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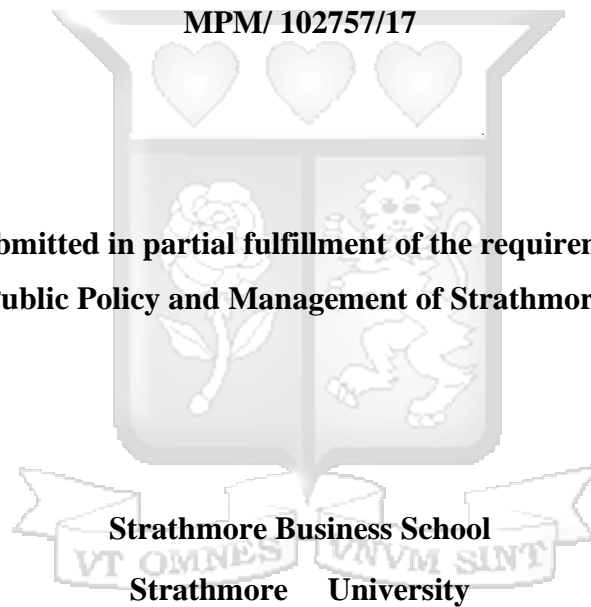
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An Appraisal of Youth Enterprise Development Fund: Challenges and Policy Options

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MPM/ 102757/17

**This dissertation is submitted in partial fulfillment of the requirements of the award of a
Master in Public Policy and Management of Strathmore University**



Nairobi, Kenya

April, 2021

DECLARATION

I declare that this work has not been previously submitted or approved for the award of a degree by this or any other university. To the best of my knowledge and belief, this dissertation contains no material earlier published or written by any other individual except where due reference is made in the proposal itself.

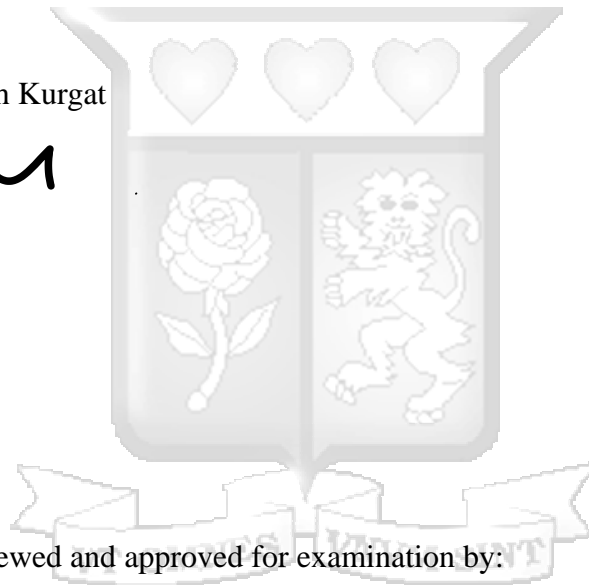
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Approval

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Date 21.07.2021

ABSTRACT

The Kenyan government like most developing countries has put in place various initiatives that aimed at addressing youth unemployment one of them being the Youth Enterprise Development Fund. The overall goal of the Youth Enterprise Development Fund is to expand the window of opportunities for Kenyan youth to get involved in the growth of the country by encouraging them to be job creators rather than job seekers through providing easy and affordable loans and business development support services to those expanding their enterprises. Youth unemployment rate in Kenya is estimated to be at 18.47 % with 7 million Kenyans entering the job market annually. Further, 9 out of every 10 unemployed Kenyans are below 35 years and the majority are between the age group of 20-24 years. The review aimed to assess the impact of active labour market policies adopted by the government to curb unemployment with specific emphasis on Youth Enterprise Development Fund (YEDF). The specific objectives of the study were; to review Youth Enterprise Framework & identify gaps and emerging issues, identify factors that have undermined the success of youth funds in creating opportunities for the youth and to suggest measures of enhancing effectiveness of youth fund by drawing lessons from other country experiences. The data used cross-sectional and descriptive design and is qualitative in nature. The study population was Youth Enterprise Fund. Purposive sampling was used for key informant interviews. Data collection was conducted by document analysis and Key Informant Interviews of YEDF beneficiaries and staff. Data was transcribed, coded and put in themes, patterns and relationships drawn out. Data evaluation was carried out by scanning data for recurrent words and phrases and contrasting findings from interviews conducted and document analysis with findings from literature review and discussing similarities and differences. The study identified gaps and emerging issues emanating from external and internal factors of the fund's framework, challenges in the implementation of the fund's mandate and suggested policy design options based on other country experiences. As a result, the study proposes investment of comprehensive business development support programs, establishment of an effective monitoring and evaluation system and coordination with other government agencies.

Key Terms: Youth Enterprise Development Fund, Unemployment, Youth, Youth Fund

Table of Contents

DECLARATION	II
ABSTRACT	III
LIST OF FIGURES	VI
LIST OF TABLES	VII
DEDICATION	VIII
ACKNOWLEDGEMENTS	IX
ABBREVIATIONS AND ACRONYMS USED	X
CHAPTER ONE: INTRODUCTION TO THE STUDY	1
1.1 Introduction	1
1.2 Background Information	1
1.3 Problem Statement	5
1.4 Research Objectives	6
1.5 Research Questions	6
1.6 Scope of the Study	7
1.7 Justification of the Study	7
1.8 Significance of the study	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Labour Economic Theory	8
2.2 Empirical Literature Review	10
2.2.1 Gaps and Emerging Issues Facing Youth Enterprise Development Fund	10
2.2.2 Factors influencing the success of Youth Enterprise Development Fund in creating opportunities for the youth	14
2.2.3 What measures can be put in place to enhance the success of YEDF drawing lessons from other country experiences?	18
2.4 Key findings and research gaps	22
2.5 Conceptual Framework	23
CHAPTER THREE: RESEARCH METHODOLOGY	25
3.1 Research Design	25
3.2 Target Population	25
3.3 Sampling Procedure	26
3.4 Data Collection Methods	26
3.5 Data Analysis	26
3.6 Data Presentation and Dissemination	27

3.7 Research Quality	27
3.7.1 Reliability	27
3.7.2 Validity	27
3.8 Ethical Considerations	28
CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION	29
Introduction	29
4.1 Gaps and emerging issues facing Youth Enterprise Development Fund	29
4.2 Factors that undermine that undermine the effectiveness of Youth Enterprise Development Fund in creating opportunities for the youth	33
4.3 Measures that can enhance the effectiveness of Youth Enterprise Development Fund drawing lessons from other country experiences in using youth funds to address youth unemployment	39
CHAPTER FIVE: DISCUSSION OF FINDINGS AND RECOMMENDATIONS	42
5.1 Discussion of findings	42
5.2 Conclusion	49
5.2 Recommendations	50
5.3 Limitations of the study	51
5.4 Areas for future research	51
REFERENCES	52
Appendix I: Letter of Introduction	62
Appendix II: Ethics Clearance Letter	63
.....	63
Appendix III: NACOSTI Permit	64
.....	64
Appendix IV: Work Plan	65
Appendix V: Budget	66
Appendix VI: PARTICIPANT INFORMATION AND CONSENT FORM	67
Appendix VII: Key Informant Interview Guide (YEDF Beneficiary Youth Group Leader)	70
Appendix VIII: Key Informant Guide (YEDF Officials)	71

LIST OF FIGURES

Figure 2.1 Conceptual Framework.....23



LIST OF TABLES

Table 4.1: Summary of gaps and emerging issues facing YEDF.....	29
Table 4.2: Summary of factors undermining success of YEDF.....	34



DEDICATION

I dedicate this work to my parents and siblings for their continuous support and prayers.



ACKNOWLEDGEMENTS

I thank God for his provision, guidance and protection throughout this study.

I extend my gratitude to my supervisor Dr. Bernadette Wanjala for her support, patience and guidance that has enabled me to complete my research successfully. I will always be indebted to her.



ABBREVIATIONS AND ACRONYMS USED

AU	African Union
BYEDF	Botswana Youth Enterprise Development Fund
ERWEC	Economic Recovery for Wealth and Employment creation
GAO	Government Accountability Office
GOK	Government of Kenya
GDP	Gross Domestic Product
ILO	International labor organization
OECD	Organization for Economic Co-operation and Development
OSAA	Office of the Special Adviser on Africa
PPP	Public Private Partnerships
SMEs	Small and micro enterprises
SNYDA	South Africa National Youth Development Agency
M&E	Monitoring and Evaluation
NGO	Non- Governmental Organization
TYEDF	Tanzania Economic Empowerment Fund
TVET	Technical Vocational Education and Training
UK	United Kingdom
UN	United Nations
USA	United States of America
YEDF	Youth Enterprise Development Fund
UNDP	United Nations Development Program
UYVC	Uganda Youth Venture Capital
WEF	World Economic Forum
YYB	YEDF Youth Beneficiary
YCC	YEDF County Coordinator
YCO	YEDF Constituency Officer

CHAPTER ONE: INTRODUCTION TO THE STUDY

1.1 Introduction

This chapter took an in-depth review on the background of the topic, discussed the problem statement while identifying the gap of the study, and highlighted the research objectives, scope of the study, justification of the study and the significance of the study.

1.2 Background Information

Youth unemployment and underemployment is a growing concern globally more so, in developing countries like Kenya given the declining welfare of young people and long-term negative impacts it has on a country's economic performance and social harmony (Savage & Mroz, 2003).

Globally, the rate of youth unemployment is estimated to be at 13.1% translating to almost 67 million people between the age bracket of 15 and 24 (ILO, 2017). Youth unemployment challenges have been felt more in the East African region where majority of the population is under 25 years and 60% of youth are unemployed (DFID, 2018).

Despite the fact that labour markets are failing to generate opportunities for youth, youth employment to population ratio has been declining with the number of youth population expected to grow to 1.3 billion by the year 2030 (UN, 2015).

A negative relationship between youth unemployment and youth population has led to limited employment opportunities as an increasing human capital has resulted in an increase in demand for work opportunities (Briscoe & Wilson, 2004). Africa has the largest concentration of youth in the world with the populace forecasted to increase by 42% by 2030 and is expected to grow throughout the century (OSAA, 2015). This means that African countries risk losing the chance to improve their economic growth by taking advantage of the rising work age in their population (Peterson, 2017). Kenya in particular has 35.7 million young people living in the country according to 2019 National Census and with an estimated 39% youth unemployment rate (KNBS, 2019).

Jeannette (2013) acknowledges that youth are both a political and policy priority for many countries. Over time, changes in youth demography with the number of youth entering the labour market is increasing than the rate of jobs created which can be attributed to the declining Gross

Domestic Product (GDP) growth, global economic recession and minimal investment which are the direct causes of declining demand of labour created (Clain, 1976).

Other pressing challenges in youth unemployment includes informality of youth employment and challenges in youth entrepreneurship training. Most young people engaged in the informal sector and operated in an unregulated environment where they were forced to work for long hours, paid minimal wages and worked without a contract (Adamu, 2016). This was a result of the assumption that youth are less equipped with relevant skills a causation by the education system which has not been able to adopt to the current industry trends (World Economic Forum, 2016; Petersen and Mortimer, 2016). Further, Abisuga-Oyekunle, & Fillis, (2017) & Olaniran (2018) assert that giving opportunities to young people to acquire entrepreneurship and vocational skills was an essential step towards developing the socio-economic and political sectors of any nation not only to be able to start businesses but also contribute to the economy. However, quality of trainings in terms of its ability to meet labour market demands and the exact duration needed to effectively implement such trainings is still a major hurdle in youth unemployment policy options (Premand, Brodmann, Almeida *et.al*, 2016).

Both past and present Kenyan governments have over time put up a number of intervention activities to curb high youth unemployment rates from both the supply and demand side (ERC, 2003). As governments and private actors struggle to look for permanent long-term solutions for youth unemployment, one of the approaches to the menace has been through the establishment of national youth funds to encourage self-employment (Sechele, 2016). Despite few youth self-employment interventions being evaluated, Puerto (2013) upholds that this approach provided positive short-term effects.

Despite Puerto's affirmation, youth funds have been questioned on its ability to be sustainable given the growing youth bulge and dependence of governments' budgets (ILO,2011; Amesheva, Clark & Payne,2019 ; Jassor,2016 & Mwithalii,2019), its effectiveness in management disbursement of funds and implementation of loan repayment mechanisms given that youth funds are revolving funds. Further, Assmann (2021) highlights complexity of youth unemployment as a result of youth heterogeneity.

In the last decade, there has been more targeted policy interventions for youth and women (Gemen, 2014). Against this back drop, Youth Enterprise Development Fund (YEDF) was gazetted under the Ministry of Public Service, Gender and Youth affairs and later became a state corporation in 2007. It was one of Kenya Vision 2030 flagship project under the social pillar (Sikenyi, 2017). Its strategy focused on entrepreneurship development that would increase economic opportunities and avenues for young people in nation building through encouraging youth to be job creators rather than job seekers by providing easy and affordable loans and business support services (Vision 2030; Maisiba & Gongera, 2013; Kemunto, 2014 & Cherutich, 2016).

Through the fund (YEDF), youth groups of up to 12 people can submit a business plan and apply for funding, as well as other services such as training, mentorship, and market access. The fund also connects youth with local and international job markets (Opiyo, 2013; Mohamud, 2019 & Maritim, 2019).

The fund has recorded notable achievements and cumulatively allocated loans amounting to sh.12.8 billion to 1,159,393 youth countrywide (YEDF, 2019). In addition, 508,368 youth have been trained in entrepreneurship and a total of 10,767 facilitated to market products both locally and abroad. Through strategic partnerships, 26,015 youth have been facilitated to secure jobs abroad and 1,653 had been supported to access affordable trading spaces across the country (YEDF Report, 2019).

