social entrepreneurs often have limited human and financial resources to invest in the measurement of social impact. Furthermore, some contributions have intangible value that is difficult or impossible to measure because impact-assessment logic and metrics cannot be applied.

Social impact assessment plays a key role in attracting and ensuring sustained support for social development activities, so social enterprises facing challenges in this area may remain underfunded or have to shift their focus to addressing needs and pursuing outcomes that are more easily measured. The definition of success and how it is measured and evaluated thus have important implications for the agenda of social entrepreneurs. It should be emphasized, however, that while social impact can help social entrepreneurs attract funding, measurement should not be guided primarily by investor needs or priorities (Noya, 2015). In fact, performance measurements designed for commercial businesses, such as ROI, do not factor into the embeddedness of social enterprises, their mission with multiple stakeholders, or the involvement of stakeholders in social impact assessment. Adopting measurement models because of potential returns can drain resources and result in the failure to identify the actual impact and outcomes achieved by social enterprises (Luke, Barraket and Eversole, 2013).

Social enterprises need a logical and consistent framework that guides and informs how problems are

addressed and objectives are achieved. This framework needs to identify how social enterprises contribute to societal change (Ruebottom, 2013). Successful social enterprises can engage experts to advance the legitimacy of their cause and enhance its visibility (Korosec and Berman, 2006). They can engage in political advocacy focused on the interests and perspectives of a broad range of stakeholders with whom they collaborate (Hanley, Wachner and Weiss, 2015), and tools can be created and formal practices established that institutionalize cooperative arrangements and make them more long term. Broad support from corporate actors, government entities, educational institutions, citizen sector organizations and local communities is needed for novel or innovative practices to be accepted and successfully implemented.

The emergence of collaborative and circular economic processes in mainstream business activity and policy debates can be attributed at least in part to transformation practices initiated by social enterprises and other actors in the social economy (Commission Expert Group on Social Entrepreneurship, 2016). Beyond shaking up normative approaches and frameworks, social entrepreneurs often seek to eradicate institutional bottlenecks affecting their operations and/or the societies in which they live (Hogenstijn, Meerman, and Zinsmeister, 2018). Some social entrepreneurs have even been successful in getting obstructive laws or regulations modified or repealed (Sunduramurthy and others, 2016). In countries such as Morocco, young social entrepreneurs have increasingly started to resist the prevalent, pronouncedly market-based approach to addressing social needs (Cohen, 2017). They have used social entrepreneurship as a way to bring together people from different socio-economic groups, pressuring local governments and generating change at the local level. Indeed, social entrepreneurs may seek to build and strengthen a movement by leveraging external relations (Alvord, Brown and Letts, 2004).



## 1.7 OVERVIEW OF SOME CHALLENGES

The context in which a social enterprise is created and operates influences its structure, legal status, funding base, governance, and virtually all other aspects of its existence. The availability and sources of financial support and the social issues that need to be addressed vary greatly within and between countries, creating a very broad social enterprise landscape.

The potential for creating (and the actual establishment and maintenance of) financially sustainable youth

social enterprises may be seriously affected by funding insufficiencies and by legal restrictions and administrative burdens such as unsupportive tax regimes, business registration costs, regulatory changes, and complex bureaucratic procedures. In the least developed countries, social enterprises may also face obstacles deriving from the structure of global trade and the role large corporations play in enabling sustainable development in the poorest regions of the world. Social enterprises operating in extreme conditions or conflict zones or serving those at the last mile find it very difficult to strike a balance between maintaining their financial independence and



Photo: UN Women / Joe Saad

Sandy Lyen is a young artisan woodworker and entrepreneur from Beirut, Lebanon. Like many young, educated Lebanese women today, Sandy is creating new and innovative opportunities for self-employment by tapping into Lebanon's growing market for locally-made artisanal goods.



remaining faithful to their social mission (Galvin and Iannotti, 2015).

As noted previously, many social entrepreneurs find it difficult to secure investment funding for enterprise creation or growth. Within the investor community, social enterprises are often perceived as victims of regulatory overload, and the potential obstacles associated with compliance may reduce the appeal of such enterprises. In some cases, the nature of the venture renders it unsuitable or less suitable for debt or equity investment, as it may be riskier and less profitable than other businesses. Some social enterprises are not approved for funding because they are too small or too large or fail to meet other specific investor criteria. Depending on their legal structure and status, social enterprises may have little bargaining power with funders.

While innovation and individual effort certainly influence the success of social entrepreneurship, they are only part of the overall picture. Factors such as the level of economic development and institutional support, cultural circumstances, and whether the social enterprise operates within an urban or rural infrastructure all play a critical role as well. Entrepreneurship ecosystems are examined in some detail in a subsequent chapter of this *Report*; it is sufficient to mention here that the entrepreneurial environment varies widely across countries at different stages of development, as an economy may be factor-driven, efficiency-driven or innovation-driven (Martinez-Fierro, Biedma-Ferrer and Ruiz-Navarro, 2016).

Access to the Internet and information and communications technology (ICT) influences the incidence and success of social entrepreneurship. Although digital technologies have become more available and more widely used (especially by young people) in the global South and

have facilitated local innovation and entrepreneurship, studies have found that access to these technologies has been restricted by powerful players in ICT industries in regions such as Africa (Counted and Arawole, 2016). What this means is that local realities in Kenya, for example, do not support technology entrepreneurship as it is practised in more developed environments (Ndemo and Weiss, 2017), and this places entrepreneurial youth in such countries at a distinct disadvantage relative to young entrepreneurs in the Western world.

Social entrepreneurs may struggle to find partners willing to work with an entity that deals mainly with marginalized groups, given the stigma often attached to such groups (Tracey and Phillips, 2016). This is why it is important for social enterprises to build tight networks among themselves.

It is important to add a final note urging prudence, pragmatism, and a genuine understanding of customer needs within local contexts. Several experts encourage aspiring entrepreneurs to distinguish between perception and reality in considering the challenges and merits of social entrepreneurship and what is needed to create and operate a sustainable enterprise (see **box 4**). In recent years, there has been a focus on individual success stories featuring “unicorns” (privately held start-up enterprises valued at over \$1 billion)<sup>7</sup> or “gazelles” (high-growth enterprises that started with a revenue base of at least \$1 million and have increased their revenues by a minimum of 20 per cent annually for four years or more). The disproportionate attention given to such stories – which reflect the resounding and well-publicized success of the highlighted social enterprises – creates unrealistic expectations among budding entrepreneurs and can also interfere with efforts to explore the processes of entrepreneurial success and failure and thereby

<sup>7</sup> The term was coined in 2013 by venture capitalist Aileen Lee, who chose the mythical creature to represent the statistical rarity of such successful enterprises.



limit the understanding of how social enterprises work (Light, 2006). “Lone wolf” models fail to communicate the full picture or broader realities associated with social entrepreneurship, including the widespread involvement of a broad range of individuals, thus diminishing the

importance of community knowledge, participation and empowerment in successful social entrepreneurship (Light, 2009). Moreover, the heroization of individual entrepreneurs may obscure opportunities to learn from the ups and downs of the entrepreneurial process

## BOX 4. AGRUPPA

Agruppa was a social enterprise established in Bogota, Colombia, in 2014. The idea was conceived and developed as part of a university project undertaken at the London School of Economics the year before, when co-founders Carolina Medina and Verena Liedgens and their team participated in the Hult Prize start-up challenge, the world’s largest student social enterprise competition (with entries from more than 100 countries). While the team did not win the Prize — \$1 million in start-up capital — the competition served as the launchpad for what was later to become Agruppa by enabling the team to work on the business idea for three months full-time while completing their graduate studies.

The team identified an opportunity in the small “mom and pop” shops in Colombia, which sell around 70 per cent of the food consumed in the country. Most of these shops are located in lower-income neighbourhoods that are home to the majority of the national population. Taken together, these small shops exercise enormous market power. However, each one is the last link in a long intermediary supply chain between the farm and the city.

An awareness of the inefficiencies in the supply chain is what led to the creation of Agruppa, a virtual buying group for small urban shops that could aggregate the demand for fruits and vegetables in order to buy directly from the farm, bring produce to a distribution centre in the city, and distribute to the shops based on their orders. With the reduced transport and produce costs, Agruppa could save each shop owner up to six minimum-wage salaries per year (approximately \$1,700) while at the same time giving the farmer direct access to a market in the city.

*continues*



**The Agruppa team in their warehouse in Bogota, Colombia, before their daily round of deliveries.**



— including failure (Light, 2006). The heroic lone social entrepreneur phenomenon has actually contributed to a shift towards individual entrepreneurship training as a solution to poverty alleviation, placing unachievable expectations on the very people such programmes

are designed to support. Models such as these often ignore (and thus effectively undermine) the role every person can play in promoting social change and places the onus on individual innovative thinkers acting alone (Kruse, 2019).

*Box 4 continued*

As a nascent social enterprise, Agruppa faced a common challenge: raising capital, especially impact investment, is practically impossible without some traction. That is why Carolina and Verena focused on grants and started Agruppa operations as soon as they were awarded their first one. Soon after, they secured a contract with the World Bank and ran a seven-month pilot, proving that Agruppa was much more than just an idea. With this early traction, they caught the attention of impact investment funds that financed the expansion of the enterprise.

Despite the team's continued efforts to achieve long-term sustainability, Agruppa closed down in 2018 due to a shortage of capital. At that point, they had sold produce worth over \$1 million to more than 1,200 mom-and-pop shops in Bogota. However, raising funds continued to be a major challenge, and the enterprise was also negatively affected by changes in the macroeconomic context.

The Agruppa experience offers an important lesson. Although the social impact of the service provided had been confirmed through rigorous evaluation, not enough shop owners valued the service sufficiently to stop shopping at the central market altogether, making the business model unsustainable. This mismatch between objective social impact and perceived value within the target group highlights the importance of seeing the poor as customers with distinct needs and preferences that are not necessarily aligned with development theory.



**2.** The Agruppa founders in their warehouse in Bogota, Colombia.



**3.** One of the first Agruppa customers on the streets of Bogota, Colombia.

Agruppa Photos



## 1.8 WHAT ABOUT YOUNG PEOPLE?

The intersection of income generation and social impact makes social entrepreneurship particularly appealing to youth. Global statistics indicate that social entrepreneurs tend to be fairly young (youth are 1.6 times more likely than adults to be engaged in entrepreneurial activity), male (55 per cent of social entrepreneurs are male and 45 per cent are female), well educated (social entrepreneurs involved in operational activities are 1.7 times more likely than commercial entrepreneurs and the adult population to have a high level of education), and in a higher income bracket than the overall adult population (except in sub-Saharan Africa, the incomes of social entrepreneurs are in the highest third of household incomes). (Bosma and others, 2016, pp. 21-22)

Generally, young people show significantly higher levels of entrepreneurial initiative than do adults; however, among operational enterprises, adult participation is substantially higher than that of youth. This gap between intention and action points to the need for enhanced support for young entrepreneurs at the policy level and in areas such as skill-building and business development.

What motivates young people to choose social entrepreneurship in the first place? One hypothesis is that young people in many countries have experienced unprecedented prosperity and are thus more likely to value non-material goals and want to engage in meaningful work. In other contexts, young people are turning to social entrepreneurship out of necessity, as there are not enough formal jobs available for their cohort. High levels of youth unemployment represent a limitation for the growth of youth social entrepreneurship, in part because acquiring the necessary skills and confidence

when unemployed is particularly challenging. This topic is further explored in **chapter 3**.

Numerous challenges are faced by both necessity entrepreneurs and opportunity entrepreneurs; however, there are significant differences in terms of contexts and needs. Those who become entrepreneurs by choice deliberately select this type of remunerative activity to boost their income and become more financially independent. Subsistence entrepreneurs are effectively forced into this line of work by necessity; with few formal employment opportunities available, they find themselves pursuing entrepreneurial activities that will allow them to survive. In developing countries, barriers to decent employment often push young people to start their own businesses, though the environment in which such businesses are launched may not be conducive to the sustainability of business operations. Large segments of the youth population may not be in a position to take advantage of social entrepreneurship as a personal career option (Chigunta, 2017), as family and other responsibilities may compel them to pursue lower-risk economic activities that provide a steady income.

The challenges faced by young social entrepreneurs are linked to a number of structural factors but also to individual characteristics such as age, gender, origin and education. Young women, for example, continue to encounter gender-based barriers — including cultural practices and social norms, a limited voice and low representation, and the unequal division of household responsibilities — in their efforts to start and grow social enterprises. Nonetheless, with the many barriers young people face with regard to civic and political participation (Elsayed, 2018) and as an option for meaningful employment (ILO, 2019), social entrepreneurship may represent an appealing model for youth engagement and development.



## CONCLUSION

Social entrepreneurship must be seen as one of a wide range of development strategies, and it comes with a number of caveats. Indeed, “successful entrepreneurship is rare, with the vast majority of entrepreneurs failing to provide the major innovations or creative destruction that can drive economic growth” (Azoulay and others, 2018, p. 2). It follows that promoting social entrepreneurship, and especially youth social entrepreneurship, is not a simple endeavour. With the appropriate support, social entrepreneurship may be a viable option for many youth, but it is not a panacea for the development and employment challenges young people face.

The reasons behind encouraging young people to become social entrepreneurs need to be carefully examined, and further discussion is needed to determine how entrepreneurial development resources can best be deployed to support youth in this area. Young people should not be forced into a line of work that may not suit them and where there is a high chance of failure, especially in challenging contexts (Wiger and others, 2015). However, where levels of interest and prospects of success are such that social entrepreneurship represents a viable option, the State must extend support that goes far beyond providing entrepreneurship training — which alone is unlikely to produce a positive outcome (Chigunta, 2002). Policymakers and key government agencies and institutions must play a pivotal role if social entrepreneurship is to become more widespread and

have a greater impact on society. It is especially important that the State and other relevant actors be prepared to provide long-term support, as potential entrepreneurs — particularly young people — need time to learn and build the necessary skills and experience to sustain successful social enterprises.

Businesses started in the informal sector run the risk of remaining there, and young entrepreneurs operating in this environment may find themselves involved in unsustainable or abusive trading schemes (Decent Jobs for Youth, 2017). To encourage youth to formalize their entrepreneurial activities, policymakers can provide opportunities and incentives or apply more coercive methods such as penalties for informal activity. In choosing the approach(es), policymakers should be aware of the wide range of identities and motivations characterizing these young entrepreneurs and where their businesses lie on the formal-informal spectrum (Williams, 2014).

This chapter has examined how social entrepreneurship can empower disadvantaged individuals and communities and more broadly contribute to efforts to realize the Sustainable Development Goals. It has also explored how social entrepreneurship can support efforts towards making development more inclusive and achieving large system change. The following chapter addresses youth development and how youth social entrepreneurship can make a difference both in the personal and professional development of young people as individuals and in the development of their communities.





## CHAPTER

# 2

## CHAPTER 2

# YOUTH DEVELOPMENT AND PARTICIPATION

## INTRODUCTION

The 2030 Agenda for Sustainable Development incorporates 17 Sustainable Development Goals and 169 associated targets, and 232 indicators have been created to track progress towards their realization.<sup>8</sup> The 2030 Agenda identifies the areas in which urgent action is needed to ensure sustainable progress in human development. Among these, the employment of youth (defined as individuals between the ages of 15 and 24) represents a priority area that is attracting growing attention.

As shown in **table 1**, the global youth population is expected to total 1.20 billion in 2020, 1.29 billion in 2030, and almost 1.34 billion in 2050, accounting for a gradually declining share of the overall population (15.5, 15.1 and 13.8 per cent, respectively) (United Nations, 2019c). Projections suggest that the youth cohort in sub-Saharan Africa will continue to grow and will likely represent almost 30 per cent of the world's youth by 2050, up from 18 per cent in 2020 and almost 22 per cent in 2030. Northern Africa and Western Asia are also likely to see

<sup>8</sup> See the global indicator framework adopted by the General Assembly (A/RES/71/313), including annual refinements contained in E/CN.3/2018/2 (annex II) and E/CN.3/2019/2 (annex II), available at <https://unstats.un.org/sdgs/indicators/indicators-list/>.



their youth populations expand over the next three decades. However, the share of youth in the total population is expected to decline in all regions between 2020 and 2050.

Recently published data indicate that “the rate of population growth remains especially high in the group of 47 countries designated by the United Nations as least developed, including 32 countries in sub-Saharan Africa

[that also have the youngest age distribution in global terms]. With an average growth of 2.3 per cent annually from 2015 to 2020, the total population of the least developed countries ... is growing 2.5 times faster than the total population of the rest of the world” (United Nations, 2019b, p. 10). Projections for this group of countries show that the number of young people aged 15 to 24 is likely to rise from 207 million in 2019 to 336 million in 2050 (ibid., p. 37).

**TABLE 1. PROJECTED POPULATION OF YOUTH AGED 15 TO 24 YEARS IN 2020, 2030 AND 2050**

| REGION  | 2020                         |                                   | 2030                         |                                   | 2050                         |                                   |
|---|------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
|   | YOUTH POPULATION (THOUSANDS) | PERCENTAGE OF REGIONAL POPULATION | YOUTH POPULATION (THOUSANDS) | PERCENTAGE OF REGIONAL POPULATION | YOUTH POPULATION (THOUSANDS) | PERCENTAGE OF REGIONAL POPULATION |
| Sub-Saharan Africa                            | 217,653                      | 19.9                              | 282,939                      | 20.2                              | 398,921                      | 18.8                              |
| Northern Africa and Western Asia              | 86,427                       | 16.4                              | 102,436                      | 16.8                              | 110,096                      | 14.6                              |
| Central and Southern Asia                     | 362,697                      | 18.0                              | 365,152                      | 16.4                              | 347,206                      | 13.9                              |
| Eastern and South-eastern Asia                | 304,385                      | 13.0                              | 303,162                      | 12.5                              | 261,429                      | 10.8                              |
| Latin America and the Caribbean               | 107,583                      | 16.5                              | 103,483                      | 14.7                              | 93,853                       | 12.3                              |
| Australia and New Zealand                     | 3,742                        | 12.3                              | 4,230                        | 12.7                              | 4,467                        | 11.6                              |
| Oceania (excluding Australia and New Zealand) | 2,354                        | 19.1                              | 2,689                        | 18.5                              | 3,198                        | 16.9                              |
| Europe and Northern America                   | 124,742                      | 11.2                              | 129,786                      | 11.5                              | 119,327                      | 10.5                              |
| <b>TOTAL (WORLD)</b>                          | <b>1,209,584</b>             | <b>15.5</b>                       | <b>1,293,877</b>             | <b>15.1</b>                       | <b>1,338,497</b>             | <b>13.8</b>                       |

Source: United Nations (2019c).



Most young people, particularly those in developing countries, are facing social and economic challenges that can be quite serious, and yet youth are regularly excluded from policy decisions that affect them now and have implications for their future. The socioeconomic issues they deal with vary widely and are often deep-rooted. For example, generational inequalities reduce political opportunities for young people, effectively preventing them from using their ideas and energy to address complex issues affecting society at large. Inequalities among youth, reflected in indicators such as lower access to post-secondary education for young women than for young men, also widen gaps in access to opportunities, often over the course of their entire adult lives.

Young people constitute a heterogeneous group with multiple elements of identity that inform widely different experiences. Certain groups — such as youth with disabilities, young people from minority groups, young women and indigenous youth — face intersectional discrimination. Promoting the inclusion of young people across the entire youth spectrum is a daunting challenge, as it requires removing multiple types of barriers — including obstructive laws, policies, behaviours, values and beliefs — and taking steps to ensure that systems, institutions and sociocultural practices are reformed so that these barriers do not reappear.

Young people are often excluded from traditional political engagement platforms, are sometimes distrustful of existing government institutions, and may eschew conventional social development forums and paths. They have begun to create alternative avenues to express their views and effect change in society and regularly advance new approaches to tackling inequalities.

Young people see contributing to community or national growth as empowering. If social development opportunities can also generate employment and income, young people will be more likely to consider youth social

entrepreneurship as a viable path. Young people may see social enterprise as a business model that allows them to contribute to social change and sustainable development.

The present generation of youth has the potential to create a paradigm shift in sustainable development. Although young people face barriers to their own development and inclusion, they are poised to help foster a community in which all persons — not only youth — are included and have equal opportunities. Steps must be taken to remove obstacles to youth engagement so that young people have the opportunity to contribute to the advancement of society. The meaningful participation of young people in reducing inequality can be highly transformational, as the efforts of this cohort reverberate across all social groups and generations.

Many youth have challenged the barriers limiting their engagement and are already contributing to the above-mentioned paradigm shift. Across sectors, large numbers of young people are involved in development initiatives aimed at improving the lives of youth and other members of society. Examples of work being carried out by youth in three different areas are highlighted below.

In many cases, young people are leveraging frontier technologies and digital connectivity to promote social development, including among those who are marginalized. As an example, a young technology entrepreneur from Egypt created a smart glove and a smart bracelet to help individuals who are deaf and blind communicate with teachers who are not necessarily trained to teach deaf-blind people. This technology facilitates access to education programmes for persons with certain types of disabilities. The goal of the Esmaany team — *esmaani* means “hear me” in Arabic — is to reduce communication inequality and build partnerships among persons with disabilities and a wide range of institutions.

It is now widely acknowledged that climate change has a disproportionate impact on marginalized and



vulnerable communities. Those with the fewest resources are the least capable of adapting to climate-related changes in local conditions or rebuilding after a disaster. Some young social entrepreneurs are promoting sustainable environmental practices as their contribution to combating climate change and improving people's lives. A young social entrepreneur from Morocco was distraught over the quantity of wood poor rural families without electric or gas stoves were using to cook their meals. He was also concerned about the health impact of prolonged exposure to traditional cooking fires, given the higher incidence of respiratory infections, eye damage, heart and lung disease, and lung cancer among these families. He invented an alternative way to cook meals which uses only a very small amount of initial heat and no other combustibles afterwards. This cooking tool is available at low cost and lasts for several years.

