



Fund Status Report

AS AT 31st MARCH 2009



2009

**FUND STATUS REPORT AS AT
31ST MARCH 2009**



YOUTH ENTERPRISE DEVELOPMENT FUND BOARD

3/31/2009

PURPOSE:

To create employment for the youth of Kenya

OUR VISION:

A sustainable and growing fund, economically empowering Kenyan Youth

OUR MISSION:

To increase economic opportunities for, and participation by, Kenyan youth through enterprise development and strategic partnerships.

OUR VALUES:

- Integrity and accountability
- Creativity and innovation
 - Equity and fairness
 - Professionalism
 - Collaboration
 - Patriotism

1.0 BACKGROUND AND INTRODUCTION

1.1 Background

The Youth Enterprise Development Fund came legally into operation on 8th December 2006 through Legal Notice No. 167. It was transformed into a State Corporation on 11th May 2007 through Legal Notice No. 63.

The Fund focuses on enterprise development as a key strategy that will increase economic opportunities for, and participation by Kenyan youth in nation building. The mandate of the Fund is not only increasing access to capital by young entrepreneurs but also provides business development services, facilitates linkages in supply chains, creates market opportunities locally and abroad for products and services of youth enterprises, and facilitates creation of commercial infrastructure to support growth of youth businesses.

In realization of the fact that not all young people are interested in entrepreneurship, the Fund's mandate includes facilitating employment of semi-skilled/skilled young people in external labour markets. This mandate entails but not limited to job search abroad, facilitating travel documentation, and financing cost of relocation.

The government has so far released Ksh. 1.75 billion to the fund with a further commitment of Ksh. 500 million in the financial year 2008/09. The total funds disbursement to youth enterprises stood at Ksh. 1.9 billion as at 31st March, 2009.

1.2 Board of the Fund

The board comprises 8 members drawn from both the public and the private sector. Seventy five percent (75%) of the Board are young professionals from the private sector with diverse backgrounds in key mandate areas of the Fund. These members are appointed by the Minister for Youth Affairs and will hold office for a period of 3 years with eligibility for re-appointment for one term. The Chief Executive Officer of the Fund is the Secretary to the Board. The Board is vested with the responsibility for the overall management of the Fund's functions.

1.3 Objectives of the Fund

The Fund's objectives are as follows:

- Provide loans to existing micro-finance institutions (MFIs), registered non-governmental organisations (NGOs) involved in micro financing, and savings and credit co-operative organisations (SACCOs) 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, markets or business incubators that will be beneficial to youth enterprises
- Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises
- Facilitate marketing of products and services of youth enterprises both in the domestic and the international markets
- Facilitate employment of youth in the international labour market

1.4 Funding Mechanisms

The on-lending component of the Fund mainly works through Financial Intermediaries such as banks, Non Governmental Organizations (NGOs), Savings and Credit Cooperatives (SACCOs), and Micro Finance Institutions (MFIs), from which the Youth access funds to start or expand viable businesses. The Financial Intermediaries manage funds allocated to the district from which the youth will access funds directly either as individuals or as organized entities. The Fund has so far entered into partnership arrangements with 33 financial intermediaries.

A second component is the Constituency Youth Enterprise Scheme (C-YES) that is meant for funding enterprises of youth groups in all constituencies. The Divisional Youth Enterprise Development Fund Committee (Divisional YEDFC) has been formed to effectively identify, and recommend viable youth group enterprises for loans. The (C-YES) which has an allocation of Kenya shillings two million per constituency will only target viable enterprises of youth groups within the constituency.

3.0 PROGRESS MADE

The Board has made tremendous progress in implementation of its mandate. The key implementation focus of the Fund has been financing of youth entrepreneurs through Financial Intermediaries and the Constituency-based disbursement mechanism.

