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INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES**

M.A. INTERNATIONAL STUDIES

**TOPIC: THE EFFECTS OF THE YOUTH ENTERPRISE DEVELOPMENT FUND
ON THE PROMOTION OF INTERNATIONAL TRADE IN KENYA: A CASE OF
YOUTH GROUPS IN NAIROBI COUNTY, KENYA.**

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DECLARATION

This is my original work and has not been presented for the award of degree in any other university.

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This project has been submitted for examination with my approval as the University supervisor.

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DATE

DEDICATION

I dedicate this work with a special feeling of gratitude to my loving parents, Vincent Mbaya and Wilfrida Mbaya whose words of encouragement and push for tenacity continue to illuminate my desire for education.

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ABBREVIATIONS AND ACRONYMS

CYCI -	Commonwealth Youth Credit Initiative
CYES -	Constituency Youth Enterprise Scheme
EPWP -	Expanded Public Works programme
IEA -	Institute of Economic Affairs
ILO -	International Labour Organization
KEPSA -	Kenya Private Sector Alliance
KKV -	Kazi Kwa Vijana
KYEP -	Kenya Youth Empowerment Project
MOYAS -	Ministry of Youth and Sports
NACC -	National Aids Control Council
NGO -	Non-Governmental Organization
NHIF -	National Hospital Insurance Fund
NSSF -	National Social Security Fund
NYDA -	National Youth Development Agency
NYS -	National Youth Service
SMEs -	Small and Medium Scale Enterprises
UK -	United Kingdom
UNDP -	United Nations Developmental Programme
UNESCO -	United Nations Educational, Scientific and Cultural Organization
YEDF -	Youth Enterprise Development Fund
YFF -	Young Farmers Fund
YVCF -	Youth Venture Capital Funds

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ABSTRACT

This study sought to examine the effectiveness of the Youth Enterprise Development Fund on the promotion of Kenya's international trade through the operations of its beneficiaries in Nairobi County. The Fund aims to facilitate the marketing of youth's goods and services both locally and abroad, and thus the focus of this study. A primary aim of the research was to establish the facilitation offered to the youth groups in Nairobi County by the Fund in order to promote international trade; and to identify the challenges that impede youth enterprise ventures supported by the Fund from accessing international markets for their products.

The study found out that involvement of YEDF-supported youth enterprises in international trade was very low as a result of the limited amount of funds disbursed as start-up money by the Fund as loans. The limited amount of loans makes them unable to produce goods that are of high quality and thus competitive enough to attract good prices in foreign markets. The knowledge of how to access international markets was also limited thus selling most of their products to middlemen. The paper recommends the YEDF and the government should consider modalities of increasing not only the supply but also the amounts of credits offered in order to increase the prospects of those interested in venturing in international trade. There is also need for creating network linkages between youth owned enterprises and large exporting firms in order to promote knowledge development and joint activity regarding international trade.

CHAPTER ONE

INTRODUCTION

1.1 Background

Unemployment is one of the most sensitive challenges to economic development faced by both the industrialized and developing nations of the world. This is a fact that has led many governments and international bodies to place employment creation at the top of their policy agendas. According to the International Labour Organization (ILO), majority of those affected by the problem of unemployment in any society are the youth who form a significant population in many countries. ILO notes that 74.8 million youth aged 15–24 were unemployed in the year 2011, an increase of more than 4 million since 2007.¹

In addition, ILO in its publications, *Global Employment Trends 2012: Preventing a deeper job crisis*, further posit that the global youth unemployment rate as of 2012 stood at 12.7 per cent, while an estimated 6.4 million young people are viewed as having lost hope of finding employment and are out of the labour market totally. Moreover, the young people who are employed are likely to find themselves in casual employment or on short-term contracts.²

This minimal involvement of young people in gainful employment and economic participation, as well as their exclusion from decision making poses a threat and further undermines the already dim prospects and aspirations of the world's youth. Additionally, it has sown the seeds for continued social unrest, further weakening global economic prospects. In order to control the imbalance between supply and demand for employment, governments

¹ ILO, Global Employment Trends 2012: *Preventing a deeper jobs crisis*, International Labour Organization, Geneva. 2012. Pg. 9. Available at http://www.ilo.org/global/research/global-reports/global-employment-trends/WCMS_171571/lang--en/index.htm

² Ibid.

have undertaken sweeping changes in their modes of action, moving towards an active policy of employment based on the implementation of an extensive policy of enrollment and integration programs for youth. These programs can be divided into two categories: training and integration programs and programs that promote self-employment and small businesses. The first category of programs are presented in the form of introductory professional courses, while the second category of programs focuses on the establishment of funding programs for entrepreneurship and small projects. It is this second category of programs which this study focuses on.

Jeannette Thomas in her article, *Youth Financial Services: Changing the Mindset* (2013), notes that the youth are both a political and policy priority for many countries around the world, as governments are opting for youth entrepreneurship measures such as the provision of financial services through savings schemes, credit facilities and insurance services that help young people to build assets and protect themselves against risk.³ Additionally, these financial services can also serve to unlock the economic potential of young people.

Although few entrepreneurial schemes have been systematically evaluated, Puerto writing for the World Bank in 2007 argues that these measures tend to produce substantial positive short-term effects on the employment prospects of the young people. These programmes are, however, as Puerto noted often subject to high drop-out rates and a high failure rate of the businesses created if participants are not well selected.⁴

³ Jeanette Thomas, “Youth Financial Services: Changing the mindset,” World Bank Blog WED, 04/17/2013, (accessed on May 28, 2013) <http://blogs.worldbank.org/youthink/youth-financial-services-changing-mindset>.

⁴ Puerto, O. S. 2007. “International Experience on Youth Employment Interventions: The Youth Employment Inventory” World Bank, Washington D.C.

According to the United Nations Developmental Programme (UNDP) 2013 report titled, *Kenya's Youth Employment Challenges*, the youth in Kenya (people aged between 18 and 34 years old as per the Constitution) “form more than a third of the whole population, while approximately 80 percent of Kenyans are less than 35 years old”.⁵ These statistics not only represent abundant economic and social prospects, but also massive challenges. At the forefront of these challenges as noted in the UNDP report, lies the high unemployment rate amongst young people, which, “is estimated to be double the national level of unemployment of 12.7 percent.”⁶ Despite the achievements made in reviving economic growth, the country is still confronted with major developmental challenges. Included therein, is the challenge of faster job creation which is required to address the high unemployment of labour, and is compounded by an increasing number of youths completing school but unable to find gainful employment.

In acknowledgment of Kenya’s unemployment challenges, successive governments in the last four decades have prioritized employment creation as a fundamental policy. The country has over the years, tested a broad set of employment policies. UNDP reports notes that between 1963 and 2011, more than 17 policy measures have been implemented at one point or another.⁷

In 2006, the Government of Kenya established the Youth Enterprise Development Fund (YEDF) to tackle rising youth unemployment. The key objective of the YEDF is to assist young people’s access to credit to start up or grow their business, with the aim of stimulating

⁵ United Nations Development Programme (UNDP), “Discussion Paper: Kenya’s Youth Employment Challenge”, New York, January 2013. p. 5.

⁶ Ibid., 5.

⁷ Ibid, 68.

employment creation. One of the other key objectives of the YEDF is to facilitate marketing of goods and services of youth businesses both in the domestic and international markets. This saw the government set aside One billion Kenyan shillings (exchange rate of approximately Kshs.75 to 1USD dollar) for the YEDF in the June 2006 National Budget, acting as a reflection of its commitment.⁸

Previous studies on the YEDF have focused on the Fund's operations, its efficiency and challenges, with little attempt to examine its impact on promotion of the country's international trade through the operations of the youth groups as set out in its key objectives.

This is the area that this study sought to explore by studying youth beneficiaries in Nairobi.

1.2 Statement of the Problem

One of YEDF's key objectives is to, "facilitate marketing of products and services of youth enterprises both in the domestic and the international markets."⁹ However, most available literature has focused on assessing the Fund's operationalization which entails the provision of skills training and credit finances in form of loans to the youth, as well as its effectiveness and challenges, leaving out an assessment of the effectiveness of the Fund in promoting Kenya's international trade through the marketing of products and services produced by the Fund's beneficiaries in international markets. Little focus has been put towards assessing the impact of this youth employment project or policy in promotion of international trade through the operations of Fund's beneficiaries since its inception.

⁸ Patricia Mutua Makau, "Youth and Self-Employment In Developing Countries: A Critical Analysis of Youth Focused Self-Employment Promoting Policy in Kenya," (M.A Thesis, Graduate School of Development Studies, Institute of Social Studies, The Hague, The Netherlands,) November 2010.

⁹ Youth Enterprise Development Fund Website: accessed on April 10, 2013.
<http://www.youthfund.go.ke/index.php/about-us/fund-objectives>

The endeavor by the Fund to attract and promote international trade is a new and unique realm that attracts scholarly assessment, and one that this study attempts to explore. This is essential in providing understanding for policy makers in the government, as well as external donors, scholars and other relevant players interested in not only examining the nature of joblessness in Kenya and in creating viable employment interventions for young people, but also how to leverage such interventions so as to promote the country's foreign trade.

1.3 Objectives of the Study

1.3.1 The General Objective

To find out the role of the Youth Enterprise Development Fund in promoting international trade in Kenya

1.3.2 The Specific Objectives

- i. To assess the operations of the YEDF in Kenya.
- ii. To determine the level of youth group involvement in International trade.
- iii. To establish the supportive services offered by the YEDF on the promotion of international trade among the youth groups.
- iv. To find out the challenges to accessing international markets that impede the YEDF supported youth ventures.

1.4 Research Questions

- i. How has the YEDF operated since its inception?
- ii. What is the level of youth group involvement in International trade?
- iii. What has been the effect of the YEDF in enhancing international trade amongst the youth?

- iv. What are the challenges that impede youth business ventures from accessing international markets?

1.5 Research Hypotheses

- i. The YEDF has led to the empowerment of youth groups since its establishment
- ii. The YEDF has resulted in the promotions of Kenya's international trade through the activities of youth groups in Nairobi County.
- iii. Low amounts of funds loaned to youth groups act as an obstacle to the creation of competitive goods and services fit for international markets.

1.6 Literature Review

Most of the existing literature on youth employment ventures initiated by governments and non-governmental organizations has mainly focused on the provision of credit facilities such as low interest loans and other non-financial benefits which include mentoring, training, and equipping youth with business development skills. The focus has also been on the effectiveness and challenges of such interventions. All these are critical pieces in making sure that such arrangements are successful and that youth are able to grow successful businesses which enable them to pay back their loans as well as contribute to the economic development of their countries.

Although this literature has contributed significantly towards understanding the effectiveness of youth employment initiatives in addressing the scourge of unemployment especially amongst the youth in Kenya and other countries, there is no systematic study that has been undertaken to understand the contribution of the Youth Enterprise Development Fund

(YEDF) in the promotion of international trade in Kenya through the operations of its beneficiaries. This study therefore endeavors to fill this academic gap.

Globally, youth entrepreneurship has emerged as a development strategy to address a constellation of issues emanating from the millions of jobless youths around the world.¹⁰

Youth entrepreneurial growth ideas are engrained in the idea that entrepreneurship will address the bases of poverty through the incorporation of youth into domestic and international markets.¹¹ White & Kenyon note that youth are confronted with limitations when starting a business, and moreover, their business viability is questioned due to a lack of financial opportunity. Four avenues of finance have been suggested: grants, soft loans, conventional banking and finance and support networks.¹² When these enterprises show their value, private equity and venture capital is said to accumulate for the purposes of increasing operations and creating long-term benefits.¹³

According to South Africa's Department of National Treasury, the country's National Youth Development Agency (NYDA) which is mandated to create and promote coordination in youth development matters, runs a number of entrepreneurship programmes for the country's youth.¹⁴ These programs include entrepreneurship education to young people both in and out

¹⁰ International Labour Organization, "Global Employment Trends for Youth.", International Labour Office: Geneva. 2010.

¹¹ Michael Williams, "Contextualizing Youth Entrepreneurship: The Case of Botswana and the Young Farmers Fund," (M.A. Thesis, The University of Guelph,) Ontario Canada, April 2012. , in Salkowitz's, R. "Young World Rising: How Youth Technology and Entrepreneurship Are Changing the World from the Bottom Up". New Jersey: John Wiley and Sons. 2010. pp. 6

¹² Simon White & Peter Kenyon, "Enterprise-Based Youth Employment Policies, Strategies and Programmes: Initiatives for the Development of Enterprise Action and Strategies." Skills Working Paper No. 1. Geneva: International Labour Office, 2001.

¹³ Williams Michael, "Contextualizing Youth Entrepreneurship: The Case of Botswana and the Young Farmers Fund," (M.A. Thesis, The University of Guelph,) Ontario Canada, April 2012. , in Salkowitz's, R.. Young World Rising: How Youth Technology and Entrepreneurship Are Changing the World from the Bottom Up. New Jersey: John Wiley and Sons. (2010). pp.12

¹⁴ The National Youth Development Agency Website: accessed on May 23, 2013.
<http://www.nyda.gov.za/Pages/Home.aspx>

of school, as well as business development support in the form of planning, marketing and branding. It also provides linkages to procurement opportunities for young entrepreneurs to act as distributing agents for medium and large enterprises, as well as the provision of micro, small and medium finance for business start-ups. The Department of National Treasury estimated that by May 2011, about 7,000 loans, amounting to 23 million South African Rand were disbursed to microfinance enterprises and that more than 4,000 business support vouchers were issued to young entrepreneurs to allow them to access key business support services such as business plan development and tendering support.¹⁵

In India, Puerto in his World Bank report of 2007, notes that by the time of its completion in 1999, the Commonwealth Youth Credit Initiative (CYCI) had trained and provided loans to over 2500 young people.¹⁶ The initiative was a small enterprise scheme for young unemployed people comprising small-scale lending, training and enterprise development, with the aim of creating job opportunities by providing easily accessible credit to establish successful enterprises, and teaching in fiscal and enterprise management. In addition, the program also aimed to increase the awareness of youth organizations in the operation and managing of credit programs.¹⁷ Services for youth were in the form of low interest rates, low training costs, partnerships with NGOs, and the continuing monitoring of enterprises. The emphasis was on increasing the capacity for enterprise management, which is a vital requirement for the self-employed. After three years, Puerto writes that the project was

¹⁵ National Treasury (South Africa), "Confronting youth unemployment: policy options for South Africa; DISCUSSION PAPER" National Treasury, 2011 pp. 24-25.
[www.treasury.gov.za/.../Reply%20to%20PQ%201530%20\[NW1850E\].pdf](http://www.treasury.gov.za/.../Reply%20to%20PQ%201530%20[NW1850E].pdf)(Accessed May 24, 2013)

¹⁶ Puerto, Olga Susana. "International Experience on Youth Employment Interventions: The Youth Employment Inventory." Background paper for Economic and Sector Work on Sierra Leone: Youth and Employment, World Bank, Washington, DC (2007). pp. 17.

¹⁷ Ibid.

functioning with an operational self-sufficiency of 98 percent, while 82 percent of members were successfully in operating their small enterprises on self-sustainable basis.¹⁸

In Uganda, the Government responded to youth unemployment in urban areas by putting in place Youth Venture Capital Funds (YVCF) in 2009, which were accessible to youth between the ages of 18-35 years through the banking system.¹⁹ The government allocated 25 billion Uganda Shillings (9.7 Million USD)²⁰ to the Youth Venture Capital Fund (YVCF), and later increased it to Ushs. 32.5 billion (12.7 Million USD). Youth enterprises were allowed to borrow specified amounts of money from a minimum of Ushs. 100,000 to a maximum of Ushs. 25 million (for established companies) to enable them to start their own businesses.²¹ Youth were able to access the funds through accredited commercial banks on the condition that they met some standard requirements. The Fund has received an overwhelming response evidenced by a 100% uptake in some collaborating banks, though not much has been reported regarding the Fund's achievements. The funds however, could only be accessed by a very small proportion of the youth as the majority of them reside in rural areas and were not literate enough to benefit from such schemes.²²

In the United Kingdom (UK), with large numbers of youth unemployed, Jeanette Thomas observes that the government is banking on the Start-Up Loans Scheme to aid young people between the ages of 18 to 30 years who are unable to obtain loans from banks to start new

¹⁸ Ibid.

¹⁹ Stanbic Bank, "Youth Venture Capital Fund," accessed on June 10, 2013.

www.stanbicbank.co.ug/standimg/Uganda/.../YouthVentureCapitalFund.pdf, pp. 2

²⁰ This is the Conversion of Uganda shilling to US dollar as at November 2013.

²¹ Ibid., 3.

²² Ibid., 15

businesses.²³ The aim of the Scheme is to make youth businesses a driver of the troubled UK economy, by not only offering them loan facilities, but also the necessary training to aid them in the development of their businesses and build their capacity to repay the loans.²⁴

The Start Up Loans Company also provides enterprising youth with the tools needed to make their businesses a success, and operates through a network of delivery partners across England and Northern Ireland, who support entrepreneurs in all industries and sectors by offering business benefits to young entrepreneurs.²⁵ According the Scheme's website, by the end of the pilot period in March 2013, the Scheme had exceeded all expectations, having lent over £28.8 million to over 5,000 businesses run by youth entrepreneurs.²⁶

With respect to Botswana, in his dissertation, Williams writes about the Young Farmers Fund (YFF) that was created by the Government of Botswana in 2005 to catalyze development in agricultural businesses owned and operated by Botswana aged 18-40 years old. The members are given low interest credits up to 500, 000 Botswana Pula (an estimated USD 70,000) at a 5 % interest rate with payment periods of up to ten years.²⁷ These funds can be accessed to establish a new enterprise or for business growth in the agricultural sector. The program, as Williams' notes, was meant to attract the youth into the agricultural sector, create sustainable businesses as well as employment for youth, while simultaneously addressing the issues of rural-urban migration and promoting market integration. The young farmers are also offered

²³ Jeanette Thomas, "Youth Financial Services: Changing the mindset," World Bank Blog WED, 04/17/2013, (accessed on May 28, 2013) <http://blogs.worldbank.org/youthink/youth-financial-services-changing-mindset>.

²⁴ Ibid.

²⁵ Startup Loans website, (accessed on June 25, 2013.) <http://www.startuploans.co.uk/about-us/>

²⁶ Ibid.

