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REPUBLIC OF ZAMBIA



# EVALUATION OF THE YOUTH DEVELOPMENT FUND (YDF) REPORT

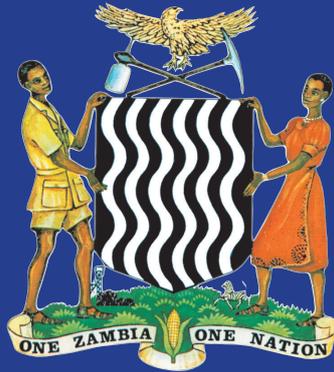


MINISTRY OF NATIONAL DEVELOPMENT PLANNING  
AND  
MINISTRY OF YOUTH, SPORT AND CHILD DEVELOPMENT

IN COLLABORATION WITH

THE ZAMBIA INSTITUTE FOR POLICY ANALYSIS AND RESEARCH (ZIPAR)

JANUARY, 2018



Government of the Republic of Zambia

# Evaluation of the Youth Development Fund (YDF) Report

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## FOREWORD

According to the Seventh National Development Plan (7NDP), Zambia's large youthful population presents an opportunity for harnessing the demographic dividend if appropriate investments are made in creating opportunities and a supportive environment for innovation and entrepreneurship for all persons of all ages, particularly young people. The Youth Development Fund (YDF) is one of the strategies Government is using to create opportunities for the youths.

However, since its commencement in early 2000, no formal evaluation has been undertaken to assess the performance of the YDF. This evaluation was therefore intended to assess the performance of the YDF in achieving its objectives of providing employment and empowerment opportunities for the youth. This report presents the findings of the evaluation. The evaluation found that the YDF created a total of 742 paid jobs from 2011 to 2015. The Fund also gave youths an opportunity to participate in the economy and to gain rare experience in the process. This was indeed empowerment as it helped prepare youths for a future ahead of them.

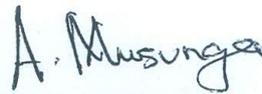
Nonetheless compared to the amount of resources that were invested in the YDF, the jobs did not sufficiently contribute to reduction in the high youth unemployment. Additionally, the welfare of the beneficiaries did not improve compared to that of the non-beneficiaries. Loan repayment has also been very poor as only 16% of those who borrowed money have fully repaid to date. The reasons for this outcome include the following:

- Unconducive macroeconomic conditions during the review period affected youth businesses negatively.
- Most youths worked in isolation and not in groups as earlier intended, therefore, failing to benefit from group knowledge sharing and risk pooling.
- Youths did not receive adequate entrepreneurship training to help them sustain their businesses, consequently, a good number of these businesses failed.

The evaluation has thus provided Government with valuable lessons which will be used in improving the design and administration of YDF and other similar interventions. Going forward it is recommended that the YDF be improved to address the identified shortcomings while harnessing the positive lessons and experiences of the programme.



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## ACKNOWLEDGMENTS

The evaluation of the Youth Development Fund (YDF) was conducted in all the ten provinces of Zambia, involving youths who benefited from empowerment funds provided by the Government of the Republic of Zambia. Special gratitude goes to the Ministry of National Development Planning (MNDP) who commissioned and superintended over the evaluation. The Ministry of Youth Sport and Child Development (MYSCD) is highly commended for propositioning an evaluation of the YDF and providing funding in order to learn lessons that would lead to improvements in the management and impact of the YDF.

Special acknowledgements also go to the members of the reference group which was formed to oversee the evaluation process. These are the National Savings and Credit Bank, Restless Development, Bongo Hive, Citizens Economic Empowerment Commission, Private Enterprise Programme Zambia, National Youth Development Council, Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA), the International Labour Organisation (ILO), Central Statistical Office (CSO), the Ministry of Labour and Social Security and the Ministry of Gender.

Special thanks also go to Provincial Permanent Secretaries, District Commissioners as well as Provincial Youth Development Officers in all the ten provinces that supported the researchers through various ways including providing information on the YDF applicants and beneficiaries. Lastly, but not least, this evaluation would not have been possible without the cooperation of youths, both as beneficiaries and non-beneficiaries. Their openness and willingness to share information with researchers led to the successful undertaking of the evaluation and production of the report.

Special thanks go to UNICEF for its contribution towards building local evaluation capacity and for supporting the finalization and dissemination of this report. Findings from this evaluation are critical for decision making as they provide evidence on youth related policy discourse.



Dr. Pamela Nakamba-Kabaso  
**EXECUTIVE DIRECTOR (ZIPAR)**

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## Abbreviations and Acronyms

ACC	Anti-Corruption Commission
CEEC	Citizens Economic Empowerment Commission
CSO	Central Statistical Office
DEC	Drug Enforcement Commission
DDCC	District Development and Coordinating Committee
FGD	Focus Group Discussion
ILO	International Labour Organisation
LFS	Labour Force Survey
MoF	Ministry of Finance
MNDP	Ministry of National Development Planning
MP	Member of Parliament
MYSCD	Ministry of Youth, Sport and Child Development
NATSAVE	National Savings and Credit Bank
NTC	[Youth Development Fund] National Technical Committee
NYDC	National Youth Development Council
PEPZ	Private Enterprise Promotion in Zambia
OP (SD)	Office of the President (Special Division)
PC	[Youth Development Fund] Provincial Committee
SACCO	Savings and Credit Cooperative
SME	Small and Medium Enterprises
TEVETA	Technical Education, Vocational and Entrepreneurship Training Authority
TOC	Theory of Change
UNICEF	United Nations Children's Fund
YDF	Youth Development Fund
YDFNTC	Youth Development Fund National Technical Committee
ZDA	Zambia Development Agency
ZIPAR	Zambia Institute for Policy Analysis and Research



## 1. Introduction

Zambia has high rates of youth unemployment. In 2014 approximately 10.5% of young people aged 18-35 were unemployed compared to 7.4% of general unemployment rate (Central Statistical Office, 2015). The challenge of high youth unemployment is of great concern especially that Zambia is a youthful country whereby 80% of the population falls below the age of 35 (Central Statistical Office, 2012). The problem of youth unemployment has been exacerbated by the fact that economic growth in the past 14 years has not been very inclusive. While this affects everyone, the situation has been worse for the youth as most of them leave the school system with high expectations of finding employment. It is estimated that each year, approximately 300,000 young people leave the school system to join the labour force (Ministry of Finance and National Planning, 2013). Only a paltry of these school-leavers, however, have been absorbed into the labour market as job opportunities have not grown commensurate to the growth of the labour force. It is estimated that between 2005 and 2014 formal jobs increased at the rate of 56 000 per year<sup>1</sup>.

Although the large young population in Zambia presents huge challenges to socio-economic development, it also offers a unique opportunity that needs to be harnessed for accelerated economic growth. According to the report on harnessing Zambia's demographic dividend (Ministry of Finance, 2015), the current age structure of the population will shift from being one dominated by child dependency to one in which there are more people in the working-ages relative to dependents especially if fertility declines rapidly. If this change is accompanied by strategic and simultaneous investments in human capital development, economic reforms and job creation, and good governance as envisaged in Vision 2030<sup>2</sup>. Zambia can experience a sustained period of rapid economic growth. This can earn the country a substantial demographic dividend. The key to success, however, is to ensure that all aspects move together and reinforce each other in an integrated approach to development. Youth empowerment is one such important ingredient.

The slow growth of formal employment coupled by high population growth rate over the past two decades has led to a situation where a large population of young people has limited employment opportunities in the formal sector. In view of limited paid employment opportunities to mitigate youth unemployment, youths can get involved in other income earning activities such as entrepreneurship, supported by mentorship. To do this, however, the youth require financial resources as well as business development services to enable them run successful businesses. On the other hand, access to finance in Zambia is limited for various reasons which include high interest rates, collateral and various stringent business requirements demanded by lending institutions that youth rarely meet. This has led to most youths failing to access finance resulting in increased and persistent levels of youth unemployment and poverty.

### 1.1 The Genesis of the Youth Development Fund Programme

The Youth Development Fund (YDF) began as a Government programme between 2000 and 2004 with the aim of helping young people who could not find employment engage in entrepreneurship activities. At that time the funds were allocated through the Youth Constituency Development Fund (YCDF) and should have been disbursed through local authorities as grants to the youth. However, local authorities had challenges allocating this money to the youth, as a result the funds ended up going to other developmental programmes in the constituency<sup>3</sup>.

In 2007 the Youth Empowerment Fund (YEF) was established to ensure money meant for the youth was not deviated to other activities. A total of K30 million was earmarked for disbursement directly to youths through an established committee. However, the money was never disbursed. Government instead decided to move all empowerment funds to the Citizens Economic Empowerment Commission (CEEC), from which all beneficiaries from various government economic empowerment programmes were to access financial support. This included women empowerment funds<sup>4</sup>.

Accessing funds through the CEEC was not easy for many youths as all applicants were to provide collateral and present audited books of their business accounts. Most youths did not meet all these requirements. Thus, around 2009/10 there was a general complaint from young people that they were not able to access money through the CEEC. In response, Government in 2011 provided for K10 million in the 2011 budget for youths under a new programme called the Youth Development Fund (YDF)<sup>5</sup>.

1 Estimates based on the Zambia Labour Force Surveys for 2005, 2008, 2012 and 2014

2 The Vision 2030 in Zambia's long term vision which aspires to have an industrialised and prosperous middle income country by the year 2030.

3 Interviews with Ministry of Youth, 2017

4 Interviews with Ministry of Youth, 2017

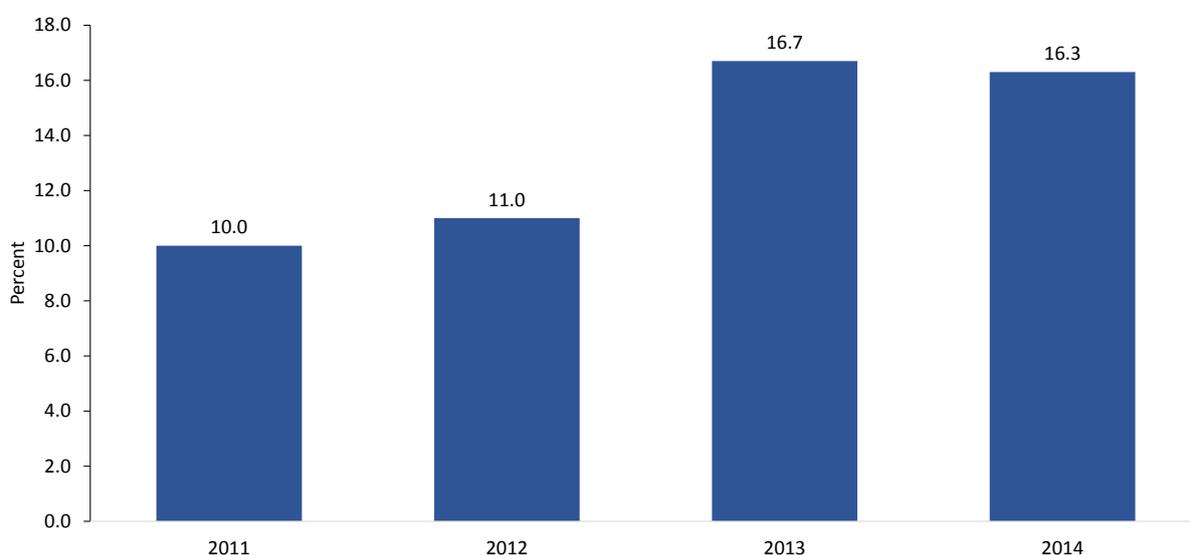
5 Interviews with Ministry of Youth, 2017

No funds were, however, disbursed in 2011. Instead the Ministry was advised to provide support to the youth at the constituency level in form of sports facilities and various assets such as hammer mills, welding machines, rice shellers and banana boats. All these were provided in form of grants and not loans. The provincial administration in each province was assigned with the task of identifying the needs and thereafter the youths who were to benefit from this support. The criteria for selecting the youths to benefit from these materials and equipment were, however, not very clear.

Finally, in 2012 the Ministry of Youth, Sport and Child Development revised guidelines governing YDF and specified the involvement of other departments of government in the selection and loan awards processes. According to the new guidelines youths were expected to either provide collateral or a guarantor, as surety, for them to be able to access the funds. The understanding of guarantor in this regard, however, differs from traditional guaranteeing that happens in the financial sector where the guarantor can be held liable and be expected to repay the loan if the borrower defaulted. The guarantor under the YDF serves only as a referee of the applicant or potential beneficiary and as such is not held responsible in case of default on the part of the applicant.