The Fund has also made progress in the implementation of other objectives including capacity building of youths, facilitating employment abroad among others. The key achievements made since inception is outlined below:

3.1 Disbursement Summary to youth enterprises through Financial Intermediaries:

The Fund has disbursed about Ksh. 1.53 billion to finance 57,075 youth enterprises through the Financial Intermediaries as at 31st March, 2009. The following is the summary of disbursement to youth enterprises through Financial Intermediaries based on provinces and gender:

PROVINCE	FEMALE	AMOUNT	MALE	AMOUNT	TOTAL F&M	TOTAL AMOUNT
Central	5,629	141,224,750	6,016	197,161,894	11,645	338,386,644
Coast	4,241	87,711,863	1,475	50,520,781	5,716	138,232,644
Eastern	6,000	116,226,397	5,561	163,027,957	11,561	279,254,354
Nairobi	2,437	98,817,535	3,032	137,826,321	5,469	236,643,856
North Eastern	186	6,767,472	465	18,387,477	651	25,154,949
Nyanza	3,434	74,109,791	2,141	57,145,798	5,575	131,255,589
Rift Valley	8,791	149,875,266	3,985	148,057,313	12,776	297,932,579
Western	2,376	47,110,645	1,306	39,776,436	3,682	86,887,081
GRAND TOTAL	33,094	721,843,719	23,981	811,903,977	57,075	1,533,747,696

The Fund has successfully used the existing structure of the financial intermediaries in reaching out to thousands of youth across the country. The partnership with the Financial Intermediaries has been transformed into leverage financing in which financial resources are matched to cater for the increasing demand for loans among the young people.

The Fund is aware of the fact that areas with poor financial infrastructure have registered low uptake of the funds. The following strategies have been applied to improve the situation:

- more entrepreneurship trainings for youth have been conducted in most of the affected areas
- partnerships with locally based institutions that have micro finance experience are being worked out
- key development actors in within the affected areas have been engaged with a view to exploring alternative disbursement channels
- A new loan product has been developed to substantially increase funding to constituencies to enable more youth to access credit individually. However, the

repayment performance of the group-based loans (C-YES) is critical in the roll out of the new product.

- Continuous review of the funds uptake performance with a view to crafting new strategies to cope with any emerging challenges.

It is worth noting that the establishment of the Fund has triggered increased interest within the financial sector to lend to youth who had previously been ignored due to the perceived high risk. The record loan repayment rate of 98% by youth borrowers accessing funds through Financial Intermediaries is the key reason for this heightened interest.

3.2 Disbursement summary to youth enterprises through Constituency Youth Enterprise Scheme (C-YES):

This constituency-based disbursement channel (C-YES) was purposely designed to inculcate entrepreneurial culture among the youth in all parts of the country. This channel mostly targeted very poor youths and those with no experience in dealing with the mainstream financial sector especially commercial banks.

The Fund has through this disbursement channel been able to reach young people in all areas of the country including those with poor financial infrastructure. The C-YES is a revolving fund whose allocation is Ksh. 2 million per constituency. Further disbursement to the constituency is dependent on repayment performance once the allocation is fully taken up.

Constituencies which have not exhausted their allocation will receive funding upon submission of applications for the outstanding balance. However, the Fund plans to **phase out** the C-YES by end of June 2009 and replace it with the individual-focused loan product.

The Fund has disbursed over Ksh. 370 million to 8430 youth groups as summarized in the table below:

PROVINCE	NO. OF GROUPS	AMOUNT DISBURSED
Nairobi	331	14,398,999.50
Central	1068	47,532,796.00
Coast	802	36,844,327.00
Eastern	1470	66,228,647.00
North Eastern	450	18,945,000.00
Nyanza	1284	58,072,909.40
Rift Valley	1981	85,257,529.00
Western	1094	42,746,865.00
Total	8480	370,027,072.90

The following constituencies are top best performers in loan repayment nationally:

Ranking	Constituency	Amount disbursed	Expected Repayment	Amount Repaid
1	Igembe South	2,000,000	1,775,000	1,175,268
2	Nithii	1,795,000	1,397,500	920,356
3	Igembe North	1,990,000	1,740,000	1,062,546
4	Keiyo North	1,940,000	1,431,666	824,287
5	Masinga	1,386,364	1,144,697	647,854
6	Tigania West	1,623,882	1,028,048	577,096
7	Yatta	1,650,000	1,320,833	736,093
8	Keiyo South	1,730,000	1,355,000	752,475
9	Tigania East	2,000,000	1,083,333	582,656
10	Tharaka	2,000,000	1,475,000	758,682
11	Mwingi North	2,000,000	1,583,333	793,737
12	Tigania East	2,000,000	1,166,666	582,656
13.	Kandara	1,970,000	1,506,666	748,778
14.	Gichugu	1,831,400	1,298,066	643,680
15	Ndia	1,885,000	1,285,000	612,060
16	Mathira	1,885,000	1,285,000	612,060
17.	Sotik	2,000,000	1,354,583	616,157
18.	Maragua	2,000,000	1,526,666	679,522
19.	Kilgoris	2,000,000	1,000,000	443,736
20.	Kitui South	1,926,250	1,472,083	648,691

The following are top best performing constituencies based on provinces:

Province	Constituency	Amount disbursed	Expected Repayment	Amount Repaid
Eastern	Igembe South	2,000,000	1,775,000	1,175,268
Rift Valley	Keiyo North	1,940,000	1,431,666	824,287
Central	Kandara	1,970,000	1,401,250	714,857
North Eastern	Wajir West	2,000,000	1,655,833	585,757
Coast	Lamu West	1,750,000	1,300,000	569,297
Nyanza	Kisumu Town West	1,999,850	1,249,850	502,996
Nairobi	Starehe	1,893,500	1,284,791	446,746
Western	Malava	1,940,000	1,089,999	407,654

Loan repayment rate under the Constituency (CYES) component has been quite low in some Constituencies. The Fund has instituted some of the following measures to ensure improved loan recovery:

- Launched a recovery campaign across the country targeting specific constituencies. The beneficiary youth groups and local leaders especially youth, provincial administration, and Members of Parliament are deliberate targets of this campaign.
- Followed up some individual youth groups whose repayments are outstanding
- Increased loan repayment avenues in order to bring services closer to the youth entrepreneurs. Such avenues include M-PESA and Postay services. These are already operational and are intended to be of service especially in areas poorly represented by the mainstream banks.
- Instituted necessary social mechanisms against loan defaulters
- Strictly pegged future constituency allocation to loan recovery performance

3.3 Development of new products

The Fund develops financial products based on the identified needs of the youth. In many cases, existing products are tailored to suit the needs of the youth entrepreneurs. The following are the key products developed to suit the needs of the youth:

Easy Youth Enterprise Scheme (Easy YES):

This is constituency-based loan product that targets individuals within the constituency. The product will initially target individuals within youth groups that have successfully repaid their loans accessed through the C-YES.

Unlike the C-YES, beneficiaries of this product must receive pre-financing training and the loan is insured. A one-off management fee of 8% is charge on borrowing. No interest is charged against this loan product. The youth applicant can access a loan ranging from Ksh. 25,000 to Ksh. 100,000 without any security.

The national launch of Easy YES will be done at Igembe South constituency which has the best repayment record in the country. There will also be provincial launches of the product in each of the best constituencies in loan repayment. This product will initially be rolled out in twenty seven (27) constituencies across the country.

Bid/performance bonds:

Many youth entrepreneurs fail to access to government procurement due to lack basic financial instruments such as bid and performance bonds. In realization of this difficulty, the Fund partnered with the Family Bank to avail these financial products to youth enterprises wishing to tender for government contracts or any supplies requiring these instruments.

3.4 Establishment of Venture Capital Fund

The Fund has established the fact that a considerable number of youth have business ideas that do not find a suitable home within the existing funding mechanisms. It is in recognition of this that the Fund has been in negotiation with Enablis Entrepreneurial Network, a Canadian firm, for the last two (2) years to set up Ksh. 600 million venture capital fund in which the Canadian government will contribute Ksh. 300 million over the next four (4) years. The partnership was signed on 20th March 2009 and the following benefits will accrue to the Kenyan youth:

- Youth with brilliant business ideas can access up to Ksh. 8 million in financing.
- By joining the entrepreneurial network, the youth will have unlimited business support from the network`s professionals, and fellow members .It provides a unique networking opportunity for the members.