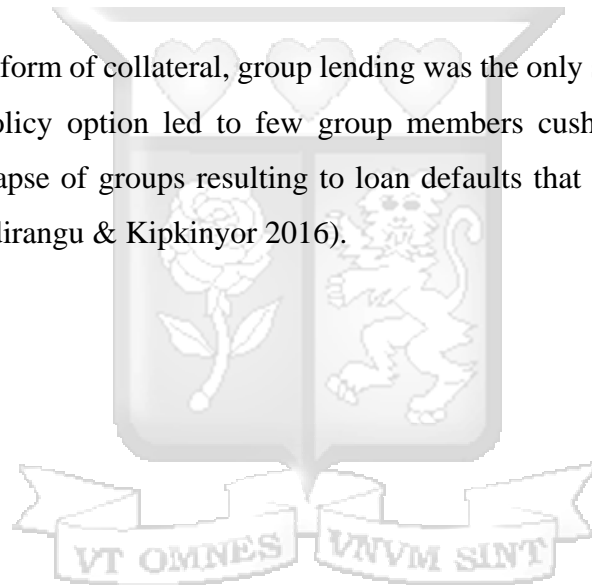
Despite the strides made by the fund to create new employment opportunities for youth, Odhiambo *et al.* (2013) & Gachuru & Mwirigi (2014) argue that youth-owned enterprises lacked adequate repayment structures. As of FY 2019/2020 loan repayment rate was at 58 % which was far below industry standard of 95 % (GoK, 2019). This was attributed to high default rates, low confidence in the fund's products and weak loan appraisal/repayment systems (Ndirangu, 2016; Kung'u, 2018 & Otieno, 2018).

Further, disbursed loans took time to be allocated after successful application (took three to six months for a transaction to be completed as opposed to other financial services that took up to 48 hours to process a loan) (Barasa & Githae, 2015). In addition, lending procedures were found to be lengthy and bureaucratic in addition to strict lending conditions catapult with unclear eligibility criteria and inadequate support whereby young people expressed concerns that the demand on at

least ten percent deposit in bank accounts, recommendation letters from administrative units and high interest rates made YEDF inaccessible (Mburu, 2015; Gachuru & Mwirigi 2014; Njoki 2015).

In 2016, YEDF created an enterprise development training guide to equip beneficiaries with basic entrepreneurship concepts and business management knowledge necessary for the success of daily running of small businesses and is delivered during the initial stages of loan disbursement (Nyamu, 2015). However, as at financial year 2018/2019 only 508,368 beneficiaries had undergone business development training against 1,159,393 youth who had received loans (YEDFB, 2019) statistics contrary to the stipulated YEDF procedures. This led to many youth businesses closing down before maturity due to lack of knowledge on entrepreneurial skills (Sikenyi, 2017; Hope, 2012; Sigei, 2017).

Given that YEDF had no form of collateral, group lending was the only surety to the fund (Kiama, 2011). However, this policy option led to few group members cushioning non - performing members leading to collapse of groups resulting to loan defaults that cumulatively affected the fund (Chemwa, 2015; Ndirangu & Kipkinyor 2016).



1.3 Problem Statement

Unemployment is one of the major challenges facing Kenya (GoK, 2006)). The Kenyan government established the Youth Enterprise Development Fund as one of its economic tool to address the prevailing youth unemployment problem in the country (Vision, 2030). Despite the existence of the fund for the last 13 years, the rate of unemployment among the youth was still on the rise. KNBS (2019) estimated youth unemployment rate in Kenya to be at 39% with thousands of youth entering the job market yearly. In addition, the statistics revealed that nine out of every 10 unemployed Kenyans were below 35 years and the majority were between 20-24 age group.

The above statistics showed that the fund which was formed to create employment opportunities for Kenyan youth by economically empowering them appeared to be struggling in fulfilling its mandate of job creation (Irungu & Kamau, 2015). YEDF faced technical, structural and governance challenges since its establishment hence resulted to youth not benefiting from this economic intervention (Maisiba & Gongera, 2013). So far, the fund had disbursed loans amounting to Kshs.12.8 billion to 1,159,393 youth, trained 508,368 youth in entrepreneurship and facilitated 10,767 youth market their products locally and abroad with the fund targeting slightly over 13 million youth (YEDF Report, 2019).

The mandate of the Fund was not only to provide financial access to youth entrepreneurs but also to provide entrepreneurship training, business development services, facilitate linkages in supply chains, create market opportunities locally and abroad for products and services of youth enterprises and facilitate creation of commercial infrastructure to support growth of youth businesses (YEDF Status Report 2019).

Regrettably, some of the strategic objectives put to attain YEDF's mandates were not being met (Lagat, Maru *et.al* 2012). Disbursement procedures continued to remain a hindrance given that the fund did not have adequate structures in place (Gachuru & Mwirigi, 2014), business development training continued to be one size fits all despite variations in businesses and faced challenges in its implementation (Kimando, Njogu& Kihoro, 2012), and low repayment rates despite the fund being a revolving fund a challenge attributed to poor credit evaluation and weak loan recovering mechanisms (Chemwa, 2015).

In addition, group dynamics continued to pose a hurdle in terms of long-term group cohesiveness and sustainability of shared visions despite the fund allocating 80% of the loans to groups (Waichungo, 2014).

This study therefore analyzed the effectiveness of the fund by assessing the funds policy framework and identified challenges and emerging issues while suggesting policy options based on select country experiences.

1.4 Research Objectives

Main Objective

To undertake an appraisal of Youth Enterprise Development Fund and suggest policy options.

Specific Objectives

- I. To review Youth Enterprise Development Fund Framework and identify gaps and emerging issues.
- II. Identify factors that influence the effectiveness of Youth Enterprise Development Fund in creating opportunities for the youth.
- III. To suggest measures of enhancing effectiveness of Youth Enterprise Development Fund by drawing lessons from other country experiences in using youth funds to address youth unemployment.

1.5 Research Questions

- I. What are the gaps and emerging issues facing Youth Enterprise Development Fund framework?
- II. What factors undermined the effectiveness of youth funds in creating opportunities for youth?
- III. What measures can be put in place to enhance the effectiveness of Youth Enterprise Development Fund drawing lessons from other country experiences in using youth funds to address youth unemployment?

1.6 Scope of the Study

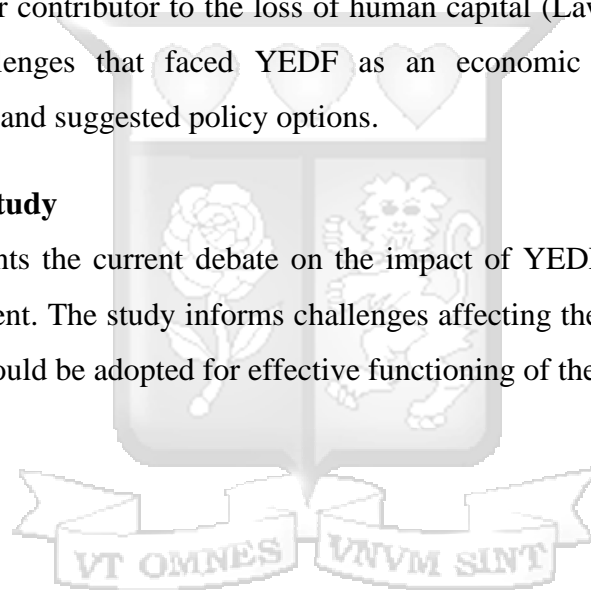
The study focused on evaluating Youth Enterprise Development Fund (YEDF), as an economic policy tool for addressing youth unemployment in Kenya. It utilized key informant interviews as source of primary data and relevant secondary data on Youth Enterprise Development Fund from 2007 to 2020.

1.7 Justification of the Study

It was important to ensure that YEDF was effectively working to harness the benefits of the current youth bulge and the increase in size of the working age population through productive jobs to prevent non-attainment and non-sustainability of the economic growth rate as persistence of youth unemployment is a major contributor to the loss of human capital (Lawanson, 2007). The study therefore assessed challenges that faced YEDF as an economic tool of reducing youth unemployment in Kenya and suggested policy options.

1.8 Significance of the study

This analysis complements the current debate on the impact of YEDF as an economic tool of creating youth employment. The study informs challenges affecting the performance of the fund and policy options that could be adopted for effective functioning of the fund.



CHAPTER TWO: LITERATURE REVIEW

Introduction

This chapter took an in-depth review of related literature relating to the research topic. The chapter was arranged into sub-sections comprising of the theoretical framework guiding the study and an empirical literature review with emphasis on the three research objectives. Identification of the research gap and the conceptual framework will conclude the chapter.

2.1 Labour Economic Theory

Labour Economic Theory stems from the early works of neoclassical economists such as Alfred Marshall and John Bates in the nineteenth century (Mc.Nabb, 1987). It refers to a set of instruments through which governments assist individuals facing difficulties in the labor market, especially but not exclusively unemployed people (Clegg, 2015).

Scarpetta (1996) alludes that concept of market for a particular good is something of a theoretical abstraction which enables economists to analyze exchange between those people or firms who wish to buy the good, and those who wish to supply it (Scarpetta, 1996). Dietrich & Moller (2015) further expounded that labour market refers to factors that determined labour demand and supply and the interdependence between the two. The theory makes the assumptions that the most important driving force in the labour market is wages, workers can be substituted, workers are mobile and often move where there is demand for work and that wages are flexible in that it can be increased or decreased (Brodova, 2015; Huizen, 2012 & Knapinska & Jarmolowicz, 2021).

The main interventions used by governments to tackle unemployment challenges consisted of multiple levels: macroeconomic policy (monetary, fiscal, exchange rate and capital account management); sectoral and industrial policy, policies that focused on small and medium-sized enterprises (SMEs) and labour market interventions (Borjas, 2012).

The government of Kenya therefore adopted YEDF active labour market intervention to contain youth unemployment. Ehrenberg & Smith (2011) suggests that labour market integration measures are often accessible to the unemployed or those threatened by unemployment known as active labour market policies (ALMPs).

This theory suggests that long term unemployment occurred when there was a mismatch between labour demand and supply (Blanchard & Katz, 1996). ALMPs therefore sort to minimize long term unemployment by enabling outflows from unemployment rather than by acting on inflows into unemployment (Stuart & Ingold, 2015).

A popular approach to ascertain the success of ALMPs (especially using entrepreneurship incentives that consists of a combination of training and microcredit) was to compare the before-and-after earnings of beneficiaries (Kluge, 2006). However, this brought along two major challenges: first, problems that arose from self-selection among programme beneficiaries (variables are not controlled) and second, the net gain in earnings could be caused by other factors other than the ALMPs alone (Borjas, 2012).

Forslund & Calmfors (2003) in their study suggested that in order for ALMPs to be successful, it should be on small scale and that emphasis should be on holding down long-term unemployment and minimal emphasis on youth programmes. On the contrary, Gemen (2014) in his study argued that active labour market policies (ALMP) were the best approaches to solving youth unemployment problems and that ALMPs programmes that targeted young people needed to be introduced in large scale and that policy shifts from supply side to demand side was essential.

This theory is therefore relevant to the study objectives in that it provides a basis for understanding of labor market problems such as discrimination, poverty, and unemployment as well as how demand and supply affects the labour market and suggests policies that could alleviate them.

2.2 Empirical Literature Review

This chapter provides a critical review of literature conducted on Youth Enterprise Development Fund. It is discussed under the following sub-headings: Labour economic theory, empirical literature on YEDF's design framework, factors influencing the success of YEDF and measures that could be put in place to enhance YEDF's success based on other country experiences; research gap and conceptual framework.

2.2.1 Gaps and Emerging Issues Facing Youth Enterprise Development Fund

YEDF is one of the larger policy instruments used by the government and operates within a bigger entrepreneurship framework and development of employment opportunities (Vision 2030). YEDF evaluation report (2019) revealed that the fund was run as a stand-alone institution with poor implementation of the inter-agency coordination guideline which served to guide how the fund networked and built/managed relationships with private actors and other government agencies. It therefore failed to fully embrace partnerships by leveraging on external resources and expertise for enhanced impact on youth economic development (Sikenyi, 2017; Ouma, 2018; GoK, 2016). This led to a mismatch on what was to be achieved in terms of numbers and outreach targeted by the fund and the magnitude of youth unemployment in the country which was made worse by the fund being operated in a macro-economic environment where resources were scarce and policies overlapped hence the need for coordination (Kanyari & Namusonge, 2013).

LaLonde (2003) argues that the main motivating factor behind youth training programmes that targeted out of school, out of work youth was to provide greater employment opportunities and reduce future reliance on public benefits. Despite the fund having put in place measures to address issues affecting youth, some operational measures discriminated a section of marginalized youth (Sikenyi, 2017). Mandatory online application and attachment of two recommendation letters from administration officials failed to recognize heterogeneity of Kenyan youth (Sikenyi, 2017). Semi-illiterate youth faced difficulties in filing online applications as a result of computer illiteracy while majority of applicants lacked knowledge on writing business proposals even though they were credit worthy and were in a position to run successful ventures (Kung'u, 2018; Ngechu, 2014; Otieno, 2018). In addition, majority of marginalized youth especially those in the rural areas lacked social networks to get recommendation letters from administrative units who would have otherwise strengthened their loan application requests (Waari & Mwangi, 2015; Otieno, Kanyari

&Namusonge,2013; Kitheka,2013). This contributed to more youth from urban centers benefiting more from YEDF loans at 60% compared to their rural counterparts despite most of Kenya's youthful population residing rural areas (YEDF Report, 2019). KNBS (2019) census data reveals that 32.73 million youth live in rural areas out of 35.7 million youth thus casting a doubt on the issue of inclusivity.