The funding profile also changed from being grant to loan based. The YDF budget increased by 63% in real terms from K10 million in 2012 to K16 million in 2014 (Auditor General's Office, 2015) as shown in Figure 1.

**Figure 1: Growth of the YDF Allocations, 2011-2014 (K millions)-Adjusted for inflation**



Source: Adapted from the Auditor General's Report, 2014

As the fund kept expanding more and more youths were accessing the YDF. In 2012 there were 265 youths benefiting from the Fund countrywide. This number rose to 495 in 2012 and 519 in 2014.

## 1.2 Objectives of the YDF

The overall objective of the YDF is to lend finance to viable projects by the young entrepreneurs as well as enable the youth to benefit from associated training and mentorship services. The Youth Development Fund is therefore aimed at supporting the growth of sustainable youth-led SMEs into the private sector for wealth and employment creation. Specifically, the Fund was established to:

- i. Stimulate the creation of employment opportunities by supporting the growth and sustainability of youth-led enterprises;
- ii. Promote and stimulate active participation of youths in the socio-economic development of the country;
- iii. Encourage the out-of-school, marginalized and unemployed youths to venture into sustainable and viable income generating projects;

- iv. Promote the development of competitive sustainable and growth oriented citizen owned youth-led enterprises;
- v. Provide continued business support services for the development of sustainable youth-led enterprise development; and
- vi. Enhance economic activity among the youth population as an avenue towards wealth creation.

### 1.3 Theory of change of the YDF Programme

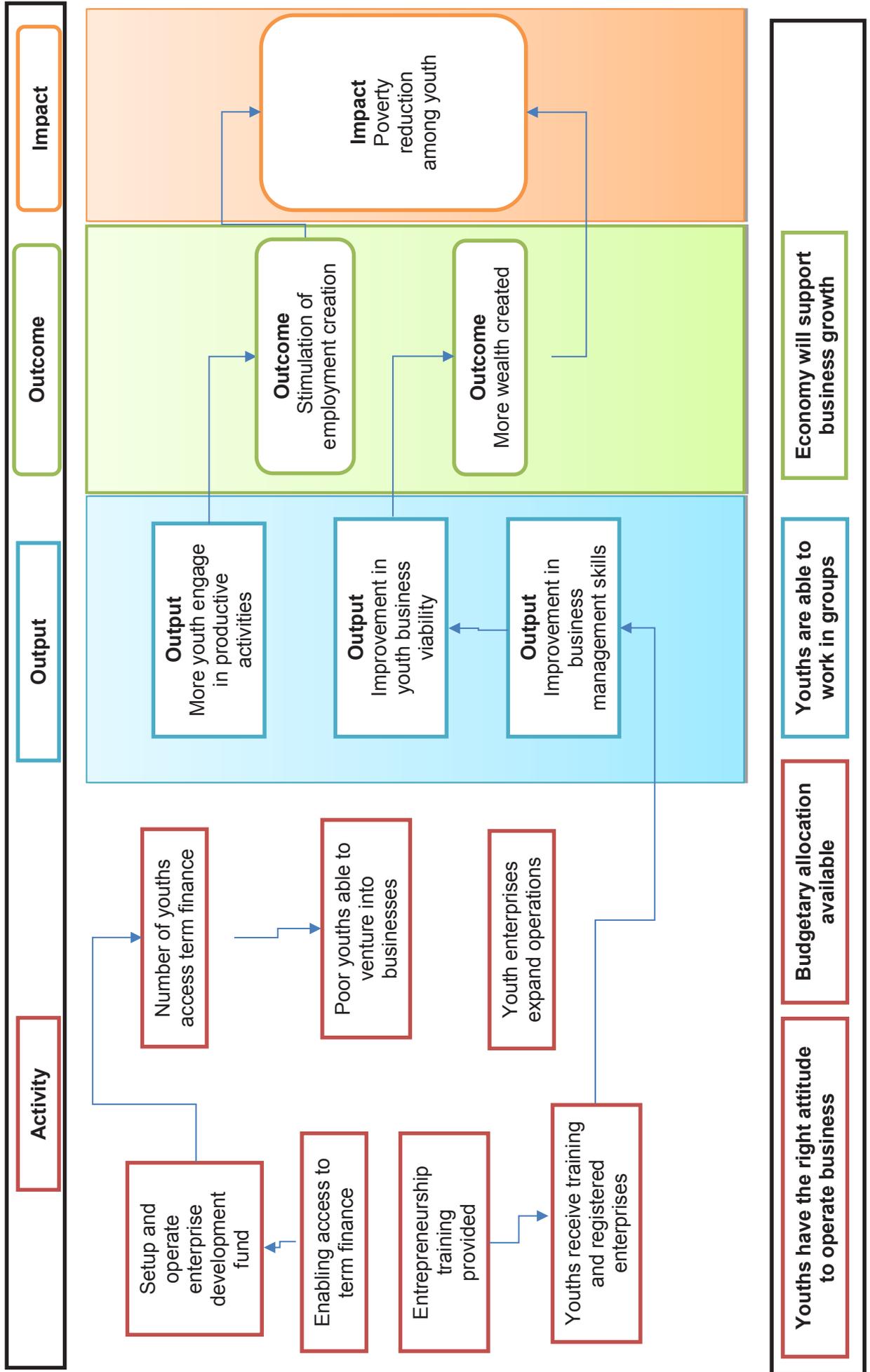
A theory of change for the implementation of the YDF was developed as presented below. The main purpose of the theory of change was to conceptualize a process and various stages involved in achieving the end objective of the YDF. Through the theory of change it was envisaged that an enterprise development fund would help youths operate business ventures to enable them generate wealth for themselves while creating employment opportunities for fellow youths. This would in turn contribute to the reduction of youth unemployment and poverty in the country. The following were the various sections of the YDF theory of change:

- i. **Expected Impact:** the expected impact of the YDF was poverty reduction among youths through the creation of jobs. At the initial design of the programme Government was concerned with the high levels of youth unemployment causing destitution among youths.
- ii. **Anticipated Outcomes:** before reducing poverty among the youth it was anticipated that the YDF was going to stimulate employment creation among the youth. This would result in wealth creation as youths engage in business and generate incomes.
- iii. **Outputs:** various outputs were going to be achieved in order to have the outcomes listed earlier. Some of these include more youth engaging in business activities as well as improvement in youth business viability.
- iv. **Actual Activities:** various activities were facilitated for in order to make it possible for the youth to be able to engage in business. Some of these include the set-up of the Fund itself granting youth access to term finance. Other activities include youth entrepreneurship training to empower the youth with entrepreneurship skills who then register businesses.

Nonetheless, realizing the theory of change for the YDF required that certain requisite conditions were in place. Without these the implementation of the Fund was not going to fully achieve its intended objective. For this reason, the theoretical approach made five [not four] assumptions upon which YDF end objectives could possibly be realized. The assumptions were as follows:

- a) The youth would have the right mind-set to engage in entrepreneurship activities. Right mindset in this case arises from the fact that in Zambia, the schools largely prepare the learners for wage employment and not entrepreneurship. As such, the youth may not have the right disposition to undertake business activities due to a wrong mind-set.
- b) The Ministry of Finance should be able to adequately provide for the financing of the Fund. Further, the MoF should be able to disburse timely the funds to the Ministry of Youth, Sport and Child Development to implement the programme.
- c) The youths would be able to cooperate and undertake joint venture activities. Working in groups entails trust, transparency and strong leadership.
- d) Products from youth-managed enterprises would easily find a way into the various value chains.
- e) The macro-economic situation would be conducive enough for the youth to effectively operate the businesses. The youth would need to operate in an environment where viability of business is not undermined by the fact that the economy is weak and that people do not have the means to procure goods and services from the youth business ventures.

# Youth Development Fund – Theory of Change



## 1.4 Purpose of the Evaluation

Despite the Fund being in existence since 2012, there has not been an extensive review of its performance. There are indications, however, that the Fund has been beset by a number of challenges that have made it difficult to achieve its objectives. These challenges have been identified at institutional, operational and impact levels.

In view of the foregoing, the overall purpose of the evaluation was to appraise the performance of the Youth Development Fund in achieving its objectives of providing employment and empowerment opportunities for the youth.

The specific objectives of the evaluation were as follows:

- i) To assess the effectiveness of the institutional structure for the management and administration of the Fund;
- ii) To evaluate the impact of the Fund at the individual, enterprise and community levels;
- iii) To review and evaluate the application process and highlight factors determining access or lack of access to the Fund;
- iv) To assess the awareness and public perception regarding the existence of the Fund and its purpose;
- v) To assess the effectiveness of the loan repayment system;
- vi) To conduct a regional comparative study on how similar initiatives have worked in other countries; and
- vii) To review the overall Fund's guidelines.

## 1.5 Management of the Evaluation Process

The evaluation of the YDF took a multi-stakeholder approach. In 2015 the Ministry of National Development Planning (MNDP) working with the Ministry of Youth, Sport and Child Development (MYSCD) requested the Zambia Institute for Policy Analysis and Research (ZIPAR) to undertake an independent evaluation of the YDF. The objectives of the evaluation were communicated to ZIPAR and these guided the design of the evaluation. A reference group was set up to provide guidance to the research team at different stages of the research activities.

### 1.5.1 The Reference Group

The Reference Group was established to provide technical advice and insights into the strategic direction regarding the evaluation process. The aim was to support the delivery of a high quality and credible evaluation that would reflect the results of the YDF including its operational efficiency. Members of the Reference Group were constituted by MNDP and held tenure as members of the Group for the entire duration of the evaluation process. The Reference Group met periodically according to the milestones which were set in the evaluation roadmap.

MNDP provided guidelines on the selection of the Chairperson of the Reference Group. The Reference Group had members drawn from public and private sectors as well as from/ civil society institutions with interest and understanding of the issues of the plight of the youth and youth unemployment in particular. The Reference Group acted as an advisor to the implementation of the evaluation.

The Reference Group comprised members from the following institutions:

- Private Sector Associations: Restless Development and Bongo Hive.
- Government: Ministry of National Development Planning (Reference Group Chair), Ministry of Youth, Sport and Child Development, Ministry of Gender, Ministry of Labour and Social Security, Technical Education, Vocational and Entrepreneurship Training Authority, National Youth Development Council, University of Zambia, Ministry of Commerce, Trade and Industry (Citizens Economic Empowerment Commission), National Savings and Credit Bank (NATSAVE) and the Central Statistical Office.
- Development Partners: International Labour Organisation

The terms of reference for the Reference Group included the following:

- a) Play an advisory role in the project implementation;
- b) Consider and provide insights and advice about the strategic issues of the evaluation process;
- c) Consider and provide broad strategic insights and feedback on methodological and logistical issues of the evaluation;
- d) Support the Research Team in the implementation of the project through provision of important contacts on key informants and other potential sources of information; and;
- e) Play any other relevant roles that the Research Team may request, within the willingness, abilities and capacities of the Reference Group.

### **1.5.2 The Research Team**

The Research Team, led by ZIPAR, was the primary team with the responsibility of undertaking the actual evaluation. The Research Team had the responsibility of ensuring that all stakeholders were kept up to date on the progress of the evaluation and on any challenges being faced in the process of execution.

More broadly, the Research Team's general roles and responsibilities were to design and implement the evaluation. The Research Team was also responsible for coordination, actual evaluation, analysis, formulation of recommendations and dissemination.

The specific roles included the following:

- a) Designing the evaluation approach in consultation with the Reference Group;
- b) Developing a detailed concept note and project plan as well as other relevant technical, strategic, logistical and/or administrative documents for the project;
- c) Coordinating, managing and undertaking the implementation of the evaluation;
- d) Disseminating the findings of evaluation outcome with the guidance of the Management Team and Reference Group; and'
- e) Undertaking any other roles that contributed to the success of the evaluation.

The Research Team, with the support of the Reference Group planned and executed the evaluation exercise in all the 10 provinces in Zambia. The Research Team obtained, through the Reference Group, letters of introduction to the provincial administration for the field teams. This was necessary to enable the Research Team carry out the work successfully and without interference. The Team also relied on the provincial staff of the MYSCD who provided support in terms of reaching applicants of the YDF. The Central Statistical Office provided technical guidance on particular aspects of the evaluation design.

## **1.6 Structure of the Report**

This report is presented in nine chapters. Chapter 1 discusses the genesis of the Youth Development Fund and the theory of change. Chapter 2 presents the methodology that was used for the evaluation of the Fund. Chapter 3 discusses the institutional framework of the YDF based on the literature reviewed from the MYSCD as well as the qualitative data from the key informant interviews. Chapter 4 analyses the operational mechanisms of the YDF while Chapter 5 presents a comparative analysis of the YDF programme model with similar initiatives in Zambia. Chapter 6 broadens the comparative analyses by discussing similar programmes implemented mainly in the sub-region. Chapter 7 discusses the findings from the quantitative survey where the impact of the Fund on the beneficiaries of the YDF is presented. Chapter 8 discusses the relevance, effectiveness, efficiency and the sustainability of the YDF while the final chapter, Chapter 9 provides a conclusion and recommendations on the way forward for the YDF.