²⁷ Michael Williams, "Contextualizing Youth Entrepreneurship: The Case of Botswana and the Young Farmers Fund," (M.A. Thesis, The University of Guelph,) Ontario Canada, April 2012. pp. 8-9.

knowledge development through one-on-one training with mentors from the agricultural sector.²⁸

Williams further posits that YFF has had a modest financial and social impact on the lives of youth entrepreneurs. Additionally, the program has had some impact on national development goals, where 60% of the participants reported financial benefits that included an increase to their income, becoming financially independent and attaining higher standard of living.²⁹

Amenya et al, give a comprehensive inquiry of the challenges encountered by the Youth Enterprise Development Fund (YEDF) as it strives to achieve its objective of financing youth activities. Specifically, the authors sought to ascertain the extent, to which the YEDF is a desired source of funding for youth enterprises, the factors influencing youth entrepreneurs' application of the YEDF and the challenges facing the Youth Enterprise Development Fund. The aim of the study was to contribute to the performance information available on the YEDF Scheme as well as to enhance opportunities for learning.³⁰ The study was carried out amongst 63 registered youth groups in Nyaribari Constituency. The results of the study showed that despite the fact that the YEDF might be a chosen source of funding among the youths, accessing it remained a big challenge.³¹

²⁸ Ibid., 9.

²⁹ Ibid., 35.

³⁰ Cliff Ouko, Onsongo, Guyo Huka, Mactosh Onwong'a and Samuel Amenya, "An Analysis Of The Challenges Facing Youth Enterprise Development Fund: A Case Study of Nyaribari Chache Constituency, Kenya.", *AFRICAN INTERNATIONAL BUSINESS AND MANAGEMENT (AIBUMA)*, University of Nairobi, School of Business

2011. http://www.aibuma.org/archive/proceedings2011/aibuma2011_submission_37.pdf (accessed on June 4, 2013)

³¹ Ibid.

Kanyari and Namusonge in 2013 studied, “The numerous interventions that influence the youth entrepreneurs towards the Youth Enterprise Development Fund (YEDF).”³² Their main focus has been on youth who have benefited either to enhance their existing businesses or to start new businesses from the Fund in Gatundu District, Kenya.³³ Their study anticipates providing insight into the intervention programmes of the YEDF.

Oduol et al. conducted a study to, “Determine the effect of the Youth Enterprise Development Fund (YEDF) on youth enterprises in Siaya County”, by evaluating 28 financiers of the YEDF and 202,897 youths in the County.³⁴ The study established that the YEDF has not had a substantial effect on youth enterprises, and recommended an increase in the number of Financial Intermediaries (FIs) in corporation with the Fund, as well as the active involvement of all the stakeholders in the mobilization of youth in group formation and YEDF activities.³⁵

In his dissertation, Samuel Kalama analyses the contribution of the YEDF to the growth of youth owned enterprises in Kilifi County, where he targeted young entrepreneurs owning business that have benefited from the Fund through Constituency based loan products and financial intermediaries.³⁶ He argues that the amount of loans given to youth groups was too

³² Prof. G. S. Namusonge, & Jane Wanjiku Kanyari, “Factors That Influence The Kenyan Youth Entrepreneurs Towards The Youth Enterprise Development Fund: A Case Study Of Gatundu South District, Kenya,” *International Journal of Education and Research Vol. 1 No. 5 May 2013.* <http://www.ijern.com/images/May-2013/30.pdf> (accessed on June 26, 2013)

³³ Ibid.

³⁴ Oduol Stephen Okoth, Simeon Okelo, Fredrick Aila, Abiud Ochieng Awiti, Maria Onyango, Martin Ongut and Odhiambo Odera. "Effect of the Youth Enterprise Development Fund on Youth Enterprises in Kenya." (2011), *International Journal of Advances in Management and Economics Jan.-Feb. 2013. Vol.2. Issue 1, 111-116.* www.managementjournal.info(accessed June 25, 2013)

³⁵ Ibid.

³⁶ Samuel Kalama, “Youth Enterprise Development Fund: experiences and lessons from Kilifi County, Kenya,” (M.A. Thesis, University of Nairobi, Kenya,) 2012. <http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/9232>(accessed on June 25, 2013)

small to enable the youthful entrepreneurs to participate in a good business with 65.2% of the respondents receiving between 25,000 and 50,000 shillings. Kalama also argues that the procedure one must follow in order to access loans from the Fund is not easy. He concludes that the initiative should further aim to sensitize youth on the numerous loan products obtainable from the YEDF, and recommends that the YEDF increase the minimum amount of loan given to youth entrepreneurs.³⁷

In her 2013 thesis, Patricia Makau also presents a critical analysis of self-employment policy in Kenya, with her main focus being the YEDF. The aim of Makau's thesis was to explore the assumptions that informed the creation of such policies especially amongst the youth in developing countries. Makau focuses further on the realities and experiences occurring on the ground amongst the youth who have benefited from the Fund. She succeeds in bringing out the disconnect between the assumptions driving policy and the experience of youth on the ground. She further demonstrates that the policies that are formulated are grounded on the commercial and dynamic view of self-employment amongst the youth.³⁸

Rita Ng'ang'a analyses the factors influencing the implementation of the YEDF in Westlands Constituency of Nairobi County. Ng'ang'a's study reveals that the most important factors influencing the YEDF's implementation are 'personnel skills', 'government support/stakeholder involvement', and, 'monitoring and evaluation'. The Government's

³⁷ Ibid.

³⁸ Patricia Mutua Makau, "Youth and Self-Employment In Developing Countries: A Critical Analysis of Youth Focused Self-Employment Promoting Policy in Kenya," (M.A Thesis, Graduate School of Development Studies, Institute of Social Studies, The Hague, The Netherlands,) November 2010. <http://thesis.eur.nl/pub/8598/Final%20RP%20-%20Makau.doc>. (accessed June 26, 2013)

efforts were also felt to be inadequate in addressing the challenges facing Kenyan youth.³⁹

The study recommended that for the Fund to be a successful, it's important that the Government puts in more effort by increasing the budgetary allocation to the Fund, putting the necessary legal framework in place and seeking ways of encouraging youth employment, such as by offering financial incentives to industries. In addition, the author proposed that since personnel skills were also considered to be very important to the success of the Fund, the staff in regional offices should be equipped with the necessary project management skills, while the decision makers should also utilize valuable monitoring and evaluation findings for the ultimate success of evaluation.⁴⁰

Gudda and Ngoze assess the sustainability of youth employment programmes, with an emphasis on the YEDF. They discuss the various interventions set out by the Fund such as the Constituency Youth Enterprise Scheme (CYES), entrepreneurship training or business development services, youth employment schemes abroad, market and linkages support, and commercial infrastructure. From their assessment, the authors recommend that there is need for a better mechanism to monitor these interventions by the implementers as well as other parties in order to have a wide impact throughout the country.⁴¹

³⁹ Rita Njambi Ng'ang'a, "An analysis of the factors influencing the implementation of the youth enterprise development fund (Yedf) in Kenya. A survey of Westlands Constituency, Nairobi County."(M.B.A. Thesis, Kenyatta University) 2012.<http://ir-library.ku.ac.ke/ir/handle/123456789/6459> (accessed June 26, 2013)

⁴⁰ Ibid.

⁴¹ Gudda Patrick, Moses Ngoze, "Sustainable Youth Employment Programmes in Kenya: The Case of the Youth Enterprise Development Fund," Jomo Kenyatta University of Agriculture & Technology, 2010.<http://icbme.yasar.edu.tr/e-proceedings/Full%20Papers/Gudda%20Patrick.pdf>. (accessed June 26, 2013)

1.7 Significance of the Study

The Kenyan government has invested vast resources into the entrepreneurial development of various groups to promote national economic diversification and the socioeconomic development of its people. A cornerstone program of this initiative is the Youth Enterprise Development Fund (YEDF). It is among the biggest of initiatives so far by the government in terms of the number of beneficiaries and the amount of money allocated to it. In the year 2013-2014 budget estimates, the Government allocated the Fund. 6 billion Kenya Shillings (approximately 68.9 million USD)⁴² which will be released directly to 250,000 youth and women groups to engage in small scale businesses throughout the country.⁴³ In addition, the YEDF outlines as one of its specific objectives, the facilitation of marketing of the youth groups' products and services to both local and international markets which in turn will enhances the country's international trade. This is therefore an area that stimulates scholarly assessment which this study aims to examine.

The findings from this study will be relevant for policy makers and the governments in terms of assessing the impact of the policy towards facilitating and promoting international markets for the goods produced by its beneficiaries in additions to the other objectives of the Fund. Moreover, it will also help in not only informing future empowerment interventions for young people, but also in providing insight into how best to capitalize on such interventions so as to promote the country's foreign trade among other benefits.

⁴² This is the conversion of Kenya shilling to US dollar as at November 2013.

⁴³ Ringa, M., "Sh. 6bn youth funds to be released in July", *Daily Nation Newspaper*, Thursday, June 20 2013, <http://www.nation.co.ke/News/Sh6bn-youth-funds-to-be-released-in-July-/1056/1889620/-q4npox-/index.html>

Finally, this study will contribute significantly to the field of scholarly research by making valuable additions to the literature on employment creation initiatives, especially in reference to the ever-widening challenge of youth unemployment.

1.8 Scope and Limitations of the Study

This study was limited to the operations undertaken by youth groups in Nairobi County. The reason behind the choice of Nairobi County is that it has received the highest amount of funds disbursed to youth groups amongst the 47 counties of Kenya, and that the benefiting youth own enterprises that have grown over the years enough to engage in importation of raw materials and the exportation of their final products to the international markets.

The study therefore focused more on the youth owned businesses with emphasis on factors influencing importation and exportation of their products, the challenges faced, and the facilitation received from the YEDF towards the realization of this goal. This is because the facilitation of the marketing of products and services of the Fund's beneficiaries is one of the YEDF's key objectives, and is important in promoting Kenya's international trade prospects.

1.9 Theoretical Framework

This study was guided by the theory of youth empowerment. Marc Zimmerman argues that youth empowerment has a solid foundation that is grounded at both process and outcomes levels. He argues that, "the process or the empowering level, provides opportunities for youth to develop skills and become problem solvers and decision makers. The outcome or else the empowered level, denotes the result of the empowerment process, including the

consequences of attempts to gain control in the community and the effects of interventions designed to empower participants.”⁴⁴

The theory of youth empowerment therefore, according to Zimmerman, can be fragmented even further into three components; “individual empowerment, organizational empowerment, and community empowerment.”⁴⁵ Individual Empowerment entails, “youth or adults developing skills to exert control and improve competence, as well as developing critical awareness to effectively collaborate for the betterment of organizations and communities.”⁴⁶

On the other hand, Organizational Empowerment entities that offer, and benefit from the opportunity for youth or adults to acquire the skills needed to gain control over their lives, provide options to service provision, in addition to entities that develop and impact policy decisions.⁴⁷

Community Empowerment on the other hand, “involves efforts to advance the community, respond to threats to quality of life, and provide for citizen participation at the local, state, and national level.”⁴⁸

The theory is useful in guiding and analyzing the findings of this study as it demonstrates how the youth owned enterprises have been empowered by the YEDF through entrepreneurship training and the provision of loans that acts as capital for their business,

⁴⁴ Zimmerman, Marc A. “Empowerment Theory: Psychological, Organizational and Community Levels of Analysis.” *Handbook on Community Psychology*, edited by J. Rappaport and E. Seidman, New York: Plenum Press, 2000. Pp. 43-63.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Zimmerman, Marc A. “Empowerment Theory: Psychological, Organizational and Community Levels of Analysis.” *Handbook on Community Psychology*, edited by J. Rappaport and E. Seidman, New York: Plenum Press, 2000.

⁴⁸ Ibid., Meredith Minkler, “Improving Health through Community Organization,” *Health Behavior and Health Education: Theory, Research, and Education*. San Francisco, CA: Jossey-Bass, 1990.

thus enabling them to engage in international trade through the exportation of their goods and services to international markets. Furthermore, Kenya(or the organization and community, according to the theory) benefits in terms of enhancing its international trade through the individual empowerment of youth groups who access the Fund and conduct activities that help them sell their products across the borders of our country hence actively participating in building the economy and aiding in addressing the challenge of unemployment.

1.10 Research Methodology

1.10.1 Research Design

The study employed a descriptive survey design. This is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals or groups under study.⁴⁹ Both qualitative and quantitative data were collected in order to understand how the YEDF has contributed to helping the youth enterprises in Nairobi County to participate in international trade through its operations. Kerlinger in his book, *Foundations of behavioral research education and psychological inquiry* (1969) further points out that descriptive studies are not only restricted to fact finding but may often result in the formation of important principles of knowledge and solutions to significant problems.⁵⁰ The method was preferred in this study because it provides an in depth analysis. The researcher made attempts to gather views of respondents on the Youth Enterprise Development Programme and its influence on international trade. . The researcher used questionnaires and interviews to capture respondents' opinions and views on various issues.

⁴⁹ Donald Kisilu and Delno Tromp in John Aluko Orotho's, "Essentials of Educational and Social Sciences Research Methods," Nairobi, Masola Publishers, 2003. P. 71.

⁵⁰ Kerlinger, Fred N, *Foundations of behavioral research education and psychological inquiry*, Publication: London Hold, Rinehart and Winston 1969.

1.10.2 Target Population

The target population for this study was youth groups in Nairobi County who are beneficiaries of the YEDF. The youth groups' members offered information on the history of their business, their operations and the assistance that they have received from the YEDF, including their engagement in both domestic and international trade. They also provided information on their successes and challenges. Officials of the YEDF helped to provide insight into the Fund's operations, and the extent to which they had helped their beneficiaries to access international markets for their products and services. They further provided information on the achievements and challenges they had registered so far, as well as possible future prospects for the Fund. This information on the groups was sourced from the YEDF head office in Nairobi, Kenya. The total population of the YEDF beneficiaries in Nairobi County is 598 youth entrepreneurs as at 2011. However the study focused on youths involved with products that could be easily sold on the international market. The target therefore was youths in the following businesses: Wood carving, Beauty products, Ceramics, Agriculture and Ornament making.

1.10.3 Sampling Design

This study employed purposive sampling, where the researcher identifies the sample for his study with a purpose in mind. According to Dolores in his journal article, *Purposive Sampling as a Tool for Informant Selection, 2007*, Purposive sampling technique, also called judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses.⁵¹ In this study, the information relating to the effect of the YEDF in the promotion

⁵¹ Ma. Dolores Tongco, "Purposive Sampling as a Tool for Informant Selection", *Ethnobotany Research & Applications*, Vol. 5, 2007, pp.147-158.

of international trade is found among youth groups in Nairobi who trade on both local and international markets and the administrators of the Fund thus requiring them to take part in the study as primary informants. The respondents purposively sampled were a representative of each youth group with particular emphasis on the chairperson. The sample was as follows:

Table 1: Sample size

Business	Frequency	Percentage
Wood carvings	20	25
Beauty products	10	13
Ceramics	24	30
Agriculture	5	6
Ornament making	21	26
Total	80	100

1.10.4 Data Collection Tools and Procedures

This study used both primary and secondary data. The secondary materials that this study used include: books, journals, periodicals, official government reports, and internet sources. These were accessed from libraries and resource centers such as Jomo Kenyatta Memorial Library at the University of Nairobi, YEDF offices, youth groups' premises/offices and other relevant government departments. The gaps found in secondary sources were filled by the use of primary sources.

Oral interviews and questionnaires were used in this study to fill in any gaps that might be in primary text sources or secondary sources. Oral interviews were performed by use of an interview guide with a list of questions. This is the best tool for this research study as it gives the respondents a chance to provide the necessary information without restrictions. A structured questionnaire was used to allow for the collection quantitative data from the sampled youth groups which were filled by the leader of each group.

1.10.5 Ethical Considerations

Before going to the field, the researcher sought research authorization from both the YEDF and the youth groups who were included in the survey. Confidentiality and full anonymity of respondents' responses were strictly observed. Data collection was carried out based on the respondents' free will and consent prior to participation.

CHAPTER TWO

SITUATIONAL ANALYSIS ON THE STATE OF YOUTH EMPLOYMENT

2.1 Introduction

Young people in the world are faced with daunting challenges despite the potential and opportunity that they offer the respective societies in which they are based. Key among these challenges is that of unemployment. The International Labour Organization (ILO) estimated that, “the ratio of the youth-to-adult unemployment rate in the world, equals one to three (1:3); youth made up 43.7% of the total unemployed people in the world despite accounting for only 25% of “the working population.”⁵² The resulting effect of such disparity is that more than one third of the youth around the world are seeking but unable to find work. In addition, some have given up on the job search entirely. Others are employed but still living below the \$2 a day poverty linear according to ILO. In Sub-Saharan Africa, three in five of the total unemployed population is a youth.⁵³

The continued youth demographic bulge the world over is manifested in the demand for employment. In Kenya, *The Youth Research Compendium 2011* states that, the “working age population (15-64 years old) as at 2010 was about 19.8 million which translates to 54.2% of the total population; out of this 1.8 million were unemployed. Out of the currently unemployed working age population, 72 % are under the age of 30, while 51% are under the age of 24 years.”⁵⁴ Similarly, unemployment among the urban youth stands at 39% against the

⁵² International Labour Organization [ILO], *Global employment trends for youth*. Geneva: International Labour Organisation. 2006, in Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 51.

⁵³ Ibid.

⁵⁴ Republic of Kenya., ICPD @15: *Report of the Fifteen Year Review and Assessment of the Implementation of the Dakar/Ngor Declaration and the ICPD Programme of Action*. National Coordinating Agency for Population and Development. Nairobi: Government Printers. 2010, in Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 51.

rural 19%. In addition, despite the gloomy statistics, nearly 500,000 young people enter the job market annually.”⁵⁵

2.2 Factors affecting the Youth

According to the IEA’s *The Youth Research Compendium 2011*, there is plenty of historical proof that creates, “a direct link between societies with large proportions of young people and political and social violence, especially when employment prospects are severely limited.”⁵⁶ Many cities in the third world countries, lack the framework and resources to support the rapid increase in population, yet more rural youth are migrating to urban areas in the hunt of work only to find inadequate economic prospects.⁵⁷ All this is because there exists a disconnect between the demand for work and the supply of employments opportunities.

Youth unemployment is believed to be a major source of socio-economic problems not only in the labour market, but also within the social and political existence of a country, particularly if youth expectations are raised through higher levels of education which they achieve. This is because education not only raises the worth of a person’s labour, but also raises the person’s expectations of a relatively high income. According to Ponge et al (eds.) in their *Youth Research Compendium* of 2011, in most developing countries, the problem of youth employment is conceived as a complex function of, “a weak employment policy framework, lack of employability, weak entrepreneurship culture and unequal opportunities.”

