AFRICA’S YOUTH EMPLOYMENT CHALLENGE: NEW PERSPECTIVES

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Sikenyi Does Kenya’s Youth Enterprise Development Fund Serve Young People?
Does Kenya’s Youth Enterprise Development Fund Serve Young People?

Maurice Sikenyi

Abstract This article analyses issues surrounding a state-supported self-employment and entrepreneurship programme in Kenya, the Youth Enterprise Development Fund (YEDF). Analysis of secondary data in addition to youth interviews suggest that although the YEDF generated employment and income for some young people, the frameworks are narrow and lack supportive implementation structures. In particular, YEDF projects are marred by mismanagement of funds, corruption, and ambiguous eligibility criteria. Moreover, young people lack social networks, entrepreneurial skills and mentorship that would allow them to effectively participate in the YEDF. Inadequate support structures exclude young people from the YEDF. Future policies and programmes must consider flexible and transparent eligibility criteria, stringent accountability mechanisms to curb corruption, and development of business skills and mentorship.

Keywords: Africa, unemployment, livelihoods, youth bulge, education, entrepreneurship.

1 Introduction

The unemployment challenge is global and presents an economic and social crisis that threatens the dignity and livelihoods of millions of individuals, including young people (ILO 2010). Globally, over 75 million young people between the ages of 15 and 24 years are outside the formal labour market, yet they are looking for work (ILO 2010). A study by the International Labour Organization (ILO) found that over 75 per cent of young people aged between 15 and 29 are involved in informal work as their primary economic activity (Elder et al. 2015). Many of the under- and unemployed young people are in the least developed countries (LDCs) in the global South (ILO 2010). In sub-Saharan Africa, young people constitute more than 50 per cent of the entire population (United Nations 2012); furthermore, it is estimated that ‘each year between 2015 and 2035, there will be half a million more 15-year-olds than the year before’ (World Bank 2014: 2). While the high numbers of young people
present an opportunity for the continent, the ‘youth bulge’ also presents significant economic, social and political challenges.

With limited growth in opportunities for formal sector employment, state-supported self-employment and entrepreneurship initiatives have become increasingly common. As such, governments and development partners have developed and advocated for national youth policies, programmes and budgetary allocations aimed at supporting self-employment and enterprise development by young people (Anyidoho et al. 2012; Burchell et al. 2015; GoK 2008; Muiya 2014). In sub-Saharan Africa, successive governments and agencies have encouraged youth engagement in agricultural-related initiatives as a means to counter youth under- and unemployment (Anyidoho et al. 2012; te Lintelo 2012; Ping 2011). Other policies and programmes promote youth engagement with new technologies, vocational training and entrepreneurship (GoK 2007; te Lintelo 2012).

In Kenya, the government sought to promote youth employment and empowerment through the Youth Enterprise Development Fund (YEDF) and Kazi Kwa Vijana (jobs for youth) initiatives. These aimed to transform youth from ‘jobseekers’ to ‘job creators and employers’ (GoK 2008). Despite these efforts to engage young people in the labour market, the majority of the youth in Kenya are still under- or unemployed, and vulnerable. The uptake of the YEDF is dismal among young people in both rural and urban settings. This conundrum calls for reflection on the efficacy of the YEDF in fostering self-employment and enterprise development by youth. Understanding young people’s experiences with the YEDF, particularly those in rural areas and urban slums, and the extent that this programme shapes youth livelihoods is important for future policy and practice relating to youth employment.

It is against this backdrop that this article analyses the contextual, practical and policy-level issues surrounding and shaping state-supported self-employment and entrepreneurship initiatives in Kenya, notably the YEDF. The article argues that although the YEDF was established to increase young people’s self-employment and entrepreneurship through greater access to credit, the programme framework is too narrow and the YEDF lacks supportive implementation structures. The inadequate support structures contribute to the exclusion of young people, especially in rural regions and urban slums.