YEDF has put in place an internal market and support linkage policy to inform and govern youth sensitization on emerging trends and new trade regulations at both local and international levels (YEDF Report, 2019). However, the fund offered limited choices of loan products that did not meet the versatile needs of youth nor matched global market trends and demands (Amenya, 2011). In addition, constituency-based loans were insufficient to grow or expand businesses. Majority of youth received between Ksh.25,000- Ksh.50,000 resulting to small scale retail businesses that could only employ a maximum of two people with minimal growth. This limited the kind of businesses to be set up. (Odera *et.al*,2013; Chemwa, 2015; Barasa & Kithae, 2015; Mwithalii & Were,2019). This meant that the fund invested in ventures that couldn't create a ripple effect on youth employment given that 80% of loans disbursed are constituency-based loans (YEDF Report, 2019).

In order to have a framework to guide lending, credit restrictions, loan collateral security, insurance of borrowers, loan repayments and recovery, YEDF had put in place a credit policy (YEDF Report,2019). The policy has however failed to integrate new financial technologies to boost fund efficiency (YEDF, 2019, Gachati,2010). Non- integration of internet banking and mobile banking continued to prolong its loan disbursement timelines and limited repayment channels. Traditional over the counter transactions had promoted bureaucracy and had led to multiple paper work. Disbursement of loans took up to six months to be completed thus lowering the effectiveness of loans and slowed loan repayments (Kitheka,2013; Aberi 2018).

The fund relied heavily on annual budget allocations (98%) and management fee (5%) deducted during remittance of loans (GoK, 2019). YEDF Report, (2019) showed a decline in budget allocation from FY 2015/2016. The report further reveals the fund's credit to be at Sh.456,035,770 cumulatively as of 2018/2019 FY.

YEDF drafted a corporate communication policy to guide development, dissemination and receipt of information as well as efficient and effective communication. YEDF Report, (2019) however acknowledged that the policy was not fully developed. Given that the fund had two field officers (two per constituency) who were also required to act on YEDF administrative work, it made it difficult for youth in remote areas to be sensitized face on face (Irungu & Kamau, 2015). Further, lack of a proper communication mechanism made it difficult for youth to be guided on available YEDF products remotely and for beneficiaries to be informed on the status of their loans with potential beneficiaries waiting indefinitely to confirm if their applications were approved or not while those who urgently needed YEDF services had to physically visit YEDF offices (Wanyondu, 2014; Maritim, 2019).

Monitoring provided information on the progress of implementation of programmes in relation to the set targets while evaluation gave evidence why targets were not met (Kabonga, 2019). Monitoring and Evaluation therefore was meant to provide strategic direction to program and policy implementation (Karanja,2013). The National Integrated monitoring and evaluation system (NIMES) was put in place by the Government of Kenya in 2004 to trail implementation of programmes, policies and projects more so tracking of Vision 2030 medium term plans. YEDF (2019) status report highlighted that YEDF lacked an efficient monitoring and evaluation system to monitor performance of its programs. The fund heavily relied on external monitoring and evaluation from collaborations/ partnerships it entered into on an ongoing basis (Kasyoka, 2016). As a result, there was no clear path for relaying information on M&E activities, lack of uniform data collection tools, lack of committed funds for M&E activities and poor reporting structure whereby M&E officers reported to non-M&E staff despite YEDF having an M&E manager (Karanja, 2013; Wanyoike & Waithera, 2015; Miako 2018).

The growing youth bulge posed a challenge to youth funds (YEDF,2019). Employment created by the formal sector couldn't absorb the increasing number of young people thus putting pressure on youth fund (Africa Development Indicators, 2008: YEDF,2019). youth consisted of 32.73 million of the Kenyan population (KNBS,2019) with the growth rate rising each year. Youth unemployment rate was at 39% with 9 out of every 10 unemployed Kenyan being below the age of 35 (KNBS,2019). In addition, the worth attached to university training and the growth of universities both public and private and the TVET sector has translated to 50,000 graduates each

year (CUE,2016) who cannot be absorbed by both the public and private sector concurrently. The demand for services offered by the fund was therefore escalating rapidly to cushion unemployed youth, putting pressure on the fund's limited resources (YEDF,2019). As at June 2019, the fund had managed to disburse loans amounting Ksh. 12.8 billion to 1,159,393 youth, trained 508,368 and facilitated 10,767 youth products locally and abroad for the last 13 years (GoK,2019) against the growing youth population and graduates casting a doubt on the ability of YEDF as an alternative economic tool to solve youth unemployment.



2.2.2 Factors influencing the success of Youth Enterprise Development Fund in creating opportunities for the youth

Weaknesses in the disbursement system

YEDF provides loans to all types of youth owned enterprises (YEDF, 2007). Loans were disbursed through respective constituencies under Constituency Youth Enterprise Scheme (C-YES) in collaboration with the fund's financial intermediaries (GoK, 2011).

According to YEDF (2019), the fund had disbursed loans totaling to 12 billion shillings to 1,159,393 to young people countrywide. The report further revealed that the funds budget allocation had grown from Ksh. 105,336,00 billion to Ksh 335, 336, 000 between 2014/ 2015 financial year and 2019/2020 financial year.

However, Okung'u (2008); Charles *et.al.* (2012); Ogutu.*et.al* (2011) & KYDP (2019) concluded that most youth were not aware of government programmes and policies targeting them while those who did, lacked awareness on YEDF registration procedures as a result of poor communication channels.

Lengthy procedures, lack of proper communication channels on the status of loans and undefined vetting timeline both at the constituency offices and financial institutions further slowed disbursement (Issa,2019; Sikenyi 2017; Gachuru & Mwirigi 2015). Disbursement took approximately three to six months for a complete transaction (Sikenyi,2017). The situation was made worse by poorly staffed constituency officers who were also tasked with diverse responsibilities resulting to piled up paper work (Irungu.*et.al* 2016; Wohoro,2016; Maritim, 2019; Issa, 2019).

Financial intermediaries were located in major towns and a section of youth saw this as an obstacle in accessing YEDF loans given that YEDF continued to used traditional methods of transactions (Kanyari & Namusonge, 2013). In addition, YEDF constituency offices were found in towns next to other government administrative offices and youth from rural areas especially those in areas with poor road network faced a challenge in accessing the offices to be assisted apply for the loans (Muthee, 2010, Njoki, 2015).

Group Lending dynamics

YEDF depends on group lending as its financial model and required youth to be in a group of at least five individuals to qualify for YEDF loans (GoK, 2009). Further, one had to have transited from group loans in order to be eligible for individual loans (YEDF Status Report, 2007). Group liability sort to improve repayment rates by giving individuals liability to screen, monitor and enforce each other's loans (Hermes, et al 2005). Given that YEDF had no form of collateral, group lending was the only surety to the revolving fund (YEDF Status Report,2019).

Despite the positive intention of group lending, some members had been forced to cushion team members whose businesses did not yield profits when the repayment grace period was due (Chemwa, 2015). Group composition was seen as a barrier considering that not all group members sustained the same interest thus led to group accountability challenges (Bowen, Morara & Mureithi, 2009). Ndirangu & Kipkinyor (2016) in their study revealed that most youth groups were formed spontaneously to take advantage of YEDF funding hence the likelihood of collapsing at the norming or storming phase before reaching its performing phase affecting the groups intended objectives. Recurrent defaults by members created tension and heightened conflicts which in most cases led to winding up of groups a narrative supported by Kiama (2011) and Chemwa (2015).

Money borrowing entails a form of trust and therefore finding a minimum number of five like-minded individuals posed a challenge among potential beneficiaries (Kimando, Njogu & Kihoro, 2012). Further, emphasis on group lending even for smaller loans like the *Swift loan* that targeted loans in the range of Ksh.25,000 to Ksh. 50,000 made it unattractive (Chepkwony, Njogu, Maru *et.al.*2012).

Negative consequences of group dynamics therefore have contradicted the main objective of the fund which was to create youth employment opportunities as some of the youth groups were not able to grow beyond the initial loan disbursement and led to high default rate that negatively affected the funds pool as it is a revolving fund (Muthee, 2010: Makokha,2010).

Low repayment rates

Efficient loan payment can be defined as the capability to pay a loan as per the loan agreement while defaulting is the inability to pay a loan as per agreement or total failure to pay (Rose, 2007). YEDF takes the approach of a revolving fund hence depended on adequate repayment rates for self-sufficiency. YEDF Report (2019) shows that out of Ksh. 12.5 billion disbursed, only Ksh. 508,268 had been repaid as per the FY 2019/2020.

Muli (2015) & Mburung'a (2016) argued that YEDF beneficiaries in rural areas were more likely to default loan payments compared to urban youth beneficiaries. This factor was attributed to urban youth being more skilled, knowledgeable and having an advantage of being in areas with vibrant economies. This meant that urban youth could easily make profits or have higher profit margins that enabled them to repay loans with more ease than their rural counterparts (Sigei, 2017). In addition, youth in urban areas had close proximity to financial intermediaries hence able to efficiently access banks and pay loans on time given that YEDF uses over the traditional counter transactions (Mureithi & Weda, 2015). This narrative was made worse by unforeseen fluctuations in statutory rates such as taxes that ate into the total amount given to beneficiaries hence affecting growth margins of youth owned businesses (Maina, 2018).

Given the heterogeneity of youth groups, research carried out by Mureithi & Weda (2015) showed that less educated youth groups had high probability of defaulting. Given that loans disbursed by YEDF were for investment, more educated cohorts were able to better invest the loans hence generated adequate revenue to repay loans at the agreed time frame. This narrative was supported by Muli (2015) whose study revealed a strong relationship between level of education and loan repayment.

Lack of proper monitoring and evaluation (M&E) mechanisms despite the fund having an M&E unit, prevented proper follow up of YEDF funded activities hence failed to mitigate loan defaults at early stages (Kasyoka, 2016). In addition, lack of prior project evaluation on the viability of YEDF funded business in the long run before loan disbursement contributed to high default rates (Wanyoike & Waithera, 2015). Lack of follow up further failed to give room for negotiations with beneficiaries in regard to alternative repayment options if the business had future increased prospects even when the loan repayment grace period was overdue (Amenya, 2011). Ndirangu &

Overall, Kipkinyor, 2016; Sigei, 2017 conclude that YEDF had high default rates because the fund lacked proper procedures of punishing loan defaulters.

Inadequate & non comprehensive business development training

In 2016, YEDF created an enterprise development training guide to equip beneficiaries with basic entrepreneurship concepts and business management knowledge necessary for the success of daily running of small businesses and was delivered during the initial stages of loan disbursement (YEDF, 2019; Gachathi,2010).

YEDF entered into an agreement with its financial intermediaries to offer financial literacy skills to beneficiaries (YEDF,2019). However, Sikenyi (2017) & Hope (2012) concluded that most youth lacked the capacity of supporting themselves to gain knowledge on entrepreneurial skills leading to loses and closing down of businesses before maturity. Many YEDF funded groups had few years of operation hence lacked the experience and skills for running a business (Ng'ang'a,2012). Sigei (2017) further revealed that many beneficiaries lacked the requisite education and technical capacity to engage and manage businesses efficiently.

Oduol, S., Okelo, S., Awiti, F. (2013), Irungu & Kamau (2015) & Karanja (2014) concluded that business development support trainings were only done once during loan disbursement and at times not carried out at all thus less impact from this objective. As at financial year 2018/2019 only 508,368 beneficiaries had undergone business development training against 1,159,393 youth who had received loans, statistics contrary to the stipulated YEDF procedures (YEDF Report, 2019).

In addition to frequency of business support trainings, YEDF curriculum used was a one size fits all (Sikenyi,2017). All beneficiaries were taken through the same training despite the fact that different businesses thrived in different environments and required different kinds of operations leading to businesses not celebrating their first birthday especially in technical projects (Nyamu,2015; Irungu & Kamau,2015).

As a result of YEDF not fully implementing its inter-agency and partnership guidelines, the fund failed to leverage on external partnerships' resources and expertise in terms of business trainings,

mentorship and incubation that could have resulted to a wider national outreach and offered a solution to a one size fits all kind of curriculum (YEDF Report,2019).

2.3.3 What measures can be put in place to enhance the success of YEDF drawing lessons from other country experiences?

Sustainability of YEDF projects

ILO (2011) highlights that the design of any youth fund is the major determinant for whether a fund will fail or succeed. Sustainability is widely seen as an essential understanding tool towards the economic, environmental and social concerns linked in the manner in which projects and their support systems are constructed, designed, maintained, and operated and eventually terminated (Thompson et al., 2011). It may be implemented in relation to the users intended flow of benefits, facilities operational level, evidence of existing project outcome, project design and institutional support (Tian et al., 2013). In addition, project sustainability may be measured in terms of project continuity, increase in number of beneficiaries (youth), and reduced unemployment. In a similar vein, project sustainability may be measured in terms of project financial strength, recorded growth, project's ability to meet its objectives, improvement in standards and recorded profitability (Odenyo & James, 2018).

However, World Bank (2015) highlights that empowering youth through the initiation and support of income generating projects to successful completion and sustainability was still a challenge in most countries. Karanja (2013) acknowledges that there is a positive move in implementation of projects but sustainability of these projects was worrying and meant that expenditure incurred was not commensurate with the benefits accrued. Foxland (2004) argues that this was a result of lack of proper risk analysis of projects and poor risk management strategies as well as implementation of projects without active stakeholder participation. YEDF (2019) acknowledges challenges in sustainability of projects financed by the fund that has led to collapse of youth business and affected loan repayments.