Experience and research have affirmed the capacity of young people to successfully build bridges in post-conflict settings. Part of the reason youth succeed in such efforts lies in their approach to conflict resolution, as they often challenge conventional tactics and processes that may actually be associated with the causes of conflict. Young women mediators, for example, drawing on skills linked to both age and gender, are more likely to utilize compromising or collaborative approaches that organically generate inclusive reconciliation processes. A group of young women created a training programme in the Caucasus and the Balkans to strengthen the capacity of marginalized groups, including young women, to influence policymakers at the local and international levels so that peace processes would address inequalities that might have contributed to — or even been the source of — the conflicts.



UN Photo / Rick Bajornas

Writer and activist Samar Samir Mezghanni delivers the keynote address at the 2016 Economic and Social Council (ECOSOC) Youth Forum, "Youth Taking Action to Implement the 2030 Agenda".



Students at Butkhak High School in Kabul, Afghanistan. Youth engagement both an end in itself and a means to advance the Sustainable Development Goals.

## 2.1 YOUTH DEVELOPMENT AND PARTICIPATION AT A GLANCE

Young people are key beneficiaries of the 2030 Agenda, but they are also actively engaged in the processes that support the implementation of the Sustainable Development Goals and related targets. The transition from youth to adulthood is seen as transformative, bringing with it expectations of increased economic independence, political involvement and participation in community life. The socioeconomic and political environment in which young people live, however, can have a serious impact on the ability of young people to successfully navigate this transition.

Youth unemployment, underemployment, informal employment and working poverty are concerns in virtually every part of the world, but especially in developing countries. ILOSTAT data indicate that in 2019 the global youth NEET rate stood at 22.2 per cent,<sup>9</sup> where it has hovered for the past decade. This means that more than 1 in 5 youth are not acquiring livelihood skills through education or work. Young people who are not in education, employment or training are more likely to experience social and economic exclusion; the impact varies, depending on the circumstances, but is usually long-term and can affect not only individuals but an entire generation.

<sup>9</sup> See summary table 8.6.1, available at <https://ilostat.ilo.org/data/>.



While advancing youth employment represents an important goal, a strict focus on job creation does not fully exploit the potential of young people as catalysts for sustainable development. Youth development encompasses much more than just youth employment, emanating from the integrated and indivisible nature of the Sustainable Development Goals. The engagement of youth in activities contributing to the implementation and realization of the 2030 Agenda is central to achieving global sustainability, inclusivity and stability, and to averting the worst threats and challenges to sustainable development, including climate change, unemployment, poverty, gender inequality, conflict and forced migration.

The importance of the youth contribution to achieving sustainable and inclusive development is acknowledged within the international development community. United Nations Security Council resolutions 2250 (2015) and 2419 (2018) recognize that young people can be agents of change in promoting peace and security and call for greater youth participation and opportunities for meaningful youth engagement in decision-making at the local, national, regional and international levels.

The failure of decision makers to meaningfully engage young people and address the challenges they face has led to widespread disillusionment and disengagement among youth. Frustrated by structural barriers to their own development and engagement, they are questioning and protesting the status quo and are increasingly turning away from traditional social development paths and platforms. More importantly, they are creating alternative avenues to express themselves and engage in social change. Their enhanced connections and solidarity are leveraged by social media, and various new forms of activism are becoming mainstream.

Young people are demanding greater inclusion and meaningful engagement and are taking action to address development challenges themselves. Growing numbers

of youth are tackling a wide range of issues through advocacy, lobbying, volunteering, or engagement in community-based or civil society organizations. While youth engagement is an end in itself, it is also a means to advance the Sustainable Development Goals. Young people are increasingly being perceived as torchbearers for and partners in the 2030 Agenda, shattering stereotypes around the “apathy of youth” and “youth as a risk factor”.

Youth stereotypes have been especially challenged in the realm of peacebuilding. Around 87 per cent of youth live in developing countries, and 30 per cent live in fragile and conflict-affected countries (Commonwealth Secretariat, 2016). The vast majority of these youth are involved in activities that are not only fostering peace and development at the community level but also helping them develop wide-ranging skills and knowledge.

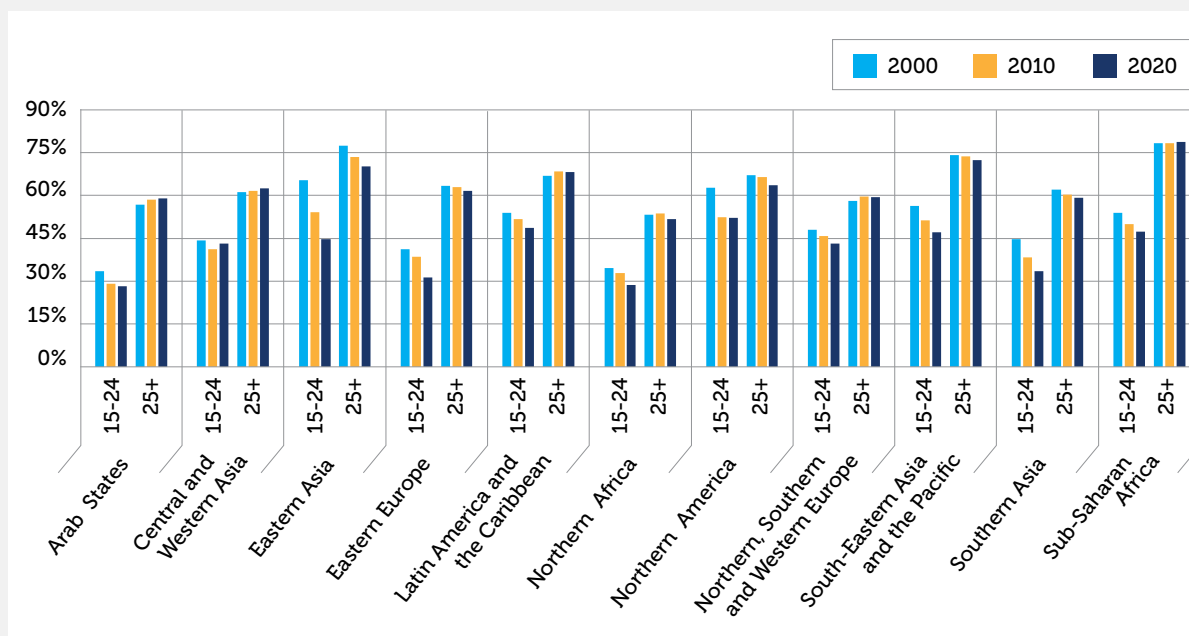
Young people are active contributors to social change. Meaningful engagement is a key vector of youth development — which includes strengthening the capacity of individual young people at the emotional, cognitive, academic, civic, social and cultural levels.

## 2.2 YOUTH EMPLOYMENT AT A GLANCE

The share of youth in the global labour force declined from 21 per cent in 2000 to 15 per cent in 2018. Youth labour force participation as a share of the total youth population also fell during this period, dropping from 52.7 per cent (573 million of 1.089 billion) in 2000 to 42.9 per cent (511 million of 1.19 billion) in 2018; **figure 3** shows the decreasing trend in specific regions for the period 2000-2020. Both in absolute numbers and as share of the global labour force, the contribution of young people has declined. The youth labour force is around 60 per cent male and 40 per cent female — a ratio that has remained fairly constant over time.



**FIGURE 3. LABOUR FORCE PARTICIPATION RATES WITHIN THE AGE GROUPS 15-24 AND 25+, BY REGION, 2000-2020**



Source: International Labour Office, Trends Econometric Models.

Unemployment, particularly among youth, represents one of the greatest global challenges. Recent estimates suggest that 600 million jobs would have to be created over the next 15 years to meet youth employment needs (ILO, 2020). The International Labour Organization (ILO) estimates that 96.8 per cent of all young workers in developing countries are in the informal economy. Unleashing the potential of youth as an engine of job creation is a key element of the 2030 Agenda. Youth entrepreneurship has the capacity to generate a multiplier effect, as young entrepreneurs are more likely to hire their peers and can lift other youth out of informality and working poverty.

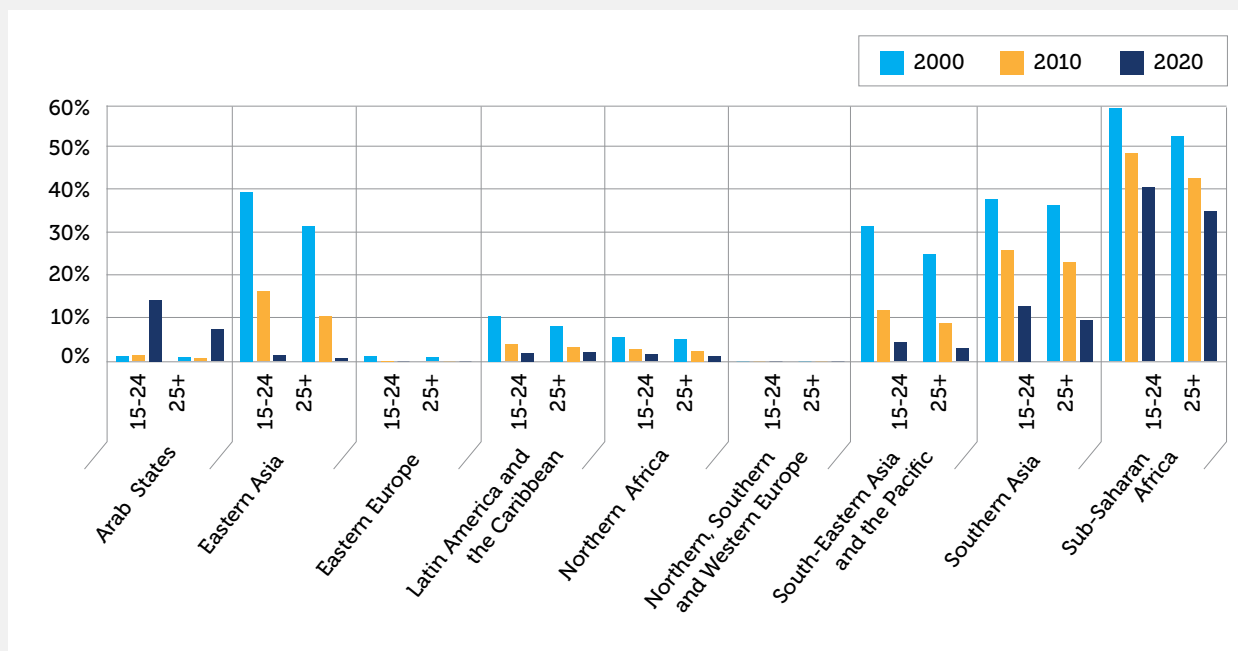
Many individuals in the labour force are underemployed and are thus not operating at their full potential. Underemployment occurs when members of the

workforce are compelled to accept employment in which their training or experience are not fully utilized or to settle for irregular or part-time work when they are seeking full-time employment. Underemployment is especially prevalent in areas where informal markets (and abusive employment terms) are dominant. In Africa, for example, there are significant numbers of youth among the working poor who are forced to accept insecure, low-paid work, often in the informal sector (see **figure 4**). Underemployment negatively affects an individual's financial capacity and hinders personal and professional growth. On a societal level, labour force underutilization undermines economic growth and social progress.

Demographic shifts also have an impact on labour market conditions. According to ILO, "growth of the global



**FIGURE 4. WORKING POVERTY RATES WITHIN THE AGE GROUPS 15-24 AND 25+, BY REGION, 2000-2020**



Source: ILOSTAT, Estimates and Projections.

labour force will not be sufficient to compensate for the rapidly expanding pool of retirees, putting pressure on both the pension system and the labour market as a whole” (ILO, 2018, p. 3). Expanding youth employment and increasing the productivity and wages of young people in the labour market will help alleviate these pressures. Several regions, such as sub-Saharan Africa and Southern Asia, which still have very large youth populations entering the labour force, face a major challenge in creating enough decent work opportunities for the new entrants (ibid., p. 46).

One encouraging development is the significant decline in extreme poverty<sup>10</sup> among working youth – except in the Arab States, where estimates suggest

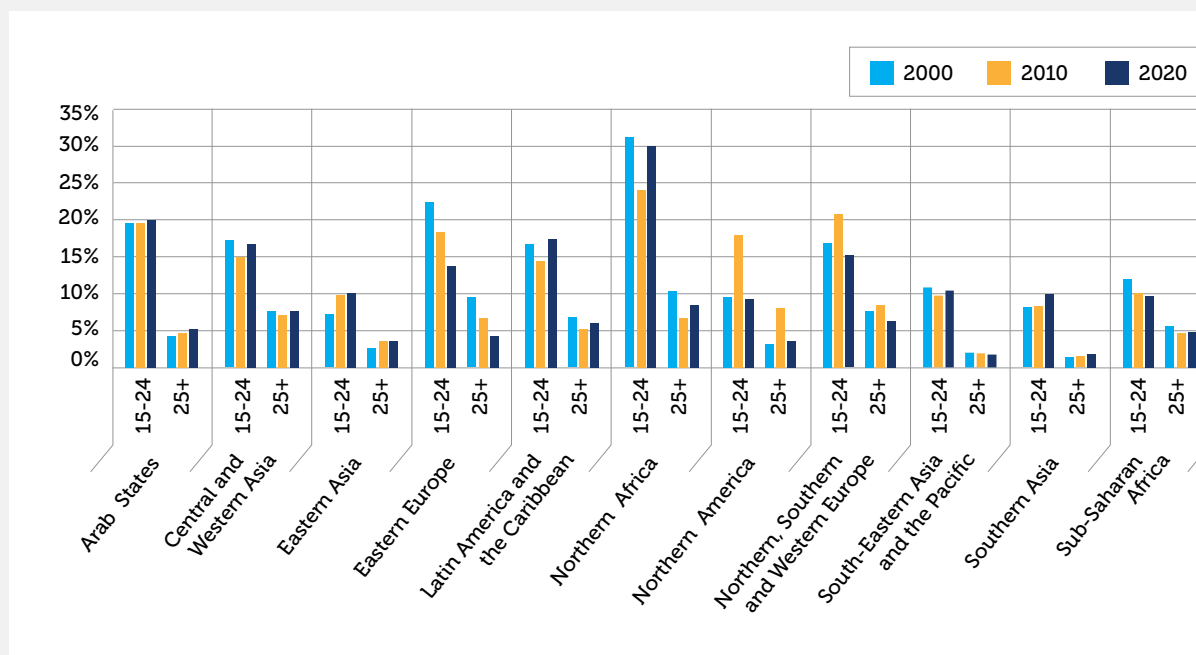
an increase during the period 2010-2020. The Youth Development Index (YDI) measures progress in 183 countries across five domains (education, health and well-being, employment and opportunity, political participation, and civic participation); based on YDI statistics for the period 2010-2015, the Commonwealth Secretariat (2016, p. 27) concluded that the “all-round development of young people is improving in most parts of the world”.

Such data suggest that there may be cause for guarded optimism. However, young people still struggle to find jobs and are more likely than those aged 25 and above to be unemployed; youth unemployment rates vary across regions but are particularly high in Northern

<sup>10</sup> Living on less than \$1.90 per day (2015 purchasing power parity).



FIGURE 5. RATES OF UNEMPLOYMENT WITHIN THE AGE GROUPS 15-24 AND 25+, BY REGION, 2000-2020



Source: ILO, Key Indicators of the Labour Market (2018 data).

Africa and the Arab States (see **figure 5**). Similarly, though progress has been made in reducing rates of working poverty, the share of the working poor remains stubbornly high in sub-Saharan Africa.

In many countries worldwide — and especially for the young people in those countries — decent labour market conditions (formality, social security systems, job security, access to collective bargaining, compliance with labour standards and rights at work) remain elusive (ILO, 2019). Young people are more likely than adults to be underemployed and/or in vulnerable employment (Schøtt, Kew and Cheraghi, 2015); in 2017, youth underemployment rates were higher than the corresponding adult rates in all but 6 of the 79 countries for which ILO had data, ranging from 0.3 per cent in Ukraine to 29 per cent in Azerbaijan.

In developing countries in particular, low youth unemployment rates may mask poor job quality or insufficient work hours. Substantial numbers of young labour force participants experience the latter phenomenon — referred to as time-related underemployment — which characterizes those in employment who “(a) are willing to work additional hours; (b) are available to work additional hours, i.e., are ready, within a specified subsequent period, to work additional hours given opportunities for additional work; and (c) worked less than a threshold relating to working time” (ILO, n.d.).

Youth working in the informal sector account for 96.8 per cent of employed youth in developing economies, 83.0 per cent in emerging economies, and slightly less than 20 per cent in developed economies. Young



people worldwide struggle to find employment; in many areas, any work they find is likely to be precarious.

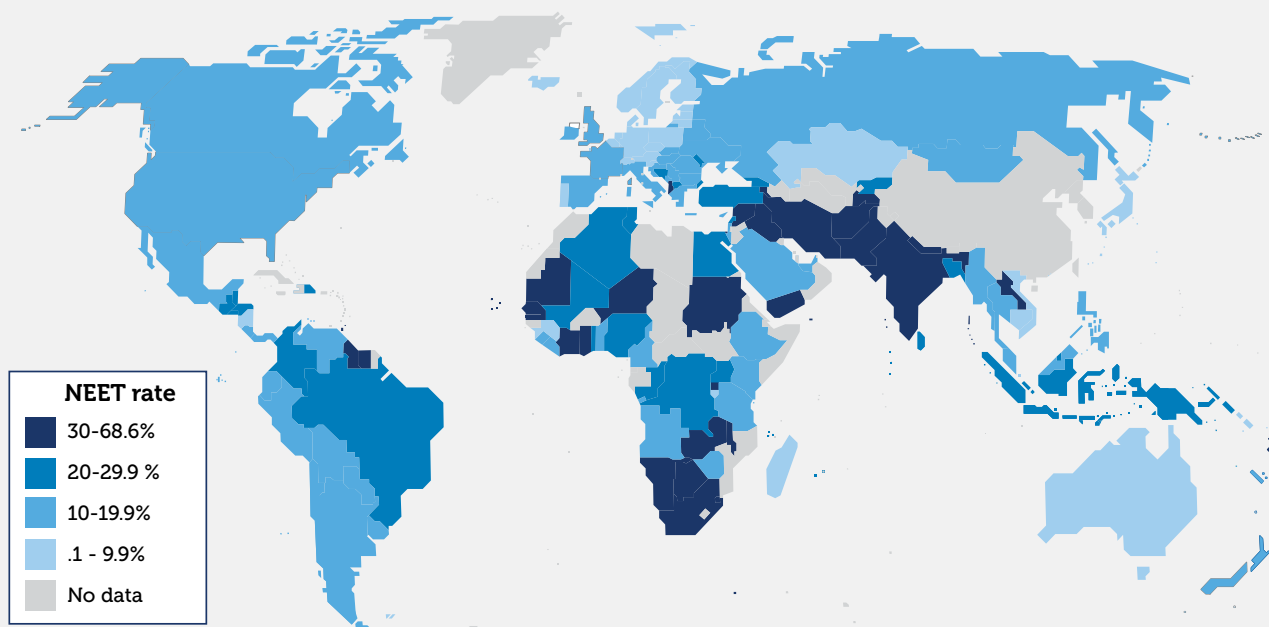
Young people who spend a substantial amount of time not in employment, education or training tend to experience varying degrees of social and economic marginalization and are more likely to be left behind. **Figure 6** provides a snapshot of NEET-rate ranges worldwide (for countries for which data are available) using the most recent estimates for the period 2000-2018.

Globally, “30 per cent of young women and 13 per cent of young men were classified as NEET in 2018” (ILO, 2019, p. 20). The overall NEET rate “decreased by a mere 2 percentage points between 2005 and 2018, which

means that the ... [Sustainable Development Goal] target of substantially reducing NEET rates by 2020 will most certainly be missed” (ibid., p. 3). Data suggest that the NEET phenomenon is persistent and highly gendered, so promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Goal 8) and achieving gender equality and empowering all women and girls (Goal 5) are likely to prove challenging.

Unfortunately, the most recent estimates likely understate the true extent of youth NEET, as data are not available for all countries. Using the ILO modelled estimates for 2018, the total number of youth in the world classified as NEET

**FIGURE 6. YOUTH NEET RATES,  
MOST RECENT ESTIMATES (2000-2018)**



Source: DESA, based on ILOSTAT, country profiles.

The boundaries shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.



comes to around 264 million.<sup>11</sup> The concentration of youth classified as NEET is strong. As shown in **table 2**, there are

19 countries in which the youth NEET rate exceeds 35 per cent; the combined average for this group is 42 per cent.

<sup>11</sup> Based on ILOSTAT explorer data set "Youth not in employment, education or training (NEET) by sex — ILO modelled estimates, November 2019" ([https://www.ilo.org/shinyapps/bulkexplorer24/?lang=en&segment=indicator&id=EIP\\_2EET\\_SEX\\_NB\\_A](https://www.ilo.org/shinyapps/bulkexplorer24/?lang=en&segment=indicator&id=EIP_2EET_SEX_NB_A)).