The introduction of the YEDF moves the state’s focus from being a direct employer, to a facilitator or enabler of employment opportunities for youth. This shift, though promising, is also problematic because it puts the central responsibility for youth employment on the shoulders of the youth themselves. Although some might argue that young people should be encouraged to shape their own destiny (including decisions about forms of employment), this article argues that the social and economic conditions that young people experience in rural areas and urban slums necessitates greater affirmative action and supportive
policies to better youth uptake of state-supported initiatives. In the wake of massive under- and unemployment in Kenya, access to credit is not enough to better young people’s livelihoods. The YEDF is one of the biggest state-supported initiatives on youth employment, and commands an enormous budgetary allocation and elaborate legislative framework. However, because of mismanagement and ineffective implementation, it has done little to address young people’s vulnerability and disillusionment.

The findings are based on a review of documentation, particularly YEDF progress reports and case studies. In addition, a limited number of interviews and a focus group discussion were conducted in October and November 2016. The semi-structured interviews involved three young people from Bumula, in Bungoma County, and the focus group discussion with five young people in Dandora, in Nairobi. The young participants had varied levels of education, half having completed secondary education, and one having had tertiary-level training. While this article does not claim a generalised view of youth experiences with the YEDF, the document review raises important concerns about the YEDF that call for immediate attention.

The article proceeds as follows. To understand the genesis of the YEDF and issues surrounding it, I first provide an overview of youth under- and unemployment in Kenya. I then discuss the emergence of the YEDF and the issues surrounding this initiative. The last section concludes and provides some recommendations for policy.

2 Overview of youth under- and unemployment in Kenya

Many factors have contributed to unemployment in Kenya including the Structural Adjustment Programme (SAP), and the economic and political reforms that the International Monetary Fund (IMF) and the World Bank spearheaded during the 1980s and 1990s (Kipkemboi 2002). These institutions envisioned that SAPs would rapidly generate economic stability through private ownership, free markets and price liberalisation, and reduce government expenditure on social services including education and health (ibid.). Despite these intentions, studies suggest that the SAP in Kenya and other sub-Saharan African countries resulted in high-income inequalities, retrenchment and high unemployment rates that carried over into the 2000s (Heidhues and Obare 2011).

In 2009, the National Population and Housing Census found that there were 13.5 million young people between the ages of 15 and 35 years, constituting 30 per cent of the entire population (GoK 2010). With the labour force constituting only 40 per cent of Kenya’s population, over 78 per cent of the unemployed in Kenya are young people (IEA 2011). The employment challenge weighs particularly heavily on youth.

The high population growth rate is not matched by the economic growth rate (Njonjo 2011). The Kenyan economy is generating only 150,000 jobs per year, and cannot absorb the over 500,000 youth that graduate
from school every year (Muiya 2014). As a result, there is a large number of young people seeking work, yet there are few opportunities for formal employment. Other studies suggest that education and training are not aligned with industry demands (Wambugu, Munga and Onsomu 2009), and that many college graduates lack the relevant skills and knowledge that employers demand (ibid.). Moreover, an examination-oriented curriculum that puts little emphasis on technical or life-skills, and negative perceptions of agriculture, contribute to graduates seeking employment as opposed to creating their own jobs (Njonjo 2010).

Youth under- and unemployment put enormous pressure on Kenya’s economic, social and political stability. Studies on the effect of unemployment show that young people who undergo long periods of unemployment are likely to experience decreased wages and more challenges in future employment compared to others (Skans 2004). In particular, a 10–15 per cent wage ‘scar’ is attributed to early unemployment, and youth can experience wage losses for up to 20 years following early unemployment (Skans 2004; Vandenberghe 2010). Youth unemployment has contributed to disillusionment, frustration and despondency which have been linked to political instability. Some observers have suggested that disillusioned youth are more likely to engage in organised crime, political violence or join militant groups like Al Shabaab (Collier et al. 2003; Kriegler and Waki 2009; Muiya 2014). Similarly, prostitution, drug abuse and HIV/AIDS are prevalent in areas with high rates of poverty, and under- and unemployment (Muiya 2014). It is essential to understand the major government initiatives to address the youth employment challenge. The remainder of the article focuses on state support for self-employment and entrepreneurship, particularly the YEDF, and youth experiences with this intervention.