## 2. Methodology

The methodology used was a mixed method evaluation approach which included various stages and methods of data collection to arrive at the objectives of the evaluation. The purpose was to strengthen the reliability of data, validity of the findings and recommendations. It was also intended to broaden and deepen the understanding of the processes through which programme outcomes and impacts are achieved, and how these are affected by the context within which the programme is implemented. The survey employed both qualitative and quantitative methods for data collection as explained below.

### 2.1 Qualitative method

The methods used to collect all qualitative information included literature review to understand the Fund's main objectives and guidelines. The literature reviewed included programme documents from the Ministry of Youth, Sport and Child Development. Others included the Auditor General's report on the YDF which was released in 2014.

The other method used was field survey through key informant interviews with the Ministry of Youth, Sport and Child Development staff at headquarters and provincial offices and members of the provincial technical committees. Key informant interviews were conducted at the provincial headquarters in all the ten provinces of Zambia.

Qualitative data was also derived from case studies of both beneficiaries and non-beneficiaries. Eight case studies were conducted in Muchinga, Southern, Central and Copperbelt Provinces.

Members of the Research Team while in Kenya for another research activity utilised their time to also learn about how Kenya implements her Youth Fund. The outcomes of the trip and the interactions form part of the comparison analyses for programmes from other countries.

### 2.2 Quantitative method

A quantitative survey was undertaken among beneficiaries and non-beneficiaries. Face-to-face interviews were conducted with beneficiaries and non-beneficiaries using a structured questionnaire. The quantitative survey, among other aspects, evaluated the YDF's impact on beneficiaries.

Some of the research questions sought information on the following:

- what the loans were used for
- the sectors in which the recipients operate
- the sectors with good performance
- loan recipients' performance in the business activities in terms of income, employment, business and financial management
- the factors affecting the performance of the beneficiaries
- the repayment rate on the loans

Since there was no baseline information on beneficiaries, a counterfactual group was created using youths that had applied for the YDF but did not receive the funds for various reasons. Insofar as the counterfactual was created from a pool of unsuccessful applicants, it was assumed that this group was similar to their successful counterparts in many respects and this provided for a fair comparison of the two. It was further assumed that the local environment affected both beneficiaries and non-beneficiaries in the same way and therefore, any significant differences in business or employment outcomes between the two would be explained by external factors. Thus, those who received the funds were the treatment group while those who did not were the control group and the loan was the treatment.

Impact was then assessed based on the analysis of participants and non-participants before and after the intervention. Using recall method, interviewees were asked to construct their baseline at the time of receiving a loan. In this case the first baseline was set at 2012 when the first group in the database received loans.

Calculating the average difference in outcomes separately for beneficiaries and non-beneficiaries over the periods and then taking an additional difference between the average changes in outcomes for these two groups gave the net impact. Impact was measured in terms of turnover, employment, investments and living standards.

## 2.3 Coverage of the survey

The survey was a nation-wide survey which covered both beneficiaries and non-beneficiaries of the YDF. The non-beneficiaries were youths that had applied for the YDF between 2012 and 2014 but had been unsuccessful due to reasons such as lack of National Registration Cards or guarantor.

The survey covered a total of 1,049 youths out of which 698 were beneficiaries and 351 were non-beneficiaries. A total of 54 districts were surveyed. The table below summarizes the coverage of the survey.

Province	Districts
Copperbelt	Chingola, Kalulushi, Kitwe, Luanshya, Mpongwe, Mufulira, Ndola
Lusaka	Chilanga, Chirundu, Chongwe, Itezhi Tezhi, Kafue, Lusaka, Shibuyunji
Luapula	Chiengi, Chipili, Kawambwa, Mansa, Milenge, Mwense, Nchelenge, Samfya
Northern/Muchinga	Chinsali, Isoka, Mpika, Kaputa, Kasama, Luwingu, Mporokoso, Mpulungu, Mungwi, Nsama
Central	Chibombo, Kabwe, Kapiri Mposhi, Mkushi, Mumbwa, Serenje
North Western	Chavuma, Ikelenge, Kabompo, Kasempa, Mufumbwe, Mwinilunga, Solwezi, Zambezi
Eastern	Chipata
Southern	Choma, Livingstone, Mazabuka, Zimba
Western	Kalabo, Kaoma, Senanga

## 2.4 Data collection tools

A structured questionnaire and interview guides (see section 12 and 13) were used in the survey. The structured questionnaire had six sections namely:

- a) Individual and household identification particulars
- b) Business particulars and model
- c) Business performance
- d) Loan information
- e) Loan application process
- f) Loan features

## 2.5 Sampling frame and sampling

Sampling was done with support from a sample expert from the Central Statistical Office. The sampling frame was constructed using the list of beneficiaries of the YDF between 2012 and 2014. The list of beneficiaries was obtained from the Ministry of Youth, Sport and Child Development headquarters. The sampling frame also included applications made between 2012 and 2014 from MYSCD headquarters and the provincial offices. These were individuals who had passed through desk appraisal and/or field appraisal and some of whom were recommended to the National Technical Committee of the YDF. These were, however, not funded due to insufficient documentation such the National Registration Cards and/or appropriate guarantor.

The sampling was done based on sufficient number of beneficiaries and non-beneficiaries per district and per each respective year. The sample used a ratio of 1 to 2, meaning that for every non-beneficiary, the survey had to have two beneficiaries. With the exception of Lusaka Province, all the provinces used the aforementioned criteria to arrive at the sample. For Lusaka Province, a sample size calculator with 95% confidence interval was used to arrive at the sample. This was because Lusaka had the highest number of beneficiaries and non-beneficiaries compared to the other provinces.

## 2.6 Field work, enumerators and supervision

The survey was conducted between December 2016 and February 2017. ZIPAR staff supervised the enumerators in all the provinces. This served as a quality control measure of the data. The number of enumerators was based on the sample size in each respective area as shown in table 2

**Table 2: Sample size and field work periods and enumerators by province**

Province	Sample size	Field work period	Enumerators
Copperbelt	169	December 2016	10
Lusaka	176	November 2016	8
Luapula	82	December 2016	10
Northern/Muchinga	138	December 2016	10
Central	144	December 2016	10
North-Western	155	December 2016	10
Eastern	65	January 2017	4
Southern	84	January 2017	5
Western	36	February 2017	4

## 2.7 Data processing and Analysis

A skilled information technology specialist developed the data entry mask using CSPro. Data was entered in CSPro by data entry clerks who were trained. Data was then transferred to STATA and SPSS. Data analysis was done in STATA.

A number of methods were used to analyze the data. Descriptive statistics were used to understand the respondents' characteristics. For the impact, test of means, difference in difference and the propensity score matching was used.

## 2.8 Description and measurement of variables

The descriptions of the variables used in the models are given in the Table below.

**Table 3: Description and Measurement of Variables used in the Survey**

Variable	Description	Measurement
Age group	Age category (19-24, 25-29,30-34,35-39,40-44,45-49,50-54,55-65)	Categorical variable
Sex	Gender of the respondent	Categorical variable (1= Male, 0=Female)
Disability	Physical challenge	Categorical variable
Education	Education attainment	Categorical variable
Marital status	Marital status of the respondent	Categorical variable
Individual/group application	Whether the application was made as a group or an individual	Categorical variable (1= Individual, 2=group)
Business years	Number of years running the business	Continuous variable
Industry	Industry in which the business is in.	Categorical variable
Living conditions status	Living conditions measured by housing conditions before the YDF application	Dummy variable (1=good living conditions, 0=otherwise)
Living conditions status2	Living conditions measured by housing conditions after the YDF application	Dummy variable (1=good living conditions, 0=otherwise)
Size of business	Size of the business based on annual turnover	Categorical variable
YDF status	Whether the person is a beneficiary or non-beneficiary	Categorical variable (1=Beneficiary, 0=Non beneficiary)
Profit	annual sales minus annual expenditure of the business	Continuous variable
Investment	value of investments	Continuous variable

## 2.9 Limitations

The survey had a number of limitations which included the following:

- Lack of baseline data on the beneficiaries which would have made the measurement of the impact easier and more accurate. However, the survey created a counterfactual based on applicants that had been unsuccessful and it was assumed that this group provided a very close comparator for the beneficiaries.
- The survey used recall method to get information on business performance because most of the respondents did not have books of accounts. Recall method introduces a recall bias in that respondents may have forgotten some of the events making it possible for them to provide inaccurate information. However, the survey design allowed for several strategies to check the consistency of responses.
- The survey constructed its own definition of rural and urban areas away from the CSO definitions. The CSO defines an urban area based on population size, economic activity of the population and modern facilities in the area such as piped water, tarred roads, post office and many others. Therefore, a district, for example, may have both rural and urban areas within it. To categorise an area as rural or urban therefore requires very elaborate methodologies beyond the scope of this survey. For simplicity, the survey used the share of the population residing in the rural or urban area as a basis for categorising a province as rural or urban. Thus, a province was categorised as rural if it had more than 75 percent of its population residing in the rural areas, otherwise the province was categorised as urban.

## 2.10 Operational definitions of important terminologies

The following are some of the main terminologies that have been used in the context of this report:

1. **Employment:** an individual is in employment if he or she is working for someone or on his or her own for fulltime.
2. **Paid Employment:** an individual is in paid employment if he or she is working for someone or on his or her own business for pay.
3. **Rural Province:** a province where more than 75 percent of the population reside in the rural areas.
4. **Urban Province:** a province where more than 75 percent of the population reside in the urban areas.
5. **Youth:** Any adult, male or female aged between 18 and 35 years.
6. **Project Appraisal:** The process of assessing the viability of a business proposal to determine its profitability before it can be considered for a loan. In the YDF, project appraisal takes place at two stages: 1) Desk appraisal which involves the scrutinising of the written application and 2) Field appraisal which involves a physical inspection of infrastructure or business premises from which the intended business is to operate.

## 3.0 The Institutional Framework of the YDF

### 3.1 Policy framework

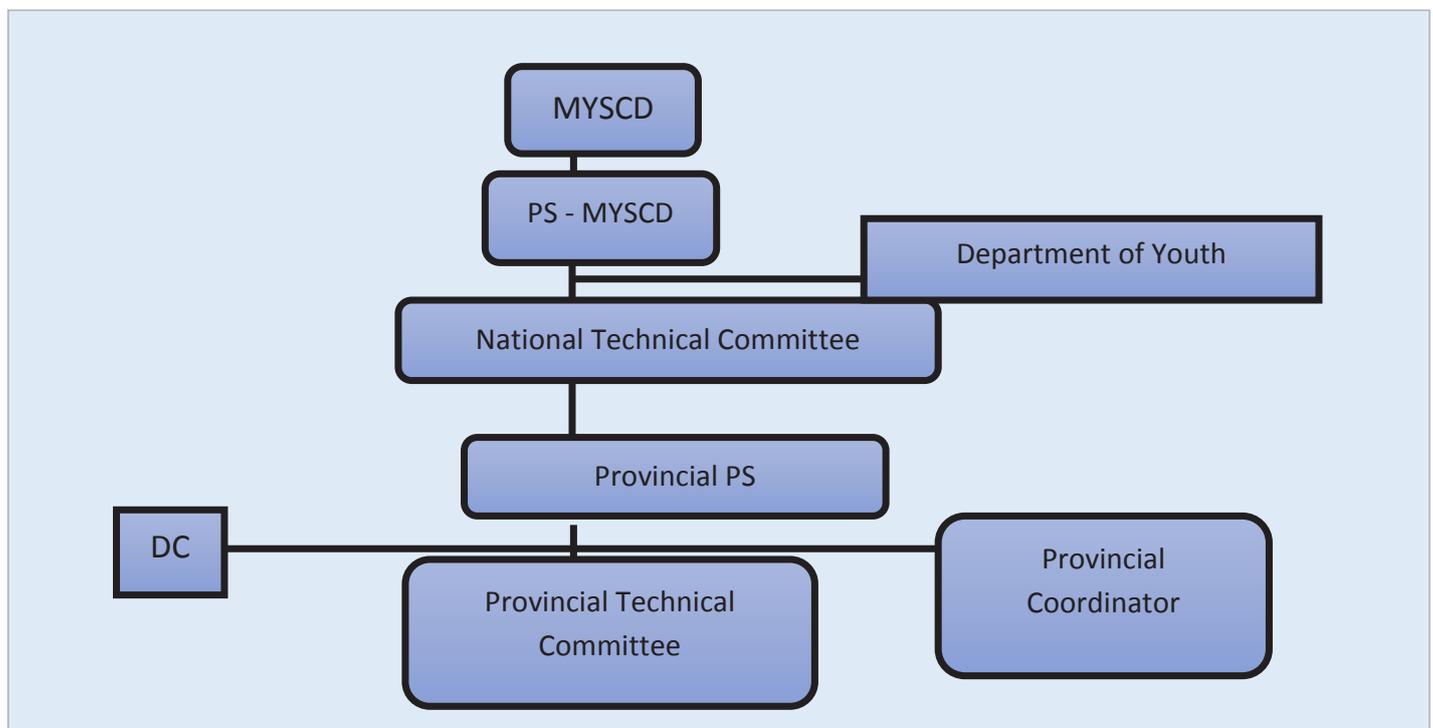
The YDF operates as a programme under the Department of Youth Development in the MYSCD. There is currently no legal instrument providing for the establishment of the Fund, however, the YDF is recognized as one of the avenues to achieve the objectives of the National Youth Policy. Additionally, the YDF operational guidelines provide the framework on which the Fund has been structured at both institutional and operational levels. The guidelines came into force in 2012 after the Fund was transformed from the Youth Constituency Fund (YCF). The guidelines define the institutional arrangements, their composition as well as the roles and responsibilities. They also define the loan policy regime for the Fund.