**TABLE 2. COUNTRIES WITH THE HIGHEST YOUTH NEET RATES (2018 OR MOST RECENT ESTIMATES)**

| COUNTRY                          | YOUTH NEET RATE (PERCENTAGE) | GDP PER CAPITA (CONSTANT 2010 US DOLLARS) | TOTAL UNEMPLOYMENT RATE (PERCENTAGE) | EASE OF DOING BUSINESS INDEX* (RANK) |
|----------------------------------|------------------------------|---|--------------------------------------|--------------------------------------|
| Niger                            | 68.6                         | 403.5                                     | 7.8                                  | 144                                  |
| Trinidad and Tobago              | 52.1                         | 15 161.1                                  | 3.0                                  | 102                                  |
| Gambia, Republic of the          | 49.6                         | 786.4                                     | 10.2                                 | 146                                  |
| Kiribati                         | 46.9                         | 1 762.3                                   | 9.3                                  | 157                                  |
| Yemen                            | 44.8                         | 667.9                                     | 13.5                                 | 186                                  |
| Zambia                           | 43.1                         | 1 672.3                                   | 12.0                                 | 85                                   |
| Tajikistan                       | 42.2                         | 1 073.0                                   | 6.9                                  | 123                                  |
| Lao People's Democratic Republic | 42.1                         | 1 785.6                                   | 9.4                                  | 141                                  |
| Afghanistan                      | 42.0                         | 563.8                                     | 11.2                                 | 183                                  |
| Iraq                             | 40.6                         | 5 477.7                                   | 13.0                                 | 168                                  |
| Samoa                            | 37.9                         | 3 748.8                                   | 14.5                                 | 87                                   |
| Armenia                          | 36.6                         | 4 406.7                                   | 17.7                                 | 47                                   |
| Nauru                            | 36.4                         | 10 910.1                                  | 13.3                                 | N/A                                  |
| Senegal                          | 36.2                         | 1 546.5                                   | 6.8                                  | 140                                  |
| Guyana                           | 35.8                         | 3 992.2                                   | 14.0                                 | 126                                  |
| Botswana                         | 35.5                         | 8 031.0                                   | 17.9                                 | 81                                   |
| Eswatini                         | 35.5                         | 4 773.9                                   | 22.7                                 | 112                                  |
| Mauritania                       | 35.5                         | 1 334.5                                   | 10.3                                 | 150                                  |
| Nepal                            | 35.4                         | 817.4                                     | 3.9                                  | 105                                  |

Sources: ILOSTAT database (non-modelled estimates); World Bank, World Development Indicators.

\* In the ease of doing business index, economies are ranked from 1 to 190 (1 = most business-friendly regulations).



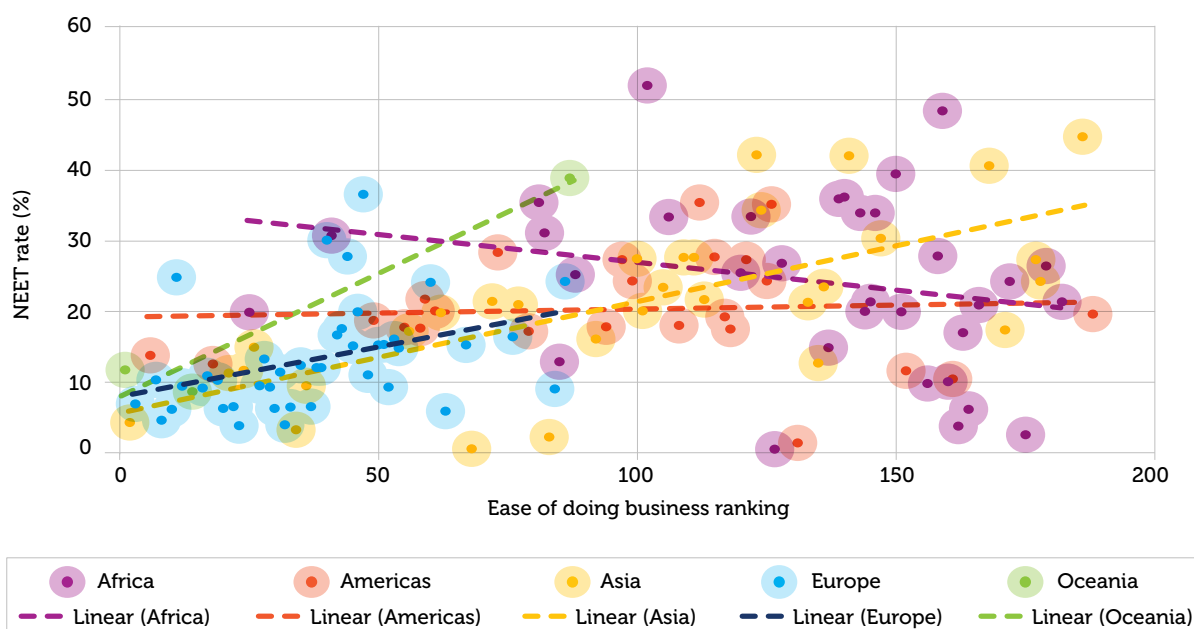
The untapped potential of youth is highest in countries that most need to develop that potential, but labour market conditions appear to be unfavourable for both formal employment and self-employment/entrepreneurship in those countries. As indicated in **table 2**, the 19 countries with youth NEET rates exceeding 35 per cent tend to be poor (with average GDP per capita of \$3,627), to have high unemployment rates (11.4 per cent, on average), and to be characterized by relatively difficult conditions in which to do business (with an average ranking of 126 in the ease of doing business index).

The World Bank ease of doing business index reflects the favourability of the local business environment in every country, with national rankings deriving

from the aggregation of selected indicators that measure 11 dimensions of the general business environment (getting electricity, dealing with construction permits, trading across borders, paying taxes, protecting minority shareholders, registering property, getting credit, resolving insolvencies, enforcing contracts, labour market regulation and starting a business). **Figure 7** depicts the relationship between youth NEET rates and rankings in the World Bank ease of doing business index (based on indicators for 144 countries for which data were available).

There is a strong negative correlation between a country's ease of doing business ranking and its youth NEET rate. A country with a very low ranking in the ease of doing business index tends to have a high youth NEET

**FIGURE 7. RELATIONSHIP BETWEEN EASE OF DOING BUSINESS INDEX RANKINGS AND YOUTH NEET RATES, 2017**



Source: Compiled by Willem Naudé based on data from ILO and the World Bank ease of doing business index (2017).



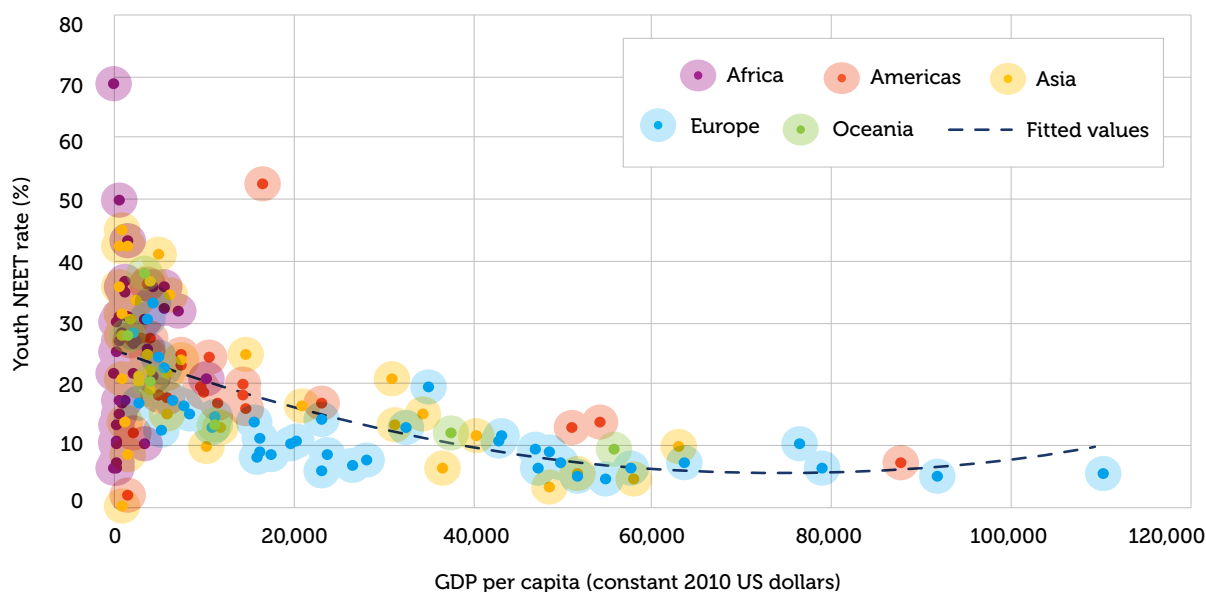
rate. In practical terms, a business environment that is more accommodating to new start-ups and better supports the growth of existing enterprises is associated with a higher realization of youth potential in both education and employment.

Countries with stubbornly high youth NEET rates can improve the economic engagement and overall welfare of young people by improving the environment for doing business. This is true as a rule, though African countries constitute an interesting exception. Furthermore, the United States is ranked very high in terms of the ease of doing business but has a 13 percent youth NEET rate.

As shown in **figure 8**, there is a strong negative correlation between the national youth NEET rate and the level of economic development (as reflected in real GDP per capita). There is a positive correlation between the level of income inequality in a country (as measured by the Gini index) and the youth NEET rate (see **figure 9**); in other words, countries with a more unequal income distribution tend to exhibit higher NEET rates. Clearly, structural factors influence the share of youth who are classified as NEET.

Higher NEET rates are also positively correlated with less peaceful national contexts as measured by the

**FIGURE 8. RELATIONSHIP BETWEEN GDP PER CAPITA AND THE YOUTH NEET RATE, 2018 OR MOST RECENT ESTIMATE**



Sources: DESA, based on ILOSTAT database (non-modelled estimates); World Development Indicators (World Bank).

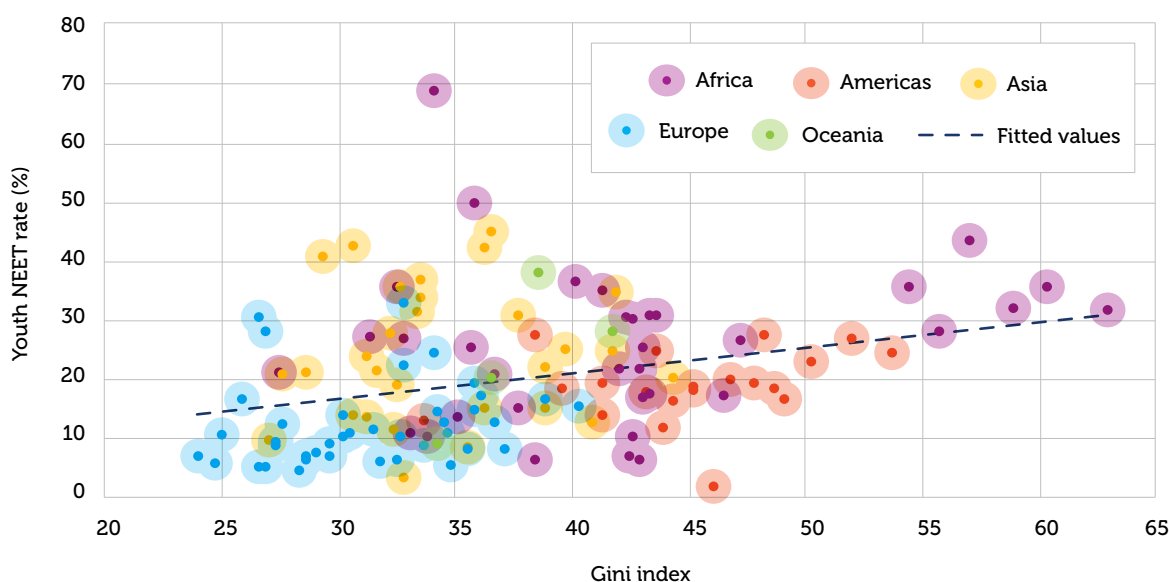


Global Peace Index<sup>12</sup> (see **figure 10**). The Commonwealth Secretariat (2016) has estimated that a third of global youth live in fragile and conflict-affected countries, and projections by the Organization for Economic Cooperation and Development (OECD) indicate that the number of such youth will increase from 1.6 billion to 3.0 billion by 2050. Fragile political contexts and a distrust of local authorities add to the existing socioeconomic barriers to youth development (UNDP, Regional Bureau for Africa, 2017). Such contexts become even more conducive to violence with the breakdown of family structures and strong community ties and, more generally, with the social marginalization of youth (UNDP, 2016).

Although some progress has been made in youth development, young people are still struggling to find their place in the labour market. The elevated unemployment, underemployment and NEET rates among youth heighten their risk of economic and social exclusion. Structural factors such as economic underdevelopment, inequality, fragile political contexts and conflicts undermine efforts to achieve the Sustainable Development Goals and reduce opportunities for young people to thrive and be agents of positive change. In this context of impeded youth development, enhancing entrepreneurship represents one solution for youth employment (Eichhorst and Rinne, 2017).

<sup>12</sup> Global Peace Index (GPI) scores are provided for 163 countries; in 2018, the scores ranged from 1.096 in Iceland to 3.599 in Iraq.

**FIGURE 9. RELATIONSHIP BETWEEN INCOME INEQUALITY AND THE YOUTH NEET RATE, 2018 OR MOST RECENT ESTIMATE**



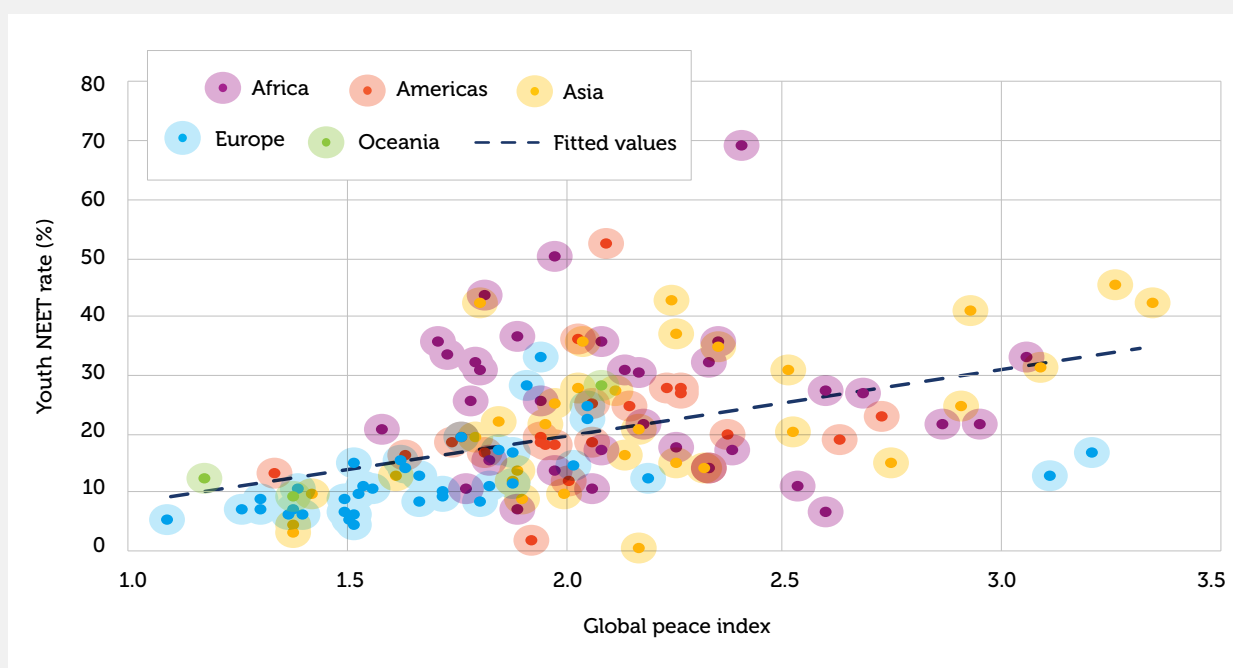
Sources: DESA, based on ILOSTAT database (non-modelled estimates); World Development Indicators (World Bank), 2018 or most recent.



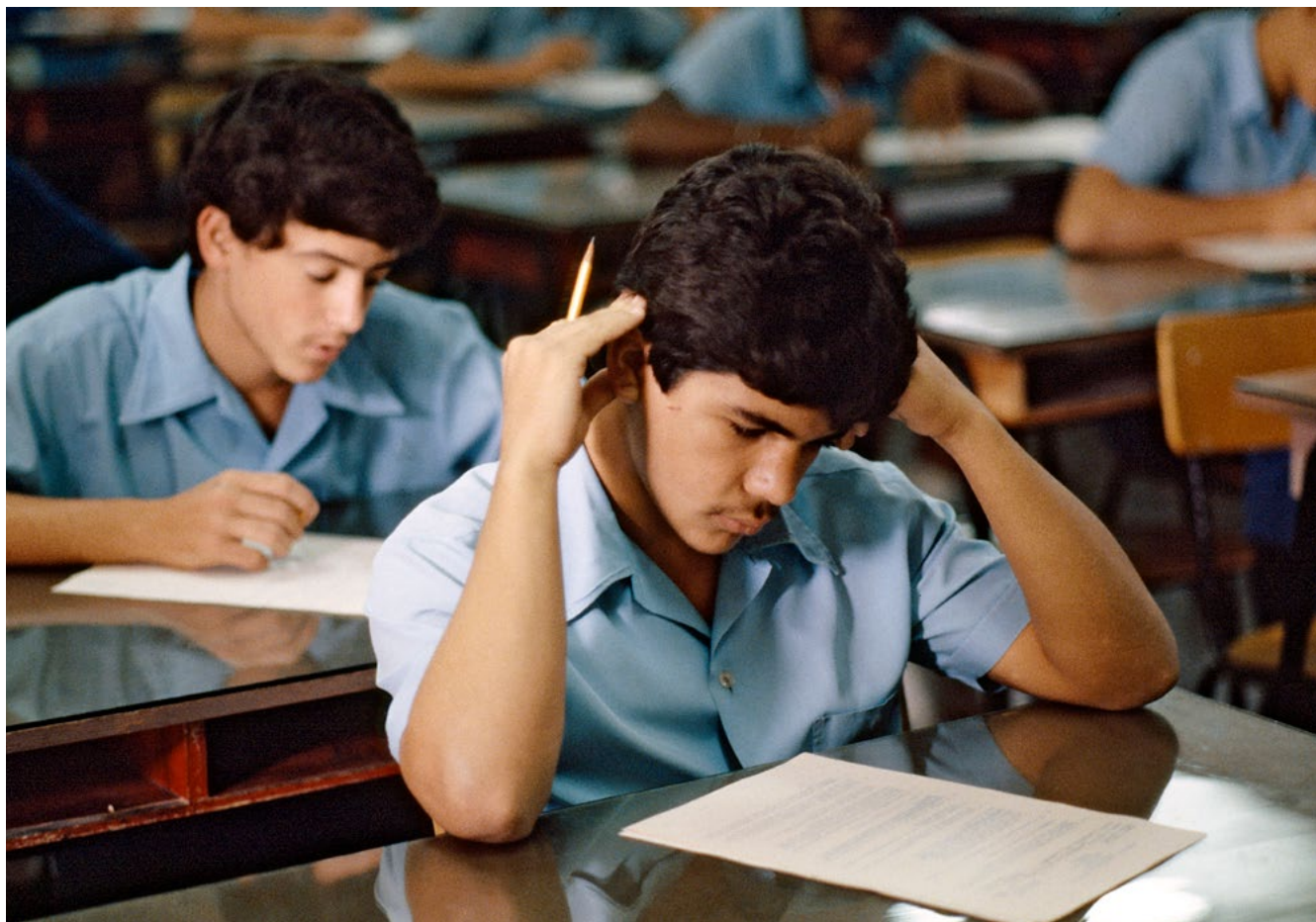
Technological changes — including the rise of automation and the consequent displacement of lower-skilled labour — have the potential to exacerbate youth unemployment. Automation is most likely to replace jobs in which tasks are largely routinized. Because jobs with fewer complex tasks are often young people's point of entry to the formal labour market, youth are disproportionately represented in industries that will be especially affected by automation. The elimination of these jobs may create additional challenges for young people, in particular those who have not had access to higher education.

Technological change also has the potential to contribute to youth employment. With the rapid development of frontier technologies, new opportunities may open up for some young people (including those who have access to technology education) to take advantage of new, emerging or growing markets created by such technologies. For these opportunities to be available to all youth, all countries will need to provide education and training to enable the growth of the digital economy, including digital social enterprises, and to invest in infrastructure, innovation, and research and development (R&D) to provide the foundation for young people to be able to leverage these new technologies.

**FIGURE 10. RELATIONSHIP BETWEEN PEACE AND THE YOUTH NEET RATE, 2018 OR MOST RECENT ESTIMATE**



Sources: DESA, based on ILOSTAT database (non-modelled estimates); Global Peace Index, Institute for Economics and Peace.



UN Photo / Milton Grant

**Students at the Che Guevara School in Guanajay, Cuba. Developing a broad array of transferable skills such as entrepreneurial skills, can increase young people's chances of success in their professional lives.**

What is clear is that the future of work is changing more rapidly than imagined even a few years ago, and the impact on young people cannot be underestimated. The fusion of advancements in artificial intelligence (AI), robotics and automation, 3D printing, the Internet of Things (IoT), and other technologies will require youth not only to learn new skills but to learn in a different way. Young people will likely change careers several times during their adult lives. Developing a broad array of transferable skills, including entrepreneurial skills, can increase

their chances of success in their professional lives and help them weather the profound changes the Fourth Industrial Revolution will bring.

As long as structural barriers remain in place, implementing employment-based interventions targeting young people may just fuel greater frustration. What is needed are comprehensive approaches and strategies that enhance the economic, social and political inclusion of youth and that recognize young people as catalysts for positive social change and sustainable development.



## 2.3 SOCIAL ENTREPRENEURSHIP: A VIABLE EMPLOYMENT ROUTE FOR YOUTH?

In the context of this *Report*, the term “youth social entrepreneurship” is used to describe situations in which young people are social entrepreneurs themselves and are either founders of or partners/employees in youth-led social enterprises. In some cases, the term is used in connection with youth-focused social enterprises (where young people are the primary beneficiaries rather than the leaders of the social enterprise).