Best practice on sustainability could be borrowed from Singapore (Workforce Development Agency and Uganda (UYVC). The Singaporean government established a strong educational system to keep in check the supply side and aligned its institutional characteristics to economic goals, priority industries and workforce training to ensure youth were placed when they were ready

for the job market (WDA, 2018). The number of students admitted yearly in various institutions closely matched with the targets set by the workforce agency (Chan, 2008; MOM, 2012).

Uganda on the other hand adopted start- up incentives (Venture Capital Fund) as an active labour market policy to stimulate the country's supply side in a bid to reduce youth employment as well as address challenges stemming from mass loan defaults from the previous fund (Ahaibwe & Kasirye, 2015). The fund invests on projects in terms of shares as has partnered with external stakeholders who in turn monitor the implementation and performance of youth projects hence (Ahaibwe & Gemma, 2015). In agreement with Ehrenberg & Smith (2006) who suggested that demand for labour is a derived demand and it depended on the demand for the final good or service the employee is producing hence the Ugandan government funded only businesses in specific sectors with potential for growth.

Utilization of SACCOS

Savings and Credit Cooperative Societies (SACCOS) are financial co-operatives whose aim is to meet financial needs of all members by promoting savings and granting loans to the members and are often "community" owned (Gikuri & Anania, 2015). Ofei (2001) further asserted that the core mandate of SACCOs was to ensure members were empowered through mobilization of savings and disbursement of loans. Munyiri (2006) argues that SACCO's that were started locally, were more attractive to customers thus deeply entrenching themselves in the financial sectors of many countries. Further, they had solid bases of small saving accounts that constituted a stable and relatively low-cost source of funding and minimal administrative costs (Branch, 2005). More so, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks such as rural or poor areas (Maosa, 2020). Scholars such as Mwangi & Wanjau (2020); Anania & Gikuri (2015) & Asratie (2014) found SACCOs as the best option in empowerment projects in that; they invested in training members on best use of their funds and constructive use of their limited resources, taught members on how to grow assets in a measure to ensure they have guarantee for future loans, made money easily accessible to members and served better members who did not have alternative banking options.

Best practice on use of SACCOs as a financing option for youth funds can be borrowed from Uganda (UYVC) whereby SACCOs were used to disburse loans to UYVC beneficiaries and the

same SACCO's bought equity from the selected youth businesses (Kakumba, Lubogoyi & Mpaata, 2017). Use of SACCO's ensured that youth businesses were able to enjoy perks that came with being members of a SACCO's especially business development trainings and that UYVC had a mechanism of mitigating loan defaults (Ahaibwe & Kasirye, 2014)

Comprehensive business development trainings

Entrepreneurship education is a crucial tool in the development of the competences needed to start a new business (Raposo & Paco, 2011). Further, Wood (2001) notes that entrepreneurship education was not a single event, but rather a continuous process comprised of a series of events. Lack of business management skills to run projects was likely to negatively affect beneficiaries in that they are prone to make mistakes which may hinder the sustainability of the businesses (McKay & Stravinsky, 1995; Hope, 2012 & Lerman, 2005). ILO Recommendation No. 189, adopted in 1998, referred to entrepreneurship education as a way of promoting a positive enterprise culture. Education and skills are needed to run micro and small enterprises (King and McGrath, 2002).

Gine & Mansuri (2014); Cooney (2012) & ETL (2019) conclude that training of startups needed integration of mentoring and coaching whereby business and coaches give guidance on specific start up challenges, combination of class room instruction and peer learning, targeted training that fits specific needs of the entrepreneur and innovative and flexible training whereby learning is practical.

Current approaches in enterprise education programmes globally is that training is delivered within a framework of partnerships/collaborations at the national and international level. This has been in the bid to facilitate more targeted learning and promote sustainability through using a more coherent approach plan that is aligned to local economic development (Suzuki, 2002; Mollentz 2003; Humphrey, 2003). Lambert (2003) further argues that partnerships shouldn't be limited to infrastructural and financial aid but also linkages to supply chain.

ILO (2003) highlights best practice from Philippines Agribusiness project and the Mukti Sadana project in India where local business communities have been a source of supply chain linkages hence strengthening of entrepreneurship programs while Goldman (2015) gives an example of

how Centre for Education and Enterprise Development (South Africa) had partnered with the government to deliver holistic and integrated programmes to its target group. In addition, the private sector, such as Shell Livewire in Singapore, ran an outreach campaign to ensure that potential entrepreneurs outside the student population were able to participate in workshops and offered mentorship programs (Daipi, 2012).

Entrepreneurship training programmes contributed to the stimulation of entrepreneurial abilities and the various skills required by entrepreneurs can be categorized as: technical skills, business management skills and personal entrepreneurial skills and differentiates an entrepreneur from a manager (Henry *et.al.*, 2005; Hirsch and Peter, 1998).

Strengthening of YEDF's M& E system

Kamau (2014) defines monitoring as the continuous assessment of project activities in regard to implementation timelines and use of resources while Dinnito & Due (1987) define evaluation as the assessment of effectiveness of projects/ programmes in meeting its objectives. Overtime, M& E has been adopted by NGO's and Governments to measure achievements (Kabonga, 2019). Researchers such as Kessler & Tanburn (2014), Metzger & Guenther (2015) argue that development should always be assessed in terms of effectiveness, efficiency, impact and sustainability. Further, Karani, Bichanga & Kumau (2014) recognize that M&E should be prioritized as a platform for learning and accountability.

According to Standish Group Project Chaos Report (2005), the major reason why projects failed was the disregard of proper monitoring given that M & E was the only avenue that institutions and individuals learned from experience thus improved on service delivery, allocated resources and demonstrated accountability as cited by Karani et. al., (2014). Mark, Henry & Jilnes (2000) argued further that success and sustainability of projects was reliant on continuous feedback on performance of project activities. However, Kusek & Rist (2010) highlight that challenges such as capacity of the available workforce to develop, support and maintain M&E systems shouldn't be underestimated.

Best practice on implementation of effective M& E system can be borrowed from Singapore (WDA) where the Singaporean Agency targeted the general population and closely monitored its

objectives which were geared towards developing an agile workforce, facilitation of career resilience and flexibility of workers. It further monitored the performance of its economy and identified and speculated gaps (WDA, 2018). It further evaluated its strategies to ensure that its impact on the knowledge economy was positive (Ye, 2003).

South Africa through South Africa Youth Development agency (SYNDA) has also been able to establish a monitoring system to track progress and to strengthen the fund through implementation of data informed strategies (Jobson, 2010). In addition, UK Trust, a privately ran youth fund through its evaluation was able to demonstrating how it had successfully managed to reach the intended target group by illustrating how its beneficiaries had high chances of subsequent employment while those who engaged in self-employment and the number of education and trainings engaged hence accountability to its stakeholders (Meager, Bates and Cowling, 2003; Nigel, 2003).

2.4 Key findings and research gaps

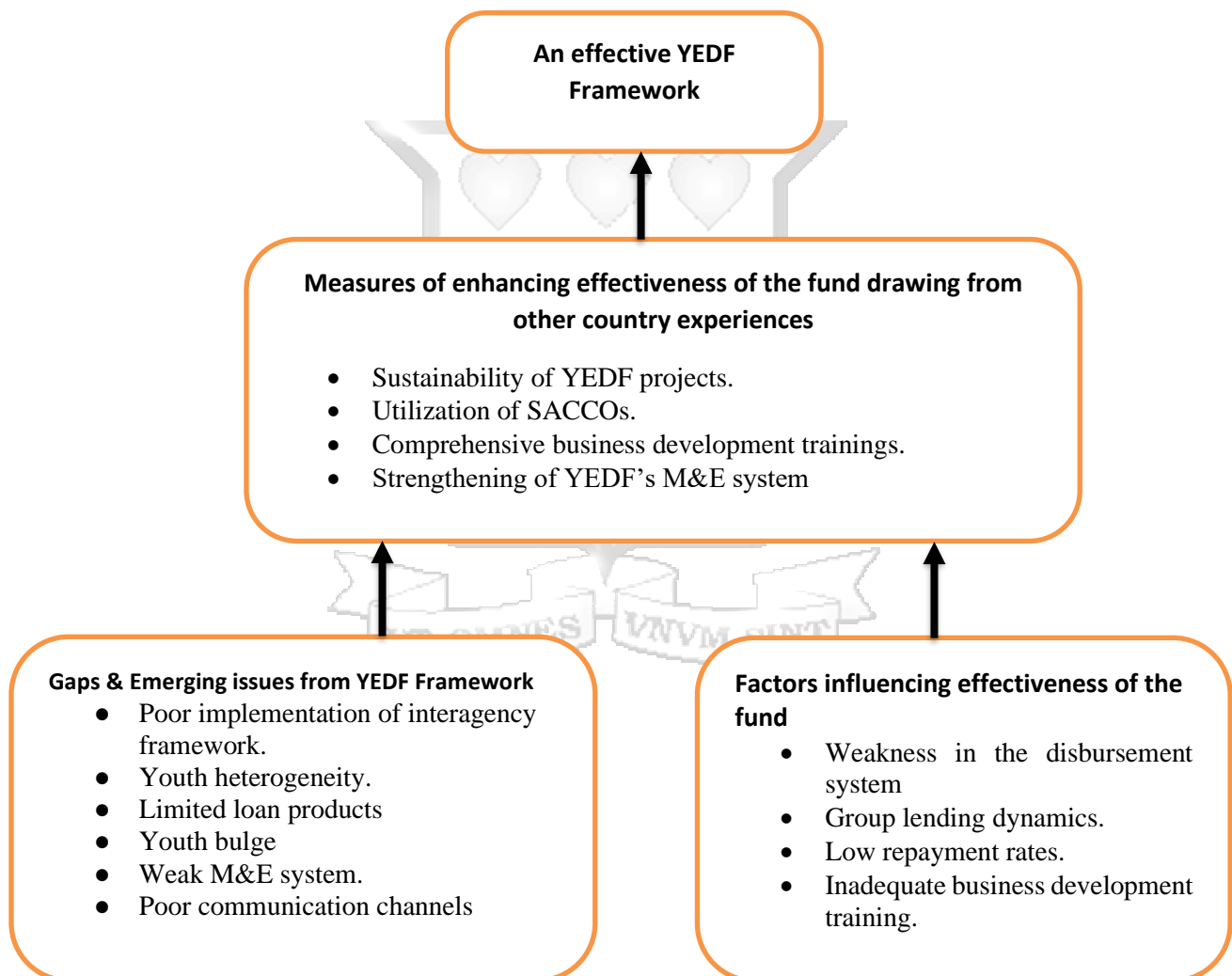
Literature on YEDF policy framework captured gaps/emerging issues as well as challenges faced by the fund in the implementation of its mandate. It further captured alternative policy options based on experiences from Singapore, Uganda, UK, Botswana and South Africa. Gaps and emerging issues identified included: Lack of coordination with other government agencies, poor communication practices, non-competitive loan products, unstructured M&E system, youth heterogeneity, non-advancement of credit policies and growing youth bulge. Challenges identified in its implemented include: disbursement channels and processes, group lending dynamics, low loan repayment rates and inadequate business development support programs.

Literature did not the nature of YEDF framework in terms of exogenous and endogenous factors and did not give alternative Active Labour Market Policies that could help remedy the challenges. Kraja &Osmani (2015) suggest that it is important to examine the external and internal environment in the creation of competitive advantage to SME's.

2.5 Conceptual Framework

A conceptual framework is an analytical tool the researcher believes can best explain the process of the phenomenon studied (Camp, 2001).

The conceptual framework below shows the various phenomenon of the study and their relationship. It is presented as a flow diagram given that this are steps of analyzing a policy.

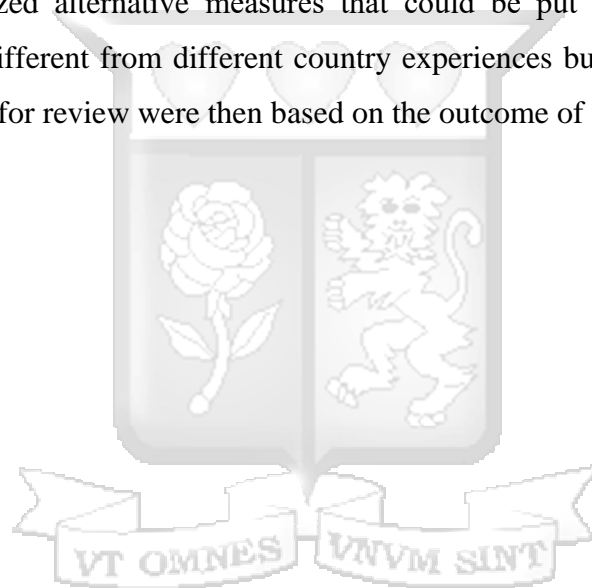


This section further explains the measure for each component and the data needed for each.

Gaps and emerging issues of YEDF framework were analyzed based on YEDF act, YEDF status reports and findings based on past literature review and interviews. Exogenous issues (having external origin) and endogenous issues (having internal origin) were discussed.

Factors influencing effectiveness of the fund was determined from key informant interviews who were asked on their experiences as beneficiaries of the fund or in executing their roles and responsibilities.

The study finally analyzed alternative measures that could be put in place to boost fund's effectiveness based on different from different country experiences but within labour economic theory (ALMP's). Areas for review were then based on the outcome of the above.



CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This chapter describes the research design of the study, the target population, sampling methods and procedures, data collection tools, data collection and analysis methods and ethical considerations that was used for the research.

3.1 Research Design

The study utilized qualitative research approach and was explorative. This allowed the researcher to explore and analyze the views and experiences of officials and beneficiaries of YEDF hence effectively answered the research questions. The study was more of a description and explanation rather than a prediction and the variables being examined were easily identifiable and not pegged on the phenomenon to be obtained from the study.