3 The Youth Enterprise Development Fund (YEDF)
To address the challenges of under- and unemployment and poverty affecting young people, the government established a broad national youth policy framework (GoK 2002). A major initiative was the formation of the YEDF in 2006 (GoK 2002, 2007; Muthee 2010). The fund focuses on microfinance and enterprise development, with the aim of ensuring that young people (ages 18–35) have access to affordable loans so that they can grow their small and medium businesses (GoK 2008). The operational framework and objectives of the YEDF entail providing funds to financial intermediaries such as banks, microfinance institutions (MFIs), savings and credit co-operative organisations, and licensed non-governmental organisations (NGOs) to give loans to youth-run enterprises. It also supports the development of commercial infrastructure that can enhance youth enterprises, including the establishment of market spaces, model businesses and incubators. Additionally, the YEDF aims to introduce goods and services produced by the young people into local and international markets, and develop linkages between the youth-run small and medium enterprises with large enterprises. Lastly, the fund was to facilitate employment of young people in the international labour market (GoK 2007, 2011). As the
YEDF makes clear, national policy on youth employment has shifted from education and training, and private and industrial partnerships, to self-employment and enterprise development.

A report on the performance of the YEDF between 2007 and 2012 indicated that KSh94 million (US$940,000) had been allocated to the 47 counties (GoK 2011). The fund targeted slightly over 13 million young people. However, by 2011, only 158,000 youth enterprises had received YEDF loans – only 1.2 per cent of the target. Almost half of the funds had not been distributed to youth groups.

Access to the YEDF is low in rural compared to urban constituencies. A study in Matungu Constituency showed that by 2015, only 83 young people had received YEDF funds (Barasa and Githae 2015). The mode of disbursement of loans to groups poses operational challenges. For example, when a loan of KSh45,000 is given to a 15-member youth group, each member receives only KSh3,000 (US$30) to support their business. Such a limited sum cannot be expected to boost a business in a significant way. In many constituencies, only a few young people have received direct funds. In Bumula Constituency, for example, the direct funding mechanism where an individual young person receives between KSh100,000 and KSh2 million (US$1,000–20,000) has not been made available to any youth since the establishment of the fund. Many rural constituencies experience low uptake of the YEDF and great disparities in the amounts allocated among youth groups (Barasa and Githae 2015; Mburung’a 2014). Moreover, the sector-oriented loans require that youth groups raise a deposit of 10 per cent of the loan amount (GoK 2012), which many groups find impossible.

Mismanagement and corruption are major issues. According to investigations by the Criminal Investigation Departments and the Ethics and Anti-Corruption Commission of Kenya (EACC), senior officials diverted youth funds to their personal accounts (Agoya 2016; Kibet 2016). Furthermore, the EACC stated that ‘senior leaders at the YEDF have been trying to cover up huge losses of funds’ (Kibet 2016: 1). In other cases, well-connected adults have registered companies and used them to tender for youth funds. The Vision 2030 Youth Entrepreneurs Associates claimed that YEDF ‘money had been irregularly awarded to family members’ (ibid.). A recent court proceeding established that some YEDF managers conspired to ‘defraud the Kenyan public through unlawful payment of KSh180,364,789 (US$1.9 million) from the Youth Enterprise Development Fund to Quorandum Limited for services not rendered’ (Agoya 2016). Moreover, the directors of the YEDF were under investigation for irregularly receiving KSh64,654,789, which the YEDF channelled to their individual companies for services that they did not offer.