By and large, youth recognize the merits of social entrepreneurship and the potential for making a living from employment focused on social development (Perić and Delić, 2014). Young people see social entrepreneurship as a way to create a job for themselves and to gain experience that can inspire others to act as change agents in various fields. This is particularly evident in the Middle East and North Africa, sub-Saharan Africa and Western Europe, where nascent social entrepreneurs outnumber nascent commercial entrepreneurs in the 18-34 age group (Bosma and others, 2016).

Social entrepreneurship can generate economic empowerment for youth and social development for the community. Young social entrepreneurs can pull in resources and funding to create jobs and services while developing novel solutions that contribute to inclusive sustainable development. Through their involvement in social enterprises, marginalized youth are provided with the means and motivation to contribute to their communities in more general terms and are taught skills that enable them to become productive members of society (Delgado, 2004).

Social enterprises create economic opportunities for a wide range of vulnerable groups. The employment and management principles of social enterprises are

typically more inclusive than those applied in commercial enterprises (Huybrechts, de Wilmars and Rijpens, 2014). Social enterprises frequently provide disadvantaged and marginalized groups with job opportunities, effectively fighting discrimination and stereotypes through their employment practices. Studies show that social enterprises have more women in senior positions than do commercial small and medium-sized enterprises (SMEs), which has a positive impact on organizational performance (Commission Expert Group on Social Entrepreneurship, 2016).

When successful, youth social entrepreneurship can expand beyond self-employment to a type of entrepreneurship that creates jobs for unemployed youth. As profit is not the main objective, social enterprises are well positioned to train employees for a longer period. Such enterprises are able to create jobs and retain employees even in situations in which their commercial counterparts would find certain potential or existing employees unsuitable for their purposes. Young social entrepreneurs can hire other youth and give them the opportunity to learn new skills that will allow them to gain a foothold in the labour market.

Scholars and policymakers are increasingly promoting youth entrepreneurship as a means of addressing the global employment challenge (Chigunta, 2017), particularly among young people who struggle to find decent work (Chigunta and Chisupa, 2013). Youth social entrepreneurship can become an integrated tool for both youth employment and sustainable development. Indeed, “fostering effective entrepreneurial activity among ... youth is regarded as a critical development strategy in order to integrate them into the labour market as well as harness their potential to contribute in a meaningful way to sustainable economic development in their regions” (Schøtt, Kew and Cheraghi, 2015, p. 4).



When properly supported and leveraged, young social entrepreneurs can be agents of change who seek to create and build social value in a sustainable manner while accepting the associated risks and the need for continuous learning and innovation. Often, young people see social entrepreneurship as a vehicle for bringing together opportunities for self-employment, development and participation.

Some social enterprises, including those operating or expanding in last-mile and other underserved areas, create completely new job opportunities — often for marginalized youth, who experience higher levels of unemployment (Commission Expert Group on Social Entrepreneurship, 2016). As part of their mission, many social enterprises have an employment policy that seeks to give opportunities to job-seekers from vulnerable or marginalized population groups (Mihajlović and Nikolić, 2017). For example, work-integration social enterprises (Davister, Defourny and Grégoire, 2004; Teasdale, 2010) and cooperatives (Wanyama, 2014; Gicheru, 2016) are committed to offering decent working conditions, developing the skills of youth that have no prior work experience, and employing those who for a variety of reasons find it difficult to secure employment in traditional labour markets.

Social enterprises endeavour to make a profit but place a high priority on offering decent terms of employment. Such enterprises frequently offer stable jobs for excluded individuals. For some groups, including young people in certain settings, they may represent the only work prospect. For others, social enterprises are part the transitional labour market, serving as a step on the way to (or way back to) the regular labour market and “normal” employment (Borzaga and Defourny, 2001). Another way social enterprises can promote youth entrepreneurship and employment is by prioritizing youth and other vulnerable groups in their value chain as partners and subcontractors.

Work-integration social enterprises are not always able to offer salary levels that enable marginalized groups to become independent of State subsidies and support. Nevertheless, social enterprises may contribute to the economic well-being of marginalized groups and give them a level of financial independence, which in turn boosts economic activity in the local community. This is the case primarily (or perhaps almost exclusively) in developed countries; in developing countries, the problem of low and unstable wages persists.

Social entrepreneurship is closely tied to young people’s everyday realities, so unlike government agencies and established NGOs, youth social enterprises may operate largely in the informal economy. In developed countries the informal economy is often associated with illegality and criminal behaviour, but in vast parts of the world it is where much of the economic activity takes place and is the sector that provides livelihoods to large parts of the population. Youth social enterprises established in the informal economy are able to reach parts of society that remain outside the range of public sector efforts.

Informal employment is ubiquitous, but it often represents a forced choice and comes with a number of risks. The informal sector is largely unregulated, leaving youth vulnerable to exploitative or abusive working conditions and job insecurity. Furthermore, there is evidence that youth who start in the informal sector are likely to remain there for extended periods of time. Social enterprises initially established in the informal sector that ultimately become part of the mainstream economy can mitigate this tendency by helping youth improve their personal circumstances and contributing to the development of their communities and society.

In countries in which unemployment is particularly high among the more highly educated, social entrepreneurship often presents a viable career option. While



social enterprises may be unable to offer salaries that enable youth to become fully independent, they represent a first step on the path out of extreme poverty and/or unemployment (Fotheringham and Saunders, 2014).

## 2.4 SOCIAL ENTREPRENEURSHIP: AN EFFICIENT DEVELOPMENT PLATFORM FOR YOUTH?

Employment remains a major challenge for young people around the world, and there are additional structural barriers that continue to restrict opportunities for social agency among youth.<sup>13</sup> Despite improvements in the overall welfare of youth in recent decades, evidence shows enormous untapped potential at several levels. Young people constitute a vulnerable population themselves, but many are also part of other disadvantaged social groups whose opportunities to participate in social and economic activities may be limited (United Nations, 2018). According to some experts, new participatory development models that empower and benefit marginalized groups are needed to address societal challenges (Abdou and others, 2010).

Young people exhibit characteristics that make them well suited to finding solutions for social problems and accelerating social change (Ho, Clarke and Dougherty, 2015; Kourilsky, Walstad and Thomas, 2007). Studies from around the world show that youth are highly motivated to do meaningful work that makes a positive difference and addresses social problems (Braguta, Solcan and Stihl, 2018; Global Social Entrepreneurship Network, 2016). Importantly, young people are generally ready to challenge the status quo, including traditional development approaches, and tend to take advantage of technology

to seek information, test their ideas, and engage or collaborate with peers (Clarke and Dougherty, 2010). There is specific added value in engaging individuals in social entrepreneurship at a young age; among other things, empowering youth and strengthening their belief in their own capabilities can influence their willingness to engage in additional entrepreneurial activity in the future (Sen, 2007).

By strengthening young people's capabilities, social enterprises can enhance their opportunities to improve their situation while also fostering the long-term development of their communities. Social enterprises can involve youth as employees or target them as beneficiaries. By helping young people acquire skills and channel their frustrations into productive activity, such enterprises support youth empowerment and participation in the economic and social spheres, providing a pathway for young people to contribute to their communities in more general terms. All of this serves to strengthen the social fabric of local communities, which in turn contributes to overall political, social and economic stability (Abdou and others, 2010; Delgado, 2004).

Being locally embedded, social enterprises are particularly agile in developing innovative solutions to local problems (Richter, 2017), and by influencing economic and social conditions, they can also drive broader institutional change (Seelos, Ganly and Mair, 2006). Youth social enterprises can induce social transformation through young people and through values-based business approaches in which positive outcomes are produced throughout the value chain. Beyond solving local problems, youth social enterprises can shape how social values are defined and what kinds of solutions, needs and economic models are prioritized. By scaling up their

<sup>13</sup> One factor is the age structure of a population. Liang, Wang and Lazear (2014) have confirmed — based on data from the Global Entrepreneurship Monitor and the Flash Eurobarometer Survey on Entrepreneurship — that the overall rate of entrepreneurship is lower in “older” societies.



own operations or simply by acting as role models and facilitators in their local environment (Rahdari, Sepasi and Moradi, 2016), youth can help transform development approaches and foster partnerships.

Some youth connect with social entrepreneurship as beneficiaries, but young people are also able to take the lead in social enterprises that seek to help transform local communities. Typically, young social entrepreneurs follow their personal values and naturally develop business models and funding sources that are aligned with the aim of producing social good. The business ideas they adopt may not appeal to commercial enterprise developers and often do not represent what would traditionally be considered a strong “business case”. Young social entrepreneurs are motivated not by profit but by their desire to engage their communities in developing solutions to real problems and to ensure that others will not face the same challenges. They understand that successful social entrepreneurship is often based on a deep understanding of the local socioeconomic context and accountability to the people living in the community.

Youth engage in social entrepreneurship for a number of reasons. Young people regularly face obstacles to participation in traditional platforms (including political processes), and local community development offers them a way to make a difference in society. As young people value social capital and tend to be more willing to deviate from group norms and question traditional approaches, they may be more inclined to choose social entrepreneurship as a way to effect social change in their own way and on their own terms.

It is important to mention that substantial numbers of young people do not “choose” social entrepreneurship among a wide range of career options. In many cases, social entrepreneurship represents the only way out of extreme poverty. Necessity or subsistence entrepreneurs engage in entrepreneurial activities because formal

employment opportunities are not available and they need to survive. This issue is examined in greater detail in **chapter 3** of the present *Report*.

## 2.5 SOCIAL ENTREPRENEURSHIP: A PRACTICAL PATHWAY TO SOCIAL CHANGE FOR YOUTH?

A key aspect of social entrepreneurship that resonates well with young people is the approach of caring about rather than simply using a place (Kibler and others, 2015). Social enterprises acknowledge their ties to the community and undertake activities that hold value for local residents and benefit the wider society (Edward and Tallontire, 2009). In catering to the needs of the most marginalized segments of society, social enterprises may adopt business ideas that are not appealing to commercial actors (Santos, 2012). They fill gaps in areas that are outside the interests or responsibilities of State and local government authorities, international organizations, foreign direct investment sources, and private philanthropists (Hanley, Wachner and Weiss, 2015). Many social enterprises emerge from local resident initiatives or are initiated by local economic actors who establish operations in their own communities and explore solutions to local needs.

In commercial enterprises, the primary focus is on economic returns. As the social mission is the core focus of social enterprises, the financial component is important only insofar as it represents a means of achieving the targeted social development objectives. In a number of enterprises, commercial and social entrepreneurship coexist to varying degrees. Although some social entrepreneurs may not perceive themselves as such (Holt and Littlewood, 2014), their personal values lead them to develop a business model that is aligned with the aim of producing social good. Many commercial enterprises incorporate some form of social engagement as part of



**Students attend class at a public school in Taliko, a neighbourhood of Bamako. Inequalities among youth, such as lower access to post-secondary education for young women, also widen gaps in access to opportunities, such as social entrepreneurship education.**

their company mission or engage in social support activities on a voluntary basis. For instance, young entrepreneurs in the information technology sector often exhibit a pronounced tendency to focus on building a sense of community and enhancing the well-being of employees, customers and other stakeholders (Grant, 2017).

Social entrepreneurs may “sacrifice” a portion of their profits for the social good. Reinvesting financial gains in the achievement of a social mission that benefits the local community and contributes to infrastructure development is a way of making a positive impact. In addition to providing products and services that address

customers’ needs and supporting the sustainable development of societies, social enterprises can generate impact in different parts of the value chain (Littlewood and Holt, 2018). A social enterprise can advance the Sustainable Development Goals by practising ethical sourcing — that is, by collaborating with and supporting activities carried out by ethical actors, including other young entrepreneurs.

By helping mitigate poverty and resource scarcity, youth social enterprises can also help end the vicious cycle of intergenerational disadvantage (Rivera-Santos and others, 2014). The intergenerational transmission of



social disadvantage remains a common phenomenon, with children “inheriting” their parents’ position and status (Wiborg and Hansen, 2009). The social and economic exclusion of marginalized groups tends to expand over time as it affects successive age cohorts.

As social-economy organizations, social enterprises focus primarily on local disadvantaged groups such as young women, the long-term unemployed, persons with disabilities and migrants. Young women represent an important group for social entrepreneurial services. They are typically the primary caregivers in the household, and their marginalization strongly affects the health and well-being of their children and their capacity to evolve into productive adults (Fotheringham and Saunders, 2014). The social and economic empowerment of marginalized young women enables them to imagine and provide better futures for their children. Supporting young women can also be a powerful engine for social change in that it erodes gender discrimination, challenges traditional power structures and family dynamics, and alters attitudes towards working women (Haugh and Talwar, 2016).

In general, social entrepreneurship has enormous potential for mobilizing young people to address major social challenges such as poverty, social exclusion, and migrant and refugee concerns while also generating self-employment and fostering their own development and empowerment. Youth social entrepreneurs, unlike government agencies and established NGOs, are often part of the communities targeted by their enterprises, so they are familiar with the needs of those they seek to help. Young entrepreneurs tend to be more readily welcomed in these communities and to know what it takes for the local population to adopt their ideas. The gaps that social enterprises can fill vary by location and might not be visible to outsiders; however, young people — especially those who hail from the same communities or general culture — are aware of these gaps and see them as business opportunities (Mair and Marti, 2009).

## 2.6 SOCIAL ENTREPRENEURSHIP: SUPPORTING YOUTH ACCESS TO NETWORKS AND RESOURCES?

Marginalized groups, including youth, often lack opportunities and the resources they need to build their future. Successful social entrepreneurship can help build the resilience of depleted communities and lower or remove the barriers that prevent marginalized individuals from being active agents of their own development and productive members of the community (Haugh and Talwar, 2016). Creating a sense of belonging and enhancing self-esteem can be equally important. A study following displaced Palestinian women, including many youth, who engaged in home-based entrepreneurship in Jordan revealed that the women were empowered by the increased awareness of and respect for their ethnic background and heritage (driven by the success of their traditional entrepreneurial activity). This community of women found a way to become more embedded in society and to identify themselves by their achievements rather than by their poverty, marginalization or displacement (Al-Dajani and Marlow, 2013). As skilled entrepreneurs, they enjoyed increased social status within their families and immediate communities as well as among their clients and people living in the region.

One form of social entrepreneurship that facilitates youth inclusion and cooperation is community entrepreneurship, which occurs when members of a community combine local skills and resources to create a collaborative enterprise (Peredo and Chrisman, 2006). Community entrepreneurship is jointly undertaken in pursuit of the common good, including through intergenerational dialogue, and can potentially address a multitude of social and economic problems in a community. Examples of such enterprises include jasmine growers in India (Handy and others, 2011), reindeer husbandry in Finland (Dana and Light, 2011), and SEKEM in Egypt,



which has developed more environmentally friendly cotton production practices to help future generations safeguard their natural resources. Several case studies show that community entrepreneurship has the potential to empower those involved and to alleviate poverty (Teerakul and others, 2012), to protect and help preserve the local culture (Dana and Light, 2011), to enhance the use of local resources (Berkes and Davidson-Hunt, 2007), and to improve social participation and people's sense of community involvement (Bridger and Luloff, 2001; Somerville and McElwee, 2011).

Social entrepreneurship can also help young people strengthen their financial capabilities and gain access to resources. KickStart International is a social enterprise that shares technologies and other resources to support the expansion of youth entrepreneurship, particularly in sub-Saharan Africa, and to support economic growth and poverty alleviation in areas with the greatest level of need. The mission of KickStart "is to move millions out of poverty by promoting sustainable economic growth and employment creation through the development and promotion of technologies that can be used by 'dynamic entrepreneurs' to establish and run profitable small-scale enterprises" (Galvin and Iannotti, 2015). Initiatives such as these are important, as grants are often available only to organizations or projects that are formally registered or meet specific criteria – which immediately restricts access to such funding in much of the global South. Another initiative dedicated to promoting financial self-sustainability is YouthStart, which was established by the United Nations Capital Development Fund (UNCDF) in 2010. This programme helps financial service providers in sub-Saharan Africa develop their offerings to better cater to the needs of low-income youth. The services are designed to help young people save money and develop financial literacy, as well as to acquire the skills, knowledge and networks they need to build livelihoods for themselves.

Social entrepreneurs typically set up a single enterprise but often become part of a collective effort that brings together youth, opportunities and resources. To address challenges stemming from the scarcity of resources and the complexity of problems experienced at the last mile, for example, social enterprises can share information and resources and work together in a number of ways to support each other's efforts. One reason social enterprises need to form tight networks is that other entities engaged in social development may not be willing to partner with working ventures serving stigmatized groups (Fotheringham, 2016).

## 2.7 SOCIAL ENTREPRENEURSHIP: AN AVENUE FOR YOUTH TO CONTRIBUTE TO SOCIAL CHANGE?

Research shows that young social entrepreneurs tend to challenge the status quo by questioning prevalent assumptions about who their beneficiaries are, what they need, and how they should be supported (Sunduramurthy and others, 2016). In Brazil, for example, Projeto Quixote sought to change the public image of children living in the streets so that they would be seen not as a population of delinquents but rather as a marginalized group to be empowered through education and other types of support that could help them build better futures for themselves. Similarly, many young social entrepreneurs in the education sector have worked to ensure that students are perceived and treated as active participants rather than passive recipients and have elevated the prestige of learning outside the formal schooling system. These are only two of the many examples of youth social enterprises generating social change by shaking up assumptions.

By framing social issues differently, social entrepreneurs can influence how social objectives are defined and the way they are addressed by other sectors of society



(Santos, 2012). For example, social enterprises actively fight discrimination by involving individuals from the last mile in enterprise operations and showing respect for the knowledge and skills they bring, demonstrating to other actors that incorporating a wide range of groups in the social development process can be beneficial.

One strategy young social entrepreneurs employ to contribute to societal transformation is to apply the principles they promote, as leading by example can have a strong ripple effect. For instance, social enterprises that provide services for youth or apply inclusive management practices can generate broader and intangible societal

benefits such as reciprocity, trust and cohesion (*ibid.*). In countries with poor institutional conditions, such as Bangladesh, social enterprises are said to contribute to the fulfilment of the Sustainable Development Goals simply by practising good governance and avoiding corruption — which helps to ease frustrations and alleviate pressures that can lead to terrorism and exemplifies the qualities of a peaceful and controlled society (Khandaker and Rana, 2016).

Social enterprises often engage in creative networking, building connections and relationships that contribute to social cohesion and the harmonization of social development efforts. By working with other social development entities, mainstream employers and marginalized groups (including young people), both youth-led and youth-focused social enterprises can drive broader changes in attitudes and behaviour. Through their social integration efforts, social enterprises can alleviate the feelings of distrust and unfounded fears mainstream society may have towards youth, persons with disabilities, or ethnic minorities and can help companies employ members of these groups in suitable positions. At the same time, they can help vulnerable groups secure the training and documentation they need and start seeing themselves as active agents. The most effective coordination mechanisms can be replicated through the development of pilot models that can be franchised and utilized by a wide range of private and public organizations in different settings (Alvord, Brown and Letts, 2004). The dissemination of good practice is relatively easy in this context, as social entrepreneurs regularly share their knowledge and ideas as widely as possible — unlike commercial enterprises, which try to protect their own interests (El Ebrashi, 2013).

Social entrepreneurship can also help prepare young people to meet the demands of a rapidly changing world. Educational institutions are being called upon to prepare young generations for “jobs that have not yet been created, for technologies that have not yet been invented,



UN Photo / Milton Grant

**A young man in a wheelchair learns shoemaking in Khartoum, Sudan. Social enterprises can support the social inclusion and employment of persons with disabilities and other marginalized groups.**



to solve problems that have not yet been anticipated, ... [and to] equip them to thrive in an interconnected world where they need to understand and appreciate different perspectives and world views, interact respectfully with others, and take responsible action towards sustainability and collective well-being" (OECD, 2018a, p. 2; OECD, n.d.). The British Council contends that the working methods employed in social enterprises can introduce young people to values-based leadership approaches and teach them empathy — which are vital for developing the skills and will needed to solve social problems and contribute to sustainable development.

## CONCLUSION

The present chapter has explored how youth social entrepreneurship can complement efforts to achieve the 2030 Agenda. Young social entrepreneurs are engaged in improving the social welfare, creating employment opportunities and bolstering economic activity. By linking values-based practices with employment, youth social enterprises allow young people to participate meaningfully in the labour market.

The chapter has highlighted the potential of youth social entrepreneurship to generate solutions that are financially efficient, leverage innovation, and pull

together available resources. Inclusive and sustainable social development requires novel approaches to tackling social problems, and young social entrepreneurs are well positioned to introduce innovative solutions that address local needs and leverage local community participation. By localizing operations, involving key actors, and broadening their impact, youth social enterprises offer an alternative approach to addressing social issues and development challenges — one that complements the efforts of traditional development actors while also influencing changes in development approaches on a wider scale.

Context matters in realizing the potential of youth social entrepreneurship. Economic, educational, financial, institutional and technical conditions and structures can create an enabling or disabling environment that can support or undermine youth development and the sustainability of youth social enterprises. Equally important are the young people themselves and the advantages and disadvantages that may be linked to their age, experience and relative status in society. The next chapter delves into the strengths, weaknesses, opportunities and threats associated with young people and youth social entrepreneurship and explores what young social entrepreneurs need to know and do to successfully contribute to inclusive social development.





## CHAPTER

# 3

### CHAPTER 3

# YOUTH SOCIAL ENTREPRENEURSHIP: POTENTIAL AND CHALLENGES

## INTRODUCTION

Numerous studies show that today's young people are highly motivated to generate positive social change (Lewis, 2016; Punadi and Rizal, 2017). Social entrepreneurship may have great potential to mobilize youth to engage in efforts to achieve major social objectives, including employment creation, poverty reduction, inclusion and integration. Dedicated to serving the common good, social enterprises established by young people can directly contribute to the achievement of a number of Sustainable Development Goals (Holt and Littlewood, 2014).