Case study method was the design used in this study specifically single instrumental case study where the researcher used multiple sources of data (interviews and relevant documents). This approach was adopted given its suitability to answer the research questions adequately and that the study focused on select YEDF officials and YEDF beneficiaries. Stake (1998) & Yin (2003) affirm that case study design is most suitable when research targets a “specific, unique, bounded system” and its strength is the ability of the researcher to evaluate phenomenon in depth using evidence gathered from interviews, direct observation of events and analysis of documents in addition, it allowed empirical inquiry of the phenomenon within its real-life context.

3.2 Target Population

Target population alludes to the bigger population used by the researcher to make a conclusion on the results of the study. It is the entire group of people, things or objects the researcher has chosen to study (Munyuko, 2015). The target population in this study was a total of 18 participants that comprised of YEDF officials and YEDF beneficiaries.

3.3 Sampling Procedure

According to Lewis and Thornhill (2009), a sample size is defined as the set of units drawn from the population that is a representation of the entire population. Purposive sampling was used in the study. This was so, as purposive sampling is used when key informants are available and represent characteristics the researcher wants to study (Silverman, 2000). Neuman (2003) argues that the most important element in qualitative research is saturation and not representativeness and the size of the sample is not statistically derived.

Out of the target population of 18 participants, the study sampled 6 Youth Group chairpersons from 6 different counties who were beneficiaries of YEDF sampled from all 6 regional economic blocs in Kenya so as to get a national representation, 6 YEDF county coordinators (oversee YEDF programs at the county level) from the same economic blocs and 6 YEDF youth officers at the constituency level (implementers of YEDF programs at the constituency level) from the same cohort. The informants were picked using simple random sampling where each member of the population had an equal chance of being chosen for the study based on their ability to answer the research questions on gaps/emerging issues of the YEDF's policy design and the factors that undermined effectiveness of the fund.

3.4 Data Collection Methods

Data collection is the systematic process a researcher engages to document data (Cooper & Schindler, 2014). The study used a blend of interviews and desk review research. Interviews were conducted using an interview guide (attached in Appendix 5). However, interviewees were allowed to voice their experiences in a way that they felt comfortable since it was a semi-structured interview guide. The choice of using interviews by the researcher was based on the methods' flexibility and ease of analysis.

After scanning literature, the researcher adopted secondary data relevant to the study guided by the research objectives.

3.5 Data Analysis

Data analysis involved finding patterns in data and giving meaning to those patterns by explaining why they exist (Bernard & Ryan, 2013; Creswell, 2014). Data from the researchers write up was typed and organized after each interview. Data was then coded through transcripts while the

researcher took note of important remarks and observations which was then used to create themes. This led to the development of a list of words that guided the researcher's interpretation. The codes were then analyzed to see whether more than one code was used to describe the same phenomenon, codes related to categories in literature review or whether the interviewees believed that there was a link between two or more codes. The coding units were then categorized by putting the relevant data to their respective codes until saturation was reached. This then enabled the researcher to come up with general theoretical ideas guided by the emerging patterns and relationships.

Data from document analysis were then merged by determining cross cutting codes and themes which were categorized under the same codes. Themes, patterns and relationships were then drawn from the data.

3.6 Data Presentation and Dissemination

Data is presented in form of discussions and tables based on the research objectives. A summary of the findings in form of a policy brief will be developed and shared to relevant stakeholders to enable them obtain findings and recommendations resulting from the study.

3.7 Research Quality

3.7.1 Reliability

The researcher's records showed a clear decision path and ensured interpretations of data were consistent and transparent. The researcher also established a comparison case that sought out similarities and differences to ensure various perspectives are represented, ensured rich verbatim descriptions of participant's accounts to support findings and carried out methodological triangulation for more comprehensive outcomes through use of both secondary and primary data.

3.7.2 Validity

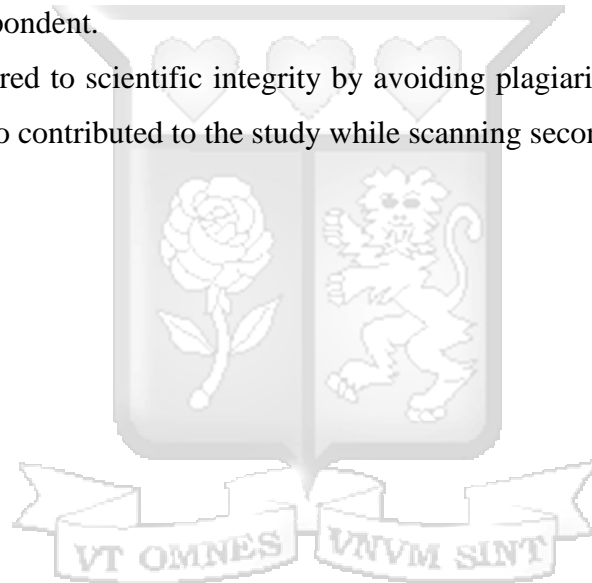
Key informants were made up of individuals who were directly linked to YEDF. The researcher targeted YEDF staff and YEDF beneficiaries in the study. Further, participants were given an opportunity to give their views on the interview transcripts produced by the researcher to verify whether the final themes and concepts generated reflected the phenomena investigated.

3.8 Ethical Considerations

The researcher sought permission from the university, the ethical review committee (**Appendix II**) as well obtained a research permit from the National Commission of Science, Technology and Innovations (NACOSTI) to conduct the study (**Appendix III**).

Permission was sought from the institution of key informants prior to data collection. Informed consent was obtained from all the key informants through explanation in detail of the purpose of the research, expected outcomes, expected time of participation, assurance of privacy, confidentiality measures put by the researcher and the option of interviewees to withdraw from the study at any time. Consent form attached in **Appendix VI**. In addition, confidentiality of the respondents was observed by using interview codes during data analysis to ensure that no response is tied to a particular respondent.

The researcher also adhered to scientific integrity by avoiding plagiarism, forging data and also acknowledging those who contributed to the study while scanning secondary data.



CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

Introduction

This chapter presents findings of this study which sought to appraise Youth Enterprise Development Fund. This chapter describes study findings and interpretation of data obtained from key informants of the study in regard to gaps and emerging issues arising from YEDF policy framework, challenges hindering the success of YEDF and policy options based on other country experiences.

All qualitative data sets from 18 participants (6 YEDF county coordinators, 6 YEDF Youth Officers and 6 YEDF beneficiaries) was analyzed separately and analysis of interview data involved thematic analysis of the responses. Data was initially divided into two cases with responses from YEDF officials and YEDF beneficiaries analyzed separately through within- case analysis. Data was then coded differently and codes developed thereafter a thematic framework for YEDF officials and YEDF beneficiaries created in each data set. The study acknowledged that data emerging was to a great extent a joint conclusion of these groups and not a reflection of individual perspectives. Analysis paid attention on whether the group established common grounds and how individual participants contributed to this common ground as well as findings from secondary data used. Findings were then presented using SQC (Setup, Quote, Comment) formula guided by research questions while highlighting key themes from both YEDF officials and YEDF beneficiaries.

4.1 Gaps and emerging issues facing Youth Enterprise Development Fund

In the analysis and interpretation of this objective, gaps were interpreted as key elements respondents perceived were missing in YEDF's policy framework and emerging issues were interpreted as unforeseen challenges in the effective implementation of YEDF's mandate. Finding of both YEDF officials, YEDF beneficiaries and secondary data was merged into common themes.

Interview findings and past secondary data findings demonstrated that despite YEDF operating in the bigger entrepreneurship framework within government, the fund operated as an institution of its own despite their mandate being dependent on other government agencies to work efficiently and effectively. Majority of YEDF officials acknowledged that the fund was seen as the major institution tasked to solve youth unemployment in the country despite other institutions tasked

with the same roles of tackling unemployment e.g., UWEZO fund. One of the interviewees noted that:

“Given the lack of an interagency government led department to coordinate government activities in relation to youth employment, the fund was not able to know what other government institutions/departments were doing and how to integrate their programs for efficiency purposes and what resources/ partnerships to be combined for greater impact”. (YCC1).

Overall findings in agreement with the above sentiments concluded that YEDF’s interagency co-ordination guideline was more on paper than a practice by the institution despite the fund’s strategic plan identifying resource mobilization and partnerships as its key business model. There was also a blanket agreement by the official that given the limited resources allocated to the fund and the growing unemployed youthful population, it was difficult for the fund to effectively address job creation given the complexities of unemployment.

In regard to YEDF loans procedures and requirements, majority of youth group chairpersons (5 out of 6 interviewed) found difficulty getting recommendation letters from administrative offices given their limited social networks, difficulty in filling online loan forms given their minimal knowledge in ICT and difficulty in drafting business proposals as they had no prior knowledge on how to write one. YYB 6 expressed that:

“YEDF application was done 100% online and our group initially faced difficulties navigating their website. We had not interacted with computers prior YEDF loan application. We had to seek assistance from the cybercafé which forced us dig deep into our pockets until the process was completed”.

In terms of available loan products, finding established that products offered by YEDF was limiting and did not match market demands in terms of growth and expansion of businesses. Further, the businesses were not able to employ more than two people nor benefit from economies of scale gained from increased production hence operated as small retail entities. This was mainly due to minimal profit margins generated by youth businesses. YEDF youth beneficiaries expressed that the initial loan disbursement was insufficient to grow their business. This was so in that after sales, profit left was divided between rent, repayment of loan and salaries leaving the group with little money for growth. In addition, some of this money was used to pay for county permits thus having nothing to save in other months. Interview question posed to YEDF executives of the fund

affirmed the above was true and argued that given that the fund operated using minimal resources as per budgetary allocations and subsidized management fee it was difficult to expand the loan base. There was also a consensus that an increase in shares of the available loan products would affect the number of youth reached given the growing youth bulge and therefore increasing the loan shares meant few youth benefiting.

Despite the fact that many government institutions had moved to mobile banking through adoption of M-PESA, the fund had not been able to integrate new financial technologies such as mobile banking and internet banking. It continued to operate through traditional over the counter transactions which slowed down disbursement processes and limited loan repayment channels. This also forced the fund to deal with multiple paper work despite their lean staff at the constituency level tasked with multiple roles. This gap as identified during secondary literature analysis was captured by interview findings whereby YEDF staff revealed that the fund had not been able to shift to current financial technologies given that it would require amendments to the current credit policy which was a process that might would take time. More so, the fund used financial intermediaries to disburse loans and used them for loan repayment hence sense of urgency to shift to current trends was not felt directly.

YEDF lacked proper communication channels to inform youth on the status of their loans as well as available loan options. Youth had to physically visit YEDF offices to inquire the stages in which their applications had reached and if there were any amendments to be done. This meant that youth groups had to wait for an unknown period of time to receive communication on loan application acceptance while others waited for long durations only to be told that their application needed amendments or were not successful. One youth chairperson in particular said:

“My recommendation is that the fund should put in place a proper communication system to alert potential beneficiaries on their loan status. When we first applied for the initial loan, we were informed after three months that we needed to do some amendments on the composition of our group because our chairperson was above 35 years. We only got to know this after we physically made a follow up with our YEDF constituency office”. (YYB 3).

This largely affected their business operations especially loans meant for expansion purposes and seasonal businesses (agriculture).

YEDF had an existing M&E unit with an operative M&E plan and staff that had well defined roles and responsibilities. However, the fund relied heavily on external M&E from collaborations and partnerships. YCC 6 quoted the following:

“We rely on external partners to monitor progress of our programmes. This is majorly because we have a fragmented M&E structure. There is lack of agreement on data collection tools and M&E staff report to non-M& E staff despite the fund having an M&E manager. Further, most M&E staff had no background on skills on M&E despite being able to collect and process data. (YCC 6).

The above challenges were as a result of existing staff having less relevant skills and competencies, the fund failing to have a clear system of communicating M&E activities and decisions, disagreements in using similar data collection forms and minimal support and advocacy for M&E to gather information that was relevant for reporting, gaps captured by their reports since inception as well.

The latter was partly as a result of lack of coherence in data collected attributed to lack of uniformity in data collection tools making it difficult to make informed choices.

Table 4.1: Summary of gaps and emerging issues facing YEDF

Gap/Emerging Issue	Issue
YEDF operating unilaterally	<ul style="list-style-type: none"> • Lack of inter-agency government department to coordinate government programs dealing with youth issues.
Stringent procedures/requirements	<ul style="list-style-type: none"> • Youth faced difficulty in getting recommendation letters from administrative units. • Youth faced difficulty in filling YEDF online forms. • Youth faced difficulty in drafting business proposals.
Limited loan products	<ul style="list-style-type: none"> • YEDF operated using scarce resources (depended on budgets). • Growing number of youth seeking YEDF loans.
Poor communication	<ul style="list-style-type: none"> • Inefficient communication structure.

Lack of proper M&E system	<ul style="list-style-type: none"> • Fragmented M&E system
Lengthy disbursement period	<ul style="list-style-type: none"> • Too much paper work • Lack of adoption of current financial technologies (i.e., mobile banking and internet banking)

4.2 Factors that influenced the effectiveness of Youth Enterprise Development Fund in creating opportunities for the youth

Under this objective, the researcher picked recurrent themes generated from the interviews administered to YEDF officials and beneficiaries. Findings from both YEDF officials, YEDF beneficiaries and secondary data were merged into common themes.

Weaknesses in the system of loan application and disbursement

The study revealed that there were various challenges in regard to disbursement.