⁵⁵ Ibid.

⁵⁶ Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011.P. 55.

⁵⁷ Ibid.

Others reasons for youth unemployment include, “inadequate involvement of the youth in policy formulation and implementation, child labour and migration.”⁵⁸

Clark and Summers further posit that the movements in and out of unemployment are very high for young people because they are in search of their best job match while possessing low skills, yet the employers are also in search of the best job match with experience that fits the competitive market trends. As a result, the consequences are a short duration without a job compared to adults, but a greater risk of sinking into a chain of low pay, as well as temporary or part-time work.⁵⁹ It is essentially with the aim to fill what one could call the “youth experience gap” that they change employment in search for the best job-worker match.⁶⁰ Often this search requires them to go back to seek more educational training in their quest to address this gap. However, even with such efforts, young people are still moving among different labour market statuses despite their ever-increasing educational attainment.

According to Coenjaerts, Ernst, Firtuny, and Rei, youth face many difficulties in accessing the labour market, thus lowering their chances of finding decent employment. These difficulties include; “higher chances of losing their jobs during economic downturns under the ‘last in-first out’ approach to staff reduction; barriers to entry arising from a lack of or inadequate work experience; and path dependence, which dictates that early unemployment increases the prospect of future joblessness.”⁶¹

⁵⁸ Ibid., 74.

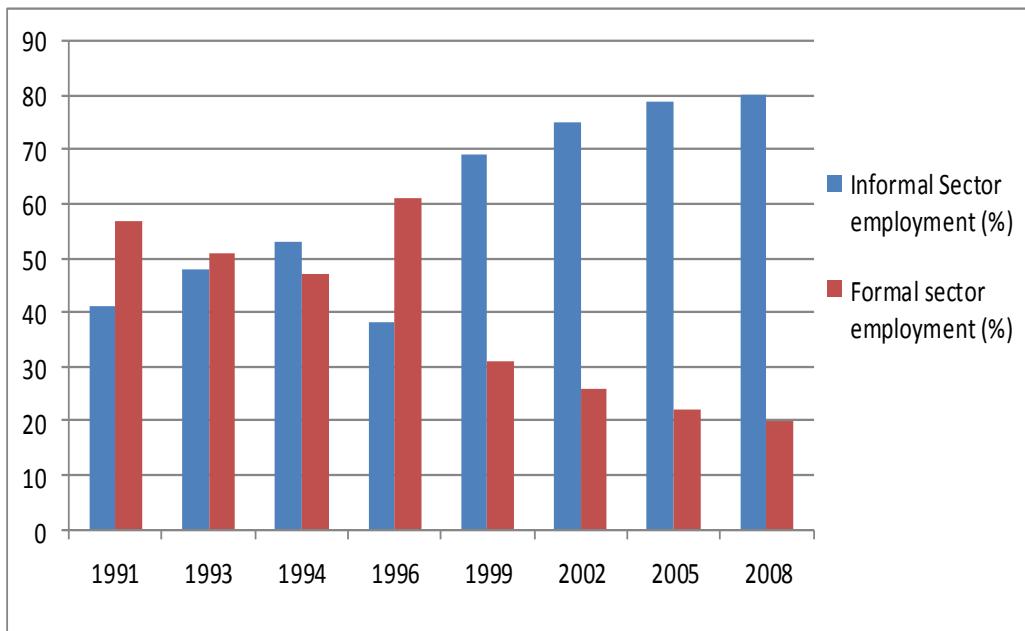
⁵⁹ Clark, K.B.; Summers, L.H. - The Dynamics of Youth Unemployment”, in Freeman, and Wise (eds.), *The Youth Labour Market Problem: Its Nature, Causes and Consequences*, University of Chicago Press/NBER, Chicago, 1982 (also available in Summers, L.H., 1990, *Understanding Unemployment*, MIT Press).

⁶⁰ Ibid.

⁶¹ Coenjaerts, C.E., Ernst, C., Firtuny, M., and Rei, D., *Youth Employment*. OECD: Youth Employment Network, (2009) in Katindi Sivi Njonjo, *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, Institute of Economic Affairs (IEA), 2010. P. 132.

The trends and features of employment in Kenya discussed show that the majority of the jobs are created in the informal sector as opposed to the formal sector. However, informal sector jobs are according to Njonjo's *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, 2010, "precarious in nature, faced with job insecurity, poor wages and terms and conditions of employment, lack of social protection, contain weak safety and health standards, as well as low job tenure."⁶² Despite the fact that the informal sector employment has been a key driver in reducing joblessness in Kenya, Njonjo asserts that informality remains a major productivity trap, thus, without strategic interventions to formalize and improve informal sector jobs, the sector cannot be relied upon to effectively address the country's youth employment problem and poverty reduction goals.⁶³

Figure 1: Sectorial shares in total employment (1991-2008)



Source: KIPPRA Discussion Paper No. 103, 2010.⁶⁴

⁶² Katindi Sivi Njonjo, *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, Institute of Economic Affairs (IEA), 2010. P. 132.

⁶³ Ibid.

⁶⁴ KIPPRA, *Kenya Economic Report 2010*, KIPPRA Discussion Paper No. 103, 2010, Kenya Institute for Public Policy Research and Analysis (KIPPRA), 2010. P. 26.

Table 2: Trends of Employment in Kenya (1986-2008)

Year	Total Employment (millions)	Proportion of total percent		Employment growth (percent)	
		Formal	Informal	Formal	Informal
1986	1.537	79.4	20.6	4.00	9.72
1987	1.615	78.3	21.7	3.60	10.76
1988	1.736	77.5	22.5	6.40	11.43
1989	1.796	76.2	23.8	1.63	9.74
1990	1.894	74.4	25.6	3.07	13.08
1991	2.557	56.4	43.6	2.27	130.37
1992	2.753	53.1	46.9	1.39	15.78'
1993	2.998	49.2	50.8	0.96	17.89
1994	3.356	44.9	55.1	2.03	21.55
1995	3.859	40.3	59.7	3.39	24.43
1996	4.314	37.3	62.7	3.21	17.59
1997	4.707	34.9	65.1	2.22	13.20
1998	5.100	32.9	67.1	2.17	11.66
1999	5.493	30.7	69.3	0.63	11.18
2000	5.912	28.7	71.3	0.36	10.86
2001	6.367	.26.3	73.7	-1.06	11.22
2002	6.852	24.8	75.2	1.37	9.85
2003	7.330	23.6	76.4	1.65	8.73
2004	7.999	:221	77.9	2.14	11.28
2005	8.505	21.3	78.7	2.66	7.36
2006	8.993	20.7	79.3	2.54	6.60
2007	9.479	20.1	79.9	2.80	6.08
2008	9.946	19.5	80.5	1.78	5.72

Source: Youth Research Compendium, (IEA, 2011).⁶⁵

The data presented in the above illustrate declining significance of formal sector employment and growing significance of informal sector job creation employment to total employment in Kenya. This demonstrates that jobs in Kenya have progressively become informal, moving from less than a quarter of total jobs in the country in 1986 to slightly more than four-fifths of total employment in 2008.⁶⁶

⁶⁵ Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic

⁶⁶ Affairs (IEA), 2011. P. 69.

As a result, most employers in Kenya, including the public sector ones have resorted to increasing their use of casual, temporary, part-time, contract, sub-contracted and outsourced workforce to ostensibly reduce labour costs. This helps them to achieve more flexibility in management and exert greater levels of control over labour. This trend enables the de-politicization of hiring and firing that makes it easier for companies to avoid labour legislation and the rights won by trade unions. The trend as noted by Njonjo is mainly attributed to the struggle for global competitiveness and weak enforcement of labour legislations, with youth bearing the brunt of such trends.⁶⁷

In addition, the nature of employment of workers in the informal sector, for instance, does not facilitate them to enjoy the fundamental rights of workers such as freedom of association and collective bargaining, the right to salaried leave (sick, maternity and annual leave), and the right to social protection such as provided for under the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF).⁶⁸ These facts vary sharply with the country's aspiration of reducing poverty and enhancing social security.

The gender element is also a distinctiveness of youth joblessness in many countries, as women have lower educational levels and lower employment opportunities as compared to their male counterparts. Women still represent the bulk of the unemployed despite the fact that they are increasingly enhancing their educational level. This is as a result to the different outlooks on gender roles, which maintain that women should be involved in reproduction

⁶⁷ Katindi Sivi Njonjo, *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, Institute of Economic Affairs (IEA), 2010. P. 132-133.

⁶⁸ Ibid.

activities only.⁶⁹ In Kenya, the unemployment rate among youth, which stands at about 25%, is skewed in favour of males, as the female unemployment rate still stands at 27% against 22% amongst males.⁷⁰

Table 3: Unemployment rates by age and sex, 1989, 1998/99 and 2005/06

	1978	1986		1989		1998/99				2005/06		
Age	Total	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	
15-19	26.6	36.2	13.2	11.9	12.5	21.8	26.4	24.3	22.4	27.7	25.0	
20-24	18.5	29.2	12.5	9.8	11.1	19.0	33.9	27.1	21.0	27.3	24.2	
25-29	4.8	8.6	6.3	5.7	6.0	8.2	21.6	15.5	13.5	17.9	15.7	
30-34	2.0	2.7	3.6	4.1	3.8	4.8	16.8	10.8	6.1	9.2	7.5	
35-39	1.8	2.1	2.8	3.4	3.1	5.0	11.8	8.4	6.9	8.3	7.6	
40-44	0.7	0.7	2.6	3.3	2.9	7.8	10.6	9.1	6.4	6.4	6.4	
45-49	1.1	2.0	2.5	3.4	2.9	4.9	12.5	8.2	4.9	6.	5.7	
50-54	1.4	0.9	2.7	4.4	3.5	6.3	11.1	8.7	4.9	4.4	4.7	
55-59	1.5	4.1	3.2	5.0	4.0	14.2	12.7	13.5	4.8	3.2	4.0	
60 -64	3.2	-	4.2	7.7	5.9	7.5	15.7	11.7	4.2	0.8	2.5	
Total	6.7	9.7	6.5	6.6	6.5	9.8	19.3	14.6	11.2	14.3	12.7	

Source: KIPPRA Discussion Paper No. 103, 2010.⁷¹

The above table demonstrates that there are youth and gender related inequities in access to employment opportunities in Kenya and this is critical as the situation may be

⁶⁹ Becker, G. - Investment in Human Capital. A Theoretical Analysis, Journal of Political Economy, 1962, 70(5): 9-49.

⁷⁰ Republic of Kenya., ICPD @15: *Report of the Fifteen Year Review and Assessment of the Implementation of the Dakar/Ngor Declaration and the ICPD Programme of Action*. National Coordinating Agency for Population and Development. Nairobi: Government Printers. 2010, in Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 51.

⁷¹ KIPPRA, *Kenya Economic Report 2010*, KIPPRA Discussion Paper No. 103, 2010, Kenya Institute for Public Policy Research and Analysis (KIPPRA), 2010. P. 26.

underestimated by the fact that women are disproportionately engaged in unpaid work in the home and hence not counted as unemployed.

In Kenya, Njonjo in her works, *Youth Fact Book: Infinite Possibility Or Definite Disaster? 2010*, notes that the majority of young people are unemployed, underemployed or underpaid, and form the bulk in the swelling ranks of the working poor.⁷² This is due to the large proportion of young adults and a rapid rate of growth in the working-age population, which exacerbates unemployment, prolongs dependency on parents, diminishes self-esteem and fuels frustrations, which increase the likelihood of violence or conflict.

One of the major consequences of the rapid urbanization process has been an escalating supply of job seekers in both the formal and informal sectors of the economy in the urban areas. In most African countries, the supply of workers far exceeds the demand, and as a result, there is an extremely high rate of unemployment and underemployment in urban areas.⁷³ The most frequent explanations of the causes of unemployment include rapid population growth, poor dissemination of labour market information, skills mismatch, structural reforms, slow or declining economic growth, and high costs of labour. The main problem appears to be that millions of workers are engaged in some activity but the earnings received are not adequate to put them above the poverty line. Hence there are many “working poor.”⁷⁴

⁷² Katindi Sivi Njonjo, *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, Institute of Economic Affairs (IEA), 2010.

⁷³ Michael P. Todaro, *Urbanization, Unemployment, and Migration in Africa: Theory and Policy*, No. 104. 1997.

⁷⁴ National Economic and Social Council, *Unemployment in Kenya: A Situational Analysis*, Nairobi, Government Printer, June. 2010

UNDP's discussion paper, *Kenya's Youth Employment Challenge, 2013*, further argues that similar conditions can be found in most cities in African countries, such as Nairobi, Lusaka, Kinshasa, Dakar, and Lagos where economic decline over previous years has led not only to falling incomes and rising unemployment, but also to a breakdown in urban services and rising social tensions. In addition, youth often have more difficulty securing decent work than adults for reasons that include more limited experience and fewer professional networks. This is reflected in the relatively high working poverty rates for youth in comparison to adults in the large majority of countries for which working poverty rates are available as noted by UNDP.

For example, in Senegal, Sierra Leone and the Democratic Republic of Congo the difference between youth and adult working poverty rates is at the US\$1.25 a day level, and in each of these countries more than half of the youth are counted among the working poor.⁷⁵ In Burundi and Liberia more than 85 per cent of the employed youth are among the working poor, but in these countries the differences between youth and adult rates are small. In other words, labour market challenges in Sub-Saharan African countries are not necessarily specific to youth, but young people tend to be affected in a disproportional way in an already extremely challenging labour market.⁷⁶ In many African countries, wage employment is the best category, and accounts for less than 15% of youth in the labour market.⁷⁷

Entrepreneurship and entrepreneurial culture is an important ingredient in youth employment especially through the development of a vibrant Small and Medium Scale Enterprises

⁷⁵ UNDP, Discussion Paper: Kenya's Youth Employment Challenge, January 2013. Pg. 79.

⁷⁶ Ibid.

⁷⁷ National Treasury (South Africa), "Confronting youth unemployment: policy options for South Africa; Discussion Paper" National Treasury, 2011 pp.25. [www.treasury.gov.za/.../Reply%20to%20PQ%201530%20\[NW1850E\].pdf](http://www.treasury.gov.za/.../Reply%20to%20PQ%201530%20[NW1850E].pdf) (Accessed May 24, 2013).

(SMEs) sector. Within the Kenyan context, SMEs are felt to be autonomous business ventures where management is in the owner(s) hands, and they are also responsible for making the major decisions of the enterprise.⁷⁸ These SMEs exist in both formal and informal sectors, being involved in activities such as manufacturing, mining commerce, industry and social services. They are also more effective in the utilization of local social and natural resources, and employing simple and affordable production technology. The SMEs are further better placed to fulfill limited demands brought about by small confined markets because of their lesser overheads and fixed costs.⁷⁹

However, although the SMEs are dynamic employment generating entities, they are not socially and economically preferable jobs by the youth. In most cases, the youth look upon the formal sector as their main employment option and their impression is that self-employment is a second or third-rate choice for those who cannot find wage employment.⁸⁰ This is despite the fact that the government and various stakeholders have aggressively promoted them as a ‘labour sponge’, though the sector still lacks the requisite infrastructure to make the enterprises productive and sustainable. This aggressive promotion is particularly true with respect to providing employment and income generation opportunities, and exploiting the potential of the youth. Moreover, the youth population still lacks the necessary empowerment and correct attitudes to venture into the SME sector.⁸¹

Another challenge as discussed by Ponge et al is that in Kenya, just like in many other African countries, many SMEs remain informal because the administrative procedures for

⁷⁸ Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), Nairobi 2011. P. 77-78.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Ibid.

business registration are too cumbersome and costly, as the barriers to setting new businesses are particularly high for the youth who on the other hand face complex entrepreneurship barriers.⁸² These structural problems include the lack of voice and representation, inadequate access to credit facilities and funding, lack of effective business advisory and support services, and the absence of entrepreneurship mentorship programmes, among other problems.

Therefore, these challenges make it problematic for youth owned enterprises to gain a control in the modern expansive business climate. Overall, the promotion of entrepreneurship and the nurturing of an entrepreneurial culture of which the YEDF is a perfect example should be seen as one of the ways out of youth unemployment crisis.

Education had long been viewed as a strong determinant of good employment during a person's lifetime. Learning takes place in many environments including home, school, and the workplace, but most investments in learning take place in schools. However, the preparation of youth for work and life is very low, just as demand for skills and knowledge is rising. Past education policies such as the Free Primary Education by the Kenyan government focused on increasing the number of people who go through the education system, rather than the quality of learning that takes place in schools. In the recent times therefore, education can also been considered as one of the factors contributing higher unemployment levels among the youth. This is due to a lack of job offers and a mismatch of skills between what the education system provides and what employers need.⁸³

⁸² Ibid. 78.

⁸³ National Treasury (South Africa), "Confronting youth unemployment: policy options for South Africa; Discussion Paper" National Treasury, 2011 pp.25. [www.treasury.gov.za/.../Reply%20to%20PQ%201530%20\[NW1850E\].pdf](http://www.treasury.gov.za/.../Reply%20to%20PQ%201530%20[NW1850E].pdf) (Accessed May 24, 2013).

Table 4: Unemployment rates in Kenya, by education level as at 2003 (%)

Educational attainment	Total (%)	Males (%)	Females (%)
Total	10.1	8.4	11.9
None	9.5	7.0	11.1
Pre-primary	13.9	12.4	15.2
Standard 1 complete	9.6	8.7	10.3
Standard 1-4	8.2	7.3	9.2
Standard 5-8	9.8	8.2	11.6
Form 1-4	12.0	10.2	14.5
Form 5-6	7.8	5.1	14.6
University	11.2	7.7	18.9

Source: Kenya Economic Report, KIPPRA 2010.⁸⁴

The above table illustrates that university graduates have higher unemployment rates than graduates from all primary school levels (above pre-primary), which might be an indication that school leavers may not be equipped with necessary knowledge and skills, thus rendering them unemployable. There is also a likelihood that the relatively well-educated individuals may be lining up for better jobs, and hence, only take up informal jobs do so as a coping mechanism while they continue to search for better paying job opportunities.