What is it that enables youth to succeed or impedes their success as social entrepreneurs? This chapter explores the many factors and circumstances that can impact young people's involvement in social entrepreneurship and their efforts to effect social change through social enterprises. Two key questions are addressed: What activities, settings and conditions (including support structures or the lack thereof) promote or impede the success of youth social entrepreneurship? What do practitioners, researchers and policy experts suggest is most needed in this field?

It is argued in this chapter that young people have significant social assets, including first-hand knowledge of their communities, and that they are naturally disposed and uniquely positioned to

The chapter begins with a SWOT analysis – an assessment of the strengths (S), weaknesses (W), opportunities (O) and threats (T) associated with young people as social entrepreneurs and the external forces that can affect youth social entrepreneurship. This is followed by a review of the factors and circumstances that create an enabling or disabling environment for young social

### 3.1 SWOT ANALYSIS OF YOUNG PEOPLE AS SOCIAL ENTREPRENEURS AND RELEVANT EXTERNAL FACTORS

A robust examination of the factors that make youth social entrepreneurship successful must include a thorough review of the strengths, weaknesses, opportunities and threats operating within and around the model. The SWOT analysis provided below investigates both internal and external variables. Internal factors comprise the strengths and weaknesses that are immediately available to the youth involved and are often closely linked to their individual situations. External factors include the opportunities and threats faced by youth as part of the





broader context in which they live and are usually beyond their control.

The SWOT analysis identifies four factors that play a critical role in youth social entrepreneurship: key internal factors include age (a strength) and experience (a weakness), while key external factors include the labour market and education systems.

### 3.1.1 Strengths

The characteristics of individuals who successfully engage in entrepreneurship include creativity, resilience, inspiration, risk tolerance and action orientation (Lackéus, 2015). Personality differences and life circumstances notwithstanding, such qualities are often present in young people (Coduras, Velilla and Ortega, 2018).

The significant overlap in the traits of young people and entrepreneurs derives in large part from age-related factors linked to biology and life experience. Age is a proxy for the more important factors of cognitive, emotional and neurological development and a representation of life-course experiences that shape individuals. Age-related factors have been well explored in the scholarly literature of developmental psychology, cognitive neuroscience and education and by practitioners in schools and communities. The qualities that research and experience have found to be common in youth represent assets that can benefit social and economic innovation.

Thanks to advances in neuroscience over the past few decades, researchers now have physiological evidence of how adolescents recruit core brain regions for divergent thinking (that is, how people are able to come up with alternative uses for items), confirming that there is a biological basis for young people being more creative than older people (Kleibeuker and others, 2017).

The biologically driven changes in brain structure during adolescence that strengthen creative,

novelty-seeking and thrill-seeking tendencies also produce a greater willingness to take risks. The heightened dopamine release during this period is linked to hyperrationality, a type of behaviour shaped by increased reward drives that guide literal, concrete thinking in which attention is given to the facts of a situation but not the context in which they occur; young people tend to place more weight on the calculated benefits of their actions than on the potential negative consequences, even though they are aware of the latter (Siegel, 2015). Youth social entrepreneurship aligns well with these aspects of adolescent brain development. In many cases, youth social entrepreneurship triggers enhanced natural dopamine release, making young people feel alive and engaged, which provides them with the motivation to continue (Kruse, 2019).

A number of research findings support the assertion that social entrepreneurship is a good fit for young people. As noted previously, data show a negative correlation between age and entrepreneurial activity (Levesque and Minniti, 2006), with older groups less likely than younger groups to engage in entrepreneurial behaviour. Explanations for this phenomenon primarily point to increases in risk aversion and the personal need for wealth accumulation as individuals age. There is also evidence that young people tend to have a better sense of perceived opportunities for entrepreneurship than do adults, as well as a better understanding of whether their qualities and skills match those needed to think and act entrepreneurially (Bohlmann, Rauch and Zacher, 2017).

Youth tend to be faster learners and more adaptable than adults and are more open to new modes of approaching problems and initiating change (Brown and Lent, 2016). Indeed, one key aspect of entrepreneurial readiness relates to the life experience of young people with new technologies, as technological innovations mirror the rapidly growing and changing virtual landscapes around them. Global Entrepreneurship Monitor (GEM) data also suggest that “time allocations of individuals are sensitive to age and



... in a microeconomic setting, individuals maximize their utility allocating time differently at youth and at adulthood” (Coduras, Velilla and Ortega, 2018, p. 42); more to the point, young social entrepreneurs appear to allocate more time to enterprise creation tasks than do their older counterparts (Levesque and Minniti, 2006).

As demonstrated above, the findings of researchers largely align with those supported by neuroscience, with both highlighting the propensity for creativity, flexibility, positivity, daring and action orientation among young people. In terms of translating these qualities into action on the ground, “it is critical that young social entrepreneurs use their capacity for risk-taking, their ability to keep costs low ... , and their knowledge of social media to their advantage ... [as, among other things], these strengths can provide them with opportunities to mobilize their peers to support their cause. Young social entrepreneurs should question their strategies and aim for tactics which go beyond what seems obvious to the tactics that will have the most impact” (Clarke and Dougherty, 2010, pp. 27-28).

Young people are at a critical stage of identity construction. Psychologists have long underscored the importance of self-belief in a person’s motivation to achieve and ultimate success, regardless of age (Pajares and Schunk, 2002). Identifying as a social entrepreneur (whether or not those words are used) may be linked to higher levels of persistence in the pursuit of one’s goals. Although young people have fewer years of experience through which to develop high entrepreneurial self-efficacy, they tend to be open to other sources of learning, including role models and peers. If the appropriate support is available to strengthen the learning and leadership

potential of young social entrepreneurs, youth social entrepreneurship can contribute significantly to positive youth development.<sup>14</sup>

Youth social entrepreneurship can be an avenue for young people to act on their concerns for society and their desire for a meaningful present and future. Many young people are apprehensive about their futures and the future of the world. They realize that they will outlast the adults currently in positions of power yet be forced to deal with the consequences of their decisions. This shared concern often brings young people together to initiate change themselves. Because they understand the need to take the long view on issues such as the global climate crisis, many young social entrepreneurs place a high priority on environmental sustainability. Much like the corporate social responsibility paradigm, youth social entrepreneurship is a constructive model for young people who want to “cast a long shadow on the future” (Prakash, 2015, p. 466).

Ultimately, social entrepreneurship is most effective when the intervention target is informed by local experience. This means that social entrepreneurs are best positioned for success when they have a nuanced understanding — and perhaps even first-hand knowledge — of the social problems they aim to solve. On an individual level, residents (including youth) know their communities better than outsiders do. Researchers have found that a characteristic shared by some of the leading social entrepreneurs is their “intimate understanding of the problems they are trying to solve” (Abdou and others, 2010, p. 14). Essentially, young social entrepreneurs can draw from what may be best understood as a cultural fund of knowledge to implement authentically meaningful change.<sup>15</sup>

<sup>14</sup> In the field of youth work, positive youth development is fuelled by the building of healthy personal strengths rather than the removal of negative influences (Hamilton and Hamilton, 2004).

<sup>15</sup> Funds of knowledge are “the historically accumulated and culturally developed bodies of knowledge and skills essential for household or individual functioning and well-being” (Moll and others, 1992, p. 133). It is argued that “while this concept has been pivotal within the field of education, and especially in language and literacy instruction, it has great relevance within youth development work as well. Funds of knowledge counter the cultural deficit model, a long-prevailing belief among educators that underachievement is attributable to students’ socioeconomic status and familial origin” (Kruse, 2019, p. 89).



### 3.1.2 Weaknesses

Youth who engage in social entrepreneurship typically have comparatively little life experience and professional experience. Although young people may be able to offer a fresh perspective on social problems, their ability to predict outcomes and prepare for ventures is limited, as they have had fewer years to gain the experience upon which sensible decisions are based. This “weakness” may be partially ameliorated by intentional experiences that increase the likelihood of youth engagement in social entrepreneurship. One study of young social entrepreneurs, for example, found that they tend to be individuals who have acquired more perspective-building experiences through activities such as travel (ibid.). Still, a weakness within youth social entrepreneurship is that young people in general have had an insufficient number of years in which to accumulate enough perspective-broadening experiences to fully prepare them for the challenges of youth social entrepreneurship.

In addition to having had fewer lived experiences, young people in social entrepreneurship have typically received less formal preparation, including the kind of support that would strengthen their capacity to anticipate potential problems and prevent missteps. Many have also never independently designed a multifaceted venture. While improvisation is a typical strength for successful entrepreneurs, the foresight to avoid major pitfalls may be best developed through past trial and error as well as through education and training.

Similarly, young social entrepreneurs have yet to accumulate sufficient levels of relevant human capital, and their limited technical knowledge and the lack of certain key competencies and connections affect the probability of their success. Young social entrepreneurs who start ventures without prior training or practice are at a disadvantage in the marketplace. Human and business networks can be a critical factor for the success of a social enterprise (or any venture). However, young people rarely

have human capital they can leverage to broaden market access and increase the likelihood of success.

Young people also tend to be dependent on the older generation, especially economically. Owing to both genuine limitations (including those described above) and cultural perceptions of youth competencies, young people are often dependent on parents and other caregivers into young adulthood. This dependency weakens the youth social entrepreneurship model by constraining young people’s ability to take charge of their plans. It is asserted that dependence can contribute to lower self-efficacy for changemaking, though some research labels this perception a myth (Cammaerts and others, 2014).

In the financial realm, many youth are at a disadvantage in comparison with other social entrepreneurs because educational background and prior work experience often figure prominently in social investment decisions (Hanley, Wachner and Weiss, 2015). Young people lack credit histories and collateral, and they may be seen as a flight risk by potential funders. Limited access to conventional financing often compels youth to rely on informal sources such as family/personal savings or loan sharks, which can seriously undermine growth opportunities and jeopardize the survival of their enterprises. Furthermore, because youth often have limited financial literacy and awareness, they may secure loans or other forms of financial support that are not sustainable or have not been adapted to their needs.

### 3.1.3 Opportunities

The implementation of the 2030 Agenda constitutes an enormous challenge, and much stronger cooperation between development actors is needed to achieve the Sustainable Development Goals and related targets. There is growing support for the idea that effective solutions can be generated through increased interaction between citizens (including youth), commercial enterprises and



policymakers. As part of this trend, many global corporations have launched social responsibility programmes targeting youth. These and other such initiatives provide opportunities to revitalize global partnerships for sustainable development in a way that offers young social entrepreneurs the chance to contribute to social change.

As noted previously, there is specific value in reaching people at a young age. It is said that youth development is community development, and making it possible for young people to gain experience (including entrepreneurial experience) and engage in productive activities can have significant long-term benefits for both youth and the societies in which they live. Empowering young people and reinforcing their belief in their own capabilities can inspire them to set up their own social enterprises and to engage in continued or additional entrepreneurial activity well into the future (Sen, 2007). Social entrepreneurship can offer young people job opportunities and targeted services and can empower them to be economically and socially active — all of which can have a profound impact on their communities (Abdou and others, 2010). Presently, about 90 per cent of young people worldwide live in low-income regions. Youth unemployment rates are high, and even those who are employed often earn subsistence wages; data indicate that in 2015 more than one third (37.8 per cent) of employed youth in the developing world were living on less than \$2 per day (ILO, 2015).

Youth social entrepreneurship offers a meaningful supplement to traditional education models in helping young people build twenty-first century competencies, which largely focus on “what’s next” versus “what’s now”. These competencies fall into four main categories, often referred to as the “four C’s”: critical thinking and problem-solving, communication, collaboration, and creativity. Twenty-first century skills are not new; they are just “newly important” (Silva, 2009, p. 631), as they are strongly aligned with the current milieu of economic, social and scientific innovation. However, these competencies are

absent in many places. Too often, educational systems discourage innovation, and many students lack access to other resources that would support this competency and others they will need to thrive. Youth social entrepreneurship, whether part of a school curriculum or an out-of-school activity, offers experiences that are authentic, hands-on, and outcome-based. The contributions of such learning experiences to the four C’s are well-documented. Youth social entrepreneurship offers all the advantages and opportunities that have been highlighted in this *Report*, but it also gives young people a competitive edge as they navigate the labour market today and in the years to come (see **box 5**).

Given the substantial numbers of NEET youth around the world, it comes as no surprise that renewed attention is being given to adolescent workforce development. Seen as “an essential component of community economic development in any economic climate”, workforce development encompasses “a relatively wide range of activities, policies and programmes employed by geographies to create, sustain and retain a viable workforce that can support current and future business and industry” (Haralson, 2010). In the present context, this translates into the intentional training of young people to reduce unemployment and to satisfy present and projected future needs in the economy.

The primary aim of workforce development is to generate employment, but youth social entrepreneurship aims higher, providing initial job experience while also building leadership skills and a sense of societal agency. Youth social entrepreneurship focuses on thriving over surviving. Young social entrepreneurs benefit most from integrated support approaches that provide practical training and assistance but also strengthen confidence and key competencies.

Digital technologies represent an area of opportunity with enormous potential for young people and youth



## BOX 5.

## YOUTH VENTURE

For almost a quarter of a century, the Ashoka Youth Venture programme has sustained an ecosystem that supports youth as changemakers. Drawing from the same “theory of change” Ashoka used to introduce the world to the concept of social entrepreneurship, Youth Venture seeks to provide young people with the skills they need to succeed in today’s rapidly changing world, working with youth and various partners “to co-create tools and programmes that help young people self-identify as changemakers and master critical pathways for thriving as changemakers, such as empathy, collaborative leadership, team-of-teams culture building, and ... creative problem solving” (Ashoka, n.d.).

Youth Venture has local partners in 32 countries that facilitate the implementation of the changemaker development strategy and related activities. Institutional partners include school districts, companies and non-profit organizations, and there is even a home-based toolkit for families. Students at schools using the Youth Venture curriculum can participate in the Dream It! Do It! Challenge, “a series of facilitated engagements that guide young people to launch their own social ventures” (ibid.).

Research has shown that support structures such as this have a positive impact on young social entrepreneurs. In one study (unrelated to Youth Venture), the young people surveyed indicated that, as a result of the entrepreneurial support they had received, they had “improved their leadership skills (76 per cent) and professional networks (75 per cent),” and they felt “more able to act as catalysts for change (73 per cent)”; 62 per cent of the students indicated that they had acquired “improved employability skills”, and 64 per cent said they would likely consider social entrepreneurship as “a long-term career option” (De Simone and Tora, 2016, p. 20).

It is important that the support for young social entrepreneurs match the development stage of the enterprise. A mix of initiatives can provide skill development, peer-to-peer exchange and mentoring, and funding opportunities can help youth social enterprises start up or grow (ibid., p. 6).

social entrepreneurship. Digital financing, for example, can facilitate and accelerate funding for young people starting or growing social enterprises. Many financial service providers have a broad physical and online presence and can reach young people all over the world. Young social entrepreneurs now have access to a wide range of financing options that can be explored quickly and easily. Digital technologies also support the formation and strengthening of partnerships. For young social entrepreneurs, collaborative organizational models can contribute to the expansion of networks and the acquisition of knowledge. This approach requires an intentional

support system but is flexible enough to accommodate both face-to-face and digital interaction.

### 3.1.4 Threats

Legal frameworks, cultural norms and environmental circumstances can limit the active engagement of youth in the economic, financial, social and political spheres. Some threats to successful youth entrepreneurship are related to realities or perceptions associated with age and experience, while others derive from external factors or conditions. As noted in a report issued by Youth Business International, the kinds of challenges experienced by



young social entrepreneurs depend on where, how and with whom they operate. The paragraphs below explore some of the obstacles young social entrepreneurs face, with particular attention given to financial challenges, the digital divide, the availability of targeted support, and issues surrounding the measurement of social impact.

Financing often represents one of the greatest challenges for young social entrepreneurs. Although the social mission is at the core of the social enterprise, business operations must be financially sustainable. Young social entrepreneurs must therefore work to achieve and maintain financial independence while also pursuing social development objectives (Dees and Anderson, 2006; Boschee and McClurg, 2003).

Although new modes of financing are emerging that may create opportunities for youth social entrepreneurship, limited access to start-up funds is still commonly considered the most pressing challenge for young social entrepreneurs. Simply being young is a distinct disadvantage. Banks are unlikely to offer loans to youth, as most lack collateral and have no track record of financially viable ventures. Many traditional funding sources see young people as high-risk clients who will likely default on a loan. Actuarial analysis undoubtedly forms part of this calculation, but ageism — in this case dismissing young people as incompetent and unable to make responsible decisions — likely plays a role as well (Cole, 2017).

Certain aspects of the regulatory system, such as the legal age for opening bank accounts, can also interfere with young people's access to finance (Storm, Porter, and Macaulay, 2010). The combination of formal restrictions and skewed perceptions of risk and competence makes it very difficult for young social entrepreneurs to access

funding, which in turn reduces the potential of youth social entrepreneurship to promote social change.

Legal and regulatory restrictions relating to enterprise registration and funding platforms can also limit the uptake of social entrepreneurship, especially in the global South. Tax-exempt status is specific to organizations in the United States and some other (mostly Western) countries. Entities without tax-exempt status may have limited funding opportunities on online platforms; young entrepreneurs in developing countries, for example, do not have access to Indiegogo or GoFundMe.<sup>16</sup> Regulatory bottlenecks notwithstanding, there has been a gradual increase in funding options for these young social entrepreneurs, including new platforms that share information on growth opportunities (grants and other types of financial support) and more accessible funding sources for youth, especially those in the global South; among these are Opportunity Desk, Opportunities for Africans, Youth Opportunities, and the Jamaica Social Stock Exchange (see **box 6**). Such funding alternatives are a start but have yet to provide young people in the global South with the same opportunities as those available to tax-exempt organizations and youth in the global North. Making adapted funding options accessible to youth in the global South can provide young social entrepreneurs with an alternative source of grants and seed money. As long as restrictive regulations remain in place, however, these youth will not have equal opportunities for enterprise development.

Unequal access to technology has created a digital divide, exacerbating inequalities in society. Youth living in areas with little or no digital connectivity have limited access to financial and non-financial services. Young people that have Internet access may have opportunities to

<sup>16</sup> GoFundMe is available in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland, and the United States of America.



extend their social networks, strengthen their knowledge base, and identify financing opportunities to support venture creation and development. Young people with limited or no access to technology, such as those living in remote areas, lack access to such opportunities and may not benefit from the new modes of financing offered through digital platforms or from broader forms of support (including technical support). Travel restrictions — as

reflected in the Henley Passport Index — often constitute another isolating factor for young social entrepreneurs in developing countries.

Evidence shows that programmes aimed at promoting entrepreneurship are more likely to succeed when the design integrates multiple interventions (Kluve and others, 2019). Young people themselves recognize the importance of both general business support and more

### BOX 6.

## JAMAICA SOCIAL STOCK EXCHANGE

Access to funding is a major challenge for young social entrepreneurs. Creative financial solutions need to be developed in a manner that supports the inclusion of all types of social entrepreneurs, including youth. Jamaica is doing its part through an initiative designed to better connect social entrepreneurs and investors.

The Jamaica Social Stock Exchange (JSSE) is being pioneered by the Jamaica Stock Exchange (JSE) and is a state-of-the-art virtual environment inspired by the operating model of a stock exchange and employing a process which mimics a stock exchange. It is a venue for socially responsible investors — people interested in contributing to improving the quality of life at the “base of the pyramid” through sociocultural and economic enhancement as well as contributing to sustaining the physical environment. With its belief that “sustainable growth in the social sector is good for business” and subscribing to the United Nations Agenda for Sustainable Development, with its seventeen Sustainable Development Goals and five key themes of people, planet, prosperity, partnerships and peace (the 5Ps), the JSSE will be facilitating the localization of the Sustainable Development Goals through the mobilization of social capital.

Investments in this new social capital market, which will be implemented in two phases, will be guided by the trust and confidence reposed in the JSE brand.

#### (1) Jamaica Social Investment Market

The first phase will be the establishment the self-sustaining Jamaica Social Investment Market (JSIM), which integrates a simplified donation process that allows donors (individuals or businesses) to donate towards projects of their liking. The process is characterized by total transparency and accountability, including financial reporting (on the part of the social businesses requiring funding) and the monitoring and evaluation of each project supported (on the part of the JSSE). The hope is that the JSIM will serve to promote a greater culture of donating in Jamaica.

#### (2) Jamaica Impact Investment Market

The second phase seeks to build on the first phase with the establishment of the Jamaica Impact Investment Market (JIIM). In this phase, equity will be traded for profit. The same skill sets and technical competencies employed in operating the current JSE markets for profit will be applied in this phase, along with social impact imperatives.

Source: Excerpted or drawn from the Jamaica Social Stock Exchange website (<https://jsse.jamstockex.com/social-exchange>).



targeted assistance such as pro-bono legal advice (De Simone and Tora, 2016). Timely access to operational support can play as pivotal a role as financing in the success and functioning of youth social enterprises (NESST, 2017).

Young social entrepreneurs need access to technical support, including management consulting services, financial and business planning, legal counseling, impact evaluation, marketing assistance and training. They can also benefit from opportunities to network and to attend capacity-building workshops and conferences. When such interventions and a broader enabling environment are not present, young social entrepreneurs may be left on their own – which can have a serious impact on their self-efficacy and on enterprise growth and sustainability.

Social impact is a core feature differentiating social enterprise from traditional commercial enterprise and needs to be measured to assess the value and effectiveness of social entrepreneurial activity. However, this can be a challenge for all social entrepreneurs, including youth, as social impact is multidimensional and not easily quantified (Bornstein and Davis, 2010), and measuring social impact and social value creation requires metrics that are conceptually different from those used to measure commercial impact. To overcome this methodological issue, a number of qualitative performance measures have been developed for social ventures, including triple bottom line accounting (Elkington, 2013), the balanced scorecard for non-profits (Kaplan and Norton, 1992), the family of measures (Sawhill and Williamson, 2001), and social reporting (Zadek, 1998). One of the most prominent among the tools developed to measure social impact is SROI (Arvidson and others, 2013).