- Training and mentorship: members will be taken through entrepreneurship training by Enablis, covering all areas of business development. This will augment current capacity building efforts by the YEDFB and result in cost savings. Members of the network will have continuous mentorship opportunities from older successful entrepreneurs.
- The partnership, which is leverage based, will unlock at least Ksh.600 million in financing to the Kenyan youth, in addition to huge investment in training and capacity development for the SME's financed estimated at Ksh. 400 million. It is worth noting that the loans to the youth may not necessarily be tangibly secured. The youth entrepreneur can access loan up to Ksh. 8 million over a period of time.
- Business incubation: Through the Business Plan Competition, the Enablis model will identify and nurture budding entrepreneurs, and support them into big enterprises through the network.
- This partnership will attract other partners who will participate in the empowerment of the youth in the key mandate areas of the Fund.

The Board believes that this partnership will be the launching ground for future youth enterprises that will become national and even global brands.

3.5 Increased capital available to youth borrowers through leverage financing – Ksh. 2.4 billion

The Board has been well aware, since the inception of the Fund, that the funds allocated to it by the government are insufficient to cater for the existing demands for the loans among young people and the capacity building services required to empower youth entrepreneurs. This situation calls for innovative approaches to cope with the dynamic and increasing needs of the youth.

The leverage financing partnership that was negotiated with key financial intermediaries has made available to young entrepreneurs over **Ksh. 2.4 billion** for borrowing to start and expand their businesses. This partnership was officially launched by His Excellency the President on 10th December 2008. Further, the mainstream financial institutions have identified youth sector as one of the emerging strategic pillars of their business growth. Hence, the youth will continue to be the key focal area of the financial institutions even without the existence of the Youth Fund.

This partnership has also provided young Muslim entrepreneurs with the increased opportunity to access sharia-compliant loan products and services. This is in addition to the existing constituency loan products that are purely interest-free.

3.6 Development of 3-year Strategic Plan

The Fund's Board has developed its three year Strategic Plan. The strategic plan was launched by His Excellency the President on 10th December 2008 at State House, Nairobi. The Plan was developed through intensive and comprehensive stakeholder consultations and will define the aspirations and objectives of the Fund over three (3) years beginning July 2008.

3.7 Entrepreneurship/Business Development Services

The provision of continuous and relevant business development services to youth entrepreneurs is key to the success of enterprise development initiatives in creating long term employment. The provision of entrepreneurship training to sensitize and inculcate entrepreneurial culture among the young people is crucial to identifying emerging business talents.

The Fund has through itself and other partners managed to achieve the following in this critical area:

- Trained over 120,000 youth on entrepreneurship. Most the beneficiaries of these trainings have managed to access financing through the financial intermediaries and the constituency component.
- Over 400 Ministry of Youth Affairs officers have undergone entrepreneurship training course to enable them equip young people at the grassroots with relevant skills.
- Built the capacity of selected youth officers to act as Enterprise Development Agents to facilitate localized approach to the business development services. More officers and selected youths will be trained to expand the target reach of the program.
- **Youth Based SACCOs** – In the process of developing the capacity of Youth Groups in Financing their business interventions through credit and inculcating the culture of consistent saving among them, the Fund is in the process of identifying combined groups that would effectively run SACCOs thereafter replicating the concept to other youth groups
- In 2007 the Fund supported a business plan competition in which over 6,000 youth entrepreneurs were trained and winners rewarded. This year the Fund has partnered with Enablis and other partners to run another business plan competition which is currently ongoing. The other partners include Ministry of Youth Affairs and Sports, Safaricom Foundation, Microsoft, HP, Trafford Trading and Nation Media Group. The fund will award, among others, the overall winner.