#### Box 1: The evolution of the YDF

Previously youth empowerment was undertaken through YCF where the Member of Parliament (MP) was the chairperson of the fund. It was managed by a working group that included the Councillors, youth representatives, the District Development and Coordinating Committee (DDCC) and the constituency structures. This had implications for youths that were not part of the MP's party and as such an evaluation of the Youth Constituency Fund recommended that the fund be managed centrally. The YCF was restructured in 2009 leading to the change in the management of the fund and to the centralization of the disbursement of funds to the MYSCD in 2011.

### 3.2 Coordination and management of the YDF

In its current state, the YDF is managed through a two-tier structure at national and provincial level.



The national level constitutes a National Youth Development Fund Technical Committee and Secretariat under the Department of Youth Development in the MYSCD while the provincial level is made up of YDF committees. In terms of the modus operandi, the YDF institutional structure can best be described as shown in the foregoing organogram.

The YDF guidelines stipulate that the YDF National Technical Committee (NTC) should be appointed by the Secretary to the Cabinet. Its main mandate is to oversee the coordination and management of the YDF. The chairmanship is held by the Permanent Secretary of the MYSCD and includes stakeholders with different expertise and experience in managing citizen empowerment programmes. The guidelines specify the composition of the NTC, as follows:

### Box 2: Composition of the YDFNTC

- Future Search
- Anti-Corruption Commission
- Office of the President (SD)
- Walnut Youth Empowerment
- Junior Achievement Zambia
- Micro banker Trust of Zambia
- National Youth Development Council
- Zambia Cooperative Federation
- Zambia Development Agency
- Commonwealth Youth Programme Regional Centre for Africa
- Ministry of Agriculture & Livestock
- Ministry of Finance
- Ministry of Justice
- Ministry of Commerce, Trade and Industry

Further, the YDF guidelines specify the responsibilities of the NTC. The NTC is first and foremost responsible for the policy and fiduciary trusteeship. It approves the work plan and budget and sets the future priorities of the Fund. The committee receives and considers recommendations from the PC for possible funding. The NTC has the responsibility of developing training modules for successful YDF applicants and facilitates and monitors debt recovery. The NTC has the mandate to receive and consider appeals from aggrieved YDF applicants. Further, the committee is charged with the responsibility of assessing the performance of the Youth Development Fund by obtaining feedback from the Monitoring and Evaluation Committee, independent evaluations and Provincial Youth Development Fund Committees.

At the provincial level, the management and coordination of the YDF falls under the office of the provincial administration. The coordination is undertaken by the office of the Provincial Youth Coordinator while the technical aspects of the YDF are managed through the Provincial Committee (PC), which is chaired by the Provincial Permanent Secretary. The YDF guidelines also specify the composition of the YDFPC as follows:

### Box 3: Composition of the YDFPC

- Four (4) Members of the Monitoring and Evaluation Sub-Committee of the Provincial Development Coordinating Committee
- Two Youth Representatives gender balanced
- The Provincial Youth Development Coordinator (Secretariat)
- One (1) Officer from the Anti- Corruption Commission
- One (1) Officer from the Drug Enforcement Commission
- One (1) Officer from the Office of the President Special Division (OP-SD)
- One (1) Officer from the Zambia Development Agency
- One (1) Officer from the Citizen's Economic Empowerment Commission

The role and responsibilities of the YDFPC, in respect of the YDF, are also defined in the guidelines. Apart from dissemination of information on the YDF, the YDFPC is responsible for the distribution and receipt of YDF application forms. The committee screens the applications through both desk and field appraisals and recommends the viable projects to the NTC for approval. The YDFPC is responsible for conducting training needs assessment, identifying mentors and linking them to the successful applicants as well as coordinating training in basic business management for all the YDF successful applicants. The committee is also tasked to undertake monitoring and evaluation of all the funded projects.

The Research Team reviewed the effectiveness of the institutional framework. The team engaged with stakeholders who were familiar with the process at both the national and provincial levels.

In terms of the day-to-day management of the YDF, there is neither a department nor staff designated to solely oversee the loan portfolio of the YDF. The YDF is thus an additional task to existing responsibilities of the staff in the Department. The Ministry has adopted a model of using committees as implementation instruments for the YDF. The National and Provincial Technical Committees draw strength from the fact that members are from organizations with unique expertise which the YDF can benefit from.

It is expected that the members of these committees would bring on board expertise and attributes touching on elements such as fairness, monitoring and evaluation, project appraisal and advocacy to the Fund. Further, membership to the committees is based on representation by organizations and not on individual and as such continuity of membership was maintained.

According to the key informants interviewed, the following reasons were given for the inclusion of some of the organizations on the committees:

- (i) “The CEEC was included so as to avoid duplication of funding to the youth in the YDF and CEEC and also to bring their expertise in appraising projects.”
- (ii) “ACC was included to ensure that the process is fair and is within the guidelines and terms of reference.”
- (iii) “The OP’s role is to ensure that the youths pass the security test.”
- (iv) “Youth organizations and Youth Development Officer represent the needs of the youth and avail the information that pertains to the youth.”
- (v) “The Provincial Development Committee (PDC) is in charge of the development of the province and as such was brought in to ensure that the projects selected are streamlined within the development programmes in the province. The PDC is expected to play a major role in monitoring the progress as it looks at poverty reduction and help produce the evidence to lobby for more funds.”

A number of weaknesses relating to the institutional framework were identified. These included the following:

- i) The guidelines do not explain clearly the roles and responsibilities of the committees. For example, the NTC is expected to operate as a steering committee providing guidance on key issues such as credit policy and objectives, budgetary control, marketing strategy and resource allocation. The NTC, however, is also involved in some aspect of management of the Fund. The NTC is involved in undertaking the appraisals as well as training of the beneficiaries. These are functions that ought to be delegated to lower organs within the institutional set up.
- ii) The composition of members of the Committees is by default rather than by design. The guidelines do not provide criteria that should be used by the institutions to nominate members to the committees. This means that the MYSCD has no control over who sits on the committee in terms of setting standards or minimum qualifications for individual members. There is an indication that the members undergo an induction to prepare them for the tasks.
- iii) At provincial level, the committee is expected to undertake functions such as promotion of the Fund, appraisal and monitoring and evaluation. Some of these functions like M and E require dedicated staff as opposed to people who are required to undertake these tasks on a part-time basis.
- iv) As earlier indicated the inclusion of officers from the OP, ACC and DEC was initially for purposes of security clearance and transparency. However, the same officers perform additional roles such as project appraisal, both desk and field for which they may not be qualified. But these are not the only ones whose qualifications are a concern. With the exception of CEEC, some MYSCD officers may also not be qualified to perform some of the functions of the committee as these are not their primary responsibilities.
- v) When members of the team leave the province or stations, they seem to take with them the information and knowledge acquired.
- vi) Convening meetings on a regular basis is a challenge as the members serve on the committee on part-time basis and they have to prioritize activities from their full time jobs.

### 3.3 District level structures for the YDF

There is literally no involvement of the MYSCD at the district and as such the office of the district commissioner is the available alternative office that is used to engage the youths at this level. The DC's office is used as a distribution point for the YDF application forms. The application forms are distributed in hard copies and soft copies. The DCs office is expected to use its facilities to print the application forms in the event that hard copies run out. There are, however, no resources provided to the office of the DC to perform this role. The DCs are also used as guarantors for the borrowers.

The stakeholders interviewed were of the view that the role of the DCs office is under-utilized. The argument is that at district level, the DCs are in touch with the community and are better placed to identify youths or groups of youths who have the potential to run viable projects. The DCs, however, are not involved in any way at any stage. The stakeholders were of the view that the DCs should be involved at least in the appraisal as well as in the monitoring of the performance of the beneficiaries.

*“There is no person better placed to understand the youth groups than a DC who lives with the youth. The DC can tell who is serious or not. The DC should be included in the field appraisal at least”.*

The above, notwithstanding, the level of involvement of the DCs needs careful consideration. This is so because some DCs are perceived to have inclinations towards the ruling party. The Research Team observed that because of this inclination there is a risk of disadvantaging youths who may not be aligned to the political party in power if the DCs are heavily involved in the selection process. In some districts there was clear ‘war’ between the DCs and beneficiaries who were seemingly aligned to the opposition political parties.

### 3.4 Staff Capacity

As explained earlier, the YDF is implemented as a programme under the Department of Youth Development. Youth development officers are assigned the responsibility of overseeing the day-to-day management of the YDF. Some of the officers, however, may not have the full requisite skills to manage such an undertaking especially that loan fund management including portfolio performance assessment is a specialized field of business finance. There is also no formal re-training that is organized for the officers to enhance their skills in the requisite areas to achieve effective loan fund management. At provincial level, the provincial office is managed by a coordinator and one officer. The two officers are expected to execute all functions related to the YDF over and above their other core responsibilities under the Ministry of Youth, Sport and Child Development.

In view of the foregoing limitations, many of the key informants were of the view that if the current set up of the YDF is to continue, the MYSCD should introduce a position of loan officer in the provincial office. This person should assume the day-to-day management for the YDF including monitoring activities.

### 3.5 Information Management system

The YDF currently has no structured Information Management System (MIS) for its loan portfolio. There is no dedicated computer hardware and software to manage and track loan data. At the provincial level, depending on the initiative of some officers, Excel based data sheets are sometimes used to store information that is used as a reference database to track beneficiaries. Apart from these data sheets there are no established loan management information systems.

Most of the data at the provincial office is kept on paper files stored in forms not easy to access. There are very few computer systems in which to store data so that it is easily accessible and can be preserved for a long period of time. At the Ministry head office, Excel based data sheets are also used to store loan information and are utilized as a reference database for tracking loan beneficiaries.

*“Information management system implemented currently by the YDF is poor: the system doesn't keep a record to track repayments. There is no system that looks into the repayments from beneficiaries on a regular basis”.*

<sup>6</sup>Field interviews, 2016/17

<sup>7</sup>Field Interviews, 2016/17

## 4.0 The Operational Mechanisms of the YDF

This section reviews the operational mechanism of the YDF. The assessment is mainly based on information drawn from the key informant interviews conducted at both national and provincial level.

### 4.1 The Funding

The YDF comprises two components, a grant facility and a loan fund, and its funding is provided for through the national budget. The Ministry submits a request to the Ministry of Finance based on its requirements. In addition, the MYSCD provides within the YDF budget for a separate amount to cover administrative costs.

Table 4 shows the allocation to the YDF by the MoF for the period 2012 to 2016.