**4 Does the YEDF serve young people?**

**4.1 Unclear eligibility criteria and stringent lending conditions**

Analysis of primary documents, particularly YEDF progress reports and case studies, in addition to some interviews, revealed that the lending
procedure is convoluted with unclear eligibility criteria, strict lending conditions and inadequate support (Barasa and Githae 2015). The intermediary financial institutions do not provide youth-friendly products and services. In the focus group discussion, young people expressed concerns that the demands for collateral, recommendation letters from administrative units, and high interest rates make the YEDF inaccessible. In particular, contracted financial institutions require that youth groups raise at least a 10 per cent deposit of any loan, and the youth are also required to meet all the criteria to open a bank account. For example, one young woman who participated in the focus group stated:

> It’s hard for us to get loans, we do not have salary and items to give to secure the loan. They want us to produce some money and yet we are looking for the money… our parents don’t have money to lend us. (Female 003, November 2016)

This quote highlights the fact that many young people have not accumulated assets that they can use as collateral. Moreover, youth groups could hardly raise the 10 per cent deposit fees or provide references. These factors make the YEDF inaccessible to young people. Furthermore, in rural environments young people have challenges completing the online applications, or developing their business plans and proposal. A young interviewee said that ‘I finished class seven, now I am asked so many proposals that I cannot write. The officers at the YEDF can’t help us’ (Male 002, October 2016).

Moreover, the long waiting period for loan processing and approval at the financial institutions and constituency offices is a major issue affecting youth engagement in YEDF programmes. Young people have to wait between six months and one year in order to receive the funds. In some cases, they never receive any communication about the status of their application. A youth group participant stated:

> It takes so long for one to receive the funds. We applied for the funds as group ya vijana hapa Dandora [youth in Dandora]. We gave them all the documents, the group minutes. We kept on going back to ask about it, but we were told they could not trace our application papers. (Male 002, November 2016)

4.2 Corruption

The unfriendly application process has opened up avenues for corruption in the dissemination of YEDF funds, especially at the constituency level offices. For example, programme officers and go-betweens extort funds from young people in order to help them ‘win the youth funds’. The corruption surrounding the management and disbursement of YEDF funds has created a negative perception among young people to the point that some are unwilling to apply for the funds. As one youth stated:

> There are some cartels, because you know, I can help you get the funds and even apply for tenders, but you have to give a percentage of funds to the cartels. They will even say they help you in the application. But if you give them half the money and you pay back the whole loan how do you make profit? (Male 003, November 2016)
Corruption has enabled well-connected individuals and some outside the eligibility criteria to access the YEDF. Although the YEDF policy states that the fund focuses on young people (ages 18–35), it is known that ineligible individuals have been awarded the funds and tenders. These individuals often have connections to the political class or the management of the YEDF at the constituency level. In the focus group discussion with youth in Dandora, a participant stated that:

The rules say 30 per cent of procurement must go to youth people. That the YEDF funds are for youth. But someone at 50 years gets the funds for youth. So, if you do not know anyone you can’t get the funds. (Female 003, November 2016)

Another youth with a disability lamented that ‘You do everything they require, but some people get funds without merit’ (Male 001, November 2016). These sentiments concur with the findings of a report which showed that young people with disabilities had little knowledge about the YEDF application processes and some believed that the YEDF officers had exclusive authority to award whomever they wished, irrespective of any official criteria (Action Network for the Disabled 2012).

The YEDF eligibility policy is primarily based on age, following the Kenyan constitution definition of youth as all persons ‘who have attained the age of eighteen years, but have not yet attained the age of thirty-five years’ (National Council for Law Reporting 2010: 65). However, this fails to take into account the unique experiences among youth in various geographical regions in the country. Young people in pastoral communities, youth with disabilities, rural versus urban youth, or youth with different levels of education – all of these have implications on work transitions and successful self-employment. Moreover, the age-based definition of youth is inadequate because it does not account for the cultural, sociological and functional forces that also shape youth livelihoods in various contexts. For example, a teenage parent becomes an adult and might not qualify for community-level programmes or opportunities geared towards young people. An interviewee stated: ‘I got a child after I finished primary school. I was 15 years. Now I am a mother. People do not see me as a youth. The village elders will not recommend me for the youth funds’ (Female 003, November 2016).