As reported by UNDP report *Kenya National Human Development Report 2009: Youth and Human Development-Tapping the Untapped Resource, 2009*, the United Nations Educational, Scientific and Cultural Organization (UNESCO) argues that too many students are graduating from schools without mastering a set of minimum fundamental skills. This means that the focus of education by most countries is on access to education with

⁸⁴ KIPPRA, *Kenya Economic Report 2010*, KIPPRA Discussion Paper No. 103, 2010, Kenya Institute for Public Policy Research and Analysis (KIPPRA), 2010. P. 60.

disproportionate attention to the quality of education; this state of affairs projects negatively on the employability of the graduates. In areas, there are many intricate structural and frictional restrictions related to a lack of employability. Most employers in Kenya, for example, insist on looking for “experienced workers” while the youth, expectedly, lack the required work experience. The majority of firms in both private and public sectors of the economy mostly describe experience in relations to the number of years worked. Experience is also put past as a minimum qualification for most jobs.⁸⁵

The problem is further compounded by the limited number of places for industrial attachment, which weakens the helpfulness that industrial attachment programmes may offer. This is attributed to the unwillingness of the majority of employers to offer attachment places to the trainees. According to IEA’s *The Youth Compendium Research, 2011*, most employers are unwilling to accept trainees for industrial attachment due to the likely costs, particularly in relation to insurance cover for workplace accidents and diseases, medical costs, slowdown in work, and breakdown in machinery and equipment due to poor handling.⁸⁶

Furthermore, most young people do not have access to adequate information and friendly services that would enable them to make informed choices and decisions regarding their health and general well-being. The HIV/AIDS scourge and its impact is also having significant effect on the health and lives of young people in the country as it eliminates from the job market due to frequent absence as a result of illness. According to the National Aids

⁸⁵ United Nations Development Programme [UNDP]. Kenya National Human Development Report 2009: Youth and Human Development-Tapping the Untapped Resource. Nairobi: Kenya,(2010) in Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge’s (eds), *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 74.

⁸⁶ Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge’s (eds.), *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 74.

Control Council (NACC), the epidemic has transformed the family landscape, leading to reorganization of roles and responsibilities, hence disrupting the lives of young people and driving up health care costs.⁸⁷ Apart from increasing orphan-hood, HIV/AIDS also increases vulnerability of young people and puts them at risk of exploitation.

This disruption in family cohesion and the trauma associated with the same is a serious threat to the mental health of young people. In addition, the high burden on young people working as caregivers to family members also jeopardizes their ability to prepare for the future as potential skilled employees, as some may have to leave school to be able to fend for themselves and their families.⁸⁸ Uptake of reproductive and maternal health is even lower and adversely affected by regional disparities in access to services, with most women delivering at home without skilled care, thus increasing the risk of pregnancy related complications that endanger the lives of mothers and newborns. As noted by Njonjo, young women who are disproportionately affected as adolescents are up to three times more likely to experience complications than older women. The result is therefore higher rates of maternal morbidity and mortality among this segment of the population hence depriving their societies of potential manpower in the long run.⁸⁹

The effect of these challenges on the future of the individual youth, their families and society in general is serious. For instance, early child bearing predisposes young people to several socio-medical and economic challenges. As UNICEF posits, the threat of dying from pregnancy-related grounds is twice as high for 15-19 year olds as for women over the age of

⁸⁷ NACC, *Kenya National AIDS Strategic Plan (KNASP) 2005/06- 2009/10*). Nairobi, NACC. (2006). In Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge's, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011.P. 167.

⁸⁸ Ibid.

⁸⁹ Katindi Sivi Njonjo *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, Institute of Economic Affairs (IEA), 2010. P. 18.

20 years because their bodies are not yet developed enough to cope with the rigors of child birth. Girls below the age of 15 years are five times more likely to die from childbirth.⁹⁰ In addition, children born to very young mothers are prone to higher risks of morbidity and mortality, while early childbearing also exposes young people to a long childbearing period which often contributes to large family sizes with relatively poorer quality of life.⁹¹

A high incidence of crime that involve youth, which is worsened by their increasing participation in vigilante groups, militias and criminal gangs, has further contributed to the challenge of insecurity. As it has been noted in the discussion, the majority of Kenya's youth are poor, marginalized and angry at their plight. The post-election violence that took place in Kenya in early 2008, in which fights was mostly conducted by young people, demonstrated the far-reaching consequences of relegating youth to the periphery and the veracity of the unemployment problem. Other such reactions by young people globally, including their participation in the Arab Spring in North Africa, confirm that youth are an increasingly vocal and visible phenomenon.⁹²

Katindi Njonjo cites a crime survey conducted in Nairobi by UN Habitat and the City Council of Nairobi in 2002 that found that youth delinquency and crime are a major problem. Data from the prisons department revealed that crime is strongly associated with age as persons aged between 16 and 25 years old predominately commit 53% of crimes. In addition,

⁹⁰UNICEF, The State of the World's Children 2009: Maternal and Newborn Health. New York, UNICEF, 2009. In Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge's, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011.P. 176.

⁹¹Ibid.

⁹² Katindi Sivi-Njonjo & Dr. Mshai Mwangola, Kenya Youth Scenarios; Youth - the key to unlocking Kenya's potential, IEA, November 2011.p. 6.

young people aged between 16 to 25 years old committed 56% of crimes in Kenya between 2001 and 2009.⁹³

From the aforementioned, it clear that high youth unemployment and the resultant consequences mean that young people in any given society are not acquiring the necessary skills or experience in order to advance the economy. This impedes the country's economic growth and inflicts a larger problem on the government to provide social assistance.

⁹³ Katindi Sivi Njonjo *Youth Fact Book: Infinite Possibility Or Definite Disaster?*, Institute of Economic Affairs (IEA), 2010. P. 185.

CHAPTER THREE

AN OVERVIEW OF YOUTH EMPOWERMENT INTERVENTION EFFORTS IN KENYA

3.1 Introduction

This chapter examines some of the intervention that the government of Kenya has employed over the years in an attempt to address the increasing youth unemployment problem discussed in the previous chapter. As discussed, most of the interventions on the government which focused on building capacity of the youth and promoting entrepreneurship amongst them, have been effective in attempting to address the problem though mostly in the short-term.

3.2 Youth Empowerment Efforts in Kenya

In light of the youth unemployment challenge, the Government and other relevant stakeholders have undertaken a number of interventions to promote the creation of employment opportunities for the young people in the country. Between 1963 and 2011, more than 17 policy measures were implemented at one point or another.⁹⁴ Examples of such policies as noted by Ponge et al (eds.) in Institute of Economic Affairs (IEA) publication, *The Youth Research Compendium, 2011*,⁹⁵ are the *National Development Plan, 1970–1974*⁹⁶, *Report of the Presidential Committee on Unemployment, 1982/83*⁹⁷, *First Medium Term*

⁹⁴United Nations Development Programme (UNDP), “Discussion Paper: Kenya’s Youth Employment Challenge”, New York, January 2013. pp. 68

⁹⁵Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge’s, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011.

⁹⁶Republic of Kenya, National Development Plan, 1970–1974. Nairobi: Government Printer, 1969.

⁹⁷Republic of Kenya, Report of the Presidential Committee on Unemployment, 1982/83, Nairobi: Government Printer, 1983.

*Plan: Kenya Vision 2030—A Globally Competitive and Prosperous Kenya*⁹⁸ and *Sector Plan for Labour, Youth and Human Resource Development, 2008–2012.*⁹⁹ In more recent times, policies aiming at employment creation have also focused on the youth. Important initiatives in this regard are *The Sector Plan for Labour, Youth and Human Resource Development Sector (2008–2012)* and the *Kazi Kwa Vijana* (KKV) programme. Launched in April 2009, the KKV aims at employing between 200,000 and 300,000 young people annually in rural and urban areas, in the labor-intensive public works projects that are implemented by different government ministries.¹⁰⁰

Some of the interventions, according to the Institute of Economic Affairs (IEA) 2008 publication, *Youth And Employment Sector: Budget Performance 2003-08 And Emerging Policy Issues*, have targeted the creation of opportunities that will support gainful employment amongst the youth and re-orient them to effectively utilize emerging opportunities. The interventions have been in the form of budgetary support/allocations to activities targeting youth as well as in the direct creation of employment opportunities.¹⁰¹ In past years, the Government has launched a number of initiatives such as the Youth Enterprise Development Fund and the *Kazi Kwa Vijana*¹⁰² initiative to create new opportunities but these have had only a marginal impact on overall unemployment levels.¹⁰³

⁹⁸ Republic of Kenya, First Medium Term Plan: Kenya Vision 2030—A Globally Competitive and Prosperous Kenya, Nairobi: Office of the Prime Minister, Ministry of State for Planning, National Development and Vision 2030, (2008b).

⁹⁹ Republic of Kenya), Sector Plan for Labour, Youth and Human Resource Development, 2008–2012, Nairobi: Ministry of Labour, (2008c).

¹⁰⁰United Nations Development Programme (UNDP), Discussion Paper: Kenya's Youth Employment Challenge, January 2013. pp. 7

¹⁰¹ IEA, “Youth And Employment Sector: Budget Performance 2003-08 And Emerging Policy Issues”, The Budget Focus, Issue No 15. May 2008. p.1.

¹⁰² The phrase is in Swahili language and is loosely translated as ‘Jobs for Youth.’

¹⁰³ IEA, “Youth And Employment Sector: Budget Performance 2003-08 And Emerging Policy Issues”, The Budget Focus, Issue No 15. May 2008. p.1.

Large portions of development funds have been allocated to the *Jua Kali*¹⁰⁴ sector, which plays a vital role in the Kenyan economy. As noted by IEA, the sector provides employment opportunities to 74.2% of the total population and contributes about 18% to the country's GDP.¹⁰⁵ The funds are used to construct *Jua Kali* sheds across the country in order to provide suitable infrastructure for the SMEs operators for self-employment, the majority being youth who are either in training, engaged in paid employment within the sector or have started their own businesses, operating either as partners or sole proprietors.

In the 1990s and early 2000s, the Government initiated several employment interventions. Key issues targeted by the programmes included; "enhancing the acquisition and promotion of efficient use of labour market information, reliance on market forces to mobilize resources for sustained growth, provision of public infrastructure, industrialization, enhancement of private sector investment and participation in the economy, promotion of industrial harmony and productivity and liberalization of the labour market."¹⁰⁶ After the general elections of 2002, the then new National Rainbow Coalition (NARC) government formulated a five-year development strategy called *Economic Recovery Strategy for Wealth and Employment Creation* (ERSWEC), 2003-2007, which focused on the people's empowerment through the creation of income earning opportunities.¹⁰⁷

These employment creation policies have had a lengthy history in Kenya, often viewed as a component of several basic strategies for economic growth and development. The underlying

¹⁰⁴ *Jua Kali* is a Swahili phrase that means 'hot Sun', it is used to refer to the Informal sector.

¹⁰⁵ Ibid.

¹⁰⁶ Republic of Kenya, 1994a; 1994b; 1997a; 1997b; 1999; 2002, In Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge's, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 63-64.

¹⁰⁷ Republic of Kenya.. *Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007*. Nairobi: Government Printer. 2003a. In Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge's, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 63-64.

proposition, in this instance, according to *The Youth Research Compendium*, 2011 has been “that faster economic growth would lead to employment creation and that income generation through employment would lead to an improvement in the standards of living and eradication of poverty.”¹⁰⁸

Table 5: Kenya’s employment creation policies and programmes (1964-2011)

Employment creation interventions	Period		
	1963-1979	1980-1989	1990-2011
Kenyanization	√	x	x
Tripartite Agreements	√	x	x
Wage Restraint	√	√	√
Economic Growth	√	√	√
Macroeconomic Management	x	√	√
Fiscal Measures	√	x	√
Industrial Policy	√	√	√
Agricultural Promotion	√	√	√
Infrastructure Development	√	√	√
Public Works	√	√	√
Education and Training	√	√	√
Active Labour Market Policies	√	√	√
Informal Sector Development	√	√	√
Productivity Promotion	√	√	√
Rural Development	x	√	√
Employment and Labour Market Policies	√	√	√
Legal and Legislative Reforms	x	x	√

Source: Youth Research Compendium, IEA 2011.¹⁰⁹

¹⁰⁸ Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 63-64.

¹⁰⁹ Ibid. 64.

The summaries in the table show that the main emphasis of the Government of Kenya since independence has been realization of rapid economic growth as path to employment creation. Within this context, long-standing measures such as management of savings, investments, incomes and population have been pursued to facilitate job creation.¹¹⁰ At the same time, medium and short-term measures have also been implemented to create jobs on a more intermediate basis. Some of the measures that have also permeated through the country's employment creation regimes are the public works and skills upgrading programmes.¹¹¹

From the beginning of 2011, the Government of Kenya initiated the Kenya Youth Empowerment Project (KYEP), which was aimed at increasing access to temporary employment programs and improving youth employability.¹¹² This action followed the realization by the Government that the ever-increasing number of unemployed youth is significantly high, and that if given the appropriate employment opportunities, they have the potential to hasten productivity, however, if left idle, they can be a risk to social stability, and in the future, a risk to growth of the nation's economy. The violent protests of early 2008 highlighted the critical importance of addressing the problem of poverty and inequality and, in particular, the increasing problem of idle youth.

The project's aim was to increase youth employability through provision of skills and work experience by; "supporting Labor-intensive Works and Social Services, creating internships

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² Kenya Private Sector Alliance (KEPSA) Website <http://www.kepsa.or.ke/kyep/index.php/about-kyep>

and relevant training in the formal and informal sectors, and facilitating capacity building and policy development for the Ministry of Youth Affairs and Sports.”¹¹³

The Government mandated the Kenya Private Sector Alliance (KEPSA) to carry out the project on Provision of Training and Internship to about 10,000 youth aged 15-29 years old in the private sector over the period of 2011 to 2014.¹¹⁴ This it was hoped would provide work experience and training in the sectors, with priority given to potential growth sub-sectors identified in Vision 2030. It was further anticipated that through vigilant monitoring and evaluation of the respective component activities, lessons would be learned for guiding yet to come skills development and youth employment policies.

The component of supporting labor-intensive works and social services was aimed at helping the Government to lessen the vulnerability of young women and men who are unemployed by expanding and enhancing the efficiency of the *Kazi Kwa Vijana* (KKV) program. The Government estimated that about 300,000 youth a year should get jobs throughout the country in public works projects.¹¹⁵ Some of these projects, such as those providing irrigation, were also envisioned to enhance production of food in areas affected by famine. Other projects included waste collection and cleaning activities in urban areas, with the intention of improving standards of living in poor urban areas.¹¹⁶

At the constituency level, these funds are used to hire youth employees at the rate of Kshs. 250 per day (approximated 3 USD)¹¹⁷, for a period of three months. By the end of September

¹¹³ Ibid. <http://www.kepsa.or.ke/kyep/index.php/media-center/news-and-events?id=143>

¹¹⁴ Ibid

¹¹⁵ UNICEF and IEA-Kenya, *Youth Situation Review & Investment in Kenya*, Nairobi, June 2012. P. 15.

¹¹⁶ Ibid.

¹¹⁷ This is the conversion rate of Kenya shillings to US dollar as at November 2013.

2009, 296,000 youths had been employed.¹¹⁸ It is hoped that as the youth are engaged, they will begin to recognize the importance of participating in community development, while at the same time earning a wage that could help them to start their own businesses.

The support to labor-intensive works and social services component was implemented by six line ministries being coordinated by the Office of the Prime Minister (OPM) where financing was allocated to the line ministries based on approved public works sub-projects like road maintenance, water harvesting, a forestation and waste collection.¹¹⁹ ¹²⁰ Sub-project activities were then started in some areas, run mainly by the Kenya Forestry Services, the Kenya Roads Authority, and some water boards.

With respect to the private sector internship and training component, the aim was to increase youth employability by providing young people with work experience and skills through training and work placements in the formal and informal sectors. The component is managed by KEPSA with the training conducted by third-party providers and work placements offered by the private sector. According to the World Bank statement on the project by 2012, a total of 1,057 interns had completed the life skills training. Of these young people, 916 were subsequently selected for work placements with 205 employers.¹²¹ The capacity building and policy development component was intended to increase the capability of the Ministry of

¹¹⁸ UNICEF and IEA-Kenya, *Youth Situation Review & Investment in Kenya*, Nairobi, June 2012. P. 15.

¹¹⁹ These are the Ministry of Water and Irrigation, Ministry of Regional Development Authorities, Ministry of Roads, Ministry of Forestry and Wildlife, Ministry of Environment and Mineral Resources and the Ministry of Local Government.

¹²⁰ World Bank Report; *Restructuring Paper On A Proposed Restructuring For A Kenya Youth Empowerment Project Credit IDA 4697* (Board Approval Date: May 4, 2010) to the Republic of Kenya October 18, 2012

¹²¹ Ibid.

Youth and Sports (MOYAS) to implement the national youth policy and grow institutional capacity for youth policy planning.¹²²

The World Bank was the main donor to the KYEP, providing a financial allocation of around US\$60 million for the plan's three components in the form of credit permitted on terms "of a 40-year maturity with a 10-year grace period provided by the International Development Association (IDA) - the World Bank's concessionary lending arm."¹²³ According to the World Bank statement, the funds were to be distributed as follows, "labor-intensive works and social services (US\$43 million) coordinated by the Office of the Prime Minister (OPM); private sector internships and training (US\$15.5 million), managed by the KEPSA; and capacity-building and policy development (US\$1.5 million), implemented by the Ministry of Youth and Sports."¹²⁴ To ensure the successful implementation of KKV, the Government set aside Kshs. 5 billion in the financial year 2009/10. It is projected that the programme would cost the Government Kshs 15 billion by the time it is completed.¹²⁵

According to the UNICEF and IEA Kenya report, young people's evaluation of KKV has been both supportive and critical. Many youth appreciated the opportunity to obtain an income, despite the fact that they had to perform menial tasks for only limited periods of time.¹²⁶ However, many of them also felt strongly negative about the project because; there was no capacity building or training involved, the work was largely menial, very short term, and the pay was perceived to be so low such that some young people have coined the phrase

¹²² Ibid.

¹²³ UNICEF and IEA-Kenya, *Youth Situation Review & Investment in Kenya*, Nairobi, June 2012. P. 15.

¹²⁴ Statement from the World Bank on Kenya Youth Empowerment Project -
<http://www.worldbank.org/en/news/2011/10/25/statement-world-bank-kenya-youth-empowerment-project>
October 25, 2011

¹²⁵ Ibid.

¹²⁶ UNICEF and IEA-Kenya, *Youth Situation Review & Investment in Kenya*, Nairobi, June 2012. P. 15.