The plethora of available measures suggests that investors, donors, public stakeholders and social entrepreneurs want to assess and document the value created by social enterprises, regardless of the complexity and cost (Moody, Littlepage and Paydar, 2015). However,

these metrics are not fully accepted across the social sector, let alone widely used. In spite of the methodological challenges and costs, young social entrepreneurs are compelled to engage in social impact evaluation to demonstrate social value creation, as this can be critical for promoting social buy-in and attracting investment.

## 3.2 WHAT CAN HELP YOUTH LAUNCH AND GROW SOCIAL ENTERPRISES?

As shown in the previous sections, young people are open and ready to learn, but opportunities to acquire knowledge and put their capacities to the test are often scarce or unavailable. This section focuses on the factors that enable individual young social entrepreneurs to become and stay successful. Research on entrepreneurship generally and social entrepreneurship specifically has identified a number of elements essential to effective youth social entrepreneurship, and these are explored below. The first part of the section highlights enabling factors such as the embeddedness of young social entrepreneurs in local contexts, networking mechanisms, creative financing, human and institutional support, and education and training. The second part focuses on what can be done at the national policy level to better support young social entrepreneurs.

Decades of research on social entrepreneurship have yielded important information and valuable lessons, and much of what has been learned pertains to youth social enterprises. Of particular consequence are the findings related to factors that promote or undermine the success of a social enterprise. One key finding is that social entrepreneurs are most effective when they work closely with communities to find local solutions to local problems (Bornstein and Davis, 2010). The local context is a critical factor in the effectiveness of a new venture and in the replicability of innovation in different locations or



Young women bake bread in a mobile oven in a community bakery in their neighbourhood in Monrovia, Liberia.

communities (Purcell and Scheyvens, 2015). The success of social entrepreneurs is connected to their intimate knowledge of the local context, including social needs, norms and networks. Women represent an important asset in this context. The combination of income generation and social support makes social entrepreneurship an appealing form of empowerment for many women (Datta and Gailey, 2012; Haugh and Talwar, 2016). Interestingly, women's ventures are generally more socially driven than those of men and tend to exhibit better social performance outcomes (Lortie, Castrogiovanni and Cox, 2017).

Another research finding relates to the importance of community formation *among* social entrepreneurs to promote peer-to-peer learning and support. Scholars of social entrepreneurship point out that "collaborative arrangements and partnerships are increasingly perceived

as the lifeblood of social entrepreneurship" (de Bruin, Shaw and Lewis, 2017, p. 575). For young social entrepreneurs, collaboration can provide learning opportunities, a mechanism for mutual assistance, and critical support for purpose-driven enterprises (Praszkier and Nowak, 2011). Collaboration with same-sector or cross-sector partners creates a special synergy and can be a powerful enabling factor for young social entrepreneurs. It is argued that the collective movement may constitute the most advantageous model for collaborative youth social entrepreneurship (see **box 7**).

Collaboration offers a number of advantages for young social entrepreneurs, but other forms of interaction can be equally beneficial. Young social entrepreneurs, like their older counterparts, are encouraged to build robust social networks that can provide conceptual and



## BOX 7.

## THE COOPERATIVE MOVEMENT

A cooperative is “a voluntary network of individuals who own or control a business that distributes benefits on the basis of use or ownership where ownership is largely weighted equally across individual members” (Altman, 2009, p. 563). Cooperatives are essentially horizontal, people-centred enterprises driven by the desire for shared prosperity rather than individual profit. Social entrepreneurship is driven by similar values and also employs democratic decision-making. The parallels between social entrepreneurship and the cooperative movement are encouraging, particularly given the success of the latter; the International Co-operative Alliance represents over 3 million cooperatives and more than 1.2 billion cooperative members worldwide in all sectors of the economy.

Guidance for youth social entrepreneurship can be drawn from the experience of the cooperative movement. The way in which cooperatives function and generate an impact on individual members can provide insight into the types of support young social entrepreneurs should receive. Evidence shows that the cooperative enterprise model may be especially effective in least developed countries (Fischer, 2016).

A key role of cooperatives is supporting the formalization of the informal economy. Cooperatives have played an important part in supporting precarious workers by giving them the ability to organize and secure recognition of their rights; this has been especially critical for women and youth, as both are over-represented in the informal economy. ILO affirms that “organizing in cooperatives could ... be seen as one step on the path towards formalization. Many cooperatives start as informal group enterprises and later, as they grow and become viable business enterprises, are registered. As legal entities, they become part of the formal economy” (ILO, 2002, p. 92).

In the Global Study on Youth Cooperative Entrepreneurship, it is noted that individuals working in the informal economy can obtain “easier access to credit through savings and credit cooperatives, ... benefit from social protection schemes through mutual insurance cooperatives, ... and overcome ... isolation through a wide range of shared services” (Terrasi, 2018, p. 22). All three of these elements — funding, stability and isolation — relate directly to the main challenges young people face as part of their entrepreneurial experience.

Cooperatives also support their members’ engagement in political affairs by giving them a voice in society. As young people are often excluded from policymaking exercises and platforms, the cooperative model is of particular interest. Through social dialogue, cooperatives can promote principles such as democracy and participation. With their participatory form of governance, cooperatives offer young people a “laboratory” in which they can experiment with innovation and sustainable approaches to enterprise management. The institutional frameworks regulating cooperatives offer young social entrepreneurs a supportive ecosystem in which key issues such as quality employment, the legal status of worker-members, access to finance and other forms of support, bureaucratic concerns, and social and economic sustainability are given the attention they deserve.



International Cooperative Alliance

The Global Youth Forum — Cooperative Entrepreneurship 2020 (#GYF20) took place in Kuching, Malaysia, under the umbrella of the ICA-EU Partnership on international cooperative development (#coops4dev). Young participants from 50 countries attended a wide range of interactive training sessions to acquire the necessary professional skills to better understand the cooperative business model and its benefits. Among others, this event helped creating stronger links between the cooperative movement and other youth-led movements and organisations.



moral support at all stages of enterprise development, facilitate the broad dissemination of information within and between groups, and support the exchange of ideas, leads and business opportunities (Karl, 2001). Social connections in any form provide a set of vital resources and affirm shared norms and values, both of which contribute to self-efficacy. Social capital allows young entrepreneurs to explore opportunities ranging from business advice and moral support to partnerships that lead to joint activities based on common interests and complementary social missions (Westlund and Gawell, 2012).

The value of mentorship is well documented across sectors. The core characteristics of good mentoring include a personal relationship, high expectations, and responsive support. Experienced entrepreneurs who serve as mentors can offer targeted skill development (Hickie, 2011), access to social networks, and much more. A significant challenge for the mentorship model within youth social entrepreneurship is getting the balance right. This type of relationship is often referred to as an intergenerational partnership or adult-youth alliance, but the dynamics of this relationship are not always well defined. It is particularly important that adult mentors “do with” rather than “do for” young social entrepreneurs. In any case, as it is now recognized that mentorship is most effective when it is part of a broad support structure, entrepreneurship education generally, and social entrepreneurship education specifically, has shifted to include more of a focus on the ecosystem needed for success (Ribeiro, Uechi and Plonski, 2018).

Role models of any age can influence the uptake of entrepreneurship among young people (McClelland, 1967). Developmental scientists have identified a positive correlation between exposure to entrepreneurial role models and entrepreneurial self-efficacy (belief in one’s own ability to succeed in an entrepreneurial activity). As previously mentioned, entrepreneurial self-efficacy is an important motivational construct for social entrepreneurs, including young people. Research indicates that

entrepreneurial self-efficacy has a positive impact on entrepreneurial intention (Farashah, 2015).

Visible role models also enhance young people’s interest in promoting positive change in their communities (McDowall and Micinski, 2010). Representations of youth social entrepreneurship in social media and journalistic reporting may thus have a significant enabling effect (Abdou and others, 2010). The opportunities various media provide for observational (as opposed to experiential) learning among young social entrepreneurs further strengthen self-efficacy (Bandura, 1977). Caution is advised, however; as noted earlier in the *Report*, expectations of social entrepreneurial success may be inflated due to the high visibility of “unicorn” and “gazelle” enterprises, which are rare exceptions rather than the norm.

Family members are another important source of guidance, encouragement and support for young social entrepreneurs. Geldhof and others (2014) suggest that young people with entrepreneurial parents are more likely to value entrepreneurship. Research indicates that families are often key stakeholders and may be major actors in youth-led social enterprises. Running a social enterprise involves risk-taking and is psychologically straining (Kibler and others, 2018), and young people need resources and supportive networks to start and grow sustainable social enterprises.

In many areas, families play an important financial role. In *Africa’s Young Entrepreneurs: Unlocking the Potential for a Brighter Future*, it is observed that “own funding and/or funding from family or friends are the primary sources of financing for young people throughout sub-Saharan Africa” (Kew and others, 2015, p. 8); most of the youth surveyed in this study tapped into their own or their family’s savings for start-up capital rather than securing funds through formal institutions or agencies. Primary sources of funding vary considerably across regions, however. Social entrepreneurs in Southern and Eastern Asia, sub-Saharan Africa, and Latin America and



## BOX 8.

## INCUBATORS AND ACCELERATORS

The critical period between idea formation and positive revenue growth is often referred to as the “valley of death” (Auerswald and Branscomb, 2003), as this is the time when nascent enterprises tend to be most vulnerable to failure. Entrepreneurship ecosystems must include mechanisms that provide targeted support during this period. Start-up incubators constitute an important building block within an enabling entrepreneurship ecosystem, as they provide support for the creation of enterprises, help bring them to market, and facilitate their successful commercialization.

Start-up incubators are very popular with young people. They are typically located in or near a university or science park and provide office space, access to research and information, practical resources and facilities, networking opportunities, links to sources of finance, technical support, and business and legal services (Phan, Siegel and Wright, 2005). They are found in both developed and developing countries; World Bank data indicate that in 2016 there were more than 170 incubators or tech hubs in African countries alone.

Another key building block in entrepreneurship ecosystems is start-up accelerators, which “aim to accelerate successful venture creation by providing specific incubation services focused on education and mentoring during an intensive program of limited duration” (Pauwels and others, 2016, p. 13). Start-up accelerators provide focused guidance and other forms of highly targeted support to start-up enterprises over a relatively short period; this differs from incubators, which provide support over a much longer period. The selection process for an accelerator programme can be highly competitive. The focus is on working with entrepreneurial teams rather than lone entrepreneurs, and accelerators normally take up equity in the start-ups selected for acceleration (Malek, Maine and McCarthy, 2014).

Start-up accelerators are designed to address some of the shortcomings of incubators, and the type of assistance they provide may be especially helpful and relevant to young entrepreneurs. Accelerators are funded differently from incubators and may be able to make impact investment funds available for young social entrepreneurs to pursue their social goals. Start-ups may be funded by large corporations, venture capitalists or Governments, and some use hybrid forms of finance; the type of funding is typically linked to the nature of the accelerator. Types of accelerators include “(1) ecosystem builder accelerators, financed mainly by large companies to improve the competitiveness of their own businesses; (2) deal-flow accelerators, which aim to link venture capital and business angel investors with promising start-up ideas; and (3) welfare accelerators, ... [which are most often] supported by Governments” (UNFCCC, 2018, p. 24, citing Pauwels and others, 2016).

\* A comparison of incubators and start-up accelerators that support social good such as climate action is provided in UNFCCC (2018), upon which some of this box draws.



the Caribbean rely heavily on their own resources and on funding from family and friends. Family and friends are a particularly important source of funding in Southern and Eastern Asia, where almost 7 out of 10 nascent social entrepreneurs utilize family funds and more than 4 out of 10 obtain funding from friends. Personal funds and family savings play the least important role in Western Europe, the United States and Australia.

Clearly, family can be a key source of support for young social entrepreneurs, especially in developing regions; however, there are potential downsides to family involvement. Evidence indicates that family pressure and sharing norms affect investment in entrepreneurial activities (Grimm, Hartwig and Lay, 2017), particularly among women (Fiala, 2015), and also influence entrepreneurs' saving strategies (Dupas and Robinson, 2013). In many parts of the world, youth are expected to contribute to the financial well-being of their families, and fulfilling such kinship duties imposes certain pressures on young social entrepreneurs; these youth cannot compromise income generation in their efforts to contribute to the broader social good, and any profits shared with family are funds that cannot be reinvested in the enterprise. The involvement of family members can be a mixed blessing, as they are often key actors in the creation and operation of youth-led social enterprises but may also hinder growth.

Institutions that foster sustainable, inclusive growth constitute an essential part of an enabling environment. Studies of social entrepreneurship have found a positive correlation between support from established institutions and entrepreneurial effectiveness (Korosec and Berman, 2006). The entrepreneurial environment varies widely across countries owing to factors such as the level of institutional protection, legal and administrative burdens, the costs of business registration, the regulatory framework, the complexity of administrative procedures, social norms, and cultural conditions (Martinez-Fierro, Biedma-Ferrer and Ruiz-Navarro, 2016). All of this impacts young people in a number of ways. The level of interest

in youth social entrepreneurship is heavily influenced by the strength of the safety nets provided by the State and families. Factors such as a poor understanding of relevant administrative and regulatory requirements, legal restrictions, insufficient funding, and inadequate or ineffective institutional support can diminish the potential of youth to create and operate financially sustainable youth social enterprises (Mnguni, 2014).

To succeed, social entrepreneurs require support tailored to each stage of the venture creation and development process (Perrini, Vurro and Costanzo, 2010). Enabling factors for venture start-ups are different from those for enterprises moving to scale (see **box 8**). Successful social entrepreneurs know how to locate and access the support needed for the stage of development of their venture. This is important for young entrepreneurs, who are frequently offered substantial support at the outset but may be in greater need of help at a later juncture.

The past decade has witnessed an increase in intentional organizational support for both social entrepreneurs and youth entrepreneurs, and in some cases the two have coalesced; there has been a rise in the number of "enabling organizations that support young social entrepreneurs through capacity-building and opportunities for collaboration ... and through increased financing" (Clarke and Dougherty, 2010, p. 9). The MIT Innovation Initiative's Young Social Entrepreneurs programme, for example, has provided opportunities for young social entrepreneurs to "learn from and interact with leading social entrepreneurs, business professionals, and other youth who are keen on social innovation, while expanding their networks for potential collaborations for good" (MIT Innovation Initiative, n.d.). Generation Unlimited, a global institutional partnership, has reached large numbers of young people worldwide through its UPSHIFT initiative, providing vulnerable and marginalized youth with the tools they need to become successful social entrepreneurs (see **box 9**).



## BOX 9. UPSHIFT

Generation Unlimited is a “global partnership working to prepare young people to become productive and engaged citizens” (UNICEF, 2019). One of the strategic aims of Generation Unlimited is to empower a generation of young problem-solvers and changemakers. UPSHIFT is an initiative supported by Generation Unlimited that can help achieve this aim.

“UPSHIFT is a youth social innovation and social entrepreneurship programme designed to build skills and opportunities for young people who are disadvantaged due to (for example) poverty, gender, disability or ethnicity” (UNICEF, n.d.(b)). The programme offers social innovation workshops, mentorship, materials, incubation and seed funding to

equip youth “with the skills and resources they need to identify problems in their own communities and design solutions for them” (ibid.). While the young people build skills for life, employment and entrepreneurship through UPSHIFT, their wider communities benefit from the solutions they develop.

One success story is Sejnur Veshall, a young man from the Roma community in Prizren, a municipality of about 100,000 people in Kosovo. “The Roma community in Kosovo definitely faces a lot of discrimination, and even though I learned to be very



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Sejnur (pictured 2nd from right) with the rest of the Golden Hands team during a workshop.

vocal when this happened and always raised my voice against it, many others don’t,” Veshall said, adding that it was actually Roma girls and women who were the most marginalized, often uneducated and “trapped into housekeeping” (Morina, 2017). Driven by a sincere desire to address these inequalities, Veshall underwent UPSHIFT training and, with the help of mentors, devised activities that would help empower Roma girls and women. Ultimately, he developed a project called “Golden Hands” through which girls and women could create and sell traditional decorative plates. “We wanted to teach Roma women an artisanal craft, build their professional skills, and then help them turn this into a business”, he explained. “What Golden Hands is trying to achieve is to make Roma women active in their community and change attitudes towards the Roma people through providing spaces for socialization between people of different backgrounds and communities” (ibid.). Veshall’s team organized workshops that included members of Roma and

*continues*



Box 9 continued

majority communities as a way of facilitating this community involvement and integration. His final reflection is a testimonial to the changemaking power of UPSHIFT:

*With remarkable mentorship and collaboration with the UPSHIFT team, Golden Hands was a success, and everyone in my community was surprised. This initiative designated me a leader, which frightened me so much at first; suddenly, I was not just Sejnur, a random young person, but a leader of a young team that organized events for the community and worked for the betterment of our situation. With the mentorship that the UPSHIFT team gave me, I came to embrace the self-confidence that came with the leadership role. After UPSHIFT, I returned to the community where I was raised, but now with much more confidence, greater access to networks, and the professional experience of running a project – with a greater desire to work more.*

UPSHIFT was launched in Kosovo in 2014 and now operates in 22 countries (UNICEF, n.d.(a)), including Jordan, which has a large youth refugee population; Tajikistan, where UNICEF is partnering with the Government, the World Bank and others to scale youth innovation labs; and Brazil, where UPSHIFT is being used as a tool to empower youth who live in major cities. The UPSHIFT approach is highly adaptable and has also formed the basis for the Generation Unlimited Youth Challenge, which seeks youth-led solutions to the problems being tackled by Generation Unlimited. The second round of the Youth Challenge was launched in 40 countries in September 2019 (Generation Unlimited, 2019).

UPSHIFT has reached hundreds of thousands of young people, with more than 5,000 youth-led projects initiated. The following represents a few highlights:

- By May 2019, 7,320 young people had been trained through UPSHIFT in Kosovo. “These young people have initiated 279 youth-led projects, touching the lives (directly or indirectly) of more than 220,439 young people; 25 of these projects have become businesses and a further 31 have become charitable or civil society organizations” (Clarke-Habibi, 2019). Around 43 per cent of the social ventures have been made up of multi-ethnic teams. Almost 170 youth secured employment following UPSHIFT.
- In two years of operation in Montenegro, UPSHIFT supported 70 youth-led projects, reaching 23,000 indirect beneficiaries (more than 25 per cent of the the adolescent population).
- Nearly 20,000 young people participated in UPSHIFT in Jordan in 2018, reporting a significant increase in their sense of belonging, community engagement, and teamwork and communication skills.

A key priority for UNICEF moving forward is to facilitate the integration of UPSHIFT (and social innovation skills more broadly) into government and other national systems with the aim of building transferable skills for life and livelihood while also increasing opportunities for youth civic engagement. This will ultimately create more fertile ground for social entrepreneurship. It is important to plan for scale from the start, working with a coalition of partners, including youth organizations, government agencies and the private sector. While there are significant opportunities for cross-border learning, it is also important to adapt UPSHIFT to each country context, building on the local education system, cultural values, and private sector and entrepreneurship ecosystems.

*continues*



## Box 9 continued

Some key lessons learned from engaging youth from disadvantaged backgrounds include the following:

- Disadvantaged youth are rarely able to access social entrepreneurship opportunities. Relevant support programmes must be proactively designed with and for disadvantaged youth if they are to be successful. Organizations that serve and are trusted by youth will play a key role in this process.
- Factors that often prevent disadvantaged youth from participating in social entrepreneurship and relevant support programmes include the following:
  - » Language limitations (opportunities are often publicized in majority or international languages, with English dominating for global opportunities);
  - » A lack of basic employability skills such as financial literacy and time management;
  - » A lack of digital literacy skills;
  - » Limited or no affordable Internet connectivity;
  - » A lack of access to personal and professional networks;
  - » The need for an income to subsist or to contribute to family responsibilities.

Youth social entrepreneurship programmes need to give serious consideration to how these barriers might be overcome.

Girls and young women (especially those from disadvantaged backgrounds) are often excluded from social entrepreneurship opportunities. To engage them, programmes need to be designed for and with girls and young women. In addition to addressing the obstacles listed above, these programmes will likely need to include an outreach component that focuses specifically on girls' empowerment and works with parents and families to address social norms.



Given the gender digital divide, combining social innovation and entrepreneurship programmes with the acquisition of digital skills is likely to be important.

Programme information may be accessed at <https://www.unicef.org/innovation/UPSHIFT>, where facilitation guides are open source and available for anyone to use. UPSHIFT is keen to work with partners to build evidence of what works in relation to youth social innovation and social entrepreneurship.

Sources: Clarke-Habibi (2019); Generation Unlimited (2019); Morina (2017); UNICEF, n.d.(a); UNICEF, n.d.(b); UNICEF (2019); YouTube (2017).

Sejnur (pictured 2nd from left) with the rest of the Golden Hands team and their mentor at UPSHIFT.



Educational institutions play multiple enabling roles in a supportive entrepreneurship ecosystem. They contribute to the development of essential skills and competencies, offer exposure to critical community problems and opportunities to devise solutions, and deliver entrepreneurial education and training (see **box 10**). They can provide ongoing support through service learning and other viable partnerships. Their research and development capacities are important both for youth social entrepreneurs as individuals and for growing youth social entrepreneurship as a model. When support for social entrepreneurship falls under the umbrella of academia, young people are usually the first to participate.