4.3 Business skills development and mentorship
Entrepreneurship and self-employment are risky endeavours that many young people undertake due to the lack of alternatives. In some cases, there is no aspiration to become an entrepreneur. These young people may not have the entrepreneurial or business attitudes or skills to enable them to establish or run successful businesses. In the focus group discussion, young people stated that they need mentors to guide them on how to successfully navigate the business environment, particularly with knowing how to invest in the right products, increasing their sales and learning how to save:
I am teaching myself how to do business... it gets hard; I didn’t study any business in primary or secondary school. Maybe it would be good to have an established business man to mentor me. (Male 001, October 2016)

Although the YEDF identifies business skills development as one strategy to enhance young people’s success in self-employment, few programmes have been developed to train youth in proposal or business plan development, or provide skills in identifying and running an enterprise. Moreover, the education system at the primary and secondary levels does not have compulsory studies in business or entrepreneurship. Many young people start businesses that only act to exacerbate market competition, subsequently reducing the incomes of other operators. A young interviewee put it this way: ‘I started a barber shop, but there were so many barber shops, I was not making any profit. I sold the shop to pay back the loan, I still owe them money’ (Male 002, November 2016).

Inadequate business and entrepreneurial skills have enormous consequences for the youth enterprises as well as the repayment of any loans. In particular, loan repayments are affected when young people fail to effectively manage their enterprises and move towards growth and profits. This is where mentorship programmes should come in. A randomised controlled trial on the effect of grants, business training and mentorship on micro-enterprise development among women in Dandora, Kenya showed that mentorship significantly contributed to enterprise development (Brooks, Donovan and John 2016). Women were able to develop social networks and grow their business as a result of the mentorship that they received from established women entrepreneurs. A mentorship programme for young people taking YEDF loans might enable youth to learn about business opportunities and risks, as well as develop the social networks that are essential for running a successful business.

4.4 Social capital and social networks

Social capital refers to the set of resources and relations within families and communities that can facilitate actions for the development of individuals (Coleman 1988). According to Coleman, social capital is identified by its functions, and how these functions become resources for actors to use to achieve their interests and navigate social structures. He argues that social capital has a productive or instrumental component that results in the attainment of certain things that would otherwise be unachievable. Although Coleman aimed to conceptualise how individuals are socialised and their actions ‘governed and shaped by social norms and customs’ (ibid.: 95), and the ways that education systems enable this form of socialisation, social capital has emerged as an important consideration in youth enterprise development interventions.

Social capital plays a role in enabling young people to successfully place an application for YEDF funds, as well as set up an enterprise. Young people recognised that they need a social network to help secure the required recommendations from local religious institutions.
or community-level officials. In other cases, social networks help in providing the required collateral or directly assist in developing the application materials. However, many young people in rural settings have social networks that are not conversant with YEDF procedures, or not powerful enough to influence the outcomes of the fund allocation process. One young interviewee stated that, ‘sijui mtu yeyote huko wa kunizaidia kupata bisna au pesa ya YEDF [I don’t know anyone to help me in getting the business, funds or tenders from youth fund]’ (Female 003, November 2016).

4.5 Politicisation of youth programmes
Programmes supporting youth enterprise are intertwined with party politics. While in principle state engagement is positive, in Kenya political parties propose policies on employment as a means to gain legitimacy and support from young people. As such, youth perceive the YEDF as a political project, a strategy to buy loyalty to a particular political party or regime – ‘hii pesa ni ya politicians [this is money for politicians]’ (Male 002, October 2016):

*I have always been here mataani [in the community], nobody tells us about the fund. We only hear it during campaign times. In fact, I will not apply because we didn’t vote for the regime. How can it give us funds for empowerment?* (Male 001, October 2016)

The links between youth funds, political parties and government reduces the sustainability of state-funded youth initiatives. Creating a less political policy, and legislative documents to guide the implementation of national youth policies, is essential to ensuring both effective accountability and sustainability.