“*Kazi kwa vijana, pesa kwa wazee*”, literary translated to mean that the work is done by young people while the money goes to the old folk. Many also believed that there is political motivation and favoritism in the selection process.¹²⁷

The KYEP has also been faced with allegations of mismanagement of the funds allocated to it. In June 2011, the World Bank introduced a financial management review of the programme, which was a standard procedure carried out for all World Bank-financed projects during implementation.¹²⁸ Initial findings stated that transactions totaling Kshs. 33,061,925 needed further clarification from the Government to ascertain whether they were entitled to be paid out of KYEP funds.¹²⁹ The creation of quality jobs was also compromised by the initiative since a majority of the projects largely targeted unskilled labor hence leaving out a substantial number of youths who have concluded tertiary level learning and hence own some professional skills.

Other developing countries have extensively employed similar public works programmes such as KKV as a short-medium term means for creating employment. One such programme is India’s National Employment Assurance Scheme (NEAS), which sought to employ a maximum of two adults per family, pledging unskilled manual work for 100 days during the farming off-season and focusing on drought-prone, desert, tribal and flood-prone areas.¹³⁰ Another comprehensive public works programme operated in Egypt is the Social Fund for Development (SFD), which has projects covering productive infrastructure (irrigation,

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ Statement from the World Bank on Kenya Youth Empowerment Project - <http://www.worldbank.org/en/news/press-release/2011/10/25/statement-world-bank-kenya-youth-empowerment-project> October 25, 2011

¹³⁰ Martin, G., *Youth Employment Policy in Developing and Transition Countries-Prevention as well as Cure.*, Social Protection Discussion Paper Series, No. 0320, Social Protection Unit, Washington D.C : The World Bank 2003. In Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge's, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011.P. 68.

drainage, and protection of agricultural land), economic infrastructure (road channels), social infrastructure (public building restoration and potable water provision) and health and education. NGOs and the private sector are involved in managing and implementing the programme’s construction and maintenance activities.¹³¹

Since 1964, the Kenya government has also operated the National Youth Service (NYS) as an avenue for acquisition of practical life and employment skills by youth. Over the years, as noted in the *Youth Research Compendium 2011*, NYS has equipped young people with “life skills through Technical and Vocational Training (TVT)”.¹³² The unit offers paramilitary training to youth aged between 18 and 22 years.¹³³ Until the late 1980s, NYS had a mandatory pre-university programme which targeted successful graduates of the Kenya Advanced Certificate of Education (KACE) for a six-month pre-university training, with the objective of instilling into the young people “the right attitude towards work and imbuing in them a culture of tolerance and nationalism. However, this programme was, however, discontinued in 1990, and since then, the NYS training has been voluntary in nature with market driven orientation.”¹³⁴

In South Africa, a range of labour market policies targeted at lowering youth unemployment in the country have been initiated. According to the country’s National Treasury publication, *Confronting youth unemployment: Policy options for South Africa, 2011*, one example is the Expanded Public Works programme (EPWP), which comprises of a variety of short-to-

¹³¹ Ibid.

¹³² Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 66-67.

¹³³ Republic of Kenya, *Sector Plan for Labour, Youth and Human Resource Development, 2008-2012*. Ministry of Labour, Nairobi: Government Printer. 2008c. In Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge’s, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 66-67.

¹³⁴ Angela Kitonga, Katindi Sivi Njonjo and Awuor Ponge, *Youth Research Compendium*, Institute of Economic Affairs (IEA), 2011. P. 66-67.

medium term initiatives aimed at providing temporary jobs and training for the unemployed.¹³⁵ In its initial stage, the EPWP created 1.6 million temporary jobs, though the success of the programme was limited by the duration of the jobs, limited training, and low labour force that increased the cost per job created. Furthermore, there is little indication that partaking in EPWP projects improved a participant's later transition to formal private sector employment.¹³⁶ The second stage began in 2009 and was designed to increase both job duration and labour intensity of projects, thus remaining a valuable short-term measure to mitigate unemployment and poverty.¹³⁷ This second phase focused on enhancing the employability of the youth, "through prevailing education policies and skills improvement via the learnership incentive or providing direct public sector employment through EPWP."¹³⁸

These approaches are further complemented by a youth employment subsidy, which lowers the relative cost of hiring a young person (while leaving the wage the employee receives unaffected) and therefore increasing the demand for young workers.¹³⁹ The subsidy is available for a maximum of 2 years to young and less skilled people who are aged between 18 and 29 years old, and earning less than the personal income tax threshold. The subsidy has a maximum value of South African Rand 12 000 (approx. 1,180 USD), which is estimated to be half of the average income of a formal-sector worker.¹⁴⁰ The Government of South Africa estimates that the youth employment subsidy will subsidize 423, 000 new jobs for young

¹³⁵National Treasury (South Africa), "Confronting youth unemployment: policy options for South Africa; discussion paper" National Treasury, 2011 pp. 22.

[www.treasury.gov.za/.../Reply%20to%20PQ%201530%20\[NW1850E\].pdf](http://www.treasury.gov.za/.../Reply%20to%20PQ%201530%20[NW1850E].pdf) (Accessed May 24, 2013).

¹³⁶Ibid.

¹³⁷Ibid.

¹³⁸Ibid.

¹³⁹Ibid.

¹⁴⁰Ibid.

people at the cost of Rand 5 billion (approx. 492 million USD) in tax spending over a period of three years. Net new job creation is estimated to be 178 000 jobs at a cost per job of Rand 28 000.¹⁴¹ A further advantage is that the training and work experience gained during the period of subsidized work, improved longer-term employment prospects.¹⁴²

Furthermore, the World Bank's *Youth Employment Inventory* of 2007, argues that wage subsidies, i.e. "incentives that aim to accelerate job creation and raise employment, have been particularly successful in improving short-term employment outcomes."¹⁴³ In Australia, it is estimated that youth subsidy has improved employment prospects by at least 20 per cent up to 26 months after the subsidy expired.¹⁴⁴ This provided evidence that employment incentives such as subsidies have lasting dynamic effects, enhancing the permanent employability of participants.

Several middle-income countries, the inventory notes, have also implemented wage subsidies as a consequence of escalating unemployment in the course of the global economic crisis.

These countries include Chile, Korea, Mexico, the Slovak Republic and Turkey.¹⁴⁵

In West Africa, the African Economic Outlook publication titled, *African Economic Outlook: Promoting Youth Employment 2012*, notes that the Regional Programme for Youth Employment and Social Cohesion (YERP) project that was established in 2009 in Dakar, Senegal, has achieved some notable successes. One example according to the publication is

¹⁴¹Ibid. p. 7.

¹⁴² National Treasury (South Africa), "Confronting youth unemployment: policy options for South Africa; DISCUSSION PAPER" National Treasury, 2011 pp.22.

[www.treasury.gov.za/.../Reply%20to%20PQ%201530%20\[NW1850E\].pdf](http://www.treasury.gov.za/.../Reply%20to%20PQ%201530%20[NW1850E].pdf) (Accessed May 24, 2013).

¹⁴³ Puerto, O. S. 2007. "International Experience on Youth Employment Interventions: The Youth Employment Inventory" World Bank. Washington D.C.

¹⁴⁴ National Treasury (South Africa), "Confronting youth unemployment: policy options for South Africa; DISCUSSION PAPER" National Treasury, 2011 pp. 9.

[www.treasury.gov.za/.../Reply%20to%20PQ%201530%20\[NW1850E\].pdf](http://www.treasury.gov.za/.../Reply%20to%20PQ%201530%20[NW1850E].pdf) (Accessed May 24, 2013).

¹⁴⁵Ibid., 24.

the training of youth and providing credit for the expansion of agricultural businesses in Guinea. YERP is also providing teaching in youth entrepreneurship, self-employment and project-design in agricultural projects. The project aims to train 200 Guinean youths over two years.¹⁴⁶

The accomplishment of this project according to the publication is the cooperation of several institutions, with each contributing its specific knowledge. More critical however, is the incorporation of training and access to low-interest credit, which has formed the most important feature of this success story.¹⁴⁷ Through YERP's revolving fund, which is deployed through six local micro-finance institutions selected by a steering committee, the trainees are able to start their own businesses, and from the beginning of the programme, 3406 young people – 1845 young women and 1561 young men have benefited from the revolving fund.¹⁴⁸ They have managed to create and develop their own businesses in sectors such as retail trade, textiles, agri-business, food industry and breeding. The rate of loan recovery is very high, making the fund self-sustaining.¹⁴⁹

3.3 Conclusion

The discussion on the initiatives demonstrate that the youth employment interventions by governments' and international bodies in Kenya and other African countries have focus mostly on the provision of training and promoting entrepreneurship among the youth. Remarkable achievements have been made in terms of providing the youth with requisite

¹⁴⁶ AfDB, OECD, UNDP, UNECA, African Economic Outlook: Promoting Youth Employment, OECD, Paris 2012. http://www.africaneconomicoutlook.org/en/in-depth/youth_employment/government-action-promoting-youth-employment-has-a-poor-track-record/

¹⁴⁷ AfDB, OECD, UNDP, UNECA, African Economic Outlook: Promoting Youth Employment, OECD, Paris 2012. Available at: http://www.africaneconomicoutlook.org/en/in-depth/youth_employment/government-action-promoting-youth-employment-has-a-poor-track-record/

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

skills and also providing them with employment opportunities as revealed in the examples of various initiatives discussed like *Kazi Kwa Vijana* under the Kenya Youth Employment Project (KYEP), the Expanded Public Works Programme (EPWP) in South Africa among others. The huge concentration of these efforts especially in the informal sector has been effective as the sector has emerged among the highest in offering employment to those previously unemployed.

However, there is little evidence of contribution of these interventions in building the capacity of the youth with the intention of helping them to participate in international business. In addition, most of this efforts show little prospects of providing longer term jobs, as most of them lack sustainability due to their short term nature.

In addition, there is little indication of proper feasibility studies and policy development planning that these interventions especially in Kenya, thus making it challenging unable to determine what works well. Some of these efforts have also been faced by claims of corruptions in the administration, and lack of proper coordination between government agencies, hence diminishing their effectiveness.

CHAPTER FOUR

THE OPERATIONS OF THE YOUTH ENTERPRISE DEVELOPMENT FUND AND ITS CONTRIBUTION IN PROMOTING KENYA'S INTERNATIONAL TRADE

4.1 Introduction

This chapter examines the Youth Enterprise Development Fund which is the main focus of this study. It has one of its objectives, the facilitation of marketing of youth groups' products both locally and abroad, which makes it significant in terms of promoting international trade. The discussion sheds light to the understanding of the Fund and its operations in order to evaluate how effective it has been in assisting its beneficiaries to engage in international trade.

4.2 Background

In recognition of the daunting challenge posed by the problem of unemployment, the NARC government placed the creation of job opportunities especially among the youth at the top of its policy agenda. Between the years 2003 to 2007, the youth in Kenya accounted for 61% of the unemployed, while 92% of the unemployed youth did not have any job training other than formal schooling.¹⁵⁰

It is in recognition of that situation, that the government considered the notion of institutional financing as a way of dealing with unemployment which in essence continues to adversely affect the youth. The idea was based on the proposition that small and medium enterprise development efforts are likely to have major impact on creation of employment opportunities, as the young people will get the opportunity to actively participate as key driver of the country's economic growth.

¹⁵⁰ Youth Enterprise Development Fund, "Operations Manual", Nairobi, 2008.

The Youth Enterprise Development Fund (YEDF) was therefore established by the Government in June 2006 as one of the strategies of addressing youth unemployment. This was to be achieved through the provision of credit facilities and by equipping the youth with appropriate skills to creatively engage in economically viable activities. The Fund was later changed into a state corporation on 11th May 2007. The government allocated Kenya shillings One billion Kenya Shillings (Kshs.1 billion) in the National Budget of June 2006 as a commitment to the Fund.¹⁵¹ This was despite existence of any operational and legal framework in place to facilitate the immediate disbursement of the allocated funds. The Fund targets youth (18 to 34 years) whose total population stood at 13 million according to the Fund's 2011 Status Report.¹⁵²

Although the youth are widely regarded as the future of the society and a key driver of employment growth and commercial activity, the *YEDF 2011 Status Report* noted that the development of suitable institutional financing for youth enterprises has faced some significant challenges such as lack of collateral for ease access to loans, high costs of investment, and high interest rates from lending institutions such as banks.¹⁵³ Hence, the establishment of the YEDF was an attempt to address these challenges amongst others that are faced by the youth in accessing economic opportunities.

4.3 Objectives of the YEDF

The general objective of the Fund is facilitate investment in small and medium enterprises in concerned with commercial infrastructure such as business or industrial parks, markets or

¹⁵¹ Ibid., 4

¹⁵² YEDF, "Fund Status Report As At 30th September 2011", Nairobi, 2011.

¹⁵³ Ibid.

business incubators that will be beneficial to youth enterprises.¹⁵⁴ This was to be done through the provision of credits to existing Micro-Finance Institutions (MFIs), registered NGOs engaged in micro-financing, and Savings and Credit Co-operative Organizations (SACCOs) for onward lending to youth enterprises.¹⁵⁵

According to the *Fund Status Report As At 30th September 2011*, the specific objectives of the Youth Enterprise Development Fund include:¹⁵⁶

- Providing funding and business development services to youth owned or youth focused enterprises;
- Providing incentives to commercial banks through appropriate risk mitigation instruments to enable them increase lending and financial services to youth enterprises;
- Providing loans to existing micro-finance institutions, registered non-governmental organizations involved in micro financing, and savings and credit co-operative organizations for on-lending to youth enterprises;
- Attracting and facilitating investment in micro, small and medium enterprises concerned with commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to youth enterprises;
- Supporting youth-oriented small and medium enterprises to establish linkages with large enterprises;

¹⁵⁴ Ibid.

¹⁵⁵ YEDF Website <http://www.youthfund.go.ke/index.php/about-us/fund-objectives> (Accessed on 25th June, 2013)

¹⁵⁶ Ibid.

- Facilitating marketing of products and services of youth owned enterprises in both domestic and international markets;
- Facilitating employment of youth in the international job market; and
- Carrying out any other activities relevant to its principal mandate.

4.4 Components of the Fund

The YEDF has six components in accordance with its mandate. These components are:

- Credit component
- Commercial infrastructure
- Linkage schemes
- Marketing and market access
- Labour export schemes
- Capacity building

4.4.1 The Credit Component

The credit component mainly deals with increasing access to capital for young entrepreneurs to start or expand their businesses. The component employs three approaches in the fulfilment of this objective: on-lending to financial intermediaries, disbursing through the Constituency Enterprise Scheme, and exploring risk-mitigated options with selected financial partners.¹⁵⁷

On-lending function

Under this arrangement the funds are disbursed to the appointed financial intermediaries according to set criteria outlined by the Fund that mainly include financial, managerial and

¹⁵⁷ YEDF, “Fund Status Report As At 30th September 2011”, Nairobi, 2011.

operational capabilities. The credit services are accessible to all youth either individually, in groups, as cooperatives or in any other forms of legally recognized businesses.¹⁵⁸

Lending through the C-YES

This is a constituency based loan that targets new group projects, and it is intended to start off youth who are venturing into business. The youth groups first submit their business proposals which are then appraised and approved by locally constituted committees at divisional and district levels. This component lends a maximum of Kshs. 50,000 to the youth groups at the constituency, attracting no interest except a 5% management fee. Repayment of the loans commences after a 3 months grace period and is paid in 12 equal instalments.¹⁵⁹

Risk mitigated and leverage options

The Fund explores to investment in risky ventures that promise high viability potentials; this is done through establishing partnerships with institutions that are willing to issue bid bonds, performance bonds or any financial instruments that increase youth access to capital. The Fund is keen to deposit funds as security with intermediaries which are willing to finance youth enterprises at an agreed matching arrangement.¹⁶⁰

4.4.2 Commercial Infrastructure Component

This component's focus is on attracting and facilitating investment in Medium and Small Enterprises focused on commercial infrastructure such as business or industrial parks, markets, business incubators and youth enterprise solution centres. The Fund lobbies and advocates for provision of trading spaces with stakeholders in both public and private sectors

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

¹⁶⁰ Ibid.

such as local government organs and other interested parties in the field of infrastructure development, where the Fund expects to earn rent from these infrastructures once financed. To this end, the Fund has signed Memoranda of Understanding (MOU) with various local authorities resulting in the commission of youth focused business structures.

4.4.3 Linkage Schemes

The fund also aims as one of its objectives to help youth owned Small and Medium Enterprises (SMEs) in Kenya to achieve vertical development. This is achieved through assisting the youth groups in vertical integration that connect lower level enterprises to medium and medium and large enterprises in linkages arrangements which are mutually beneficial for both parties. This is currently achieved through providing incentives to large and formal establishments to develop linkages with MSEs for example through outsourcing and franchising. Continuous research and studies are to be conducted to identify enterprises and mechanisms that favour the appropriate implementation of this component's activities.¹⁶¹

4.4.4 Marketing and Market Access

This component aims to build the capacity of youth enterprises to market their products and services locally and internationally. The component is implemented through the training of youth entrepreneurs on the suitable modes of marketing, financing selected youth entrepreneurs to participate in local and international trade fairs/exhibitions, and organizing market days for entrepreneurs to showcase and sell their wares among other activities. It further seeks to organise national trade fairs to expose youth entrepreneurs to marketing and networking opportunities.

¹⁶¹ Ibid.

4.4.5 Labour Export Schemes

The Fund aims to facilitate the export of youth, whose skills are not being used locally but are required abroad. This is done through the establishment of partnerships with private recruitment agencies accredited by Ministry of Labour.¹⁶²

Young people who access jobs abroad either through the designated agents or through the government machinery are facilitated to acquire the necessary documentations and also to access loans to cater for minimal travel requirements. Such documentations and travel requirements include passports and air-tickets. The Technical Committee on Labour Export has been constituted to develop an operational and legal framework for appropriate implementation of this component.¹⁶³

4.4.6 Capacity building

This component aims to build the capacity of youth entrepreneurs especially with respect to entrepreneurship and business development services which are critical to the growth and sustainability of youth enterprises. Young people interested in starting businesses or improving the management of their existing businesses are the target of this intervention. Capacity building is conducted by expertise available within the Fund's or Ministry of Youth Affairs network and where capacity is inadequate or lacking in the mentioned network, suitable training providers will be procured competitively.¹⁶⁴

4.5 Funding Mechanism

According to the Fund's *Status Report 2007 – 2012*, finances in terms of credits to youth enterprises were provided through two avenues as follows:

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

i) Through District Committees.