**BOX 10.**  
**THE IMPORTANCE  
OF FINANCIAL LITERACY  
FOR YOUNG SOCIAL  
ENTREPRENEURS**

Financial literacy is a critical component of the education and training young social entrepreneurs need. Several studies affirm that the difficulties young entrepreneurs face in accessing financial services and products constitute a major obstacle to enterprise creation and development; “the constraint refers not only to access to credit to start a business, but also access to secure places to accumulate assets, insurance and other relevant financial [and non-financial] services”, particularly financial education (UNCDF, 2016, p. 7). Financial literacy is especially important in a context in which digital financial services are becoming more widely used.

While few dispute the value of targeted entrepreneurial support, there seem to be contradicting perspectives on the correlation between traditional academic achievement and social entrepreneurial participation

and outcomes, and the argument extends to the impact of education on youth social entrepreneurship. Some research suggests that successful young social entrepreneurs tend to have a relatively high level of education and to value the link between education and social entrepreneurship, as illustrated by the following:

*On average, the globally recognized social entrepreneurs in the Middle East are a highly educated group. All individuals in the group have completed their formal educations, and the vast majority of them have university degrees. ... Most have taken additional courses and training to further develop their skills in a variety of work-related areas. More than one fifth of them have attained postgraduate degrees, including a number of PhDs. Among those social entrepreneurs from more modest backgrounds, most note that their education played an instrumental role in their personal growth and dedication to social entrepreneurship. Some see their own social enterprise as a way to provide educational and developmental opportunities to others who are less fortunate (Abdou and others, 2010, p. 14).*

Other studies, however, have found no relationship between the level of education and the likelihood of being or succeeding as a social entrepreneur — and relatively little evidence that educational institutions have played a supportive role (McDowell and Micinski, 2010). In a study conducted by the Foundation for Social Entrepreneurs (UnLtd), only 20 per cent of the young social entrepreneurs surveyed in the United Kingdom said that their schools or universities had “directed them to an opportunity or supported them practically once they had embarked on their venture” (McDowell and Micinski, 2010, p. 3). The remaining 80 per cent said that opportunities and support had come primarily “through other means, including sports and youth clubs, campaigning, faith and



community groups, and ... friends and relatives" (ibid.). Formal education is only one of many means through which youth social entrepreneurship can be promoted and supported.

A formal education does confer certain benefits, particularly in terms of broadening horizons and developing analytical capabilities. It offers insights about the larger context in which a social innovation will reside, such that more effective and more humane solutions can be sought. As a means of personal empowerment for the young people involved in youth social enterprises, formal education can help foster a critical consciousness that will help them navigate their own privilege or lack thereof as they embark on and negotiate their social entrepreneurship journey. The following observation references the situation in the

United States but may be said to apply more generally: "Insofar as any program or youth social entrepreneurship activity aims to disrupt the prevailing disparities in contemporary American society, an understanding of critical perspectives and pedagogies is essential. That is to say, aiming for social change requires a clear awareness of current social order" (Kruse, 2019, p. 85).

Out-of-school-time (OST) experiences can also be an important enabling factor for young social entrepreneurs. McDowell and Micinski (2010) found that their sample of youth social entrepreneurs in the United Kingdom were three times more likely than the general population to participate in internships. Most young social entrepreneurs have "engaged in extracurricular activities in which they excelled, including sports, the arts, and various youth



Photo: IOM / Amanda Nero

**Out-of-school-time (OST) experiences can also be an important enabling factor for young social entrepreneurs. Young participants in a project of the International Organization for Migration are learning how to film, speak in front of a camera and use a microphone.**



organizations. Many led small-scale social and development activities before establishing their award-winning social innovations” (Abdou and others, 2010, p. 14). OST contexts may constitute a fertile breeding ground for successful young social entrepreneurs.

## CONCLUSION

**Box 11** offers a summary of evidence-based good practices for supporting youth entrepreneurship and self-employment.

### BOX 11.

## WHAT WORKS IN YOUTH ENTREPRENEURSHIP AND SELF-EMPLOYMENT?

Governments are giving increased attention to the creation of productive businesses. Statistics on 65 countries from the ILO database on youth employment policies and legislation (YouthPOL) point to a rising share of policies relevant to youth employment that specifically address enterprise development. Entrepreneurship interventions are often undertaken to operationalize policies aimed at supporting youth in their transition from school to productive businesses and in their efforts to stay in business. Nonetheless, an analysis of the school-to-work-transition surveys (SWTSs) for youth from 35 countries reveals stark differences between employers and entrepreneurs/self-employed workers, with the latter often being driven by necessity. Identifying effective approaches for supporting productive entrepreneurship and self-employment thus remains a critical policy issue.

A systematic review of 107 active labour market programmes targeting youth and their impact evaluations yielded information and evidence on what works to improve youth labour market outcomes. A summary of the findings is presented below.

The effects of youth employment interventions, particularly those addressing human capital development, may be more likely to materialize and increase over time. Overall, they tend to have a higher impact when targeting low-income and disadvantaged youth and when implemented in low- and middle-income countries where marginal investments in human capital can lead to significant changes. This demonstrates that country contexts are important in the design and implementation of programmes. Comprehensive interventions that integrate multiple services also tend to have more of an impact in low- and middle-income countries, being better positioned to address the manifold challenges encountered by the young people who live there. The 15 entrepreneurship interventions included in the systematic review mostly offered a combination of business skills training, business advisory services, and/or access to credit or grants and were mainly carried out in low- and middle-income countries.

Evidence shows that youth entrepreneurship interventions tend to have significant positive effects on employment, earnings and business performance outcomes. Among the youth employment interventions assessed in the review, entrepreneurship-focused interventions had the greatest impact on labour market outcomes for youth. However, entrepreneurship-focused interventions also exhibited substantial heterogeneity and the greatest variation in impact. Evidence suggests that results are driven much more by the design and delivery of an

*continues*

*Box 11 continued*

intervention than by the type of intervention; in other words, the “how” is more important than the “what”. The evidence points to specific design features, such as the profiling of participants and individualized follow-up systems, that allow implementers to better respond to the needs of young people, enhance programme participation, and ensure quality in the delivery of services. Targeting mechanisms to support disadvantaged youth, including those with disabilities and/or in fragile contexts, are among the effective design features of entrepreneurship interventions; such mechanisms may be of direct benefit to young social entrepreneurs themselves and can also help them better address social, cultural and environmental issues in their communities.

Entrepreneurship training can help young social entrepreneurs improve their business and management skills; better understand business mechanisms, practices, laws and regulations; strengthen their financial literacy; and expand their knowledge of business possibilities. These changes do not immediately translate into business creation, enterprise expansion or increased income, however. The acquisition of business skills and relevant training must be supported by an entrepreneurial mindset, attitude and culture – and this can be stimulated early on in the education system by encouraging critical thinking, problem-solving, creativity and risk-taking. A study commissioned by the Youth Employment Funders Group to explore the development of soft skills for youth employment emphasizes that soft skills can be learned, making a compelling argument for continuing to invest in positive developmental experiences for youth.

Evidence suggests that entrepreneurship interventions provide effective support for young people, particularly in business creation, but that further work must be done to promote the uptake of youth social entrepreneurship and to better support enterprise growth, development and sustainability. Youth entrepreneurship interventions appear to be most successful when they address constraints specific to or common among young people. Insufficient financial resources and market competition are the issues self-employed youth identify as most critical, according to SWTS data. Evidence remains inconclusive on mechanisms for supporting existing young entrepreneurs in growing and expanding their businesses and on the link between entrepreneurship interventions and additional job creation. The development of a productive business model is critical for business survival and can affect labour market prospects for other young people, so help and support in this area is crucial. A careful approach must be taken to encourage self-employment in market segments with growth potential and unmet demand. Targeted policy measures (such as business plan competitions) that identify and support opportunity-driven young women and men with the potential to tackle social, cultural and environmental issues and create additional jobs can be instrumental in spurring inclusive job-rich growth and expanded self-employment among youth.

While stand-alone entrepreneurship interventions can have a significant impact in the short term, the effects will remain modest or fade over time if market system deficiencies are not dealt with at the policy level. As part of a comprehensive approach to addressing labour market constraints, attention needs to be given to demand-side issues in order to increase wage employment opportunities in existing businesses, encourage new enterprise creation, and support young people’s entry into productive self-employment.

*Sources: Kluve and others (2019); Weidenkaff and Witte (forthcoming); Ignatowski (2017).*



Photo: UNDP / iHub



Entrepreneurship training can help young social entrepreneurs improve their business and management skills; better understand business mechanisms, practices, laws and regulations; strengthen their financial literacy; and expand their knowledge of business possibilities.





## CHAPTER

# 4

## CHAPTER 4

# LEVERAGING NEW TECHNOLOGIES FOR YOUTH SOCIAL ENTREPRENEURSHIP

## INTRODUCTION

The global youth NEET rate has changed very little over the past 10-15 years. According to the most recent data available, almost 185 million young people — around 30 per cent of young women and 13 per cent of young men, accounting for 22.2 per cent of the total youth population — are not in employment, education or training. NEET youth, the vast majority of which live in developing countries, represent enormous untapped potential for economic development and, more specifically, for the achievement of the 2030 Agenda.

The evidence is clear: traditional job creation will not be enough to resolve the youth unemployment crisis. The private sector can play a critical role in helping to address this crisis, especially as most of the world youth population lives in developing countries, where SMEs account for the largest share of job creation. Young people who have the opportunity to create their own employment while also tackling challenges faced by their communities can realize their full potential and become agents of sustainable development.



The integration of new, emerging and frontier technologies in youth social entrepreneurship creates opportunities to disseminate and scale up technological solutions that will contribute to the global welfare, leverage the full potential of youth, and counter the decline in entrepreneurial dynamics associated with the ageing of the global population. The purpose of this chapter is to determine how best to achieve this. The chapter explores the enabling potential of technology within the entrepreneurship ecosystem, with particular attention given to one of its more recent additions — the impact start-up accelerator. The suitability of this intervention for supporting youth social entrepreneurship is analysed, and suggestions are offered for adaptation and fine-tuning in the areas of education, finance, technical support, networking and market-building.

There is enormous potential for both youth development and social good in the fusion of frontier technologies and social entrepreneurship. Young social entrepreneurs can use evolving technologies to address systemic social challenges — for example, facilitating access to educational and health services, supporting efforts to address complex problems arising from urbanization, or helping communities adapt to climate change — while also building critical ICT skills that will allow them to thrive in a digital world.

## 4.1 NEW TECHNOLOGIES AND INEQUALITIES

A number of new and emerging technologies have the potential to contribute significantly to efforts aimed at



Photo : ILO / Marcel Crozet

Technologies can help accelerate the implementation of the 2030 Agenda if harnessed for the benefit of humanity.



addressing societal needs and challenges in every country, regardless of development level.<sup>17</sup> Among these technologies are artificial intelligence (AI), advanced materials, cloud technology (including big data), autonomous vehicles (including drones), synthetic biology, virtual and augmented reality, robotics, blockchain, 3D printing and the Internet of Things (IoT) (see Combes and others, 2017, p. 5). These technologies may form the basis of innovations that can help accelerate the implementation of the 2030 Agenda if harnessed for the benefit of humanity.

Frontier technologies are driving structural transformations in societies and economies around the world through digitization and automation processes. As young people are generally among the earliest adopters of trending technologies, they are poised to take advantage of innovations in this area to drive the impact of social entrepreneurship. At the same time, they will be disproportionately affected by negative outcomes associated with technology products that are used primarily by young people.

Many young people are considered “digital natives” by virtue of their age and early experience with technology. However, this term does not apply to substantial numbers of youth in developing countries, especially in the global South, as these young people still lack digital access and digital literacy (Palfrey and Gasser, 2008). The increased focus on new technologies driven by the advent of the Fourth Industrial Revolution should not obscure the fundamental goal of providing universal Internet access — an essential step towards narrowing the digital divide (Sambuli and Magnoli, 2019). The digital divide disproportionately affects women and young people in developing countries. Of all those without Internet access, 2 billion are women, and 9 out of 10 youth who lack access live

in Africa or in Asia and the Pacific (ITU, 2017). Access to mobile phones can also be crucial for the development of a digital economy, but infrastructure costs are high in remote areas, contributing to the rural-urban digital divide and exacerbating inequalities in both Internet and cellular phone use (Cruz-Jesus, Oliveira and Bacao, 2018). This gap is critical in the present context, as those without digital access or digital literacy are effectively prevented from participating in digital entrepreneurship, defined here as “the process of creating a new — or novel — Internet enabled/delivered business, product or service. This definition includes ... start-ups — bringing a new digital product or service to market — but also the digital transformation of an existing business activity inside a firm or the public sector” (van Welsum, 2016, p. 1).

The rapid development and diffusion of emerging and frontier technologies have the potential to further exacerbate the digital divide and other inequalities. It is therefore even more crucial that policy action be taken to achieve universal and equitable digital access, as the risk of being left behind is growing ever greater (Sambuli and Magnoli, 2019). Providing Internet access generates new opportunities for young people; the development of more complex digital skills expands those opportunities. As a side note, Governments developing digital access policies should focus not only on expanding connectivity, but also on anticipating and addressing the potential negative effects of new technologies (including its disproportionate impact on lower-skill workers and the risks it poses to the privacy and mental well-being of young people).

The 2030 Agenda acknowledges that technology is crucial to the achievement of sustainable inclusive development. Target 9.c of Sustainable Development Goal 9 (Industry, Innovation and Infrastructure) urges

<sup>17</sup> The key characteristic of the Fourth Industrial Revolution is digital connectivity. The world is more connected than ever before, and global technology flows (international technology transfers) have accelerated. Developed and developing countries all over the world are affected, and many (regardless of development level) are jumping on the digital bandwagon; for example, China has become a world leader in artificial intelligence, Kenya is leading the fintech revolution, and South Africa is home to the world's largest 3D printer.



Governments “to significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020”. Unfortunately, progress has been slow; statistics for 2018 indicate that global Internet user penetration stands at 51 per cent, with rates of 45 per cent for developing countries and 20 per cent for least developed countries (ITU and UNESCO, 2019).

## 4.2 NEW TECHNOLOGIES AND THE SUSTAINABLE DEVELOPMENT GOALS

How can young social entrepreneurs leverage new technologies in the service of sustainable development? How can the disadvantages youth face as entrepreneurs be neutralized or overcome through technology-infused social entrepreneurship? One answer to both questions is that entrepreneurship ecosystems must provide the appropriate support, with full account taken of the needs, characteristics, constraints and ambitions of young social entrepreneurs.

Institutional models of entrepreneurship support have been characterized by growing diversity over the past couple of decades. One innovative support mechanism is the start-up accelerator, which became a worldwide phenomenon following the establishment of Y-Combinator (the world’s first start-up accelerator) in 2005. Although the model has proven successful, much remains to be done to ensure that it is appropriately

adapted to youth, social entrepreneurship, and the needs of those in the global South.

Start-up accelerators are explored within the broader context of this chapter, which relates to the need for entrepreneurship ecosystems to support youth social entrepreneurship in a manner that leverages technology and promotes or facilitates digital access for all. In this chapter the term “technology” refers to the “rules and ideas that direct the way goods and services are produced” (Kemeny, 2010, p. 1,544), so technological inventions are essentially new rules and ideas influencing what goods and services to produce and how to produce them. Technological inventions become technological innovations when these new rules and ideas find practical use through commercialization by entrepreneurs or existing businesses. Innovation is therefore the extraction of economic value from novel activities (ASTRA, 2007). The term “frontier technology” effectively ties these concepts together; it is defined by one software developer as “the next phase in the evolution of modern technology: ... the intersection where radical forward thinking and real-world implementation meet” (Gensuite, 2020).

The next section of this chapter deals with the new, emerging and frontier technologies of the Fourth Industrial Revolution.<sup>18</sup> These technologies have the potential to improve human welfare but can also pose risks and introduce new threats; this is true for countries at all levels of development. The more widespread adoption of digital technology and the expansion of digital literacy will contribute to increased youth mobilization and youth agency across the world. The answer to the question of how to support young social entrepreneurs

<sup>18</sup> The terms “new technologies”, “emerging technologies” and “frontier technologies” are often used interchangeably, even in the present *Report*, as there are no universal definitions that conclusively establish where these concepts converge or diverge. There are arguably differences that may or may not be significant in certain contexts; for example, emerging technologies are generally defined as those whose development or applications are still largely unrealized, while frontier technologies are usually regarded as those that have completed the research and development phase and are in the process of entering the market but may not yet have been broadly marketed or adopted by the mainstream.



in identifying, adopting, adapting and commercializing appropriate new technologies for local community development without further widening the digital divide lies in entrepreneurship ecosystem design.

### 4.3 OPPORTUNITIES FOR YOUNG SOCIAL ENTREPRENEURS

Rapidly evolving digital technologies are already having a huge impact on societies and economies. The tools they offer can produce wide-ranging outcomes depending on how they are used; in the present context, such tools can be used to support or undermine efforts to achieve the Sustainable Development Goals. Brynjolfsson and McAfee (2016) refer to the present period as the “second machine age”, arguing that the hugely transformative impact of these technologies can only be compared with that of the “first machine age” (the Industrial Revolution). The Industrial Revolution, which marked the transition to new manufacturing processes in Europe and the United States during the period 1760-1840, was made possible by technologies such as the steam engine, textile milling tools (including the flying shuttle, Spinning Jenny and cotton gin), the electric telegraph, gas lighting, and locomotives and railways (see McFadden, 2018).

In this second machine age, new and emerging technologies both drive and reflect the fusion of physical and digital production and consumption. The convergence of advances in AI, IoT, advanced materials, digital platforms, robotics, big data analytics, the Interface of Things, and other such technologies has created a world of new possibilities, and innovators have already tapped into these technologies to develop solutions such as mass customization through 3D printing (additive manufacturing), production-as-a-service through digitization, and

new operational frameworks such as the sharing-economy and on-demand-economy business models. Reductions in the costs of computing power, data storage and bandwidth are facilitating this convergence (Deloitte, Council on Competitiveness and Singularity University, 2018). The second machine age is sometimes referred to as the New Industrial Revolution (Marsh, 2012), the Fourth Industrial Revolution (Schwab, 2016), or Industry 4.0.<sup>19</sup> As observed by Klaus Schwab, this most recent industrial revolution is “disrupting almost every industry in every country, ... [leading to] the transformation of entire systems of production, management and governance” (ibid.).

The newest industrial revolution is different from previous industrial revolutions in that the speed of change is exponential rather than linear (Deloitte, Council on Competitiveness and Singularity University, 2018). Exponential technologies “enable change at a rapidly accelerating, nonlinear pace facilitated by substantial progress (and cost reduction) in areas such as computing power, bandwidth, and data storage” (ibid., p. 5). The exponential growth in computing performance and the significant decline in computing costs are enabling the development of other technologies such as AI, additive manufacturing and bioengineering. The disruption of manufacturing and technology derives not from individual technologies but from the process of convergence, which has accelerated over the past 10-15 years (Friedman, 2016).

Disruptive innovations are those that revolutionize how products are made or services are offered. **Table 3** highlights the most important of the new technologies that are disrupting manufacturing and service provision. Typical of the impact of these technologies is making things better, cheaper and more accessible (ibid.). The many virtually free functions on most smartphones

<sup>19</sup> The Second Industrial Revolution (around the turn of the twentieth century) was characterized by the application of science to mass production; the Third Industrial Revolution (in the mid-twentieth century) marked the beginning of digitization.



— such as GPS, text and image messaging, information access, video recording and playback, videoconferencing and massive processing power — constitute one familiar example. It has been estimated that owning all of this technology in 1985 would have cost an individual at least \$32 million.<sup>20</sup> Because these technologies and their applications are making manufacturing easier and more accessible, there is greater scope for developing countries to become more involved in manufacturing — in a way

that is more localized and thus more sustainable and that contributes to a reduction in long global value chains. It should be noted that situating manufacturing closer to destination markets through automation may have negative consequences for developing countries that benefit from traditional global value chains, given that the individual links in these chains generate investment and employment.

<sup>20</sup> See <https://www.webpagefx.com/data/how-much-did-the-stuff-on-your-smartphone-cost-30-years-ago/>.

**TABLE 3. MOST IMPORTANT NEW TECHNOLOGIES AND THEIR APPLICATIONS**

| TECHNOLOGY                         | DESCRIPTION AND ROLE   | CURRENT AND POTENTIAL FUTURE APPLICATIONS   |
|------------------------------------|--|---|
| (Industrial)<br>Internet of Things | A system of devices, networks, software platforms and applications that makes it possible for sensors on physical “smart” objects to generate data on the objects and their environment that “are then fed back to improve decision-making in the operational or production process” (ECLAC, 2018, p. 25).               | Optimization of production, predictive maintenance, the “servicification” of manufacturing, tracking products, automated flows, servitization, and customized production. By 2017, around 8.4 billion objects were connected to the IoT (ECLAC, 2018, p. 25). |
| Digital platforms                  | “A technology-enabled business model that creates value by facilitating exchanges between two or more independent groups” (Accenture, 2016, p. 8). Digital platforms “are built on a shared and interoperable infrastructure, fuelled by data and characterized by multi-stakeholder interactions” (ECLAC, 2018, p. 61). | Online and digital trade, software-as-a-service, infrastructure-as-a-service, the on-demand economy, collaborative manufacturing and manufacturing design, customization, recruitment, and financing (ECLAC, 2018).   |
| Biomanufacturing                   | “A type of manufacturing or biotechnology that utilizes biological systems to produce commercially important biomaterials and biomolecules for use in medicines, food and beverage processing, and industrial applications” (Labroots, 2020).  | Pharmaceuticals, renewable oils, clothing and textiles, synthetic flavourings for food and beverages, green bioplastics, and cellular agriculture (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 38).                             |

*continues*



Table 3 continued

|                         |   |  |
|-------------------------|---|--|
| Advanced materials      | "Chemicals and materials like lightweight, high-strength metals and high-performance alloys, advanced ceramics and composites, critical materials, bio-based polymers, and nanomaterials" (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 32).   | Automotive and aviation manufacturing, sporting goods, wind turbine generators and batteries, building materials (such as coatings) and displays (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 32)  |
| Robotics                | "Machines or systems capable of accepting high-level mission-oriented commands ... and performing complex tasks in a semi-structured environment with minimal human intervention" (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 34)  | Product assembly, packaging, welding, fabrication, painting, mixing, loading, unloading, testing and inspection; use with drones for intelligence gathering, monitoring, inspection, and chemical detection (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 34) |
| Artificial intelligence | The theory and development of computer systems able to perform tasks that normally require human intelligence" (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 36).  | Predictive maintenance, computer vision (for quality assurance), automated driving, and personalizing consumption (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 36).  |
| 3D printing             | "An additive process of building objects, layer upon layer, from 3D model data" (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 28).   | Automotive and aviation design, dental printing and medical implants (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 28).   |
| Blockchain              | Digital technology that allows data to be structured and distributed "without the need for a centralized authority", with the data recorded and transmitted to this technology "believed to be immutable, safe, secure, and tamper-proof" (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 40). | Product tracking and verification, performance reviews of suppliers, and fraud reduction (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 40).   |
| Interface of Things     | Includes virtual reality, augmented reality, mixed reality, and "wearables and gesture recognition technology that enables humans to communicate and interact with a machine" (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 50).   | Virtual assembly manuals for factories, virtual design of factories and products, quality checks, instruction and training for manufacturing, and remote assistance (Deloitte, Council on Competitiveness and Singularity University, 2018, p. 50).  |

Sources: Excerpted or drawn from Naudé, Surdej and Cameron (2019), table 10.1; Naudé (2018); ECLAC (2018); Accenture (2016); Labroots (2020); and Deloitte, Council on Competitiveness and Singularity University (2018).