3.8 Partnership development

The growth and sustainability of the Fund is dependent the number and quality of partnership identified and developed to leverage its interventions to optimize benefits to the youth of Kenya. Some of the partners identified and being engaged in implementing the Fund's mandate are:

- **Financial Intermediaries:** the leverage partnership entered into with the financial services providers such as Equity Bank, Kenya Commercial Bank, Family Bank, and First Community Bank among others provides the platform on which young people will continue to access credit to start and expand their businesses
- **Netherlands Development Organisation (SNV):** working with the Fund to provide organizational capacity building in taking advantage of opportunities in the market linkages especially in the livestock sector.
- **International Organization for Migration (IOM):** provide expertise on youth labour export through information sharing and pre-departure trainings among other need areas.
- **German Foundation for World Population :** partnered with the Fund to offer enterprise based capacity development to over 200 youth group representatives in coast, western and Eastern regions
- **Kenya Pipeline Company:** financed the first national Business Plan Competition for the youth in 2007 to the tune of **Ksh. 50 million**. The Kenya Commercial Bank, Lenovo and host of other partners made their generous contribution to the success of the competition.
- Partnership engagement with **the United Nation Development Programme, World Bank**, and the **DFID** is in progress. Many other partners are also being engaged.
- **Public Sector Entities:** the Fund is closely working with government ministries and state corporations in the relevant areas of its mandate to maximize impact of the interventions.

The Fund will continue exploring and engaging various development actors with a view to establishing a united front in the successful empowerment of the youth.

3.9 Youth Employment Scheme Abroad

The Fund is mandated to facilitate young people whose services are not engaged locally but are required abroad to secure temporary employment. It is also a fact that not all youth are interested in business ventures but possess requisite skills/qualifications which are in demand abroad. The Fund has carried out in relation to this important employment creation sector:

- Established a Steering Committee on Youth Labour Export whose membership comprise of key government ministries such as labour, foreign affairs, immigration and relevant private sector players.
- Engaged local Private Employment Agents to source and place youth in international labour market. About 947 youth have been facilitated to secure employment abroad particularly in the Gulf Region. The youth are facilitated to secure necessary documentations such passports and

certificate of good conduct and financing of air tickets as part of relocation cost. More private employment agents are being engaged to expand opportunities for more youth employment abroad.

- Finalized and presented Cabinet Memorandum on Youth Labour Export Framework to guide to the operations of labour migration.
- Carried out pre-departure training for over 600 youth in collaboration with the International Organization for Migration.
- Crafting Labour Export Revitalization Strategy that entail marketing of Kenyan youth labour abroad, carrying out skills audit and database development, seeking partnership with employment agents abroad, exploring government-government collaboration with labour deficit countries among other strategies under review. oyment opportunities abroad.

3.10 Market and linkages support

One of the mandates of the Fund is to facilitate marketing of goods/services of youth enterprises. The Fund has facilitated the following activities in this respect:

- Organized national trade fair for over 200 youth entrepreneurs drawn from across the country to showcase their products and services to the public. During this event, youth exhibitors made critical contacts for selling their products/services with most successfully reporting good sales.
- Provided support to youth market days organized at provincial and district levels.
- Lobbied the government to support youth enterprises through deliberate policy of buying goods/services. The government has committed at least 10% of its procurement needs to be sourced from youth enterprises. The Fund is finalizing development of Youth Enterprise Directory to be distributed to all public entities at district and national levels in readiness for 2009/2010 financial year.
- Engaged City Council of Nairobi and Local Authorities to partner with the Fund in establishing market infrastructure appropriate for youth enterprise needs. These partners are also lobbied to mainstream youth entrepreneurs in their existing market infrastructure.

3.11 Public Sensitization and Information

Public sensitization and information for accountability and education has been one of the focal functions of the Fund since inception. The timing of the Fund's establishment and the sensitivity of the target group makes the Fund an initiative that enjoys high public interest. The Fund will continue to proactively make all relevant information available to the public.