There was a general feel between secondary data and interviews carried out that YEDF’s process of loan disbursement was lengthy and bureaucratic with a complete transaction taking between three to six months. Application of loans involved many procedures both at the YEDF constituency offices as well as the specific financial institutions. Vetting process at both institutions had no specific timelines on when interviews would take place. Lack of specificity therefore slowed loan application decision making. This was pegged to the fact that YEDF constituency offices had lean staff while financial intermediaries had other mandates to carry out outside being YEDF’s financial intermediaries.

Communication barriers was also a recurrent theme. YEDF groups highlighted that lack of proper communication channels from the fund made it impossible for potential beneficiaries to counter check on required documentation in order to submit a successful loan application. One youth group in particular shared that:

“During our loan application process, we were informed that our then chairperson was not within the age bracket required by YEDF (35 and below by time of successful application) only after we did physical follow ups at the constituency offices after we failed to get an updated response of our loan application status. This was after three months. Despite us working on the changes and

successfully getting the loan, we had to put extra effort from our side to carry out frequent follow ups. Our initial hiccup further detailed commencement of our proposed project”. YYB 4.

In support of secondary data analyzed, YEDF support staff interviewed acknowledged that the above assertions were made worse by the fact that constituency officers were tasked with diverse responsibilities and had little time for one-on-one consultations. Each YEDF constituency office had two youth officers who were tasked with multiple roles. They were mandated to carry out office work as well as sensitization. Getting in touch with youth on one-on-one basis therefore posed a challenge in that they had to go through heaps of paper work for reporting purposes. Others lacked proper transport options to reach marginalized youth especially those in ASALs (Arid and Semi- Arid Lands) and those insecurity prone areas.

Further, failure of the fund’s adoption of current financial technologies such as internet banking and mobile banking as mentioned in the first objective prolonged the duration between the time the loans are approved and the time youth groups accessed the funds for use. In terms of barriers that were not emanating from institutional challenges, one, majority of youth groups faced challenges getting recommendation letters from administrative offices. This was mainly as a result of lack of solid social networks that could expedite the process while others viewed the process as cumbersome given the frequent travels to the offices. In addition, Youth had to make several trips to get an official letter with others having to cover wide geographical distances which resulted in overall loan application submission delay.

Group lending dynamics

Given that YEDF loans were given in groups, group dynamics was important in determining the success of a business venture. Despite this challenge not strongly coming out in literature scanning, group dynamics was a key theme that came out during interview analysis. Youth group officials cited that it was difficult to have all group members maintain consistent interest in their projects. Findings revealed that some members felt that they couldn’t continue with their businesses because of the challenges that came with it while some changed their locations for greener pastures hence abandoning the group. This meant that remaining members had to cushion loans left by such members since YEDF loans were in form of joint liabilities which was not an option that sailed through successfully through the year. One youth beneficiary said that:

“My group has not been able to pay YEDF loans as required. Despite some of the team members doing exceptionally well, they felt it is was not proper for them to continuously shoulder the burden of others yet we are not fully responsible of the situation”. (YYB 2).

Further, groups highlighted that they had to deal with underperformers and had to occasionally cushion their loan payments. This greatly affected the morale of hardworking members. Recurrent defaults by some members led to group conflicts especially when the group leaders did not intervene on time. Fragmented groups therefore affected the overall payment of YEDF loans as most youth groups felt that it was unfair to pay loans that they were not responsible for.

Youth group leaders acknowledged that it was difficult to sustain a group especially when people had known each other for a short while. What brought the team together was the goal of applying for YEDF loans and after that, it was difficult to sustain the same interest as a team. People with different personalities and backgrounds were bound to experience conflicts and led to storming thus affecting repayment of loans.

From the managerial wing, YEDF staff felt that although YEDF beneficiaries passed credit evaluations, it was impossible to distinguish youth who started business for the sole purpose of survival and not for passion. They alluded that those who started businesses for survival were not likely to repay their loans and as they saw YEDF as a means to raise a certain amount to achieve a goal which was not business oriented.

Low Loan Repayment Rates

YEDF beneficiaries in rural counties identified inadequate repayment avenues as a hindrance to loan repayment. They had concerns that most commercial banks were found in major city centers and they had to plan in advance to travel in terms of time and finances. Those in urban counties mentioned that that the hustle of going to central business districts in their towns was not an efficient option because road traffic, long bank queues and lots of paper work was a hindrance given that their businesses was reliant on few people (themselves included) to operate daily.

The study further revealed that loan repayment was hampered by poor enterprise development skills needed to successfully run a business. This led to poor management practices and inaccurate forecasting of business growth. Lack of relevant business management skills eventually affected the performance and growth of enterprises undermining timely loan repayment.

Available loan options offered by YEDF was found to be a challenge. Majority of youth groups interviewed identified their businesses as small retail outlets that was characterized by low profit margins. They were of the opinion that the loan given by YEDF was not adequate enough to set up large scale businesses or businesses with potential of fast growth. Those who borrowed YEDF loans for expansion used it to top up minimal stock to their businesses which had no much impact in terms of economies of scale. They therefore split the profit they got into salaries, rent, payment of taxes and statutory fees leaving little or nothing for loan repayment. Majority felt that negotiated loan grace periods should be reviewed help partially solve the problem.

One of the youth group beneficiary's chairperson had this to say in regard to the above:

“Our businesses are small businesses with low profit margins. We have to split the little profit we get to pay rent, permits and taxes. The remaining amount we split it into salaries as this is the only source of survival we have. During some months, we sale few items to the extent that we have no money for rent”. (YYB1).

Interview outcome from the fund's managerial team on their part shared that the fund lacked proper monitoring of youth businesses to minimize defaults. Once loans were disbursed, no follow up was done to ascertain performances of businesses. The fund also lacked strong mechanisms to punish loans defaulters. They further mentioned that many youth groups that had defaulted payments were not followed up for many years until recently whereby listing in credit reference bureau (CRB) system was introduced as highlighted by one of the staff who quoted that:

“Since the inception of the fund, there has been no strong channels of monitoring youth business to gauge their ability to repay loans months after loans have been disbursed. More so, we have no proper laid down structures to recover the money and the most we have done is list them on CRB. The fund is yet to recover a big percentage of money loaned to youth since its inception”.

(YCC 5).

The above strategy had not however helped given that the fund is a revolving fund and depended on the money already disbursed to be pumped back into the fund.

Inadequate Business Development Training

The study revealed two emerging patterns in regard to business development training: One, the curriculum for the existing training programmes was not comprehensive and did not address needs of businesses. Secondly, dissemination of business development training was largely found to be inadequate or sometimes lacking.

Majority of youth groups admitted to not having confidence in running their business especially on financial accounting. They felt that the curriculum was not comprehensive enough and was brushed through with no follow up thereafter to cement on what was learnt or ascertain if what was learnt was properly practiced.

Some groups were not offered trainings at all and continued to operate with the minimal knowledge they had while those offered the lessons felt that the modules did not enable them to efficiently and confidently run their businesses with of YEDF group members saying:

“We have never received any business training since we started our business. When the loans were disbursed, we were told that we would be called for training but a year later nothing has happened”. (YYB 6).

Further, YEDF beneficiaries expressed that training offered was not comprehensive enough especially for groups that were running technical projects given that the curriculum was a one size fits all approach. Lack of comprehensiveness of YEDF curriculum was also captured from past secondary data findings as one of the key concern not addressed by the fund.

YEDF staff acknowledged that the business training that was being offered to youth groups was not adequate with one of the interviewees expressing that:

“The fund signed and Memorandum of understanding with our financial intermediaries that tasked them with the responsibility of offering business trainings. This was a measure put in place to ensure that every YEDF beneficiary goes through comprehensive training. This measure was also put in place because it was too expensive for us to do it as a fund. Perhaps we should evaluate the impact of the shift in roles in the near future”. (YCC 4).

The above remedy was reached given the lean structure of the YEDF structure; the fund felt that the training gaps could be filled by the financial intermediaries who were charged with the responsibility of administering the loans to the youth groups.

Table 4.2: Summary of factors that influence effectiveness of YEDF in creating opportunities for the youth

Challenge	Issue
Disbursement	<ul style="list-style-type: none"> • Several procedures at the constituency level and financial institutions. • Lack of proper communication on status of loan application. • Stringent loan application requirements. • Lean staff at the constituency level.
Group dynamics	<ul style="list-style-type: none"> • Difficulty in sustaining individual interests. • Loan defaults by group members. • Resistance of group members to cushion defaulters. • Group conflicts that threaten group cohesion.
Low loan repayment rates	<ul style="list-style-type: none"> • Inadequate repayment structures. • Poor enterprise development skills. • Types of businesses operated by YEDF beneficiaries (Small retail businesses were common). • Lack of proper M&E of fund's programs.
Business Development Training	<ul style="list-style-type: none"> • Non-comprehensive training curriculum. • Inadequate/lack of business development training.

4.3 Measures that can enhance the effectiveness of Youth Enterprise Development Fund drawing lessons from other country experiences in using youth funds to address youth unemployment

Findings from this objectives were generated was derived from the study's analysis supported by best practice.

Sustainability youth fund projects

Sustainability has been an emerging issue given that the fund heavily relies on annual budgets. Colbert and Kurucz (2007) define sustainability as the concurrent concentration on economic, social, and environmental performance of an organization while Boudreau and Ramstad (2005), define sustainability as the ability to attain success without affecting the needs of the future. Sustainability is important in public sector given the minimal resources available and the changing demographics in the country.

The issue of sustainability can be addressed by having a sustainability plan as implemented by Singapore. Borrowing from best practice from study findings, Singapore Workforce has been able to effectively implement long-term sustainability plans using education and training as its choice of active labour market policy. This was done through the establishment of a strong education system that keeps in check its labour supply chain in check. The long-term objective of education in Singapore was to prepare students to meet the challenges of a knowledge economy and to enhance the economic competitiveness of Singapore. Workforce Singapore was tasked with the strategic positioning of the country's human capital with its long-term economic goals. It used a methodological procedure whereby the agency analyzed its current workforce, identified its future workforce and identified gaps between the two basing on the country's economic projections in its main productive sectors especially in manufacturing.

Secondly, learning from Uganda (UYVC) and UK (Prince Trust) showed that the involvement of external stakeholders aided sustainability of youth fund projects. This was done through external partners serving as businesses coaches as well as buying equities from youth projects hence close monitoring of business performance. Further, this avenue provided supply chain networks given that businesses coaches were already in the specific industry.

Utilization of SACCOS by Youth Fund

YEDF Act mandates the fund to give funds to commercial banks, existing micro-finance institutions (MFI's), registered non-governmental organizations dealing in micro-financing and SACCOS for lending to youth groups. However, commercial banks have been getting the larger share. To solve issues resulting from longer disbursement periods and poor communication on the status of loans, the study proposed; one, establishment of a commercial wing within the fund as implemented by Botswana Youth Development Fund (BYDF) for efficiency purposes or two, utilization of SACCOS as in the case of Tanzania Youth Development Fund where SACCOS have proven to be more efficient and the most preferred channel of disbursement by youth. Two main advantages of SACCOS are that loans are easily accessible given its low interest rates and second, most SACCOS are community based and often have members who can identify with each other. This will greatly solve the challenge of heterogeneity of youth when it came to fulfilling YEDF loan requirements. Further, SACCO's offer complimentary trainings in entrepreneurship.

Redesigning of group lending approach

The study proposed that YEDF group lending approach should be enhanced and not eliminated as it enhanced collective liability. Group lending had been practiced by most countries implementing youth fund programs as it was seen to be the only best alternative when collateral was not involved. There is need for the fund to rethink about the minimum number of people in a group, look into vetting loan applications in terms of financial status of a group and the duration of existence of a group. Group members with history of working together have been seen to withstand group politics. These will prevent YEDF from loaning group members who were not familiar with each other and had come together for the sole purpose of applying for a YEDF loan. The study strongly supports group lending given that it enhances access to relevant information and resources necessary for business growth. In addition, it enhances selection of group projects based on member's agreement.

Comprehensive business development training

YEDF continues to face challenges in terms of training frequencies as well as limitations that came with one size fits all curriculum. This challenge could be solved through capitalizing on external partnerships through their direct involvement in the design of fund's programs. This approach gives room for co-financing and diversity of skills in different sectors. This approach was implemented by UYVC, The Prince Trust (UK) and SYNDA. Borrowing from experiences of the mentioned fund's it was important for YEDF to focus on combining general business and management expertise, development of core entrepreneurial skills, development of voluntary complementary vocational skills and using program activities to create a range of complementing business entrepreneurship skills such as product design. The study however, couldn't recommend the exact duration the training should last for utmost effectiveness from the findings.

Strengthening of M&E systems

The study further proposed strengthening of M&E systems in order to guarantee sustainability (in terms of financing) of the fund as well as sustainability of youth owned projects. This could be done through having clear budget lines specific for M&E activities, employment of YEDF staff with pre-requisite of M&E background, proper documentation of M&E procedures to guide M&E staff while collecting data and putting in place a unilateral database for YEDF data. It was also important for YEDF to embrace use of quality data systems and conduct frequent data verification checks to countercheck results so to enable the fund make strategic choices.

CHAPTER FIVE: DISCUSSION OF FINDINGS AND RECOMMENDATIONS

Introduction

This chapter discusses the findings of the study, outlines the conclusion and presents recommendations based on findings of the study. Discussions in this chapter are based on the overall themes generated from the interviews and secondary data and the relationships between them.

5.1 Discussion of findings

The first objective of the study sought to answer the question on gaps and emerging issues facing Youth Enterprise Development Fund. Study findings found five major gaps and emerging issues namely; YEDF operating independently despite being part of a bigger entrepreneurship framework within government, offering of limited loan products, youth bulge, fragmented M&E system and stringent application requirements.