Year	Budget(K)
2012	6,700,000.00
2013	12,000,000.00
2014	13,000,000.00
2015/16	20,477,897.00

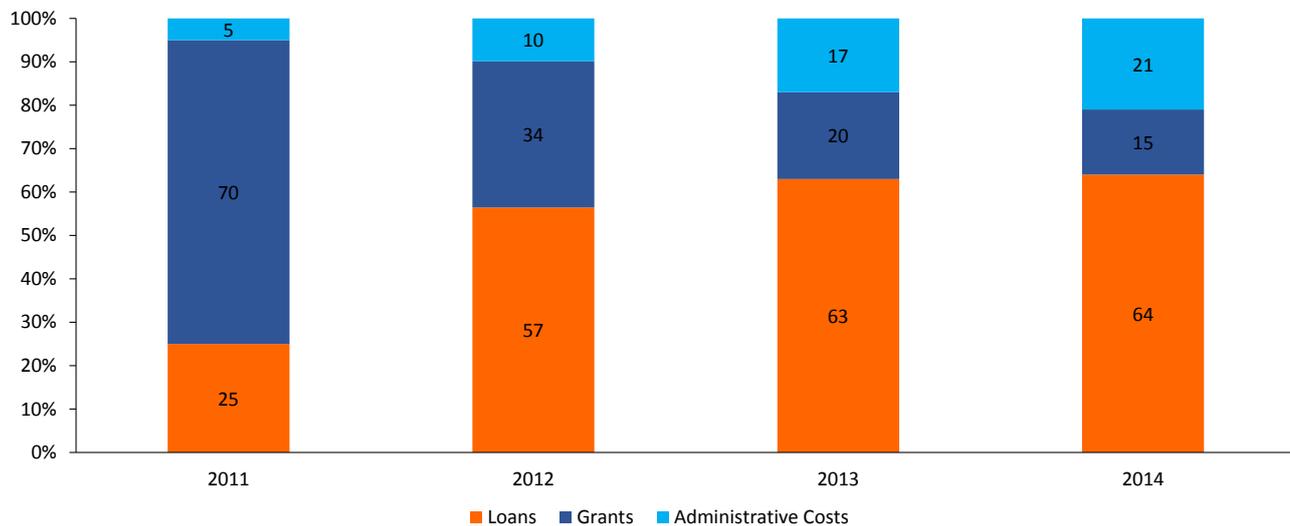
Source: Ministry of Finance Yellow Books

As can be seen from the table above, the budget allocation for the loan fund has been increasing over time. In real terms, the loan fund has grown by 163%.

Similarly, the share of grants compared to loans has also changed over time. Figure 2 shows loans, grants and administrative costs as a share of the total YDF disbursements in 2011, 2012, 2013 and

2014. In 2011, 70% of the YDF went towards grants alone compared to loans which accounted for 25%. This trend has been changing over years with loans accounting for the largest share of total disbursements. Administrative costs have also been increasing and accounted for 21% of the total disbursements in 2014. Information on the cost components of the administrative share of the funds were not available but Ministry officers at both national and provincial levels indicated that the money is spent on various activities including field visits and disbursement events when loans are being issued.

**Figure 2: Share of YDF Disbursements for Loans, Grants and Administrative Costs, 2011-2014**



Source: Auditor General's Report on the YDF

The major consideration in deciding the share of the revolving fund (loans) to provinces is the population distribution. According to the Preliminary Report of the 2010 Census of Population and Housing, the distribution of youth population is as follows;

PROVINCE	YOUTH POPULATION (15 to 34 Years)			Proportion
	Male	Female	Total	
Lusaka Province	425,866	464,268	890,134	20
Copperbelt Province	369,307	230,600	756,246	17
Eastern Province	257,254	270,325	527,579	12
Southern Province	69,219	287,057	556,276	12
Central Province	271,901	230,600	448,501	10
Northern Province	169,887	185,981	355,868	8
Luapula Province	151,398	168,751	320,149	7
Western Province	138,447	158,954	297,401	7
North-Western Province	115,472	124,050	262,107	6
Muchinga Province	110,133	121,315	231,448	5
Total	2,158,381	2,336,463	4,517,357	100

Source: Central Statistical Office 2010 Census of Population and Housing

Based on the above table, it was expected that Lusaka province was supposed to receive the largest share of the funds followed by the Copperbelt and then Eastern and Southern. Muchinga and North-Western provinces were expected to receive the smallest share of the funding. As can be seen from the table 6 below, the disbursement to provinces did not conform entirely to the criteria of population in the provinces. Eastern Province has been overtaken by Central Province despite having a larger population than Central. Northern Province also received less than North-Western Province despite having a larger population than North-Western.

Nonetheless respondents and key informants were asked whether they thought the size of the population was adequate as a key determinant for allocation and distribution of funds. While the answers were mixed, it was suggested that levels of vulnerability of a province should be another key determinant. That one province has the largest population of youths does not necessarily mean they are more vulnerable than in provinces where there are fewer youths.

NO.	Province	Total Beneficiaries	Total disbursement (K)	% share of the funds
1	Lusaka	301	9,737,422.00	23%
2	Copperbelt	147	5,242,237.96	12%
3	Central	115	5,095,970.27	12%
4	Eastern	98	4,176,664.60	10%
5	Southern	105	3,604,035.00	8%
6	North-Western	105	3,382,891.00	8%
7	Western	133	3,364,322.00	8%
8	Luapula	106	3,347,044.00	8%
9	Northern	99	2,937,000.00	7%
10	Muchinga	69	2,142,174.00	5%
	Grand Total	1278	43,029,760.83	100%

Source: Ministry of Youth, Sport and Child Development

## 4.2 Promotion of the Fund

There are no funds specifically allocated for promotional activities for the YDF, but the MYSCD has adopted a mix of methods to promote the Fund. The MYSCD officers at the province play the biggest role in promoting the Fund during field visits. The channels used involve youth organizations, community leaders including the church, chiefs and district commissioners as well as area MPs. The Programmes Unit in the MYSCD assists with promotional materials such as posters and fliers.

## 4.3 Application Process

According to the YDF guidelines, a person or group of persons eligible to apply to the YDF should meet the following criteria:

- i) Youth groups, youth-owned enterprises and youth owned cooperatives;
- ii) Zambian youths with a green National Registration Card.
- iii) Aged 18 to 35 years;
- iv) A legally registered business, company, cooperative and youth clubs; and
- v) Must have a proposal for funding that should provide a clear path of employing other unemployed youth

In addition to the above, the guidelines also specify that the application form should be accompanied by the following documents:

- a) A copy of valid certificate of business name/company registration, registration for cooperatives and youth associations;
- b) Curriculum vitae of key members of the management team;
- c) A copy of valid license of operation (where applicable);
- d) Certified copies of the National Registration Card of all project members;
- e) Proof of physical location of business;
- f) Proof of banking details

One of the key requirements of the YDF is the loans should be given to youths who apply as a group. The idea is that the youths will jointly own the enterprise. The rationale is that the impact is higher if the funds are distributed across a number of youths rather than one youth. Although this requirement is clearly specified in the guidelines, it is not always adhered to as a number of loans have been given to individual applicants with registered companies.

*“Group application has its advantages in that it allows for sharpening of skills and there are checks and balances within the group. The disadvantage, however, is that the group members may have different focus which may create conflict and confusion<sup>8</sup>”.*

It was observed during the evaluation that the majority of the recipients applied for the loans as individuals. From the interactions with beneficiaries, it was discovered that applicants who applied as groups were comparatively few. In some cases, it turned out the applicants constituted ‘ghost’ groups in order to qualify for the loans. For example, one applicant in Kabwe used a team of teachers at her school as group members. When she received the loan, the group members were not involved in any way in its usage. When some of the members were approached as beneficiaries, they showed ignorance about the usage of the loans. This is despite the fact that their names still appear as members of the group.

To a large extent, the application process for the YDF has been designed in such a way that it does not impose any direct financial burden on the part of applicants. Save for the K100 charged for the beneficiaries to undergo training, the application forms and subsequent processes are basically free. At district level the district commissioners’ offices provide support to the youths although in some cases, the DCs may not necessarily possess the technical know-how in filling the application form.

The youths are required to submit business plans with cash flows and budgets. Although this requirement can be daunting to many youths, the process has been made easier by structuring the application form in such a way that the financial information is generated as the forms are being filled in.

<sup>8</sup>Field Interviews, 2016/17

*“The form is structured as a project proposal such that once filled in the only other attachments are the prescribed documents required. It is a very simple form but it takes care of all the business related information”.*

The study attempted to identify some of the challenges that the youths face in process of accessing the fund. The key informants were able to describe what they identified as challenges that the youth face in the application process.

To begin with, for the youths in remote places that may want to apply, distance to a designated Government office to obtain registration certificates poses a challenge. Some youths have to travel to the provincial centres to process a certificate and in the process incur costs. The costs include transport, lodging and registration forms of business, opening and maintenance of accounts (in the event that the application takes longer and the youths have to wait to receive the funds).

The guidelines stipulate proof of registration with Patents and Companies Registration Agency (PACRA) or with the Registrar of Cooperatives or a copy of certificate from the National Youth Development Council (NYDC). The impression given to the Research Team was that PACRA certificate was the most common form of registration. There were no instances whereby a funded project was registered with NYDC.

#### **Box 4: KAPELA MAPANDA YOUTH CLUB – Challenges of registration**

Just like any other youth that looks forward to making changes in their lives financially the same can be said about Kapela Mapanda Youth club. The group is based on the outskirts of Mkushi district. The group applied to the YDF but the application was not successful. The reason for this was that the application did not have the valid registration certificate. The Group Chairperson claimed that although her group had applied for the certificate, it has never come out. The Group Chairperson who spoke in Cibemba had trouble identifying the office where the application for the certificate was submitted. She also had challenges explaining the process the Group went through to apply for the YDF.

The group applied for the YDF in 2012 with 25 members. Their plan was to invest in farming activities. Despite not getting the fund the group has continued to do farming. She further said all the requirements were met except for the certificate that is still pending. Apart from waiting on the Youth Development Fund the group has not received any financial or non-financial support from anywhere else. Despite that, the group has continued to do farming. The group sells its produce to the Food Reserve Agency (FRA) and redistributes the profit among the group members.

Additionally, the application process is not always easy for some of the applicants. Due to the technical nature of the application forms and the low levels of education among the youths completion of application forms poses a common challenge. As a result, the affected youths resort to seeking help from other people to fill in the forms for them. Many key informants observed that the youths in many instances had no option but to pay for these services. A very important observation was also made that in some parts of the country, the application forms tend to have the same handwriting, implying that it is the same people who fill in these forms. This also suggests that the youth may not be critically thinking through the business ideas.

*“Youths engage local ‘experts’ (who call themselves consultants) to help them to prepare documents like project proposal and registration of businesses at a fee amounting up to K2500<sup>10</sup>”.*

## **4.4 Appraisal Processes**

The loan appraisal is undertaken at the provincial level by the Provincial Committee. The YDF guidelines stipulate the process that should be undertaken during the appraisal process. The appraisal process starts with the District Commissioners’ Offices and Youth Resource Centres who receive the applications and submit these to the Office of the Provincial Permanent Secretary. The YDF guidelines specify that “all completed Youth Development Fund Application Forms should reach the Provincial Permanent Secretary within 72 hours of receipt of such applications.” Further the guidelines specify that the Provincial Youth Development Coordinator should within seven (7) days of receipt of applications arrange for the appraisal of such projects.

The guidelines also specify that the appraisal should always involve the following:

- i. Desk appraisal
- ii. Field appraisal
- iii. Preparation of appraisal report

<sup>9</sup> Field interviews 2016/17

<sup>10</sup>Field interviews 2016/17

The guidelines further specify that the project appraisal should always consist of an independent check of the statements in the business proposal/plan and an in-depth examination of policy and legal issues, and financial aspects of the project. The appraisal team is required to critically evaluate all the issues addressed in the business plan with a view to resolving outstanding project related issues. Finally, the appraisal team is required to make specific recommendations on whether the project, as designed, can achieve its objectives as well as to whether it should be approved or disapproved for funding.

Upon evaluating the applications, the PC produces and submits a report to the National Technical Committee through the Permanent Secretary, MYSCD. The final decision of who finally gets funded is made by the NTC after a re-assessment of the report and application documents. The report is supposed to reach the PS, MYSCD within seven days after the completion of the appraisal.

During the Research Team's interactions with members of the PC, it was explained that the appraisal meeting is convened as described in the guidelines. The meetings are, however, convened when the Ministry provides the resources for the loans as well as the administrative costs.

The evaluation process involves assessing the applications on the basis of meeting all requirements and business viability. All members participate in the evaluation using a score sheet. The desk appraisal is then followed by a field visit where all the information in the application form is supposed to be validated. The field visit accords the PC a chance to prove that the applicant is indeed in business, has business premises and is ready to undertake the business activity. This is perhaps the only due diligence that is undertaken by the Fund. The applicants that score above the cut-off and also meet the viability test are then selected and recommended for possible funding.

During the interactions with PC members, however, the evaluation team identified some weaknesses in the composition of the committee. It was the view of many respondents that the members of the committee lack the relevant expertise to undertake such a technical undertaking.