Some of the ways these new technologies are changing the face of production and consumption are through the reduced use and optimization of physical products and assets and through the development of non-material solutions. Manufacturers can keep less stock, products use fewer physical inputs and last longer, and the potential exists for resource sharing, regeneration and recovery (as reflected in the shared-economy and circular-economy business models) (Naudé, 2017). The technologies featured in **table 3** are likely to simplify manufacturing and

dematerialize physical production. The dematerialization of manufacturing is facilitated by the expansion of digital manufacturing through the use of AI for purposes such as predictive maintenance and through the use of advanced materials such as nanomaterials and carbon fibre composites. New and emerging technologies can drive the creation of new businesses that can contribute to growth, employment and social change. **Table 4** illustrates how new technologies can facilitate — and in some cases accelerate — the achievement of the Sustainable Development Goals.

**TABLE 4. EXAMPLES OF AREAS IN WHICH NEW TECHNOLOGIES CAN PROMOTE SUSTAINABLE DEVELOPMENT**

| NEW TECHNOLOGY   | EXAMPLES  | RELEVANT SUSTAINABLE DEVELOPMENT GOALS |
|--|---|--|
| Artificial intelligence  | Smart farming (including crop monitoring and automatic crop disease detection); vertical agriculture (computerized factories for food production); automation and acceleration of threat detection and analysis; voice recognition for secure and targeted social protection.   | Goals 1, 2 and 3                       |
| Robotics, including drones   | Mining safety; security and peacekeeping; manufacturing competitiveness; unmanned aerial vehicles (drones) for remote sensing, advanced warning systems, livestock monitoring, aid and distribution, and emergency assistance.  | Goals 1, 2, 3, 8 and 9                 |
| Biotechnology, smart materials, and 3D/4D printing                 | Molecular crop breeding for better drought, salinity and pest resistance; health care; infrastructure; building; design.  | Goals 2, 3, 9 and 11                   |
| Information and communications technology, blockchain, and fintech | Insurance and social protection against climate-change-induced damages; blockchain for land registries, land improvement, obtaining finance and establishing identity (migration); weather and tsunami warnings; eHealth and other health applications; digital entrepreneurship; (distance) education; digital government; circular and sharing economies. | Goals 1, 2, 3, 4, 5, 10, 11, 12 and 16 |
| Renewable energy   | Solar energy; creating water out condensation.  | Goals 6, 7 and 13                      |

Sources: Applications focused on addressing climate change are excerpted or drawn from Naudé (n.d.); other content derived from internal United Nations input.



New technologies can make a substantial contribution to the achievement of the 2030 Agenda; however, if not harnessed properly, they can also pose threats to sustainable and inclusive development (Naudé, 2018). First and foremost is the threat automation poses to many routine jobs. The World Bank predicts that automation will likely have a greater impact on developing countries, where two thirds of the jobs fit this profile and are therefore at greater risk in the coming decades (World Bank, 2016b). Job losses will also impact richer countries; estimates indicate that 57 per cent of jobs in OECD countries involve tasks that could potentially be automated (van Welsum, 2016). Many countries, particularly those in developing regions, rely on low-wage labour to attract manufacturing firms so that they can build and maintain a competitive advantage (Frey and others, 2016). Both within and between countries, the distributional effects of automation are likely to be skewed towards those who have access to high levels of physical, economic and human capital, and these are the areas in which inequalities are likely to widen as new technologies — including but not limited to automation — are increasingly integrated into progressively more streamlined production processes.

Those whose jobs are at risk may wish to acquire new skills that make them more employable in the age of new technology; however, this may prove difficult in some settings. Even securing basic digital connectivity has been a challenge for individuals and businesses in different parts of the world. Between 2010 and 2014, 9 out of 10 businesses in high-income OECD countries had broadband Internet access; the corresponding ratios were 7 out of 10 in middle-income countries and 4 out of 10 in low-income countries (World Bank, 2016b). If simple access is this uneven, the availability and uptake of rapidly evolving and often complex new technologies are likely to reflect even greater disparities, which will further exacerbate inequalities. This matters because young people who wish to leverage new technologies for enterprise creation in developing countries will face additional barriers on a number of fronts,

as they will lack not only the requisite individual skills and competencies but also an enabling environment.

Part of creating an enabling environment is ensuring that mechanisms are in place to prepare individuals to function optimally in the new age of advanced technology. Education needs to focus on practical, higher-order, experiential and lifelong learning. Youth need to learn twenty-first century skills and develop the appropriate competencies. A strong and comprehensive technology education needs to start early and keep up with developments in the digital world. Human capital formation is essential.

Another aspect of an enabling environment is a strong infrastructure. At this point, the frontier firms that are able to access, adopt and exploit new technologies make up a very small number worldwide, and there is a sizeable and growing gap between these enterprises and others operating in the market (OECD, 2017). Developing countries face a double burden in that they still have to develop the necessary infrastructure that will enable them to access frontier technologies. More than 1 billion people in developing countries lack access to electricity, and an additional 2.5 billion are under-electrified, with access limited to weak and unreliable connections (United Nations, 2018). Adequate investment in basic infrastructure is both essential and urgent, as this represents the foundation on which to build a strong technology infrastructure that will support the development and diffusion of new technologies and the flourishing of enterprises. As a side note, government policies aimed at supporting technology infrastructure development should also include safeguards and protections. Increased connectivity, and particularly the use of AI and IoT, have raised concerns about the protection and use of personal data and biometric information and the need for appropriate safeguards for children and youth.

Clearly, there are a number of conditions that must be met for developing countries to take full advantage of



frontier technologies. Where basic needs remain unfilled, young people will find it difficult, if not impossible, to exploit these opportunities and engage in technology-driven social entrepreneurial activity. Solutions are outlined in several of the Sustainable Development Goals — in particular Goals 4, 5, 6, 7 and 9 — but Governments will need to clearly and unequivocally prioritize the formation of human capital and the development of the necessary physical and digital infrastructures in order to reap the massive potential benefits of frontier technologies. This

prioritization must take place now because the window of opportunity for leapfrogging will not remain open for long.

## CONCLUSION

NEET youth represent significant untapped potential for economic development, and this weighs heavily on poorer countries in particular. Fortunately, there is enormous potential for youth to utilize new and emerging technologies as social entrepreneurs to tackle systemic social challenges; some enterprising young people are already doing so (see **boxes 12 and 13**).

### BOX 12.

## ZIPLINE: DRONES SUPPORTING HEALTH SERVICES IN REMOTE LOCATIONS

Zipline is a social enterprise co-founded by Keller Rinaudo, Keenan Wyrobek and William Hetzler in 2014. Keller Rinaudo, a young American robotics entrepreneur and a recipient of the prestigious Schwab Foundation for Social Entrepreneurship Award in 2017, serves as Chief Executive Officer.

Zipline transports urgent medical supplies, including blood and vaccines, to remote medical centres in Rwanda. After a Zipline health worker receives a medical supply order via text message or email, the requested package is prepared and loaded into a battery-powered Zip drone. The drone is then launched, quickly reaching a speed of 100 km/h, and is monitored using a tracking system until it arrives at its destination within a few minutes; deliveries are often made to very remote locations that would normally take hours to reach. The package is released from the drone with a small parachute and lands near a medical facility, where it is recovered by another health worker. The Zip drone then returns to its base.

Zipline partners with the Government of Rwanda to deliver medical products to more than 20 health centres in remote locations. Zipline's price per order varies according to weight, urgency and distance, but Zip drone delivery is always less expensive, faster, and less damaging to the environment than traditional transport options. Given that the vast majority of the population in Rwanda lives in rural communities, quick access to medical supplies can represent the difference between life and death. For example, in situations where there is a postpartum haemorrhage, access to blood for a transfusion in a matter of minutes can save a life.

"Called a 'visionary project' by the World Health Organization, 'the new face of the aerospace industry' in The New York Times, and one of Business Insider's Startups to Watch in 2017, Zipline uses cutting-edge technology to leapfrog the absence of pre-existing infrastructure all over the globe and deliver medical necessities to healthcare professionals and their patients in the most remote parts of the world" (Schwab Foundation for Social Entrepreneurship, 2017).

In 2019, Zipline expanded its operations to Ghana, India, the Philippines and the United States.

Sources: Zipline website (flyzipline.com); Schwab Foundation for Social Entrepreneurship (2017); Baker (2018); Stewart (2018).



## BOX 13.

**TYKN: JOURNEY OF A YOUNG TECH  
SOCIAL ENTREPRENEUR**

According to the Office of the United Nations High Commissioner for Refugees (UNHCR), more than 1 billion people worldwide lack identity papers. Individuals without proper identification are at very high risk of being excluded from society, as access to work, housing, banking services, mobile phones, and other aspects of a sustainable livelihood is severely limited. Most of those lacking identification are already in vulnerable situations, as they are often asylum seekers, refugees and migrants. In many instances, it is impossible for asylum seekers and refugees to obtain identification, as their home countries are engaged in conflict or the documents have been lost or destroyed and cannot be replaced. Babies born in refugee camps usually lack identification papers, as parents often cannot complete the birth registration process due to national status, administrative complexities or other reasons.

Three years in a refugee camp in the Netherlands made Toufic Al-Rjula realize that his lack of identification papers made him “invisible”. Toufic was born in Kuwait during the Gulf War, and his birth certificate was among those documents systematically destroyed during the conflict. The son of a Syrian father, Toufic had Syrian citizenship but grew up in Lebanon and then worked abroad in the bitcoin industry for a few years. When his work visa expired in 2012, he found himself unable to return to Lebanon or the Syrian Arab Republic. His only choice was to apply for refugee status with his Syrian citizenship. In his twenties, he ended up alone in the Ter Apel refugee camp in the Netherlands. There, he met thousands of other Syrian refugees who had lost not only their identification documents, but also their academic records, professional certificates, land titles, and other vital records. All of these other people were also invisible.

Toufic was inspired by these thousands of invisible people to partner with Khalid Maliki and Jimmy J.P. Snoek in the creation of a social enterprise called Tykn, a digital identity management system that aims to provide self-sovereign identity to refugees using blockchain technology. In Turkey, Tykn is collaborating with the Ministry of Foreign Affairs and UNDP to help employers issue work permits to Syrian Refugees. This process relies on a paper-based system and refugees need to prove their right to work. Tykn will empower them with a tamper-proof digital credential, verifiable forever through blockchain.

Blockchain refers to the “technology behind decentralised databases providing control over the evolution of data between entities through a peer-to-peer network, using consensus algorithms that ensure replication across the nodes of the network” (Tykn, 2020b). Tykn allows organizations to issue tamper-proof digital credentials which remain verifiable forever. Bringing privacy and trust to identity through DIDs, Verifiable Credentials & Blockchain technology. Users can prove their ID to access services from institutions while remaining in full control of what personal data is viewed, shared and stored. This reduces bureaucracy and allows refugees to obtain support faster.

Tykn is now working with partners to explore how integrating blockchain technology into humanitarian operations could speed up the delivery of assistance.

Sources: Tykn (2020a); Tykn (2020b); Loritz (2019).

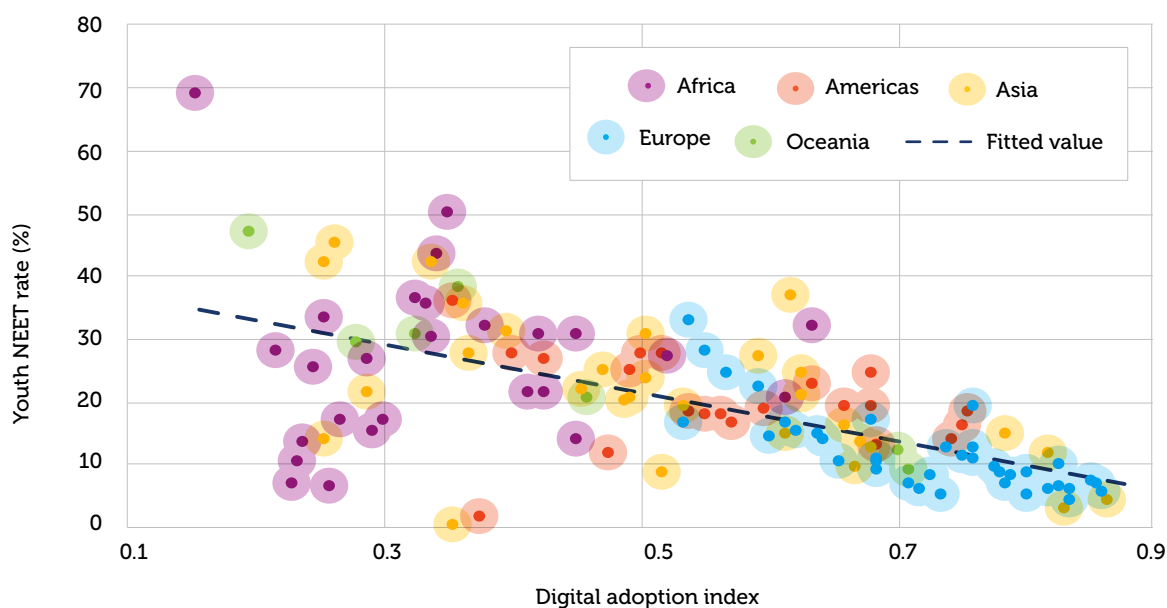


Countries with higher levels of digital technology adoption tend to have fewer NEET youth. **Figure 11** illustrates the positive correlation between the adoption of digital technology and the utilization of the talents of youth, as measured by the World Bank Digital Adoption Index based on a sample of 145 countries.<sup>21</sup> The relationship between the two variables is believed to be bidirectional; in other words, higher levels of digital technology adoption are likely to translate into greater engagement

among youth in learning, education and employment, and greater youth engagement in these areas is likely to accelerate the adoption of digital technologies. A two-pronged approach may therefore be needed, with efforts to bridge the digital divide carried out in tandem with increased investment in science, technology, engineering and math (STEM) education for youth, with particular attention given to ICT education and skill development. Schools, universities, and other institutions providing

<sup>21</sup> The Digital Adoption Index (DAI) provides a relative measure of digital technology adoption at the country level across the domains of business, government and households. It evaluates data that reflect the use of digital technologies, focusing on variables such as business websites, secure servers, download speeds, 3G coverage, mobile-cellular access at home, Internet access at home, the cost of Internet access, e-customs and e-procurement activity, digital signatures, and e-filing for taxes (see World Bank, 2016a).

**FIGURE 11. RELATIONSHIP BETWEEN THE ADOPTION OF DIGITAL TECHNOLOGY AND THE UTILIZATION OF THE TALENTS OF YOUTH (AGED 15-24) ACROSS THE WORLD**



Sources: DESA, based on ILOSTAT database (non-modelled estimates); World Bank, Digital Adoption Index 2016.



support for the adoption of digital technologies are going to play an increasingly pivotal role in enabling entrepreneurship ecosystems.

One of the defining features of the present era is rapid innovation linked to new, emerging and frontier technologies. As noted previously, the technologies driving the Fourth Industrial Revolution present both opportunities and threats. Higher rates of digital technology adoption are generally associated with higher levels of youth engagement around the world, but taking full advantage of this positive dynamic requires that young people be appropriately supported in identifying, adopting, adapting and commercializing new technologies to contribute to social development. This is particularly urgent for youth residing in the global South, where there is the double imperative of providing basic infrastructure and accelerating technological development. All of this needs to be considered in entrepreneurship ecosystem design.

Innovation and its commercialization are rarely the work of a lone entrepreneur and do not take place in a vacuum; typically, this process involves the efforts of multiple agents that are often clustered in a particular geographic area and are embedded in a support system (Nelson and Winter, 2002). This dynamic is well recognized and has resulted in Governments coordinating relevant support; many have invested in national innovation systems<sup>22</sup> to facilitate the flow of information and technology among people, enterprises and institutions (see Lundvall, 1992) and are building entrepreneurship ecosystems to support

start-ups (Mason and Brown, 2014). In these institutional support systems, the three key parties are usually the Government, commercial businesses and scientific institutions — the constituents of what Etzkowitz and Leydesdorff (2000) refer to as the “triple helix” of innovation. In the case of social entrepreneurship, the concept of a “quadruple helix” may be more relevant, as civil society is also involved (see Carayannis and Campbell, 2009). Each “strand” of the triple or quadruple helix has a role to play, though configurations vary widely, with the local context determining the relative focus of each agent (the Government, industry, scientific institutions and civil society) on different aspects of the ecosystem. No two entrepreneurship ecosystems are the same.

Connecting young social entrepreneurs with new and emerging technologies represents an opportunity to disseminate and scale up technological solutions that will contribute to the global welfare and leverage the enormous potential of youth worldwide. How can this be done most effectively? What is certain is that ensuring access to new-technology-focused education is essential to youth employment and entrepreneurship and to sustainable development more broadly. Given the rising importance of technology both in school and in the labour market, access to technology-relevant (especially new digital technology) skill development and education is crucial for harnessing the talent and potential of young people, including those who aspire to become social entrepreneurs and contribute to the achievement of the Sustainable Development Goals.

<sup>22</sup> A national innovation system comprises of a set of organizations, systems and incentives that encourage the generation and adaption of technology (Nelson, 1993).





## 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.

23

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.





## CONCLUSION

*The World Youth Report: Youth Social Entrepreneurship and the 2030 Agenda* explores the role youth social entrepreneurship can play in addressing the unmet economic and social needs and demands of young people across the globe. While not a panacea for youth development, youth social entrepreneurship represents one complementary pathway. The *Report* emphasizes that the successful pursuit of youth social entrepreneurship is based on an accurate assessment of its merits, opportunities and challenges and is facilitated by an enabling entrepreneurship ecosystem.

Youth social entrepreneurship has the potential to mobilize young people as agents of change. The *Report* acknowledges that youth development is predicated on youth engagement. Youth social entrepreneurship represents an inclusive form of development in that it both empowers youth through employment and leverages their talents and capacities in the service of social good. It can contribute directly to the achievement of Sustainable Development Goal 8 through employment creation and indirectly to the achievement of several other Goals through its social impact mission.

A number of factors predispose youth to social entrepreneurship. Research shows that their age and stage of development are associated with certain attitudinal and behavioural characteristics such as creativity, risk-taking, resilience, adaptation and inquisitiveness (the desire to learn). Expectations of a relatively long life span give youth a vested interest in the future. The life experience of youth presupposes a level of technological familiarity. All of this renders young people particularly well suited for social entrepreneurship.

Activating the potential of youth social entrepreneurship is not synonymous with releasing policymakers at the local, regional, national and international levels from their obligations with regard



## CONCLUSION

to youth. Youth social entrepreneurship is not a catch-all solution; rather, it plays a critical role within a larger network of interlinked public policies addressing youth development. Even under the best conditions, youth social entrepreneurship is challenging, but it can be especially difficult when it is driven by a truly innovative idea. Beyond the conception of an innovative idea, successful entrepreneurship is dependent on a conducive economic, financial, technological and cultural environment.

Young people are better able to overcome challenges and engage in impactful youth social entrepreneurship when they are fully supported within an enabling entrepreneurship ecosystem. Technology education and training are particularly important within this context, as part of the success of youth social entrepreneurship in the present era is premised on the ability to adapt to new technological realities.

This *Report* offers specific recommendations for establishing and maintaining an entrepreneurship ecosystem conducive to youth social entrepreneurship. These are grouped under the following broad and mutually

reinforcing categories: optimizing the overall business environment; strengthening entrepreneurial education and training; adapting support networks; ensuring access to financial services and products; transforming innovation systems; and changing the narrative.

One of the common denominators among these recommendations is that they need to be developed, refined, implemented and evaluated in collaboration with young people. Youth development efforts (including those relating to youth social entrepreneurship) will not bear fruit unless they are based on the meaningful engagement of young people in policymaking and in the design and evaluation of interventions.

The other common element is that policies and interventions need to be based on evidence. The collection and analysis of relevant data are essential for ensuring that youth social entrepreneurship ecosystems effectively respond to the real needs of young people and propel them towards their full agency as social entrepreneurs supporting the achievement of the 2030 Agenda for Sustainable Development.



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