YEDF continued to operate as sole institution dealing in youth issues despite the fund operating withing the larger entrepreneurship framework within government. However, this was not unique to YEDF as Sikenyi (2017) revealed that government agencies working on youth issues faced coordination challenges. YEDF is one of the initiatives under Vision 2030 that is focused on solving youth unemployment alongside other youth programmes such as UWEZO fund. With poor coordination and multiple stakeholders under each institution, there has been minimal capitalization of technical and financial capacity in regard to youth related programs. Kaufmann (2003) argued that the above is a result of attitude of public servants towards the delivery of government services to the public. However, Mbabazi & Taylor (2005) highlighted that it should not be the case in access principle for effective public service delivery. This meant that each institution/ministry implemented their mandates independently even in the event of duplication/ shared mandates leading to inefficiencies and underutilization of government resources.

The study identified limited loan products as barrier towards scaling up of youth owned enterprises. Most YEDF financed youth businesses were small retail shops that employed a maximum of two members and faced challenges with growth. Study findings was supported by World Bank (2009) that showed that many countries especially developing countries disbursed

minimal resources to youth funds that had no proven impact. Further, Simon *et.al* 2009 pointed out that most governments were not keen to increase youth loan absorption nor ensure survival rate of new youth business given the size of loans disbursed. Implications of the above is brought out by Wahome & Kipkinyor (2016) who concluded that YEDF loan characteristics had a positive impact on the overall growth performance of youth businesses and the resulted pattern of loan repayment. Given that YEDF was meant to serve a wider scope through creation of a ripple effect from businesses it supported, unfavorable loan products failed to uphold this goal.

YEDF continued to rely heavily on budget allocation despite past findings revealing that budget allocation towards the fund had been decreasing. YEDF (2019) report acknowledged the fund's overreliance on budget allocation compared to generating alternative income. Given that the young population in Kenya is growing at a fast rate and the number of youth graduates increasing each year, ILO (2011) imply that youth funds will continue to exist indefinitely as youth unemployment will remain a challenge. Njonjo (2011) highlighted that the high population growth did not match the country's economic growth rate. This led to the fund cushioning all the unemployment pressure as majority of young people had no other means of survival but self-employment. In light of the above, YEDF has to come up with innovative ways of increasing its revenue streams to tackle pressures that came with uncontrollable youth bulge.

Strict lending conditions and procedures such as having recommendation letters, online application of loans and writing of business plans disadvantaged a section of youth. Although these measures were put in put for efficiency purposes, it treated youth as a homogenous group. Majority viewed it as a complex process that could only be done by professionals thus kept off from applying for YEDF loans (Gachuru & Mwirigi, 2014; Barasa & Githae, 2015; Aberi & Jagongo, 2015; Sikenyi, 2017). The implication of this emerging issue was that there was risk of youth who would have otherwise thrived without an intervention thus already advantaged cohorts benefiting more compared to those who needed the boost. This notion was supported by YEDF Status Report (2012) that revealed that social networks enhanced access to financing, a privileged not enjoyed by many youth while sourcing for recommendation letters from administrative units.

Fragmented M& E system was evident in the findings. M& E had major implications on the overall operations of the fund given that it was a revolving fund and operated under minimal

resources. Kasyoka (2016) recommended that there was need to employ more staff with required qualification, management support and adequate resource allocation for an effective YEDF M&E operations. World Bank (2009), IMF (2005) & Gyorkos (2003) emphasized that monitoring and evaluation was the best tool to enhance credible governance of activities as it provided data to support evidence-based policy decisions and evaluated the effectiveness of projects and programs. It was therefore important for the fund to put in place a proper M&E system to monitor all its programs so as to assess the impact of the fund in creating job opportunities for young people.

The second objective of the study sought to answer the question on factors that undermined the effectiveness of YEDF in creating opportunities for youth. Study results identified for main factors namely; disbursement procedures, group lending dynamics, low loan repayment rates and business development training.

Despite YEDF being established to address youth unemployment with a national outreach approach, disbursement had remained a challenge. The study established that it was lengthy and bureaucratic while some youth were not aware of services offered by the fund or struggled to fulfill some of the requirements. These findings concurred with Gachuru & Mwirigi (2015); Sikenyi (2017) & Issa (2019) who highlighted that disbursement period took between 3 to 6 months for loan processing unlike other bank loans which could be processed within 48 hours. Overall, most youth were not aware of such initiatives that promoted small businesses (Okung'u, 2008). Delays in disbursement of funds meant that youth operated in uncertainty especially those who borrowed loans for seasonal businesses such as agriculture. It was important therefore for the fund to adopt new financial technologies i.e., mobile banking or capitalization of community based financial institutions such as SACCO's to reduce transaction periods as well as come up with innovative ways of marketing YEDF loan products to potential beneficiaries. More so, findings revealed that there was a direct relationship between disbursement timelines and repayment of loans.

Group lending was identified as a challenge YEDF beneficiaries faced. Most groups faced a challenge of cohesion that stemmed from members defaulting their monthly contribution towards payment of the loan and in extreme cases exiting of group members. These therefore affected the overall productivity of groups and ultimately loan repayment to YEDF. Although findings indicated group lending as a challenge, study findings revealed that it was a necessary evil. Group

lending reinforced joint collective liability given that it was an alternative for collateral. In support of study findings, Besley & Coate (1995) argued that group lending had its advantages in that it reinforced collective liability but its major downfall was that in some cases, group members had to cushion those whose businesses did not have positive financial returns. Manski (1993) further argued that it is not clear whether group incentive (minimizing default), overpowers individual incentives. Despite the findings and the arguments brought forth by Manski (1993) and Besley & Coate (1995) it was important for the fund to maintain group lending but look into measures that could help strengthen groups such as assessment of long-term financial status and duration of existence of groups before disbursement. Group lending reduced the need for loan security hence helped youth groups easily access loans which is one of the goals of YEDF.

Low loan repayment rates by YEDF beneficiaries was a major challenge identified by the fund. This finding was supported by past reviews by YEDF (2019) where it revealed that out of Ksh. 12.5 billion disbursed, only Ksh. 508,268 had been repaid as per the FY 2019/2020. This finding is closely related to the fund's fragmented M&E system a gap identified in objective one. Further, Kipyego & Wandera (2013); Chemwa (2015) & Ameyia *et.al* (2011) highlighted limited loan repayment channels, poor business management skills by beneficiaries and unfavorable loan packages as factors that contributed to low loan repayment. Failure of the fund to prioritize monitoring and evaluation of YEDF projects from disbursement level to implementation level therefore had a direct impact on the fund's loan recovery. The study therefore found it necessary for the fund to look at the overall operation of its programmes as it had a direct impact on the stability of the fund given that it is revolving in nature.

Study findings identified business development training as challenge. Respondents cited lack of comprehensiveness of business modules administered and on the frequency of these trainings. Further, respondents highlighted that it was administered as a one size fits all curriculum for all youth projects. The same findings were concluded by Oduol, S., Okelo, S., Awiti, F. (2013), Irungu & Kamau (2015) & Karanja (2014). This narrative contradicts White & Kenyon (2001) recommendations that in certain circumstances, youth enterprise development should not be done for the sake of it or where it sets a precedent for failure by not offering sufficient support. It was therefore important for the fund to address this challenge in order to enhance the performance of

youth owned businesses. It will also contribute to high repayment rates a major challenge identified by the study as well as scale up businesses.

The study identified gaps/ emerging issues and challenges facing the fund and therefore sought to propose measures that could enhance effectiveness of YEDF based on other country experiences. The study came up with five measures namely; putting in place a sustainability plan, Capitalizing on SACCOS for fund's disbursements, enhancement of fund's group lending model, innovations in business development training and an improvement in the fund's M&E system.

Sustainability of the fund had been a core emerging issue given that the fund heavily relied on annual budgets. The situation had been made worse given increase in the number of unemployed youth. Kenya's youthful population has been on the rise with 75.1% of the population being under 35 years with 9 out of every 10 unemployed Kenyan falling in the age bracket (KNBS, 2019). This has led to the question on whether the available limited government resources are able to transform the lives of young people (ILO, 2011). The issue on sustainability could be addressed by having a sustainability plan as implemented by Workforce Singapore. According to the Brundtland definition, sustainability is described as development that meets needs of the current without jeopardizing the needs of the future generations (Johnson *et.al.* 2007).

The main advantage of having a sustainability plan is that the fund could draft long- term strategic plans with realistic timelines with projected resource-based data and facts which can be easily used to source for partnerships (Leaniz & Bosque,2015). The main disadvantage of this approach was that corporate strategies are difficult to draft and implement as they involve radical changes (Sergio, 2020). This might be difficult for YEDF given that it exists indefinitely as Sarbu & Svetla (2012) argue that strategic management does not give a conclusive picture of the future and that it cannot be limited to a set of procedures. However the benefits of YEDF having a sustainability plan outweighs the difficulties of having one.

Borrowing from best practice from study findings, Singapore Workforce had been able to effectively implement long-term sustainability plans using education and training as its choice of active labour market policy. Prior planning enabled integration of sustainability action plans in all activities from the initial stages to facilitate creation of partnerships and relationships with key stakeholders, diversification of funding sources to expand the resource pool through creation of a

donor/ partner database and a strong communication strategy where outcomes of activities are projected to diverse audiences (Ye,2003).

The study proposed capitalization of SACCOS as a remedy to lengthy and bureaucratic disbursement procedures experienced by the fund. Savings and Credit Co-operatives (SACCOs) are based on community membership/ common “bond” financial institutions created by members to promote their common economic interests and offer a broad range of services to a wider clientele depending on their needs (Nuwagaba, 2012; Owen, 2007). According to Getachew (2006), Savings and Credit Cooperative Society (SACCOS) is a type of cooperative society with the main goal of accumulating savings and offering a source of credit to its members at a favorable and reasonable rate of interest without taking risks and without handing over too much power to a moneylender (URT, 2004). ICA (2005) outlines 7 principles of cooperatives; voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information and concern for the community.

The above best practice can be borrowed from UYVC where the government has invested in using SACCOS to buy equity from youth owned businesses as well as played mentorship roles. Disbursement of loans took a maximum of 48 hours and the rate of loan defaulting was low given the firm social structure in which SACCOS operate.

Given that YEDF Act, 2007 permits SACCOS to disburse YEDF loans, the use of SACCOS as an alternative means of disbursement will allow YEDF beneficiaries to receive loans in the shortest time possible, be part of a SACCO of their choice based on individual needs, be able to get training, information and education relevant to their business activities and access markets and networks at the SACCO’s disposal. Heterogeneity of youth will also be taken care of given that most SACCOS are community oriented.

The study proposed modification of group lending approach as a measure to enhance effectiveness. A maximum of three, a good track record of good financial records and reasonable existence of registered group (above 2 years) should be the bare minimum qualifications when applying for YEDF loans. The concept of group lending was first introduced by Grameen Bank in Bangladesh. Group lending reinforced joint collective liability (Besley & Coate, 1995). Hermes, *et.al.* (2005)

asserts that group lending reduced the need for loan security, improved loan security by giving peers the mandate to peer screen, monitor and enforce each other's loans. In addition, group lending should be promoted in that it enhanced information gathering hence increased the resource pool and enhanced social capital among members (Tata & Prasad (2008); Wilson *et.al* (2007); Reavley & Lituchy (2008); Ghatak (2000)). (Hare (1981); Million *et al.* (2012); Voelpel *et. al* (2008) support the study's suggestion by affirming that group lending is not the problem but the size of the group. They argue that the size of the group influences group processes in that small groups (3-5 members) tend to be more effective, improved sense identity, increased commitment and encouraged aggregation of skills and resources in groups. This approach could be useful to YEDF in that youth will not be required to give collateral but at the same time operate businesses in groups focused in growth as the stage of groups targeted will be beyond personal interests.

In relation to dissemination of inadequate and one size fits all business development curriculum, YEDF could borrow from best practice from UYVC, SYNDA, UK and Singapore. These countries involved external stakeholders in their programme design from the start. This meant that they were able to offer one on one industry mentorship. The fund will therefore not rely on financial intermediaries to offer business support trainings. Entrepreneurship development is the process of strengthening skills and knowledge of potential and existing entrepreneurs by taking them through their entrepreneurial journey (Sousa & Almeida, 2014). Nyamu (2015) posits that entrepreneurship training played an important role in preceding entrepreneurial activities. This narrative was supported by Chemwa (2013) who argued that training of youth groups enhanced the performance of youth led businesses hence more profit resulting to higher repayment rates and growth. The researcher however noted that institutions tasked with training were not using the same model as far as youth enterprise training was concerned and that there was minimal information on the impact of entrepreneurship training on YEDF beneficiaries. White & Kenyon (2001) recommended that in certain circumstances, youth enterprise development should not be done for the sake of it or where it sets a precedent for failure by not offering sufficient support. The stated concerns by White & Kendon (2001) revealed itself in the findings whereby business development training carried out by YEDF was not comprehensive and not carried out at all in some instances yet it was a crucial aspect of business survival.

There was need for YEDF to strengthen its M&E system for better assessment of performance of programmes. Findings from this study identified a fragmented M&E system whereby most employees had no background of M&E, there was lack of consensus on data collection tools, lack of management support and poor resourcing of the M&E department.

Hunter (2009) & Shapiro (2011) highlight that it was necessary to carry out monitoring of projects given that it gives a sense of urgency on modification of programs if they appear not to be producing the desired results. ILO (2013) argue that youth programmes are expensive and rely on effective targeting. They therefore recommend that frequent monitoring and evaluation needs to be done to assess the impact of the fund on its beneficiaries. M&E will allow goals to be reached quickly as performance will be gauged with objective achievement of the project's goals (Bharat, 2007). In addition, the fund will be able to point challenges arising from the implementation of policy and strategically redress the issues in a timelier manner. Borrowing from FAO (2016) the fund should be keen in choosing what to monitor, specify assumptions, identify stakeholders and plan for M & E activities namely; data collection, analyzing and reporting, data management and relevant resources required. This study therefore recommends strengthening of YEDF's M&E system so as to promote a culture of performance management. The fund cannot afford to run unsustainable projects given the limited resources and the frequent involvement of private sector who are keen on performance and who contribute to a bigger percentage of funding YEDF programs.