*"There are serious discrepancies in the appraisal that raises concern. The cash flow analysis for example would pose challenges to people who do not understand it"<sup>11</sup>.*

In view of the foregoing there were some proposals made to enhance the composition of the PC. Some of the recommendations were as follows:

- i) That membership to the committee should be based on technical expertise rather than organizations;
- ii) That some members be drawn from business sectors that are affected. For instance, if the team is evaluating a project in the agricultural sector, people with competences in the agricultural sector should be invited to serve on the committee.
- iii) That the YDF needs to put in place systems that will make the whole loan award process credible. They argued, for example, that there is no need to have the ACC on the committee to prevent corruption in the appraisal process because the role played by the members is not differentiated, the ACC members end up mostly as loan assessors.

From the field discussions the Research Team observed that the process is also undermined by the lack of resources to effectively facilitate the activities. Funds have been insufficient even for the committee to undertake its work. There are no proper tools to use in the implementation of the programmes. For example, in respect of the lack of vehicles it was noted that, "The committee of eight has to squeeze in a small vehicle to reach longer distances during the appraisal process."

There is also a provision for any applicant to appeal in writing to the NTC if not satisfied with the decision of the PC. The Research Team did not come across any information on whether any applicant has ever appealed. The apparent lack of evidence of any appeal could be as a result of applicants not having been provided with relevant information and any form of feedback regarding the fate of their applications.

<sup>11</sup>Field interviews 2016/17

## 4.5 Loan Approval Process

The NTC makes the final approval of the loan awards. Ideally the NTC is expected to base its decisions on the recommendations from the PC. In some instances, however, the NTC has to undertake a separate appraisal to select the final recipients. The reason given for this is that some PCs do not undertake what may be considered as a 'good' job at the appraisal stage. A check on some rejected application forms indicated that the decision to reject an application included the following reasons:

- No valid identification document (ID)
- Applicant being over age
- Missing curriculum vitae (CVs)

The disapproval of loan applications at the NTC level on the basis of the foregoing reasons may imply that the appraisal at provincial level is either defective or just not thorough. The NTC, however, does not undertake any field appraisals but relies on the report from the PC.

A critical look at the process shows that there is no clearly laid out criteria on the factors that determine which projects are finally funded or not funded. In many cases, the NTC has not been able to grant the full amounts but instead offered amounts lower than what applicants applied for. This is done in order to increase the number of beneficiaries given the limited resources available.

The key informants were asked to assess how transparent the appraisal and approval process has been. The response was that the process was transparent because the composition of the committees buttresses the issues of transparency. It was stated especially that the people who recommend applications to be considered for funding are not involved in the final approval of the applications or business proposals to be funded. This effectively means that the final beneficiaries are selected on merit rather than personal discretion. On the other hand, there is concern that the YDF is strongly perceived as a campaign tool for the ruling party. This perception is mainly fueled by involvement of politicians in the awarding of cheques to beneficiaries. This was evident in some provinces such as Northern, Luapula and North-Western.

## 4.6 Collateral Requirements

The youths are not strictly required to provide collateral to access the loans as they have an option to provide a valid 'guarantor'. DCs have been used in many instances as guarantors. Others used for this purpose have been church leaders, civic leaders and senior officials in Government. The guarantor in the case of YDF, however, is more of a referee than a conventional guarantor because he or she is not liable to anything should the applicant fail to pay. However, the MYSCD organized a meeting during which it explained a change that guarantors will henceforth be taken to task in the event that a person whose loan they guaranteed failed to pay. Based on this, the DCs interviewed indicated that they would be reluctant to undertake this function in future.

## 4.7 Loan Management

Loan management policy is regulated by the YDF guidelines. The Fund ceiling for loans is currently at K50, 000.00 while the ceiling for grants is at K30, 000.00. However, consideration for higher amounts is taken on a case by case basis depending on the nature and viability of the project. The following are the key loan features for the YDF:

<b>Loan sizes</b>	<b>Maximum of K50,000</b>
Interest	5% flat interest rate
Grace period	• K2,500.00 to K10,000.00 – 3 months
	• K11,00.00 to K30,000.00 – 6 months
	• K31,000.00 to K50,000.00 – 6Months
Repayment period	• K2,500.00 to K10,000.00 – 12 months
	• K11,00.00 to K30,000.00 – 24 months
	• K31,000.00 to K50,000.00 – 36 Months
Collateral requirements	Each borrower to provide collateral in form of property or at least one (1) guarantor who must be person of good repute within the local community or legally registered institution; (e.g. Clergy, Senior Government Official, Village Headperson, Chiefs, and Commissioners of oath). The guarantors must not be related to the borrowers.
Processing fees	No fees are required for loan application. A K100 is charged for training.
Insurance	The loans are not insured

Source: Ministry of Youth, Sport and Child Development

The guidelines also specify the loan management regime for the YDF as follows:

- (ii) Applicants of approved projects will be required to sign binding loan agreements with the Ministry of Youth, Sport and Child Development.
- (iii) Beneficiaries shall be required to fully account for the funds and submit monthly progress reports accompanied by detailed financial reports to the Ministry of Youth, Sport and Child Development.
- (iv) Repayments to be done in cheque form or direct transfer. Borrowers to submit monthly reports to the Ministry of Youth, Sport and Child Development which should be accompanied by periodic bank statements.
- (v) Loanees are required to issue post-dated cheques payable to the Ministry of Youth, Sport and Child Development for the first six months' loan repayment instalments; or to issue standing orders to their bankers instructing them to be remitting loan repayment instalments to the Ministry of Youth, Sport and Child Development at particular dates of the month. Such instructions to bankers must be copied to the Ministry of Youth, Sport and Child Development.
- (vi) Monthly instalments will be calculated based on the loan amount an applicant was offered.

Some aspects of the loan policy as prescribed in the guidelines are strictly followed. The beneficiaries are furnished with sufficient information on the “Dos and don’ts” of the loan. For instance, most of the youths interviewed as key informants knew the monthly repayment amount. They also indicated that they had the information regarding the bank account where they were supposed to make the deposit.

There were concerns raised, however, among stakeholders regarding the lag in the disbursement of the funds. According to the guidelines, the loan should be disbursed within ten (10) working days as each stage was allowed 72 hours processing time, but it takes over a year from submitting an application letter to funding. This is mainly accounted for by the delays in the release of funds from the MoF.

*“The delays in disbursement are quite major issues. Sometimes the monies are disbursed 12 months after application. At that time, market dynamics would have changed, prices would have been increased. So even if you give the youth the money, it becomes very difficult to run the project as was conceptualised<sup>12</sup>”.*

The loans are disbursed by transferring the monies into each applicant’s bank account. But before that an award ceremony is held where the Minister in full view of the general public and the media hands over the cheques to the recipients. This is seen as a public relations stint. Thereafter the cheques are recalled and deposited in beneficiaries’ bank accounts. The grace period and repayment period are applied as prescribed.

<sup>12</sup>Field interviews 2016/17

After grace period elapses, it is expected that the borrowers would be self-motivated or “kind enough” to go to Finance Bank or a nearby post office to make the deposit and thereafter leave a copy of the deposit at the provincial office. It is also expected that the borrowers would be submitting bank statements to the Ministry as well. This aspect was thoroughly interrogated by the study team. The fact of the matter is that this rarely happens, save for very few good borrowers. What makes the situation worse is that the Ministry has no capacity to make follow ups. Besides, a lot of beneficiaries especially those in the rural areas live far from the post office or Finance Bank.

*“If the beneficiaries are not bringing the money there is not much that the ministry can do<sup>13</sup>”.*

Since the loans are given out without collateral, it was felt that a ceiling of K50, 000.00 was not only adequate in terms of boosting the capital requirements of an enterprise but also was manageable in terms of enabling the youths to repay. Amounts higher than K50, 000.00 were seen to have been an over-exposure to the borrowers.

*“The loan size should only be increased if the issue of collateral has been taken care of<sup>14</sup>”.*

Most of the key respondents were, however, amenable to increasing the loan size. They explained that for the Fund to have meaningful impact, it would be important to increase the loan size. The situation is further compounded by the fact that the loan sizes are usually reduced from what the applicants applies for. This was said to have had negative impact on the borrowers. A number of beneficiaries that were interviewed explained that their performance was negatively affected by the fact that they were not able to procure the right type of equipment because the loan amount had been reduced.

### **Box 5: KILAJI ENTERPRISE – Forced to change business line**

A 33-year-old lady is owner of Kilaji Enterprises in Central Province. The business was trading in stationery at the time of applying for the YDF loan. She runs the business as a company where she is the Director.

In 2012, she applied for a K50, 000 loan. The loan application was successful. Her intentions were to procure a printing machine that would help her expand the business prospects. However, the YDF only approved K35, 000. According to owner of Kilaji Enterprises, this posed a challenge for her because the money was not enough to help her procure the machine. She then decided to forego the loan. The money stayed in her account for four months without being used. It took the Bank Manager to approach her and persuade her to use the money. She then approached the YDF to request for change of business.

She was allowed to change the business by the Ministry. She then decided to venture into selling beddings. According to her, this was a new business line to her but she had no choice. She explained that the business did not fare well partly on account of the economic situation that prevailed in 2014 and 2015 and partly because she was not experienced in this particular business. She explained that she eventually closed the business as it was no longer viable in 2016.

The interest rate charged on the loan is a flat rate of 5%. There are no administrative charges other than the charge for participation in the training. Some key informants explained that the 5% interest rate was manageable given that this is a fund meant to support the development of youth entrepreneurs. On the other hand, other key informants were of the view that the interest was too low given that the Fund is supposed to be a revolving fund which should grow over time to benefit more youths. The argument is that the interest rate should be set above the inflation rate in order to preserve the value of the Fund over a period of time. At the time of the survey, the inflation rate was 7.5%.

## **4.8 Loan Recovery and Default Management**

The YDF design assumes that the borrowers will on their own go to the bank to deposit the loan repayment instalment when it is due. The guidelines do not adequately address the issue of defaults. The only tool available is the loan agreement that the applicant is required to sign. Key informants explained that the document is not legally binding and as such the Ministry of Youth, Sport and Child Development has not been able to use it to compel the youths to pay. A major weakness of the YDF in this regard is the fact that there is no officer at provincial or district level that is specifically tasked to work as a ‘loan officer’. The provincial staff regard this as a by-the-way responsibility. Therefore, the only action the Ministry could take is to hand over to the Ministry of Justice (MoJ) a list of defaulters so that the MoJ could pursue options of recovering the money.

<sup>13</sup>Field interviews 2016/17

<sup>14</sup>Field interviews 2016/17

*“The agreement letter that the youths sign is not “respected. The youths more or less go scot-free. We keep on urging them to make payments<sup>15</sup>”.*

The relaxed approach regarding the repayment of loans has been compounded by the fact that announcements and subsequent disbursement of funds is done by politicians. The involvement of political office bearers such as MPs, Councillors, and DCs in the dissemination of information regarding the YDF also contributes to the low repayment rates.

#### 4.9 Monitoring and Evaluation Systems

The study revealed that there is no structured M & E system that has been put in place for the YDF. At the provincial level, this has been left to the provincial office to undertake. There was some indication that the officers did conduct some M & E activities but these activities were very irregular. The most constraining factor was that there are no adequate resources provided for these activities. The study team did not see any M & E framework such as a logical framework or document outlining the activities, targets and others specifically for the YDF. The provincial offices, however, do provide reports to head office which include YDF activities.

As indicated earlier, the Provincial Administration Monitoring and Evaluation Committee has not included YDF in its programmes. This is because YDF is seen as a national programme and not a ‘provincial programme’. There are also no resources apportioned for this activity at provincial level.

*“Currently there are no monitoring funds for the YDF in the province as this is kept at the head office. This may in part explain some of the low repayment rates as there are minimal enforcements done. This mismatch in funding is a big factor, therefore it would be more prudent if the monitoring and evaluation funds would be channelled through the provincial budget<sup>16</sup>.”*

#### 4.10 Business Development Services

The YDF provides some induction training activities for the recipients. These activities are meant to introduce the would-be loan recipients to the loan requirements and procedures of the YDF. In some instances, some business management module is included which is conducted by other stakeholders such as the Zambia Development Agency. The induction is planned for a week although in some instances it has been undertaken in less than a week. Although the induction was described as helpful in terms of educating the beneficiary with YDF requirements, the stakeholders felt that the training was not sufficient in terms of enhancing the business management or the technical skills of the recipients. A proposal was, therefore, made for the programme to consider incorporating a business developing programme that will help build both the business management and the technical skills of the youths.