Through this channel, each of the 210 constituencies (that existed before the March 2013 general elections) has been allocated a revolving fund of Kshs. 4.5 million. The Fund has formed community committees at the district level, which are responsible for vetting applications submitted by youth groups. Through this module, youth groups are offered loans starting from Kshs. 50,000 and graduating upwards to Kshs. 400,000, while individuals start with loans of Kshs. 25,000 and graduate to Kshs. 100,000 by the third loan.¹⁶⁵ For a person to borrow funds as an individual at this level, he must belong to a group that has paid back its loan. The Fund has in addition started a new product where individuals with unique business ideas can directly be loaned from the Fund without being a member of a groups. This component has no interest but only a one-off management fee of 5%.¹⁶⁶

ii) Through Financial Intermediaries

The Fund has further partnered with 36 financial intermediaries who include Micro Finance Institutions (MFIs), NGOs, and Savings and Credit Cooperatives (SACCOs), from which the youth access credit to start-up or develop viable businesses. Financial Intermediaries are tasked with the responsibility of managing funds which the youth will access either as individuals or as organized groups. Through this component, young people access loans of up to Kshs. 1 million, which attract an interest of 8% per annum. However, for any loans above Kshs. 1 million, authority from the Fund must be sought before disbursement by the financial intermediary.¹⁶⁷

¹⁶⁵ Youth Enterprise Development Fund, “Status Report 2007 - 2012”, Nairobi, 2012. P. 7.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid., 8.

4.6 Achievements

According to the Fund's *Status Report of 2007 – 2012*, the Fund has since its establishment, advanced loans worth Kshs. 5.9 billion to 158,000 youth enterprises. Out of this amount Kshs. 615 million has been loaned to 13,341 group projects while Kshs. 66 million has been expended to 2645 individual enterprises at the constituency level through the District Committees. Through financial intermediaries, the Fund has financed 141,552 group and individual enterprises to the tune of Kshs. 4.6 billion. In additions, the Status Report notes that the Fund has further trained over 200,000 youth in entrepreneurship and assisted 1,800 youths to market their products and services. In addition, over 6,000 young people have been assisted to obtain employment abroad.¹⁶⁸

Table 6: The Fund allocation from Treasury as 2006/7 – 2011/12:

NO.	FINANCIAL YEAR	AMOUNT
1.	2006/2007	1,000,000,000
2.	2007/2008	725,000,000
3.	2008/2009	499,914,170
4.	2009/2010	540,750,000
5.	2010/2011	550,000,000
6.	2011/2012	550,000,000
	TOTAL	3,865,664,170

Source: YEDF Status Report 2007 – 2012.¹⁶⁹

Entrepreneurship training and provision of appropriate business development services are according to the *Status Report 2007-2012*, key to the Fund's achievement of its mandate.

¹⁶⁸ Youth Enterprise Development Fund, "Status Report 2007 - 2012", Nairobi, 2012. P. 2.

¹⁶⁹ Ibid. 7.

Further to ensuring that youth have the required skills, the Fund also assist them in identifying and tapping into business opportunities, while embracing modern business management techniques.¹⁷⁰ In additions, the Fund has made tremendous progress in this area, as outlined below:

- The Fund has a mandatory pre-financing training programme to enhance sustainability of youth enterprises. By 2012, the Fund had provided entrepreneurship training to over 200,000 youth.
- The Fund has partnered with the Ministry of Cooperatives Development to assist youth form Saccos. The Fund has facilitated the formation of 24 youth Saccos, which will also be used as financial intermediaries through whom the Fund can reach members with credit facilities.
- The Fund has trained 2,500 youth in 24 constituencies on how to access procurement from the public sector.
- The Fund has supported two businesses plan competitions in which over 10,000 youth entrepreneurs have been trained and winners awarded. Some of the participants of the competitions have started very viable enterprises.¹⁷¹

4.7 YEDF contribution in promoting Kenya’s International Trade

In its endeavour to support young people’s engagement in international trade, the Fund assists youth owned enterprises to market their products both locally and abroad, and also help to form linkages with large enterprises. This has been achieved through the organization of youth trade fairs at the district, provincial and national levels, where youth who exhibit

¹⁷⁰ Ibid, 16.

¹⁷¹ Ibid. 15.

unique products at the national level are sponsored to exhibit outside the country, thus linking them to the export market.¹⁷² According to its Status Report, the Fund reports that as of 2012, it had supported 1,800 youth enterprises to market their products through trade fairs, with an additional 32 youth enterprises having been supported to exhibit their products in Egypt, Tanzania, Burundi and Rwanda.¹⁷³ This initiative according the Fund, has enabled a number of youth owned businesses to venture into export business recording booming business in addition to making useful business contacts.¹⁷⁴

Table 7: Domestic exports of principal commodity

DOMESTIC EXPORTS	2008	2009	2010	Kshs. Million 2011*
Fish and fish preparations	5,131	4,391	5,027	4,955
Horticulture	71,182	65,220	72,092	83,331
Coffee, unroasted	10,126	15,309	16,244	19,296
Tea	63,812	68,766	91,617	102,235
Tobacco and tobacco manufactures	9,053	10,411	10,562	18,633
Soda ash	13,185	8,305	7,265	12,371
Petroleum products	4,223	4,466	4,706	6,101
Essential oils	6,427	8,231	9,625	13,821
Cement	7,253	7,766	7,399	8,898
Iron and steel	10,824	9,073	12,124	18,161
Articles of plastics	6,136	5,916	6,895	9,350
Articles of apparel and clothing accessories	17,452	13,948	15,561	22,260
All other Commodities	80,843	71,172	126,324	163,532
GRAND TOTAL	305,646	305,646	385,441	482,944

Source: Kenya National Bureau of Statistic, KNBS, 2012.

¹⁷² Ibid.

¹⁷³ Ibid.

¹⁷⁴ Ibid.

The figure above demonstrate that majority of the commodities sold to international markets by the youth groups in this study such as wood carvings, ceramics, ornaments among other, are contained in the “All other Commodities” category though the data on the specific export volumes of their products was unavailable.

The Fund has also stated its efforts in helping young people secure employment in other foreign countries through the Youth Employment Scheme Abroad (YESA). It has signed Memorandum of Understanding (MOU) with the International Organization for Migration (IOM) to provide pre-departure training; so far 4000 youths have undergone through the training before leaving to take up jobs abroad.¹⁷⁵ Moreover, The Fund has so far released Kshs. 9 million (approximately 103,000 USD) and is in the process of releasing another Kshs. 12 million (approx. 138,000 USD) for lending as migration loan product to successful youths. This will be done through private employment agencies for forward lending to youth migrants. Also, the Fund is in the process of developing a YESA sessional paper that will provided for a labour migration framework to guide the youth labour migration process which is to be approved by parliament.¹⁷⁶

As a result of these efforts, the Fund in its *Status Report 2007 – 2012* notes that over 6,000 youth have been aided to secure employment abroad mostly in the Middle East, and are youth are facilitated in securing necessary documentations such as passports and certificates of good conduct as well as in financing of air tickets as part of their relocation cost.¹⁷⁷

¹⁷⁵ Ibid. 17.

¹⁷⁶ Ibid.

¹⁷⁷ Ibid.

4.8 Challenges

Since its inception, the Fund has faced numerous challenges in the course of implementing its mandate, which need to be addressed going forward. According to the response from Fund's officers and also as noted in the Fund's status report, one of the biggest impediments has been insufficient policy and legislative frameworks to support the growth of youth enterprises and Fund's sustainability with the scale and complexity of the youth unemployment problem. For instance there is no legal framework guiding the operation of the youth labour migration process.¹⁷⁸ Lack of such a legislative support framework has slowed down the implementation of some of the Fund's mandate, especially with respect to opening up business and employment opportunities for young Kenyans in foreign countries.

In addressing this challenge, the Fund has since prepared a draft bill entitled *The National Youth Enterprise Development Authority Bill, 2012* which seeks to provide a comprehensive legal framework for the efficient functioning of the Fund as well as to align its activities to the new Constitution.¹⁷⁹ The draft bill which was presented to the public for discussion and input at a function held on 27th July 2012 at the Railways club in Nairobi, proposes the establishment of a National Youth Enterprise Development Authority, whose core mandate will be lending to youth wishing to start or expand businesses across the country. Other core functions of the Authority will entail providing market support for youth products and services, linkages of youth owned enterprises with large enterprises, as well as providing oriented commercial infrastructure.¹⁸⁰ It is worth noting that all the above functions are

¹⁷⁸ Ibid., 20.

¹⁷⁹ YEDF, "Youth Fund News", Newsletter, Vol. 1, Issue 1, September 5th 2012.

¹⁸⁰ Ibid.

currently supposed to be performed by the YEDF, however their implementation has been hampered by lack of a legislative legal framework.

In addition, the draft bill also seeks to establish agencies that include an Enterprise Development Centre to offer business development services to youth entrepreneurs as well as a Youth Employment Scheme Secretariat to facilitate employment of youth in international labour markets in partnership with recruiting agencies, government ministries and other relevant organizations. Stiff penalties are also proposed for youth who knowingly provide false statements either orally or in writing when applying for loans.¹⁸¹ In 2012, The Cabinet also approved a legal framework to guide the Youth Employment Scheme Abroad, paving way for the Fund to develop a sessional paper on the same.¹⁸²

Another challenge as noted in the Fund's *Status Report 2007-2012* is the imbalance of capital investment in providing non-credit services such as business development services, market support, operational overheads, and public sensitization and education to the youth entrepreneurs, which is huge vis-a-vis the actual loans disbursed. Much of the public focus is largely on the loans disbursed, not so much the quality of these loans.¹⁸³

There is also the challenge of inadequate disbursement and repayment infrastructures in some parts of the country particularly secluded areas which pose a major challenge to disbursement and loan repayment.¹⁸⁴ This is occasioned by a lack of credible financial intermediaries and loan repayment avenues in these areas hence disadvantaging the would-be beneficiaries in those areas. The Fund, however, in its efforts to remedy the situation, continues to explore

¹⁸¹ Ibid.

¹⁸² Youth Enterprise Development Fund, "Status Report 2007 - 2012", Nairobi, 2012. P. 20.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

partnerships with local institutions such as SACCOs in order to conveniently serve the youth in their localities.¹⁸⁵

Another key issue has been insufficient funds to cater for high demand and expectations of the young people in the country. Majority of the youth interviewed in this study indicated limitation in the amounts of loans disbursed as a key challenge as the little amount offered as credit is not sufficient for them especially for those interested in participating in international trade. The annual allocation of funds by the treasury has not been adequate enough to enable the YEDF meet its funding requirements; hence the Fund is encouraging financial intermediaries to add on its resources. Already, the Fund has partnered with Kenya Commercial Bank, Equity Bank, Family Bank and First Community Bank with regards to this additional resource arrangement.¹⁸⁶ It is worth noting here that the YEDF as an institution does not identify its limitations in helping youth access international markets as a challenge. This might be due to much of the Fund's efforts have been geared towards enhancing the empowerment of youth groups and their participation in the local markets.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid.

CHAPTER FIVE

RESEARCH FINDINGS

5.1 Introduction

This chapter analyses the findings, interprets and presents data in line with the objectives of the Study. The data obtained is presented in tabular form, percentages and in descriptive statistics such as pie charts, line and bar graphs. The chapter is further sub-divided into several sections that are pertinent to the subjects under study.

5.2 Research Findings

5.2.1 Response rate

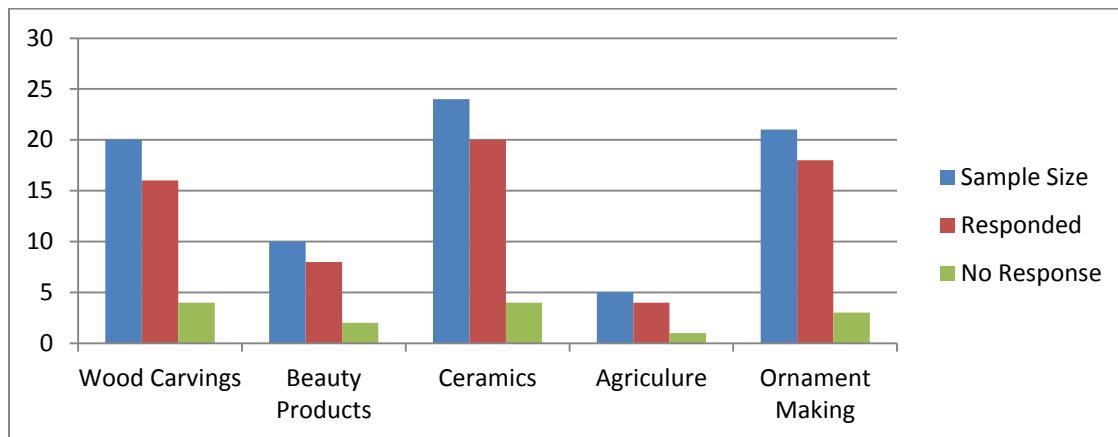
Questionnaires were distributed to 80 respondents who had been purposively identified. The response rate was as follows:

Table 8: Distribution of Respondents by Type of Business

Type of Business	Sample Size	Responded	No response
Wood carvings	20	16	4
Beauty products	10	8	2
Ceramics	24	20	4
Agriculture	5	4	1
Ornament making	21	18	3
Total	80	66 (82%)	14 (18%)

Source: Survey data by Author (2013)

Figure 2: Response rate



Source: Survey data by Author (2013)

Table 4.1 and Figure 4.1 indicate the response. Out of the 80 respondents, 66 responded (82%). This was a representative sample.

5.2.2 Profile of respondents

i) Formation of groups

With respect to when the youth groups were formed the response was as follows:

Table 9: Formation of Groups, 2006 – 2013.

Year	Frequency	Percentage
Before 2006	3	5
2006-2008	20	30
2009-2010	17	25
2011-2012	23	35
2013	3	5
Total	66	100

Source: Survey data by the author (2013)

5% of respondents pointed out that their group were formed before 2006, 30% of the respondents highlighted that their groups were formed between 2006-2008, 25% pointed out that the groups were formed between 2009-2010, 35% indicated that their groups were formed between 2011-2012, while 5% of the groups were formed in 2013. This indicates that most of youth groups were formed between 2011 to 2012. From discussions with the groups and the Fund's administrators, it was found that this was also a period when there was a lot of awareness creation in relation to the YEDF activities including the launching of the Fund's status report so as to increase the uptake of the groups that had not been reached.

ii) Group membership

On the number of group members in each group the response was as follows:

Table 10: Number of group members

Group Members	Frequency	Percentage
0-10	12	18
11-20	40	60
21-30	14	22
31-40	-	-
41-50	-	-
51 and above	-	-
Total	66	100

Source: Survey data by the author (2013)

18% of respondents had 10 members and below, 60% had 11-20 members and 22% had 21-30 group members. This indicates that most of the groups had 11-20 members. This finding was explained by the Fund's requirement that for groups to be qualified for loans, they must have at least 10 members in addition to being registered by the relevant government body.

The membership of majority of the groups therefore can be explained to be in the fulfillment of the basic requirements regarding the minimum number of members set out by the Fund. In addition, many of the groups cited the difficulty of managing large number of members which slows down decision-making process as the reason why they prefer to deal with a minimal number of members.

iii) Gender composition of Group members

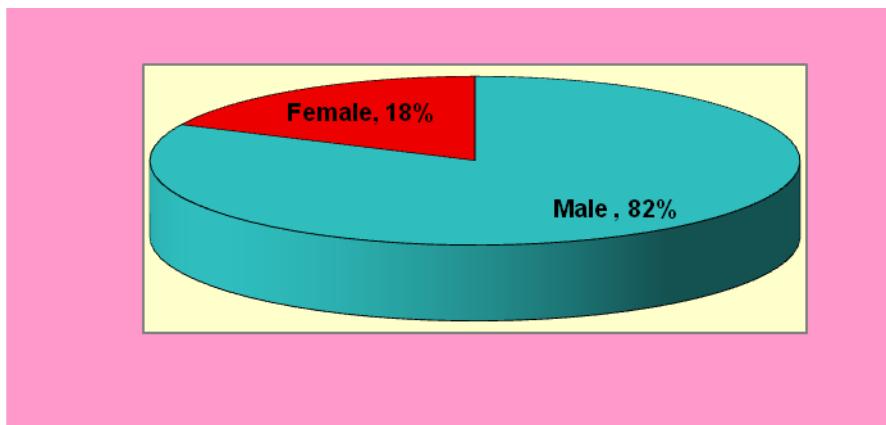
Attempts were made to establish the gender of the respondents. Respondents were instructed to indicate the highest percentage level of members by gender; the aim of this was to establish whether there or not there was gender equality among the youth groups. The response was as follows:

Table 11: Gender composition of Group members

Gender	Frequency	Percentage (%)
Male	54	82
Female	12	18
Totals	66	100%

Source: Survey data by the author (2013)

Figure 3: Gender composition of Group members



Source: Survey data by the author (2013)

The study findings indicate that 82% of respondents were male while 18% were female. This indicates that the majority of respondents were male. Discussion with the youth groups revealed that though many youthful female were interested in the Fund's loans to initiate their businesses, their ability to form and registered their groups was hampered by lack of awareness and limited capacity as compared to their male counterparts. Moreover, the existence of separate Women Enterprise Development Fund (WEDF) targeting women may have been wrongly perceived by female youths as being the only avenue for the women to seek credit facilities, resulting in little interest in other initiatives such as YEDF among others that are open to both genders.