5.2 Conclusion

YEDF was established in Kenya to address issues surrounding access to credit by the Kenyan youth. It was viewed as one of the main economic tools to encourage youth into the labour market in a bid to reduce youth unemployment rates in Kenya by encouraging them to be job creators as opposed to job seekers.

The fund had recorded notable achievements that included allocation of 12.8 billion shillings to 1,159,393 youth, trained 508,368 youth, secured 26,015 jobs abroad through strategic partnerships, and facilitated 10,768 youth to market their products and 1,653 access trading centers. However, the study revealed that the fund faces challenges in its execution that emanated from its organizational structure and policy gaps as highlighted in the document.

However, an analysis of YEDF framework showed that its implementation framework was too lean and it didn't have adequate support structures. The fund operated in a vacuum despite issues of youth unemployment being complex and did not have a one size fits all solution. It faced major challenges in its disbursement of funds given the heterogeneity of youth, suffered high loan default rates and faced challenges administering and following up business development support programs which was crucial in the sustainability of youth businesses. It also faced major blows in terms of budget cut allocation given that the national budget was its main source of funding. The latter was made worse because of the growing youth bulge in Kenya that put more strain on the fund as most youth had no alternative but to venture into self-employment as a result of the labour market not being able to absorb them.

Lessons drawn from other country experiences showed the issue on youth unemployment was very complex and attracted scrutiny on how to solve the menace. It also revealed that each labour market was unique and had individual features. However, the fund could explore the analyzed AMLP policy options based on in country situation.

5.2 Recommendations

Drawing from the findings and conclusions of the study, the researcher made the following recommendations regarding the areas of review on YEDF framework:

1. Invest more on comprehensive business development support programmes

In partnership with relevant stakeholders, provide frequent complementary support to help youth establish sustainable projects. This means providing training to provide basic skills, along with more individual support such as coaching/mentoring to support individual projects. This also means providing financing with skills development so that the support offerings reinforce each other. More so, offer support in stages, making more intensive support available when participants demonstrate capabilities.

2. Establishment of a strong selection criteria

Use strong selection criteria to choose ideas and projects with the greatest chances of success. Main focus should be on the projects as outlined in the business proposal rather than the individual youth group meeting selection criteria so that skilled youth as well as

disadvantaged youth can receive support, avoid projects with little chances of survival and financing projects in excess supply industries.

3. Coordination with other government departments dealing on youth issues

YEDF is one of the economic tools within a larger economic framework. For the fund to successfully achieve its mandate, they need to sync their activities with other government entities dealing in youth issues as well as departments/institutions that had influence in business growth i.e., regulatory bodies. It is only through a coordinated approach that some challenges outlined in the study will be sort out. Coordination will also help the fund benefit from external resources given that it operates in minimal budgets that is dependent on budget allocation

5.3 Limitations of the study

- I. Interviews were based on phone interviews as a result of restrictions put in place based on COVID-19 guidelines and therefore the researcher did not utilize observation as a research method. However, this did not alter the final results of the study as the interviews carried out were in-depth.
- II. Experiences drawn from different countries (Singapore, Uganda, South Africa, UK & Botswana) focused mainly on design of the funds and not rigorous analysis of data. Direct comparison on the outcomes of data was therefore a challenge given that different countries operated in different contexts (political, social and economic).

5.4 Areas for future research

- Further research should quantify youth groups that have benefitted from YEDF loans and excelled and those that have benefitted from the loans and collapsed and an evaluation of the impact of the two groups towards the fund done.

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Appendix I: Letter of Introduction

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya,
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit www.sbs.strathmore.edu



Monday, 09 December 2019

RE: FACILITATION OF RESEARCH – BRIDGIT CHEPKOECH KURGAT

This is to introduce Bridgit Kurgat who is a Master's in Public Policy Management student at Strathmore University Business School, admission number MPPM 102757 /17. As part of our MPPM Program, Bridgit is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MPPM course. To this effect, she would like to request for appropriate data from your organization.

Bridgit is undertaking a research paper on **“Addressing Youth Unemployment through Youth Funds: The Case of Youth Enterprise Development Fund in Kenya”**

The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MPPM seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Caroline Tiara".

Caroline Tiara.
Manager – Masters' Programs
MBA, MPPM, MCOM

Appendix II: Ethics Clearance Letter



Strathmore
UNIVERSITY

12th May 2020

Ms Kurgat, Bridgit
bridgit.kurgat@strathmore.edu

Dear Ms Kurgat,

REF: SU-IERC0803/20 (AMENDMENT) PROPOSAL "Addressing Youth Unemployment Through Youth Funds: The Case of Youth Enterprise Development Fund in Kenya"

I make reference to your application for the approval of a proposed amendment submitted on April 20, 2020.

We acknowledge receipt of the following submitted documents for amendment;

- a) Amendment cover letter date 20th April 2020
- b) Study Proposal version 2 date 20th April 2020
- c) Participant Information and Consent form version 1
- d) Study Materials- Indepth interview guide, Study Questionnaires
- e) Study budget
- f) CV of Investigator

The committee noted the following amendment:

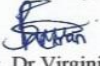
1. **Title:** *The title was updated to " Addressing Youth Unemployment Through Youth Funds: The Case of Youth Enterprise Development Fund in Kenya " from "The Effect of Youth Enterprise Development Fund on youth unemployment: The case of Keiyo-North sub-county, Elgeyo Marakwet County, Kenya" to fit the study objectives and area of research.*
2. **Research Methodology:** *Was changed to a desktop study rather than involving data collection from participants. The study will take the form of a desk review and will analyze Youth Enterprise Development Fund policy framework in general thus will no longer be tailored to Keiyo - North, Elgeyo Marakwet County.*

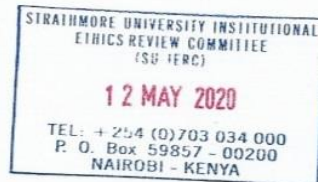
The Committee concluded that the suggested amendments are justified and will not result in increased risk to the participants. The proposed changes have therefore been granted **approval** for implementation.

You may continue with your study.

You are required to submit any further changes to this version of the protocol to SU-IERC for review and approval prior to implementing any additional changes.

Sincerely,


Dr Virginia Gichuru,
Secretary; SU-IERC



Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email info@strathmore.edu www.strathmore.edu


Appendix III: NACOSTI Permit

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

REPUBLIC OF KENYA

Ref No: 235537

RESEARCH LICENSE




This is to Certify that Ms. Bridgit Kurgat of Strathmore University, has been licensed to conduct research in Nairobi on the topic: ADDRESSING YOUTH UNEMPLOYMENT THROUGH YOUTH FUNDS: THE CASE OF YOUTH ENTERPRISE DEVELOPMENT FUND IN KENYA for the period ending : 28/March/2021.

License No: NACOSTI/P/20/4471

Applicant Identification Number: 235537

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



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Appendix IV: Work Plan

Activity	Period (Month)					
	March- October 2019	Nov 2019	Dec2019	January –July 2020	August - Oct 2020	Oct- Dec 2020
Proposal Writing						
Approval of proposal						
Data collection, analysis and report writing						
Project report Draft submission						
Project report revision						
Submission of final project						

Appendix V: Budget

Item	Cost (Ksh)
Printing	5,000.00
Transport	5,000.00
Airtime	2,000.00
Research Assistant (Note taker)	5,000.00
Miscellaneous	5,000.00
Total	22,000.00



Appendix VI: PARTICIPANT INFORMATION AND CONSENT FORM

An Appraisal of Youth Enterprise Development Fund: Challenges and Policy Options

SECTION 1: INFORMATION SHEET

Investigator: Bridgit Kurgat

Institutional affiliation: Strathmore University Business School (SUBS)

SECTION 2: INFORMATION SHEET–THE STUDY

2.1: Why is this study being carried out?

The study is being carried out to analyze gaps and emerging issues faced by Youth Enterprise Development Fund (YEDF), identify challenges faced in the implementation of YEDF’s mandate and suggest policy options drawing from other country experiences. This sequential analysis is aimed to improve on areas of improvement in the implementation of the fund’s mandate.

2.2: Do I have to take part?

No. The decision to take part in the study is optional. If you agree to take part, you will be asked to participate in an interview session aimed at gathering information on YEDF. If you wish to stop participating in the study midway, you can stop at any time by informing the interviewer.

2.3: Who is eligible to take part in this study?

The study will involve YEDF staff and beneficiaries who are able to provide relevant information, ideas and recommendations on the subject matter under investigation.

2.4: Who is not eligible to take part in this study?

Individuals who do not work for YEDF or are not beneficiaries of YEDF.

2.5: What will taking part in this study involve for me?

You will be reached out and requested to take part in the study. If you are contended that you fully understand the study and its aim, you will be asked to sign the informed consent form (this form) and then taken through an interview session which will take a period of approximately one hour.

2.6: Are there any risks or dangers in taking part in this study?

There are no risks in taking part in this study. All the information you provide will be treated as confidential and will not be used in any way without your direct permission.

2.7: Are there any benefits of taking part in this study?

The information will complement the current study on Youth Enterprise Development Fund and will inform areas of refinement in the fund’s framework for effective execution of its mandate.

2.8: What will happen to me if I refuse to take part in this study?

Participation in this study is entirely voluntary. In the event that you agree to take part in the study but later change your mind, you are free to withdraw at any time. You also have an option of not taking part in the study at all.

2.9: Who will have access to my information during this research?

All research interview records will be stored in securely locked cabinets and all your information will be kept confidential.

2.10: Who can I contact in case I have further questions?

You can contact me, Bridgit Kurgat at the Strathmore Business School, or by e-mail bridgit.kurgat@strathmore.edu or by phone +254710566966. You can also contact my supervisor, Dr. Bernadette Wanjala, at the Strathmore Business School, Nairobi, or by e-mail at b.wanjala@strathmore.edu or by phone +254 722319641.

If you want to ask someone independent anything about this research please contact:

The Secretary–Strathmore University Institutional Ethics Review Board, P. O. BOX 59857, 00200, Nairobi, email ethicsreview@strathmore.edu Tel number: +254 703 034 375

I, _____, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you;

Participation in the research study

I AGREE to take part in this research

I DO NOT AGREE to take part in this research

Participant’s Signature:

Date: _____ / _____ / _____
DD / MM / YEAR

Participant's Name:

Time: _____ / _____
HR / MN

I, _____ (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study. S/he has been given opportunity to ask questions which have been answered satisfactorily.

Investigator's Signature:

Investigator's Name:

(Please print name)

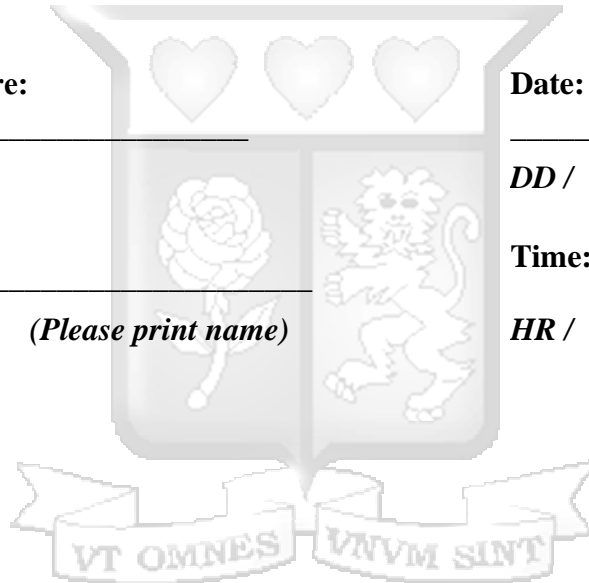
Date:

_____ / _____ / _____

DD / MM / YEAR

Time: _____ / _____

HR / MN



Appendix VII: Key Informant Interview Guide (YEDF Beneficiary Youth Group Leader)

Addressing Youth Unemployment Through Youth Funds: The Case of Youth Enterprise Development Fund in Kenya

INTERVIEW CODE:

DATE:

Name of youth group:

Designation of the respondent:

1. In your opinion, kindly comment on YEDF's loan products and services and its ability to expand/grow your business.
2. Kindly comment on YEDF's application procedures.
3. Briefly elaborate on YEDF's disbursement procedures and the duration it took for your loan to be approved.
4. What is your view on YEDF's loan repayment process and duration based on the loan applied for by your group?
5. Kindly comment on YEDF's business development training curriculum and its suitability to your business needs.
6. How has group dynamics affected or propelled your group's business growth.
7. In your opinion, kindly suggest measures YEDF can put in place to make the fund more suitable to your needs.

Appendix VIII: Key Informant Guide (YEDF Officials)

Addressing Youth Unemployment Through Youth Funds: The Case of Youth Enterprise Development Fund in Kenya

INTERVIEW CODE:

DATE:

Designation of YEDF Staff:

1. Briefly comment on YEDF loan repayment rates and measures taken by YEDF when beneficiaries default.
2. Kindly comment on the effectiveness of YEDF's business development training in regard to sustainability of youth enterprises.
3. What operational challenges do you face when carrying out YEDF's mandate?
4. In your view, what challenges do youth groups face when accessing YEDF loans.
5. In your opinion, what gaps do you think exist in the design of YEDF's framework and your recommendations to the mentioned gaps.