<sup>15</sup>Field interviews 2016/17

<sup>16</sup>Field interviews 2016/17

## 5.0 Comparative Analysis of YDF model with Similar Initiatives

The survey sought to provide a comparative analysis of the YDF with similar programmes in Zambia. Nonetheless, there were not many such funds to compare with except the Citizens Economic Empowerment Fund (CEEF).

### 5.1 The Citizens Economic Empowerment Fund

The Citizens Economic Empowerment Commission (CEEC) is a statutory body established under the Citizens Economic Empowerment Act No 9 of 2006. The mandate of CEEC is to enhance broad-based economic empowerment, foster citizens' ownership, control and management of economic resources, as well as to promote economic empowerment of citizens.

Part IV of the CEE Act establishes the Citizen's Economic Empowerment Fund (CEEF) as follows:

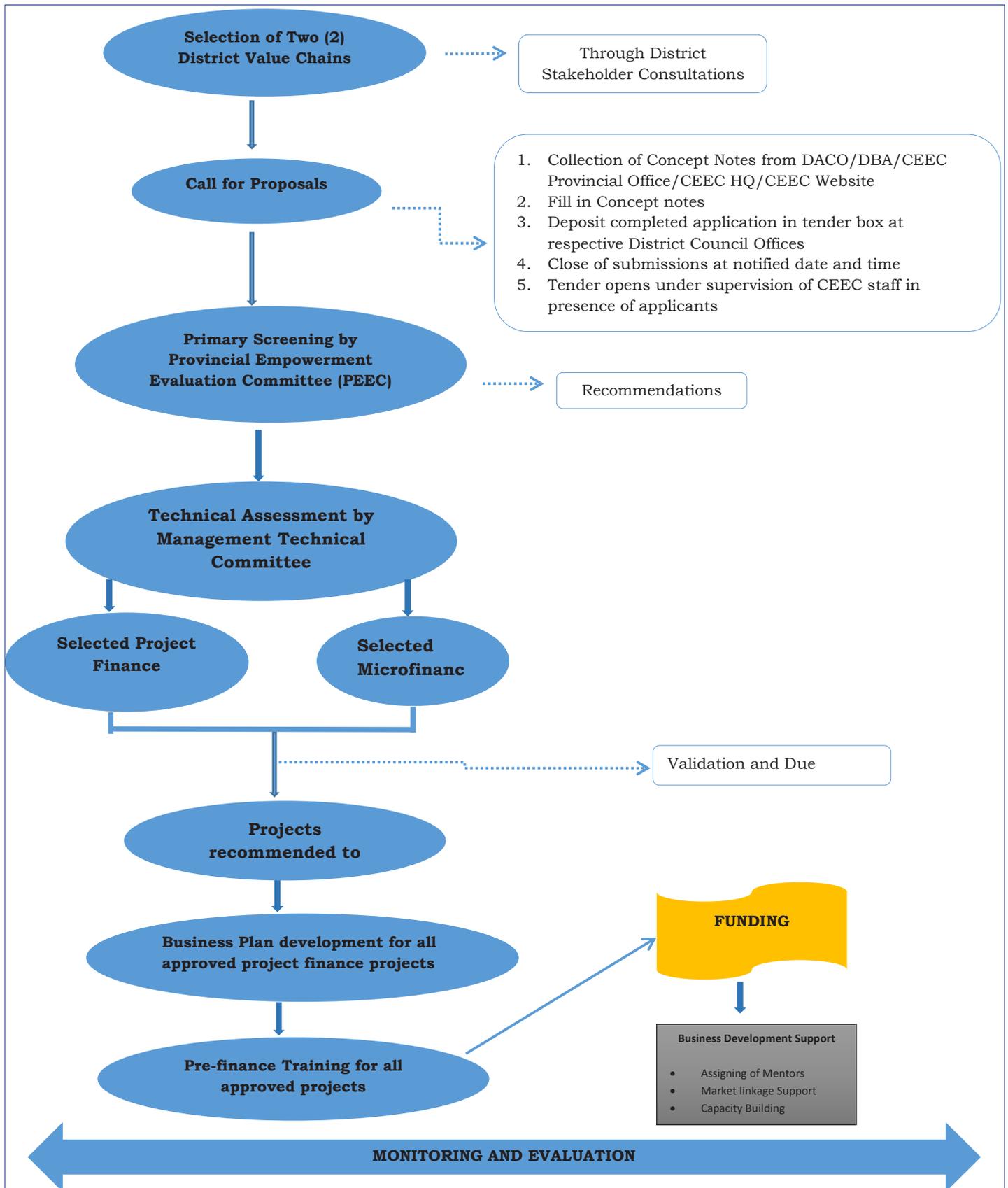
29. (1) There is hereby established the Citizen's Economic Empowerment Fund for supporting the development of broad-based economic empowerment programmes.  
 (2) The Fund shall consist of—

- (a) such moneys as may be appropriated by Parliament for the purposes of the Fund;
- (b) moneys received by way of grants, fees, loans or donations for the purposes of the fund; and
- (c) interest accrued from any investment made by the Commission or raised through the local stock exchange.

The operational mechanism of the CEEF has been strengthened since the Commission became operational in 2008. In 2013 a new strategic plan was developed in order to reposition the empowerment programming under which CEEC is systematically supporting the development of Micro, Small and Medium Enterprises (MSMEs) by financing various value chains in line with Government's Rural Industrialization Strategy. Under this strategic plan, 40% of the empowerment funding is set aside for youths.

Guidelines and processes are defined for implementing broad-based empowerment measures and certain activities that contribute towards supporting the beneficiaries of the CEEF.

The process flow for funding is as shown below:



### 5.1.1 Policies

The Commission has in place operational manuals that elaborate the approach to be taken in the implementation of programmes and activities that contribute towards the execution of the Commission's mandate. The credit policy is in place to create a set of standardized policies for the generation, disbursement, monitoring and management of loans from the Citizen's Economic Empowerment Fund. Furthermore, the credit policy ensures there is legal compliance with the provisions contained in Part IV of the CEE Act and creates awareness of the fiduciary duty on the part of the Commission. In order to strengthen credit performance at national level, the Commission has Credit and Risk Officers in all the provinces.

### 5.1.2 Monitoring

Performance monitoring is an ongoing process for all empowerment programmes at the Commission. Progress in the implementation of the empowerment programme is tracked through the Performance Management Plan of the Commission whose performance indicators form part of the Results Framework of the Strategy Implementation Plan. Furthermore, the Commission has been mandated by the Act of Parliament to assess the extent to which broad-based empowerment activities are being implemented by not only the Commission itself but also other state institutions and companies.

### 5.1.3 Key Loan Features

#### *a) Project Finance*

Under this product the Commission provides secured loans over K50,000 with a maximum tenure of 60 months with a moratorium tailored to the nature of the business. The applicable interest is 12% per annum. All loans under this product require collateral.

#### *b) Micro Finance*

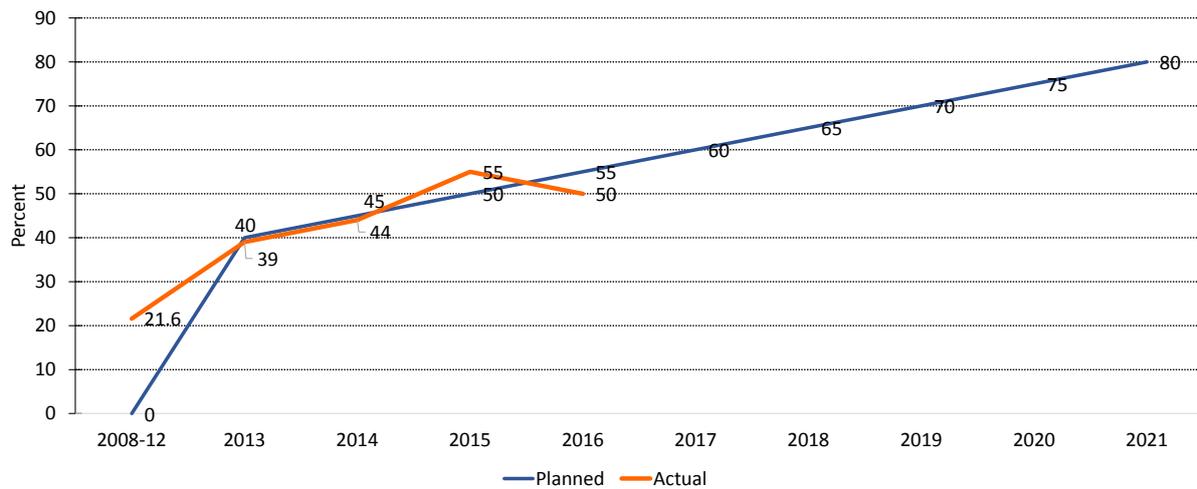
This product is for a maximum tenure of 36 months and interest is at 12% per annum. Under this product collateral requirements are optional for loan amounts up to K50,000.

### 5.1.4 Recovery system

The credit policy outlines the procedure to be undertaken where a client has defaulted. Loans that are overdue by more than 90 days are referred to the Directorate of Legal Services for litigation. The Commission executes a Writ of Execution to repossess properties pledged as collateral.

### 5.1.5 Loan Recovery Rate

The loan repayment rate currently stands at 51%. The cumulative portfolio loan repayment from 2008-2016 is as shown in Figure 3.

**Figure 3: CEEC Loan Repayment Rates 2008-2016**


The loan recovery per province is shown in Table 8.

**Table 8: Loan Recovery Rates**

S/n	Province	Amount Due (K)	Amount Paid (K)	RCR %
1	Central	20,509,413.33	9,689,530.05	47%
2	Copperbelt	27,607,279.76	9,768,884.97	35%
3	Eastern	10,092,345.39	6,423,948.58	64%
4	Luapula	5,364,428.67	3,563,690.36	66%
5	Lusaka	90,299,421.66	46,649,606.95	52%
6	Muchinga	3,708,832.38	968,538.33	26%
7	Northern	8,039,848.84	5,299,236.55	66%
8	Northwestern	8,091,148.39	7,051,997.30	87%
9	Southern	8,812,428.17	5,709,647.51	65%
10	Western	8,716,668.55	2,035,921.94	23%
	<b>TOTAL</b>	<b>191,241,815.14</b>	<b>97,161,002.54</b>	<b>51%</b>

## 6.0 Similar Programmes Implemented in the Region

This section presents international examples of some of the youth empowerment funds being implemented in a number of African countries with a closer focus on Kenya. Other countries are Tanzania, South Africa, Mali and Botswana.

### 6.1 Kenya

In Kenya, the youth development fund is managed through a specialized agency called the Youth Enterprise Development Fund (YEDF). The YEDF was established in 2006 through legal notice No.167, and then transformed into a state corporation in 2007 through a legal notice No. 63. The purpose of the fund, which is one of the flagships for Vision 2030, under the Social Pillar, was to respond to youth empowerment challenges.

The YEDF operates as a fully-fledged business development and financing agency. The Fund provides its services through distinct business units which include marketing, monitoring and evaluation and resource mobilisation units. As a credit and business development entity, the YEDF provides loans to deserving groups of youths or individuals. It also supports the youth enterprises with commercial infrastructure as well as facilitation of marketing of products and services of youth enterprises both in the domestic and the international markets. Additionally, the YEDF provides business development services to youth enterprises and facilitates employment of youth in the international labour market.

The fund receives 100% financial support from the Government of Kenya through annual budgetary allocation. The target beneficiaries are Kenyan youth aged between 18-35 years, who may be organized in registered self-help groups (SHG) or as individuals or companies owned by youth.

#### 6.1.1 Loan Products

The YDF provides a range of loan products which are classified under group loans and individual loans.

##### a) Group Loans

The first component is the Constituency Youth Enterprise Scheme (C-YES) that funds enterprises of youth groups in all the constituencies. At least 70% of the group members must be aged between 18 to 35 years and the leadership should be 100% youths. The following loan categories are provided to groups:

##### i) RAUSHA Group Loan

This loan targets start up group businesses with the following loan features:

Loan amount: Maximum	US\$5000
Management Fee	5% (this loan is interest free)
Repayment period:	12 months
Grace period:	3 months

##### ii) INUA Group Loan

This loan is given for business expansion to the groups. The major requirement is that the group should have a good credit history with the Youth Fund or other lending institutions/organizations.

Loan stages	Amount (US\$)	Loan term
1st Loan	1,000.00	12 months
2nd Loan	2,000.00	18 months
3rd Loan	5,000.00	24 months

The INUA loan is interest-free but attracts a flat management fee of 5%. The youths are required to provide collateral in form of chattels (pledge of personal and business assets), stocks or charge over or simple deposit of ownership documents of assets directly financed by YEDF e.g. logbooks. This, however, depends on a type of business activity that the group engages in.