4.0 CHALLENGES

The Fund had faced challenges in the course of implementing its mandate some of which are the following:

- Negative public perception and attitude mainly influenced by the timing of the Fund's establishment. The Fund was established on the eve of a general election year and hence, perceived as a political organization out to influence voting patterns particularly among the youth. The loans given out were therefore considered political goodies in some parts of the country, resulting in poor loan recovery.
- Insufficient policy and legislative frameworks to support growth of youth enterprises and Fund's sustainability in conformity with the scale and complexity of the youth unemployment problem. For instance, there is no legal framework guiding the operation of youth labour migration.
- The capital investment in providing non-credit services to the youth entrepreneurs is huge vis-à-vis the actual loans disbursed. These services include business development services, market support, operational overheads, and public sensitization and education. But the public focus is largely on the loans disbursed not so much the quality of those loans.
- Inadequate disbursement and repayment infrastructures in some parts of the country particularly remote areas pose a major challenge to disbursement and loan repayment. Lack of financial intermediaries and loan repayment avenues in most areas disadvantages the youth in those areas.
- Insufficient funds to cater for high demand and expectations of the youth. The government allocation was thought to be adequate for all youth and is an instant panacea for youth unemployment. There was public perception that Ksh. 50,000 for a youth group was a peanut.
- Large portfolio of financed youth enterprises creates monitoring problems as youth officers have inadequate mobility capacity. This situation affects service provision and management of the loans.

5.0 WAY FORWARD

The Board has crafted a number of strategic options to cope with the challenges outlined above some of which are as follows:

- The Board has invested heavily in public sensitization and education on the Fund's operations and progresses since its inception. The Board and the management of the Fund as well as top ministry officials have sensitized the public through barazas, media, and national events. The negative perception and attitude have greatly been brought under control. However, more efforts are underway to focus on specific areas that Fund is not performing owing to the perception and attitude. Further, the development and launch of Easy YES which is pegged to constituency loan repayment performance is expected to positively change this state of affairs. A national sensitization and loan recovery campaign has been launched targeting opinion leaders and youth in non-performing constituencies.
- The Board is the process of developing a Sessional Paper that guides the management of the Fund in positively impacting on youth economic empowerment drive. This policy proposal will define the operations, sustainability, and comprehensive economic empowerment strategies that correspond to the youth employment problem.
- The Fund has embarked on engaging development actors at all levels with a view to leveraging its operations and financing key non-credit services. A number of development actors have already embraced the joint approach to youth empowerment to increase reach and impact of interventions.
- The Fund is exploring alternative public sensitization and education avenues relevant to disadvantaged areas. Such avenues include local FM stations, elders, provincial administration, and traditional communication channels.
- Deliberate strategies in engaging more financial intermediaries in disadvantaged areas have been pursued. One such intermediary is the Kenya Commercial Bank which enjoys presence in most remote areas. The new loan product, Easy YES, will be promoted aggressively in the areas with a view to increasing more funds to the youth. Efforts are underway to employ local funds transfer mechanisms to improve loan repayment avenues for youth entrepreneurs in those areas.
- More partners are being engaged to leverage the Fund's resources set aside for credit to deal with high demands for the loans by the youth. The injection of Ksh. 2.4 billion by the financial intermediaries through leverage financing is expected to address the rising demand. The Board is also designing more products/services to cater for difference needs of the youth and to expand opportunities for those with unique ideas/needs.

- The Fund is enhancing the capacity of youth officers to reach more youth through provision of financial and mobility support. The plan to install a comprehensive information management system to enable youth in most parts of the country to access information about the fund is in progress. The option of engaging youth temporarily in disadvantaged parts of the country to manage the Fund is being explored.

6.0 Conclusion

The scale and the complexity of youth employment problem is no doubt a daunting task which needs the joint efforts of all. The Fund has in its short period of existence, made major strides in addressing the youth unemployment issues under its mandate. The Board believes that with the 3 year strategic plan, and continuous review of its operations, interests and aspirations of the youth of Kenya will be adequately catered for.

The magnitude of the youth unemployment requires the engagement of all partners in crafting joint approach to tackling the problem. The Fund will in this respect continue to seek strategies and partnerships that will help alleviate this problem.



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