4.6 The potential of youth enterprise in Kenya
Although much displeasure has been expressed by youth in relation to the YEDF, there is clearly potential to develop successful young entrepreneurs. This is not to mean that states should see entrepreneurship programmes as the ultimate solution to youth under- and unemployment, but initiatives that enable self-employment of young people and financial independence can support youth livelihoods. For example, one youth stated:

*I started a poultry farm through a loan that I received from YEDF. I now have tenders to supply eggs and chicken to schools and restaurants in town. It was tough to start but now I am liking the business. It is better than working for someone else.* (Male 005, October 2016)

Other evaluations of youth and entrepreneurship in Kenya show that secondary school graduates prefer working for themselves to working for others (Nikoi et al. 2016). A five-year longitudinal study on youth livelihoods indicated that youth who have received entrepreneurial and life-skills training had self-confidence and the ability to start an enterprise while also working for others (*ibid*.). This desire for self-employment among young people can be strengthened through
providing an enabling policy framework that not only identifies young entrepreneurs but provides both the funds and the support services to enable them to thrive. While in principle this is exactly what the YEDF seeks to do, in practice its effectiveness has been blunted by poor implementation, mismanagement and corruption.

5 Conclusion

The YEDF was established in Kenya to respond to the problem of access to credit, particularly the need for collateral and the inflexible payment procedures that affected young entrepreneurs. The youth fund was also viewed as part of a strategic national policy agenda to introduce young people into the labour market, and thereby address high under- and unemployment. However, the fund also suggests a shift in state policy, where the state moves from being the primary employer, to a facilitator or enabler of employment opportunities for youth. This shift, though promising, is also problematic because it puts the central responsibilities of youth employment and livelihoods on the shoulders of the youth themselves. In other words, the state is not to blame for rampant unemployment – rather, the finger can be pointed at the limitations of individual youth capabilities, aspirations and efforts.

Analysis of issues surrounding the YEDF revealed that the implementation framework is too narrow and there is a lack of support structures. In addition, YEDF suffers from unclear eligibility criteria, mismanagement of funds and corruption. Further analysis indicates that many young people lack the social networks, entrepreneurial skills, and a supportive business environment, which would allow them to benefit from credit. The weak support structures around the YEDF not only contribute to the exclusion of many young people, but also reduce the success of the loans that are made. Overall, young people appear to have gained little from what is supposed to be a flagship programme.

What can be learned from this experience? Assuming the problems of mismanagement and corruption can be addressed, and youth policy can be depoliticised, the YEDF experience suggests three lessons for policymakers. First, development of entrepreneurial and business skills and provision of mentorship are paramount to the long-term success of these kinds of programmes. In other words, young people require more than access to credit through state-supported funds. If entrepreneurship primarily entails the application of skills, knowledge, creativity and innovation, as well as taking strategic risks with the aim of catapulting success of an enterprise business risk, then youth can only make effective use of YEDF funds when equipped with the relevant skills. As such, programmes designed to promote self-employment through business development must prioritise training and social network support, as well as create an enabling business environment for start-up businesses to flourish. Second, young people are key stakeholders who must be continually engaged in the implementation of state-level initiatives. In particular, state initiatives must pay attention to the pluralities and unique challenges that various categories of young people experience,
to avoid more homogenous national programmes that fail to address the needs of the population they seek to assist. Youth in rural areas and urban slums need specific policy initiatives that support their efforts at livelihood building. Third, and perhaps most importantly, governments and non-state actors must move towards a comprehensive, coordinated approach to youth employment and livelihoods that incorporates education and training, industrial partnerships and vocational training. This kind of approach will help counter the limitations of self-employment and entrepreneurship programmes like the YEDF.

**Note**

1 Dandora is one of the urban settlements in Nairobi. It faces significant challenges with its housing, water and sewerage system. It also has major environmental problems as the primary dump site for Nairobi County. Dandora has been cited as one of the regions with high crime rates and drug abuse among youth, the majority of whom attained minimal education. The main sources of livelihood for young people in Dandora are self-employment through entrepreneurship initiatives (Huchzermeyer 2008).

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