Furthermore, many youthful women are also exceptionally engaged in unpaid work in homes either as young mothers and care-givers, thus may not have time at their disposal to effectively participate in the formation and running of group businesses.

iv) Age of group members

Regarding the age of the majority of group members, the response was as follows:

Table 12: Age of group members

Age-Group	Frequency	Percentage (%)
18-20	7	11
21-23	15	23
24-26	24	37
27-29	10	15
30-32	7	10
33-35	2	3
36 and above	1	1
Totals	66	100

Source: Survey data by the author (2013)

The study findings indicate as follows; 11% of respondents were aged between 18 and 20 years, 23% were between 21 and 23 years, 37% between 24 and 26 years, while 15% were between the ages of 27 and 29 years. 10% of respondents were between 30 and 32 years, whereas 3% indicated to be between 33 and 35 years and only 1% indicated that they were of the age of 36 years and above and not considered as youth. These results indicate that the majority of respondents were 24-26 years, a fact that is explained by their need to seek a source of income after completing their secondary education and failing to obtain the opportunity to further pursue their education in tertiary institutions such as technical colleges or universities.

v) **Highest Educational level**

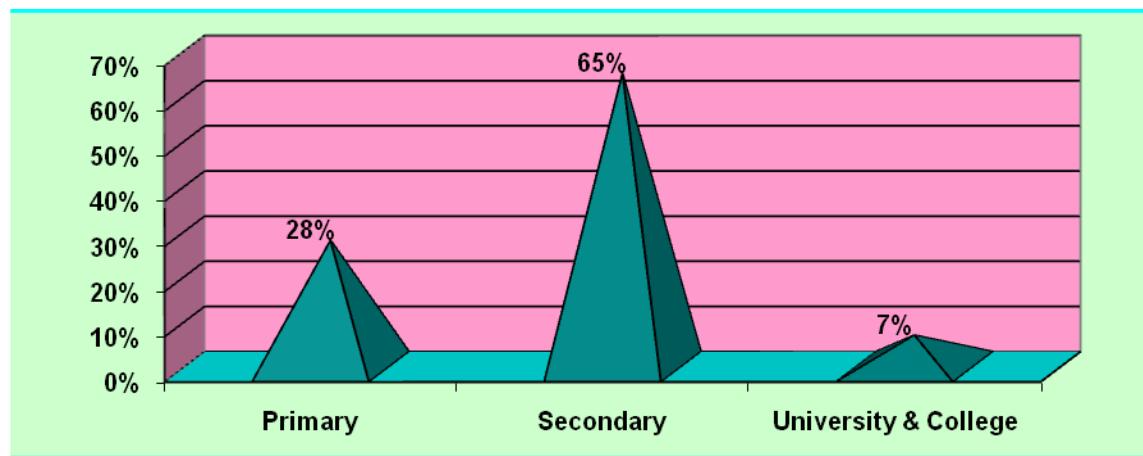
Level of education was regarded as a major factor that may influence the innovativeness of the youth groups. With respect to the respondents' highest level of education, the study findings indicated the following:

Table 13: Highest Level of Education

Highest Level Of Education	Frequency	Percentage (%)
Primary	18	28
Secondary	43	65
University &College	5	7
Totals	66	100

Source: Survey data by the author (2013)

Figure 4: Highest Level of Education



Source: Survey data by the author (2013)

With respect to education, 28% of respondents had primary education, 65% had secondary education while 7% had university and college education. This indicates that majority of respondents had secondary education. Additionally, this finding indicates that many of the respondents who sought out the Fund's assistance are likely to have been unemployed immediately after completion of their secondary education. This motivated them to form groups and venture into business as a way of seeking employment and empowering themselves. Feedback from respondents who had graduated from the university and colleges, and also from the Fund's administrators, indicated that majority of the graduates are in pursuit of white collar jobs as a result of feeling adequately qualified to venture into the job market, as opposed to venturing into business as a source of employment. This explains the low number of university graduates seeking to explore opportunities offered by the YEDF.

5.2.3 Operations of the YEDF in Kenya

i) Length of time engaging with the YEDF

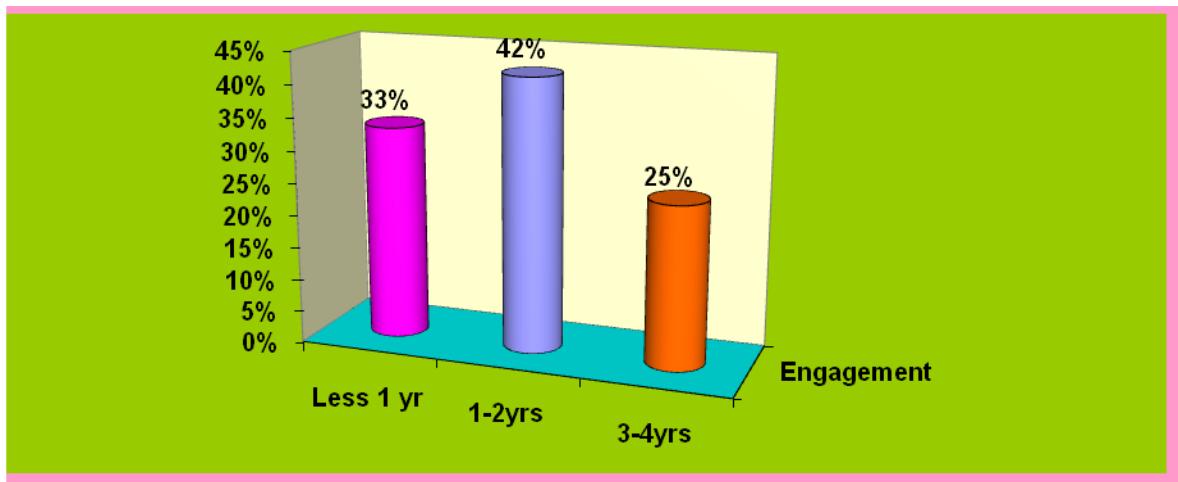
Table 10 gives the length of time the youth groups had been engaged with the YEDF.

Table 14: Length of time engaging with the YEDF

Length of Time	Frequency	Percentage (%)
Less than 1 yr	22	33
1-2 yrs	28	42
3-4 yrs	16	25
5 yrs and above	-	-
Totals	66	100

Source: Survey data by the Author (2013)

Figure 5: Involvement with YEDF



Source: Survey data by the author (2013)

The findings indicate that 33% of respondents specified that their youth groups had been engaged with YEDF for less than 1 year, 42% had been engaged for 1-2 years while 25% had been engaged for 3-4 years. From the findings it can be concluded that most of the groups had been engaged for 1-2 years. This was an indication that most of youth groups who have engaged in entrepreneurship through the support of the YEDF have been in existence for a reasonably short period of time. Some of the group businesses may have collapsed after a short time due to a lack of adequate business management skills among its members, as well as the perceived inadequate amount of funds loaned, which most groups (68%) felt was too limited to enable them expand their businesses and sustain them for long periods. Only 25 % of the youth enterprise had developed the capacity to sustain themselves for a long period (between 3 to 4 years) and also long-term engagement with the Fund.

ii) Source of loan

With regards to the source of loans that the group had acquired from the YEDF all respondents 100% indicated that they received loans from the District committees (Constituency loan). On the type of loan that the group accessed from YEDF all the respondents 100% indicated it was C-Yes *Rausha* loan. This was because C-Yes *Rausha* loan offered the start-up loan to groups of Kshs. 50,000 and the loans would graduate upwards depending on how successful the groups were in repaying their previous loans. Therefore all the respondents had accessed these startup loan facilities when they started engaging with the Fund, however, only 5% of the respondents managed to graduate upwards and access higher amounts. No respondents reported having other sources of loans as they were limited by lack of collateral required by most banks or proof of a steady source of income.

ii) Money loaned by YEDF

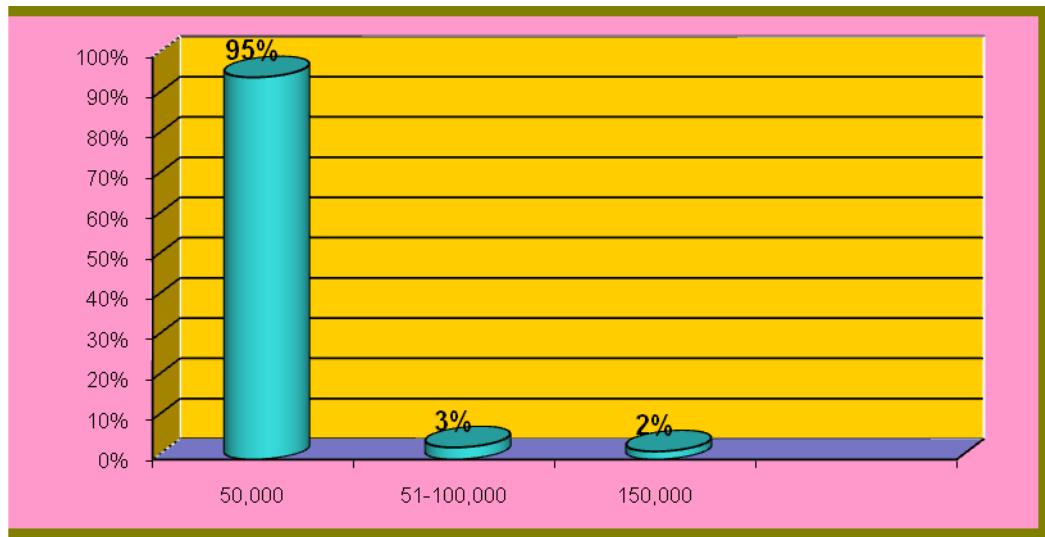
With respect to the amount of money loaned by the YEDF to the youth groups the response was as follows:

Table 15: Money Loaned

Amount Loaned	Frequency	Percentage%
Below 50,0000	-	-
50,000	63	95
51-100000	2	3
100001-150000	1	2
150,001 and above	-	-
Total	66	100

Source: Survey data by the author (2013)

Figure 6: Loan by YEDF



Source: Survey data by the author (2013)

The majority of respondents 95% indicated they had been loaned 50,000 Kenya Shillings by the YEDF, 3% indicated they had been loaned Kenya Shillings 100,000, while 2% indicated the group had been loaned 150,000 Kenyan Shillings. All the respondents 100% felt the loan they were given had in one way or the other helped empower the groups particularly in helping them to start up their businesses and make profits, thus leading to a source of income despite the fact majority of the respondents (68%) felt that the amounts disbursed as loans were inadequate for them to sufficiently develop their businesses in the long term.

5.2.4 Level of Youth Group Involvement in International Trade

i) Customers

On whom the youth groups sold most of their products to the response was as follows:

Table 16: Customers

Customers	Frequency	Percentage (%)
Immediate community	6	9
Middle men	49	74
Fellow Traders	9	14
East African community	2	3
Outside Africa	-	-
Totals	66	100

Source: Survey data by the author (2013)

Results show that 9% of respondents indicated that their products were mainly sold to the immediate community, 74% indicated that their products were sold to middle men while, 14% of the respondents mainly sold to fellow traders. Only 3% of the respondents sold their products around the East African Region. Most youth groups therefore sold the products to middle men who offered ready markets for their goods, as the majority of the youth groups lacked the necessary contacts and information on how they could sell their products in the international markets outside the country. Middle men on the other hand had the advantage of having explored the international markets for various products being developed by the youth groups, and consequently could easily buy their goods at fairly low prices and resell them on the international markets. Ways should therefore be explored to assist the youths to sell directly to the international markets.

ii) Rating of product quality

With regards to how respondents rated the quality of the products made particularly in relation to the international standards¹⁸⁷ the response was as follows:

Table 17: Product Quality

Rating of product quality	Frequency	Percentage (%)
Very High	-	-
High	5	8
Fair	31	47
Low	30	45
Very Low	-	-
Totals	66	100

Source: Survey data by the author (2013)

Only 8% of respondents felt the product quality was high, while 47% felt it was fair. The remaining 45% felt the product quality of their products was low; none of the respondents felt it was very high, and most of the respondents felt the product quality was fair, which was an indication that majority of the products being produced by the youth though in high demand in foreign markets, were quality significantly reduced in their level of competitiveness due to their lower quality level, which reduces their demand in the long run.

¹⁸⁷ According to the Kenya Bureau of Standard website, A standard is a document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context. Standards should be based on the consolidated results of science, technology and experience, and aimed at the promotion of optimum community benefits.

iii) Mode of marketing products

With respect to how they marketed their products respondents indicated the following:

Table 18: Ways of marketing

Marketing products	Frequency	Percentage (%)
Displays	52	78
Phone calls to prospective clients	11	17
Networking	-	-
Use of internet	-	-
Radio	-	-
Newspaper advertisements	-	-
Trade fairs	3	5
Totals	66	100

Source: Survey data by the author (2013)

The response indicates that the majority of respondents (78%) indicated that the groups displayed products in order to attract interested customers; 17% of respondents indicated that they made a phone call to their former customers informing them of new products, while 5% of respondents attended trade fair exhibitions and exhibited their products. The majority of the respondents therefore displayed products to customers as this method had minimal costs. Many of the respondents complained of the high costs involved in marketing their products especially through the mainstream media such as through the radio and newspaper advertisements and hence staying away from them as channels through which they could markets their products. Though the use of mainstream media for marketing would have enhanced the visibility of their goods to the target customers, the high cost was prohibitive.

iv) Perception on the Cost of raw materials

On how they rated the cost of raw materials used, respondents indicated as follows:

Table 19: Cost of Raw material

Cost of Raw materials	Frequency	Percentage (%)
Very Expensive	38	58
Expensive	15	22
Moderate	13	20
Low	-	-
Total	66	100

Source: Survey data by the author (2013)

Many of the respondents (58%) felt the materials they used as inputs in the manufacturing of their products were very expensive, where as 22% felt they were expensive; only 20% felt the cost was moderated. The majority of respondents therefore felt the raw materials they used were expensive and that this was a major challenge for their businesses especially as it prohibited them from producing products that were competitive enough for the international markets. This factor has subsequently limited them to selling in the domestic market where their products garner low prices. Efforts should therefore be made to subsidize some of the materials used by these youth owned enterprises in order to assist them in realizing profitability in their businesses.

v) Youth Groups Involvement in International Trade

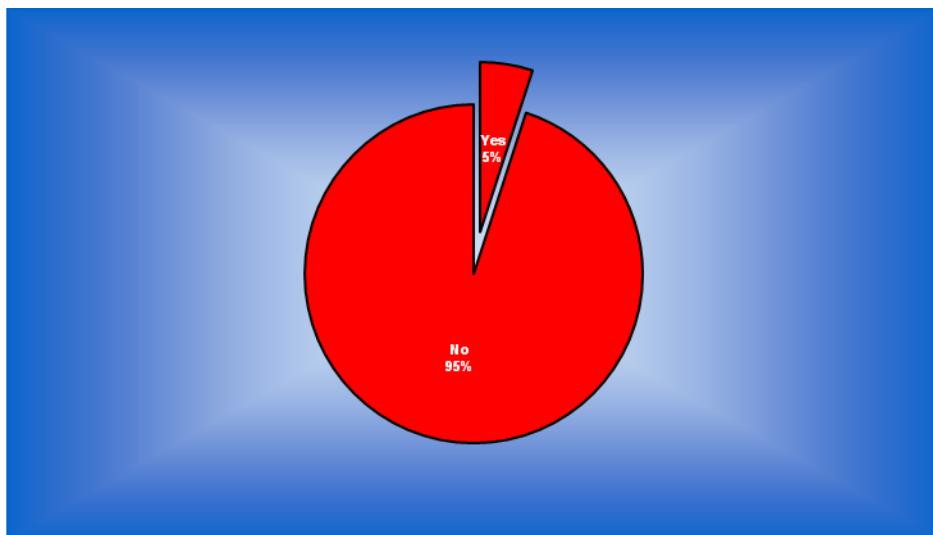
Table 20 presents the involvement of youth groups in International trade:

Table 20: Involvement in Youth groups in International Trade

Involvement	Frequency	Percentage (%)
Yes	3	5
No	63	95
Totals	66	100%

Source: Survey data by the author (2013)

Figure 7: Involvement in international trade



Source: Survey data by the author (2013)

The study findings indicated that 5% of the youth groups had been involved in international trade while 95% had not; the majority of the youth groups were therefore not involved in international trade. Though the YEDF has carried out various initiative to facilitate the marketing of its youth groups' products and services both locally and at the international

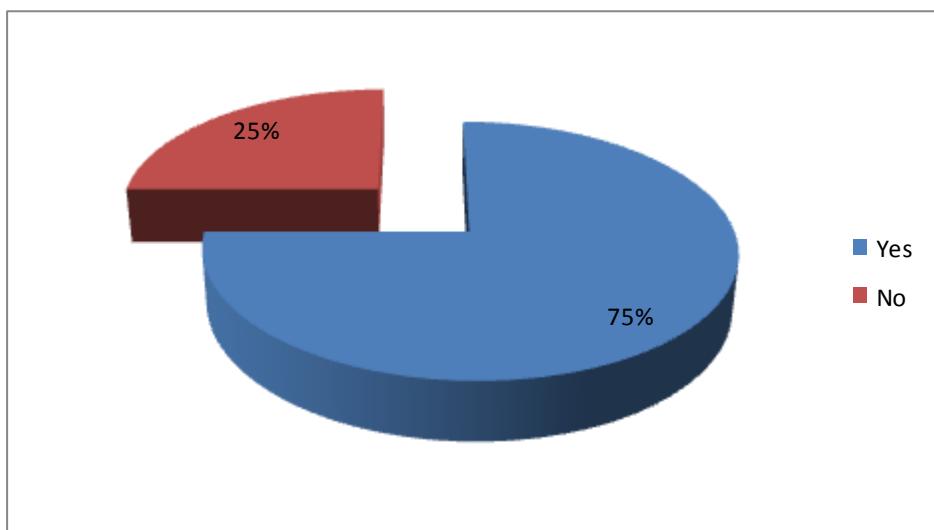
markets (75%) especially through trade fairs, this finding indicates that such efforts have not been successful, particularly with respect to international trade. The majority of the respondents cited various reasons such as low amounts of loans disbursed (68%) to them and the high cost of raw materials (58%) as major challenges that prohibit them from producing goods that are competitive and of the highest quality for the international markets. Another major obstacle was the huge involvement of middlemen (74%) who act as brokers hence preventing respondents' direct access to international markets.

5.2.5 Supportive Services offered by YEDF on the promotion of international trade amongst the Youth Groups

i) Marketing Support by YEDF

With respect to whether the youth groups had received assistance from the YEDF to market their products both locally and internationally the response was as follows:

Figure 8: Support in marketing



Source: Survey data by the author (2013)

The study findings indicated that 75% of respondents had been assisted by the YEDF in marketing their products locally and abroad while 25% indicated they had not been assisted. This therefore indicates that the majority of respondents felt they had been assisted. However, from the findings on youth groups' participation in international trade demonstrate that this assistance has not been effective as only 5% of the respondents had managed to participate in international trade. This is explained by the fact that most of the assistance was for local marketing of their goods and services as opposed to international markets.

