

Strengthening Kenya's Youth Enterprise Development Fund to Serve Young People

Kenya's Youth Enterprise Development Fund (YEDF) was introduced to support self-employment and entrepreneurship, and to ultimately generate wealth and create jobs for young people. But despite this government initiative, youth unemployment in Kenya remains high. Analysis of Kenya's YEDF shows that YEDF programmes lack supportive implementation structures and are marred by mismanagement of funds, corruption, and unclear eligibility criteria. Further, the lack of young people's social networks, entrepreneurial skills, and mentorship programmes mean many cannot access the youth funds. For YEDF to benefit young people, policymakers must establish effective accountability mechanisms, and implement entrepreneurial training programmes and mentorship schemes for youth in business.

Youth unemployment in Kenya

Over 78 per cent of the unemployed in Kenya are young people, which means that to a significant degree the employment challenge weighs particularly heavily on youth.

Many factors have contributed to the unemployment in Kenya, including the Structural Adjustment Programmes of the 1980s and 1990s. Moreover, the high population growth rate is not matched by the economic growth rate. 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. Education and training in Kenya are not aligned with industry demands. Many college graduates lack the relevant skills and knowledge that employers demand. An examination-oriented curriculum (that puts little emphasis on technical or life-skills) and negative perceptions of agriculture have resulted in graduates that seek to be employed as opposed to creating their own jobs.

Youth Enterprise Development Fund

With limited growth in opportunities for formal sector employment, self-employment and entrepreneurship are increasingly becoming the state's primary focus in finding a solution to the youth unemployment problem. In Kenya, the government sought to promote youth empowerment and employment through the YEDF. The initiative aimed to transform youth from job seekers to job creators and employers. Despite these efforts to engage young people in the labour market, the majority of the youth in Kenya are still under- or unemployed, vulnerable, and excluded from YEDF initiatives. The uptake of YEDF is dismal among young people in both rural and urban settings. This calls for reflection on the

efficacy of YEDF in fostering self-employment and enterprise development for youth. Understanding young people's experiences with YEDF, and the extent to which this programme shapes youth livelihood, is significant for future policy and practice relating to youth employment.

Issues affecting Kenya's Youth Enterprise Development Fund

Based on analyses of YEDF and interviews with young people in Bumula and Dandora, the following emerged as serious issues affecting YEDF programmes in Kenya.

Corruption and mismanagement

According to investigations by the Criminal Investigation Departments and the Ethics and Anti-Corruption Commission of Kenya, senior officials had diverted youth funds to their personal accounts and to private companies for services not rendered. In other cases, adults with high social capital and networks registered companies and used them to receive tenders and youth funds at the expense of rural youth. In some cases, money had been irregularly awarded to family members. Weak accountability mechanisms reduce the potential of YEDF in supporting self-employment and enterprise development for youth.

Unclear eligibility criteria and stringent lending conditions

The lending procedure is convoluted with unclear eligibility criteria, strict lending conditions and inadequate support for applicants. The intermediary financial institutions do not provide youth-friendly products and services. Young people expressed concerns that the demands for collateral, recommendations letters from administrative units, and high interest rates make YEDF inaccessible. In particular, contracted financial institutions require

that youth groups raise at least 10 per cent deposit of any loan as collateral, and youth are also required to meet all criteria to open an account with the bank.

Lack of business skills development and mentorship

Many young people in Kenya are undertaking entrepreneurship due to the lack of alternatives. Being an entrepreneur in some cases does not align with the aspirations of the youth. As such, the majority of young people do not have entrepreneurial or business attitudes or skills to enable them to run successful businesses. Lack of skills affects YEDF loan repayments because young people fail to effectively manage their enterprises and move toward growth and profits. Many young people start similar businesses that only act to exacerbate market competition. The small profit margins are not enough to sustain them.

Young people's lack of social networks

Youth lack social networks that can enable them to secure YEDF funds, as well as set

up an enterprise. Social networks can help secure the required recommendations from local religious institutions or the community-level administration. 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 funds, or not powerful enough to influence the outcomes of the fund allocation process.

Politicisation of youth programmes

YEDF has been intertwined with national party politics. While in principle state engagement is positive, YEDF programmes are perceived by youth as a way for political parties to gain legitimacy and support. YEDF is thus viewed as a political project, a strategy to hoodwink youth into being loyal to a particular political party or regime. The link between youth funds and political parties reduces the sustainability of state-funded youth initiatives following changes in government.

Policy recommendations

- 1. Establish flexible and transparent eligibility criteria:** Make application requirements accessible to youth in rural settings and slum areas through public education and outreach programmes, in particular through community-level youth groups. YEDF programme officers should assist poorly educated youth to design business proposals as part of the application process.
- 2. Work with financial intermediaries to implement youth-friendly financial services:** This includes flexible/alternative collateral, low interest rates on YEDF, and flexible loan repayment schedules. Financial intermediaries must also consider increasing the loan amounts given to youth groups to benefit individual businesses. Further, YEDF managers should liaise with lending partners to expedite loan processing times.
- 3. Strengthen accountability measures to curb corruption:** Continuous monitoring and evaluation of YEDF implementation is required to ensure funds and tenders are awarded fairly and used appropriately. Involve community-level leaders and youth groups in the selection and review of YEDF programmes.
- 4. Establish business skills training programmes and mentorship schemes:** These are essential to enable young people to successfully navigate the business environment, know how to invest in the right products, increase sales and learn how to save, as well as build the relationships and social networks.
- 5. Undertake measures to depoliticise YEDF:** Greater independence of YEDF programmes from political regimes is crucial to ensure effective accountability and sustainability. One means of addressing this is to reduce political appointments for youth fund management.



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Further reading

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This *IDS Policy Briefing* was written by **Maurice Sikenyi** and edited by **Carol Smithyes**. It was produced as part of the Matasa Fellows Network, funded by The MasterCard Foundation.

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ISSN 1479-974X