With regard to whether any member of the youth groups had been facilitated by the YEDF to secure employment abroad all the respondents 100% indicated that they had not been facilitated. The Fund in their *Status Report 2007 – 2012*, The Fund cited the lack of legal framework to guide the operation of the youth labour migration as one of the major hindrances in the processes of assisting youth to seek employment abroad. However, in 2012, Cabinet approved a legal framework entitled *Youth Employment Scheme Abroad* to remedy this challenge.¹⁸⁸

ii) Achievements of youth groups due to assistance by YEDF

With respect to major achievement of the groups due to the assistance of the YEDF respondents indicated that the training they had received has enabled them to manage their businesses better; respondents also indicated an improvement in profitability and business management skills. All the respondents 100% felt that the loan they had received had in one way or another helped to empower the groups, particularly by helping them to start up their businesses and earn profits. Thus respondents were able

¹⁸⁸ Youth Enterprise Development Fund, "Status Report 2007 - 2012", Nairobi, 2012. P. 20.

to obtain a source of income despite the fact a majority of the respondents (68%) felt the amounts disbursed as loans were inadequate for them to sufficiently develop their businesses in the long term. There was also improvement in networking.

iii) Type of service

With regards to the type of service, respondents felt the YEDF was most adept in enabling them to market their products internationally, and should emphasize on this. Specifically, the response was as follows:

Table 21: Services

Type of service	Frequency	Percentage (%)
Trade Exhibitions	18	27
Training	20	30
Linkage with international businesses	25	38
Provision of market stalls	3	5
Total	66	100

Source: Survey data by the author (2013)

The findings indicate that 27% of respondents felt that if sponsored to attend trade exhibitions by the YEDF, they would gain more knowledge of the expectations of the international trade. 30% of respondents felt if offered training related to international trade they would be able to participate effectively. 38% of respondents indicated that they needed to be provided linkages with other international firms, and 5% of the respondents felt that they needed to have market stalls. The majority of respondents therefore felt that linkage with other international businesses were essential in order to participate in international trade. This finding will be important especially in

helping to improve the quality of products and services offered by the youth groups', and also help them leverage on the international market networks that both local and foreign large businesses have already established.

5.2.6 Challenges inhibiting YEDF-supported Youth Ventures from Accessing International Markets.

i) Challenges in penetrating international markets

With respect to challenges encountered by the youth group in penetrating the international market the response was as follows:

Key 1- Strongly Disagree, 2 Disagree 3 Not sure 4 Agree 5. Strongly Agree

Table 22: Challenges

Challenge	1	2	3	4	5
Middlemen			17(25%)	45(68%)	4(7%)
Limited amount of loans	-	-	-	58 (88%)	8(12%)
Low quality of goods produced	-	4(7%)	17(25%)	42 (63%)	3 (5%)
Cost of Raw materials	-	-	10(15%)	35(53%)	21 (32%)
Mode of marketing	-	-	3(5%)	55 (83%)	8(12%)
Lack of information		-	-	38 (58%)	28 (42%)

Source: Survey data by the author (2013)

The study findings indicate that 68% of respondents felt middle men were a major challenge for them in accessing international markets. Respondents also felt that the amount of loan given was inhibiting i.e. it was not enough, as 88% of respondents agreed that the limited amounts of loans disbursed to them was a challenge. Low quality of goods produces was felt to be an obstacle by 63% of respondents, while

53% of respondents agreed that the high cost of raw materials was a hindrance. Inaccessible modes of marketing their products and services due to high cost was a concern of 83% of respondents, whereas 58% of respondents agreed that there was lack of information in the trying to acquire knowledge on international markets. Other challenges indicated by respondents involved the loans taking too long to be cleared after approval thus making it difficult for groups to plan ahead and facilitating corruption.

5.2.7 Suggestions for improvement

With respect to what the respondents felt should be done to improve the performance of youth groups and enable them to participate in international markets, respondents indicated that there was need to increase the amount of loans to groups and decrease the processing time. Respondents felt they should be trained in record keeping and that more exposure should be provided through pamphlets and awareness creation on the expectations of the international market. The interest rate on the loans should be reduced and transparency and awareness of the YEDF should be reinforced.

5.3 Summary

The study findings clearly indicate that the Youth Enterprise Development Fund has played a definitive role in empowering the youth and helping them start and improve their businesses. However the respondents felt that the amount of money they have received has not enabled many of the youth groups to expand their businesses and venture in the international market. Concerns were also raised in relation to the limitation on the ways through which the groups are assisted in venturing into foreign marketing. Currently, assistance mostly comes in form of trade fairs, which has

created room for the emergence of middle-men who take advantage by offering ready markets at a lower price locally, and then proceeding to resell the youth groups' products at a higher price in the international markets abroad.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The Study evaluated the effects of the Youth Enterprise Development Fund on the promotion of international trade in Kenya. An analysis on the findings in relation to the research questions, conclusion, recommendations and further studies on this topic are highlighted in this chapter.

6.2 Summary of Research Findings

6.2.1 Operations of the YEDF in Kenya

The study findings indicate that most of the youth groups had been engaged for 1-2 years with the YEDF. The type of loan acquired from the YEDF was from the District Committees (Constituency loan). All respondents 100% indicated that the type of loan that the group accessed from YEDF was C-Yes Rausha loan. Most of the respondents 95% indicated they had been loaned 50,000 Kenya Shillings, 3% indicated 100,000 Kenya shillings, while 2% indicated that their groups had been loaned 150,000 Kenyan Shillings. All the respondents 100% felt that the loan they had received helped to empower the group, particularly with regards to starting their businesses, expansion and provision of a source of income from the profits made. This finding therefore indicates that the YEDF has been at the forefront in offering affordable loans to youth groups to start up and expand their business ventures.

6.2.2 Level of youth groups involvement in international trade

With respect to the level of youth group participation in international trade it was noted that most of the respondents (73%) sold their products to middle-men. In relation to international markets, most of the respondents (47%) felt the quality of their products was fair while 45%

felt the product quality of their products were low. None of the respondents however, felt the quality of their products was very high. With regards to how they marketed their products, a majority of respondents (78%) indicated that they displayed products for interested customers to buy as it was the cheapest way to do it due to the high cost of media advertisement. Most of the respondents (58%) felt the raw materials used in the making of their products were very expensive hence prohibiting them from making products that are competitive enough in foreign markets. Regarding whether the youth groups had been involved in International trade only 7% of the youth groups had been involved in international trade while 93% had not. The majority of the youth groups were therefore not involved in international trade. Majority of the respondents cited various reasons for their low involvement, such as the low amounts of loans disbursed (68%) to them and the high cost of raw materials (58%) as major challenges that prohibit them from producing goods that are competitive and of highest quality for the international markets. Another major obstacle was the excessively high involvement of middlemen (74%) who act as brokers, hence preventing respondents' direct access to international markets.

6.2.3 Supportive services offered by YEDF on the promotion of international trade amongst the youth groups.

Respondents indicated that youth groups had received assistance from the YEDF to market their services both locally and internationally. Study findings indicated that 75% of respondents had been assisted towards marketing their products locally and abroad while 25% indicated they had not been assisted. However no member of the youth groups had been facilitated by the YEDF to secure employment abroad. Some of the achievements the youth

groups indicated that they had accomplished due to the assistance of YEDF were training and improvement in profitability and business management skills. There was also a marked improvement in networking. However respondents felt their participation in international trade would improve if they were offered linkage opportunities with other large international firms, including increased participation in trade exhibitions. More training on the expectations of the international trade market is also required.

6.2.4 Challenges that impedes inhibited YEDF-supported ventures from accessing international markets.

Respondents identified the major challenges inhibiting youth ventures supported by the YEDF from accessing international markets. The study findings indicate that 68% of respondents felt that middle-men were a major challenge for them in accessing international markets; 88% of respondents agreed that the limited amounts of loans disbursed to them were a challenge. Additionally, low quality of goods produced was felt to be an obstacle by 63% of respondents, while 53% of respondents agreed that the high cost of raw materials was a hindrance. Inaccessible modes of marketing their products and services due to high cost was also of concern to 83% of respondents, whereas 58% of respondents agreed that there was a lot of secrecy involved in the trying to acquire knowledge on international markets.

6.3 Conclusion

Based on the Study's findings, it can be concluded that the loan facilities offered by the Youth Enterprise Development Fund particularly the C-Yes *Rausha* loan have assisted youth groups particularly in starting their businesses, growth and provision of a source of income from the profits made. However, the findings also brings to light the serious challenges that have stood in the way of the YEDF in fulfilling one of its objectives; promoting international

trade through the activities of the benefiting youth groups; only 5% of the respondents being involved in international trade.

Embedded to this challenge are concerns raised on the low amounts of loans disbursed offered despite the high inflation rate countrywide, which makes taking part in business difficult due to the high cost of raw materials. Thus, youth groups are unable to produce goods that are competitive enough to attract good prices in foreign markets. In addition, the initiatives currently being offered by the Fund intended to facilitate groups to market their goods and services abroad such as use of trade fairs, have not been adequate since access to these markets has been very limited. As a result, youth groups have been left to the mercy of middle-men who provide these vulnerable youth groups with ready markets.

The Study's findings also indicate that the focus of the YEDF seems to be concentrated mainly on the local market. There is therefore a need to come up with modalities of exposing the youth groups to the international market more, while also offering them more information on the availability and expectations of these foreign markets abroad.

The main challenge faced while undertaking this Study was the unavailability of relevant secondary data especially on previous involvement and contribution of the Kenyan youth in international trade. Even in instances where data was obtained, it was not presented in forms required by the Study but contained many generalities. A Substantial amount of time was, as a result, spent on re-organizing the available data to conform to the study area. There was also a variation of data depending on the source. Taking into account this limitation, every effort was made to select the most credible sources of information for this study.

6.4 Recommendations

While the introduction of the Youth Enterprise Development Fund has been a key achievement in the provision of credit facilities to youth groups, enabling them to start up business and engage in income generating activities, the Government should consider cost effective modalities of increasing not only the supply but also the amounts of credits offered in order to increase the prospects of long-term expansion of these businesses especially those interested in venturing in international trade, as significant amounts of funds are required in the forms of capital. The District Committees should also review the amount of loan offered (particularly with consideration to type of business each group is venturing into) by ascertaining the amount of investment required, as well as the inflation rate, especially with regards to the costs of raw materials.

The introduction of The Uwezo Fund is a welcome contribution to increasing the supply of credit facilities to youth and women; however, a thorough analysis should be done to avoid duplication of activities and the challenges currently being faced by the Youth Enterprise Development Fund.

As part of the training offered to the members of the youth owned enterprises, the YEDF seek to help the groups to network and consult specialists in their particular field with an emphasis on international trade. Network arrangements especially with exporting firms are important in promoting exports through the creation of different kinds of contacts and relationships between businesses that result in knowledge development and joint activity. The Fund should link up with the Export Promotion Council of Kenya, a government trade promotion agency, which has legitimacy and could significantly contribute to capacity

building in international trade, provision of targeted market intelligence information and identification of trade opportunities using new technologies.¹⁸⁹ Youth groups should further devise an effective strategy for marketing their products on the international market especially through the use of the internet as it has a global reach due to its viral nature.

The Fund should also liaise with the Government to increase its competitiveness in key export products being manufactured by the youth groups such as wood carvings, ornaments, beauty products among others by exploring ways to reduce the relative cost of production, such as subsidizing the raw materials used. Increasing export earnings through intensive marketing abroad of products and services through tourism, offering high quality products by processing before exporting, and better packaging, among others strategies should be made a priority.

There is also need for proper coordination within government in order to enhance international trade promotion especially amongst youth. This follows the fact that there are numerous different organs that are responsible for this task, and they are disjointed due to belonging in separate bodies and ministries. For instance, The YEDF is under the ministry of Devolution and National Planning, issues of trade fall under the Ministry of East African Affairs, Commerce and Tourism, while negotiations of trade treaties fall under the Ministry of Foreign Affair. Therefore, there is need of an inter-ministerial task for bringing all the stakeholders together in order to bolster the effectiveness of YEDF in promotion of the country's international trade.

¹⁸⁹ Rahab Ng'ang'a, An analysis of the operations of export trade Promotion Organizations in Kenya, University of Nairobi, MBA Thesis, 2006. <http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/21547>.

From a policy perspective, the YEDF together with the relevant line ministries should work towards ensuring that the requisite legal frameworks such as the Youth Employment Scheme Abroad and the *The National Youth Enterprise Development Authority Bill, 2012* are enacted into law so as to fully operationalize some of the Fund's efforts to promote international engagement in addition to fulfilling its mandate. Moreover, the YEDF should be proactive in formulating ways to address some of these challenges including approaching donors for technical assistance, training and funding, in addition to developing strategic plans to steer their operations and forming joint collaborations with other export trade promotion organizations in order to have a greater impact on Kenya's international trade and to boost economic growth in Kenya.¹⁹⁰

¹⁹⁰ Ibid.

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APPENDIX I: QUESTIONNAIRE

Dear Respondent,

I am a student of the University of Nairobi, Kenya. I am carrying out a research on the **Effect of the Youth Enterprise Development Fund on the Promotion of Kenya's International Trade**. This research is academic, carried out in partial fulfillment of the requirements for the award of Master of Arts Degree in International Studies. I request you to provide the relevant information that would help make this research successful. Confidentiality and/ or complete anonymity would strictly be observed if requested by the informant(s). Thank you in anticipation.

RESPONDENTS IDENTIFICATION

1. Indicate the type of business that you are involved in:

- Wood carving ()
- Curios ()
- Ceramics ()
- Basket weaving ()
- Ornament making ()

Any other Specify.

.....
.....
.....
.....

2. When was your group formed?

Year	<i>Tick where appropriate</i>
Before 2006	
2006-2008	
2009-2010	
2011-2012	
2013	
Total	

3. How many members does your group have?

Group Members	<i>Tick where appropriate</i>
0-10	
11-20	
21-30	
31-40	
41-50	
51 and above	

4. Indicate the highest percentage by gender in your groups

Male () Female ()

5. Indicate one age group that the largest percentage of the group members belong to

18-20 () 21-23 () 24-26 () 27-29 () 30-32() 33-35() 36 and above ()

6. State the highest level of education that most of the group members have attained

- Primary ()
- Secondary ()
- College ()
- University ()

7. How long has your youth group been engaged with the YEDF since its inception?

Less than 1 yr () 1-2 yrs () 3-4 yrs () 5 yrs and above ()

8. What is the source of loans that the group has acquired from the YEDF?

- District committees (Constituency Loans) ()
- Financial Intermediaries ()

9. What type of loan did your group access from YEDF?

- a) C-Yes Rausha Loan ()
- b) C- Yes Inua Loan ()
- c) C- Yes Special Loan ()
- d) Easy- Yes Loan ()
- e) Agri-Vijana Loan ()
- f) Incubator Loan ()
- g) Direct Lending ()
- h) Any other specify
.....
.....
.....

10. How much money has your group been loaned by YEDF?

- Below 50,0000 ()
- 50,00051-100,000 ()
- 100,001-150,000 ()
- 150,001 and above ()

11. Who are your most frequent customers?

- The Immediate community ()
- Middle men ()
- Fellow Traders ()
- Customers within the East African community ()
- Customers Outside Africa ()

12. How would you rate the quality of the products made by your group particularly in relation to the international standards?

- Very High quality ()
- High ()
- Fair ()
- Low ()
- Very Low ()

13. What major channel of communication do you use to market your products?

- Product displays ()
- Phone calls to prospective customers ()
- Networking ()
- Use of internet ()
- Radio ()
- Newspaper advertisements ()
- Trade fairs ()

14. How would you rate the cost of raw materials used in making your products?

- Very Expensive ()
- Expensive ()
- Moderate ()
- Low ()

15. Has your group been involved in International trade? Yes () No ()

16. Has your groups received any assistance from YEDF to market their products both locally and internationally? Yes (), No ()

17 Have any members of your group been facilitated by YEDF to secure employment abroad? Yes (), No ()

18. Indicate one major achievement of the group due to the assistance of YEDF

.....

19. Indicate one type of service that YEDF should emphasize and is appropriate in enabling the group to market their products internationally

- Trade exhibitions ()
- Training ()
- Linkage with international businesses ()
- Provision of market stalls ()

Any other specify.....

20 To what extent have the following activities been a challenge facing your groups activities in relation to YEDF?

Key 1- Strongly Disagree, 2 Disagree 3 Not sure 4 Agree 5. Strongly Agree

Challenge	1	2	3	4	5
Limited amount of money loaned					
Long procedures in accessing loans					
Lack of well defined structure of operation					
Political interference					
Limited exposure on loan disbursement					
Lack of information					

21. Give suggestions on ways of improving the performance of youth groups and enabling them to participate in international markets

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.....

.....

APPENDIX II: INTERVIEW GUIDE

Dear Respondent,

I am a student of the University of Nairobi, Kenya. I am carrying out a research on the **Effect of the Youth Enterprise Development Fund on the Promotion of Kenya's International Trade.** This research is academic, carried out in partial fulfillment of the requirements for the award of Master of Arts Degree in International Studies. I request you to provide the relevant information that would help make this research successful. Confidentiality and/ or complete anonymity would strictly be observed if requested by the informant(s). Thank you in anticipation.

PART A: PERSONAL INFORMATION (OPTIONAL)

Name:.....

Age

Sex :

Date of interview:

Job Title:

PART B

1. What are the Funds Achievements in relation to fulfilling the following objectives, and how did you go about it?
 - Provide funding and business development services to youth owned or youth focused enterprises;
 - Provide incentives to commercial banks through appropriate risk mitigation instruments to enable them increase lending and financial services to youth enterprises;
 - Provide loans to existing micro-finance institutions, registered non-governmental organizations involved in micro financing, and savings and credit co-operative organizations for on-lending to youth enterprises;
 - Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure;(such as business or industrial parks, stalls, markets or business incubators);
 - Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises;
 - Facilitate marketing of products and services of youth owned enterprises in both domestic and international markets;
 - Facilitate employment of youth in the international labour market;

2. How has the YEDF impacted on the Kenyan youth groups?
3. How has the YEDF assisted in the marketing of youth groups' product and services to both the local and the international markets?
4. What are the challenges faced by the YEDF in its operations?
5. How many youth groups supported by the YEDF engage in International Trade?
6. Has the YEDF facilitated Kenyan youths to secure employment opportunities abroad? If So, How many?
7. What challenges have been reported by the groups and how have they been addressed?
8. What recommendation would you make to help YEDF in achieving its objectives?
9. As pertains to this topic, is there anything else you would like to add?