### ***b) Individual Loans***

Individual loans are in two categories, **SMART** Loan and **Vuka** Loan.

#### ***i) SMART Loan***

Smart provides loans to individuals who are members of groups which have repaid their group loans. It empowers individuals within groups to start or expand their personal businesses. The methodology operates in such a way that 80% of the membership are allowed first round of financing. If the repayment of the first round is good, then the other 20% of the group will be financed. The group will sign an undertaking to guarantee loans advanced to its members.

This loan is interest-free but charges a management fee of 8%.

<b>Loan Stages</b>	<b>Amount (US\$)</b>
1st Loan	250
2nd Loan	500
3rd Loan	1000
4th Loan	2000

#### ***ii) Vuka Loan***

Vuka loan is advanced to youth who have existing businesses and are able to provide security. The objective of Vuka loan is to provide friendly large-scale financing for business expansion. Applicants may be individuals, partnerships or limited companies. Vuka loan finances business expansions only, not start-ups. The applicant may use the loan for working capital or to purchase income generating assets.

The youths are able to access loan amounts from a minimum of US\$1000 to a maximum of US\$20,000. The Vuka loan attracts a flat interest rate of 8% per annum as well as 1% loan application fee that is netted off the loan amount at disbursement. This amount covers administrative costs including induction training activities.

### **6.1.2 Collateral**

The loan amount equal to and below US\$1000 is secured by flexible security such as chattels, stock, business assets. All loans above US\$1000 are secured by conventional security such as, financed capital asset, car logbooks, landed property, treasury bills and bonds, undeveloped property. Security discounting margins vary according to the type of security. For example, chattels (business and household goods) are discounted at 50%. The loans are repayable on a monthly basis through cash deposit into the Fund's account.

### **6.1.3 Other products and services**

#### ***a) Bid Bond and Local Purchase Order (LPO)***

YEDF offers Bid Bond and Local Purchase Order (LPO)/Local Service Order (LSO) financing to youths participating in government tenders. The loan is available to individuals, registered groups, partnerships and companies owned and run by the youths.

The maximum amount available for bid bond is US\$20,000 and a letter of undertaking from the procuring entity serves as security. For LPO, the maximum amount that one can get in one loan is US\$200,000. The YEDF finances a maximum of 70% of the LPO amount. Only LPOs/LSOs from government ministries and agencies are financed although plans are underway to bring on board the private sector.

Once the LPO funding is approved, the funds are availed to the applicant if the loans are for procurement of consumables otherwise where the LPO is for the capital goods, YEDF pays directly to the supplier. A letter of undertaking from the procuring entity serves as security for amounts below US\$10,000. For higher amounts, collateral is required.

The YEDF also provides other loan products which are specifically designed to meet the needs of targeted sectors such as agriculture and talent sectors.

Other services of the YEDF include training where beneficiaries are imparted with various skills to enable them manage the loans and run their enterprises effectively. The training is done in cycles and therefore, they are not one off. In the first place, the potential beneficiaries are sensitized on the essential requirements for accessing and servicing the loans. The second round involves business management training covering areas such as business planning and marketing. The YEDF also conducts business mentorship programmes for the youths servicing loans. For this programme the YEDF organizes sessions where prominent businessmen are invited to mentor the youths. The YEDF also organizes specialized sector specific training programmes that aim to assist youths with knowledge and skills peculiar to a sector.

#### ***b) Market Support and linkages***

The Fund is involved in facilitating and supporting small youth-owned enterprises to develop linkages with large established enterprises/institutions for business and mentorship. It also facilitates the marketing of products and services of youth owned enterprises in domestic, regional and international markets. These activities are executed by:

- i) Organizing and/or participating in organized marketing events such as trade fairs, exhibitions, conventions/conferences and road shows. These marketing events may be within or outside Kenya. They offer the youth entrepreneurs with an opportunity to network, showcase and market their products. The Fund organizes county, national and international youth trade fairs in partnership with various county governments and government institutions.
- ii) Facilitating market linkages between small youth-owned enterprises with large established private enterprises or government institutions for business and mentorship. Under these partnerships, the youth entrepreneurs are facilitated to learn from, as well as trade with, the established enterprises or institutions. The linkages take such forms as Subcontracting, outsourcing, franchising and business mentorship/business development trainings.

#### ***c) Infrastructure***

Under this mandate the Fund aims to provide decent trading premises/work sites to young entrepreneurs at affordable rates. The Fund engages several county governments and other private sector players to partner in establishing commercial infrastructure appropriate for youth enterprise needs, such as candy shops, market stalls and shoe shine units

#### ***d) Youth employment abroad***

The Fund is mandated to facilitate young people, whose services are not engaged locally, to secure employment in the foreign labour markets. The Fund has established partnerships with Private Employment Agencies (PEA), training and professional institutions to facilitate youth access jobs abroad.

### **6.1.4 Key learning points**

The YEDF reported a 64% repayment rate for its loans. Some of the factors that have contributed to this higher repayment rate are:

- i) The YEDF has offices at regional level. The members of staff, particularly the credit staff undertake periodic visits to the borrowers to check on the performance especially for the initial periods. If the business is showing signs of ailing, the officers raise the flag and support is provided to the enterprise.
- ii) There is also the fear of being blacklisted by the credit reference bureau. Once blacklisted by the CRB, a person cannot access any form of finance including from a Savings and Credit Cooperative (SACCO). This has helped improve the repayment rate.

## 6.2 Other programmes in the region

The Kenyan model is but one of the many models that are used in other countries to empower youth engaged in sustainable businesses and job creation. Countries such as Tanzania, Botswana, South Africa and Mali provide some best practices in certain aspects of youth development. Albeit their models are not entirely perfect, they still provide insights into what works and may not work for the youth. Based on this idea, Zambia can develop its own hybrid of a model for youth development that fits in the context of the country.

### 6.2.1 Tanzania

Tanzania has a Youth Development Fund (YDF) that was established in 1993/94 and the Economic Empowerment Fund (EEF). The main emphasis of the funds is employment creation. The funds are financed by the government, private banks and the savings of the borrowers. The funds are given out as loans to groups mainly those belonging to Savings and Credit Co-operatives (SACCOs) at an interest rate that preserves the funds from inflation and enables growth of the funds. The YDF is disbursed by government directly to the SACCOs for onward lending to its members while the EEF is channeled through commercial banks to SACCOs and ultimately its members. In the Tanzanian model, funding groups has proven more effective than funding individuals. In Zambia however, evidence from the survey shows a higher success rate of business as measured by profits among individuals compared to groups.

Tanzania requires that all enterprises make returns to the National Bureau of Statistics which transfers the information to the national database. The database also provides for monitoring and evaluating the achievement of the funds objectives. The International Labour Organization (ILO) has identified clear targeting of youths with savings and group lending through the SACCOs as one of the key success factors of the YDF in Tanzania. The ILO also acknowledged the decentralized data collection system in Tanzania as an effective practice in monitoring and evaluating the jobs created and the quality of jobs.

### 6.2.2 South Africa and Botswana

South Africa and Botswana both offer only grants to the youths. A lot of emphasis is placed on business development services in the South African model with the fund providing enterprise mentorship and market linkages among others. The grant finance starts from R1 000(US\$78) to a maximum of R100 000 (US\$7,755) for any individual or youth co-operative. Botswana also places emphasis on business development. Through the district structures, youths to benefit from the fund are identified and they undergo pre-funding training. This training is provided by selected service providers. The fund is given out based on proposals developed by the youths after the training.

## 6.3 Lessons for Zambia from the international experience

The ILO has formulated some recommendations on how to improve a national youth fund based on emerging practice in different countries. The recommendations are drawn from a review of models used in Tanzania, Botswana, South Africa, Mali and Tunisia and are anchored on the best practices and factors influencing success in the implementation of the national youth fund. Some of the key emerging practices include:

- a) Placing emphasis on developing Specific, Measurable, Attainable, Realistic and Time bound (SMART) objectives. The objectives should be quantifiable in order to track the performance of the fund. SMART objectives also ensure that the administrators are held accountable
- b) The fund should have a specific target group.
- c) Partnership between government and various stakeholders is cardinal to successful management of a national youth fund programme. Disbursement of the fund through financial institutions/private agency increases the resource envelop of the fund and ensures sustainability. It also removes the connotation that the funds are 'free' government money thereby affecting the repayments of the fund. The advantage of a private agency is also that there is more capacity for private agencies to implement the fund as they have already existing structures necessary for the effective implementation of the fund. The ILO simply states that government cannot go it alone in the implementation of national youth funds.
- d) The implementing agency also needs to have good governance systems vis-à-vis a well outlined fund management

organisation structure and documented systems for monitoring and evaluation. There is a need for a decentralised system that can reach rural areas. Other factors include appropriate and qualified staff.

- e) Group lending through SACCOs in most counties is efficient as the members guarantee each other's loans.
- f) Promotion of business development services such as training, mentorship programmes and market linkages.
- g) Government has an important role to play in creating an enabling environment through conducive legislation and regulation as well as incentives to encourage youth entrepreneurship.
- h) Promotion of the fund needs to have clear messages void of political interference and manipulation. Communication to the youths about the fund should focus on expectation of the business performance and that the youth should bring something to the table. The promotional messages should not focus on the fact that youths can get the funding.
- i) The national youth fund should provide support at different levels of the project.
- j) Provision of fixed assets is encouraged rather than money because of the fungibility of money.

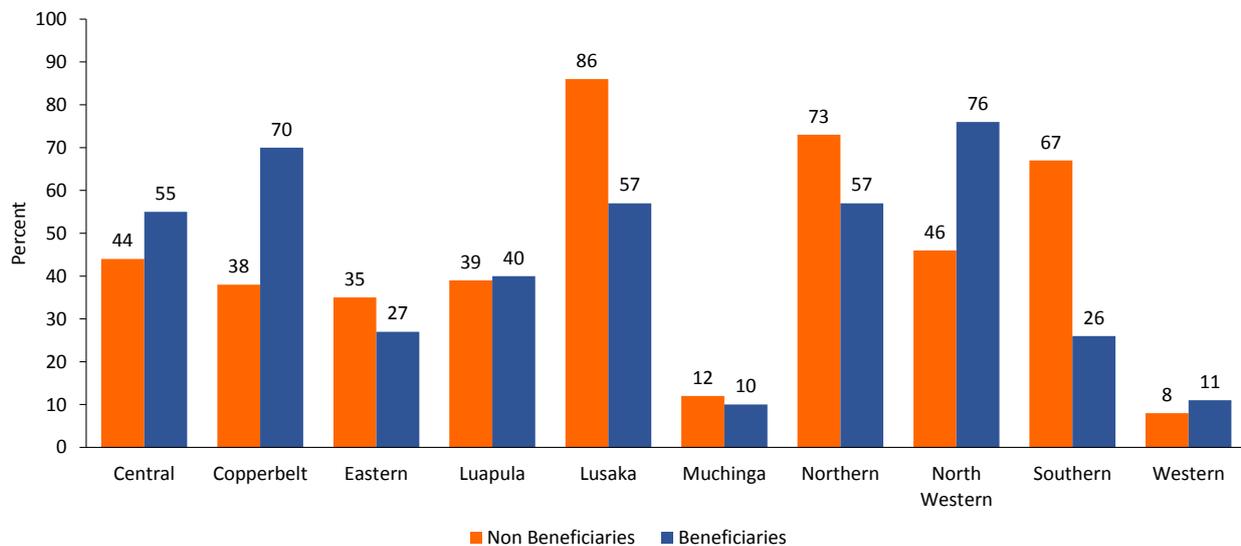
## 7.0 The Impact of the fund on the target beneficiaries

This section presents the results from the quantitative survey ranging from the background information of the respondents to the impact of the YDF using difference in difference and propensity score matching methods. It should be acknowledged that while this section measures impact in terms of wellbeing, profitability and employment, the project achieved other positive benefits that were not measured. One such benefit is the experience from running a business and managing a loan. This is valuable dimension in respect of future business activities of the beneficiaries.

### 7.1 Background information of the respondents

The research study enumerated a total of 907 respondents in all the ten (10) provinces in Zambia. These are youths who either applied or received a loan between 2012 and 2014. Figure 4 shows the distribution of respondents by province.

**Figure 4: Distribution of respondents by Province**



Lusaka Province had the most respondents followed by Northern and North-Western provinces, respectively. North-Western Province, however, had the most beneficiaries mainly due to low non-response cases which were highest in urban areas. Notwithstanding this position, there are more beneficiaries in urban areas such as Lusaka, Central and Copperbelt Provinces. The research study found that respondents from the more rural provinces were more willing to participate in the study than those in the urban areas.

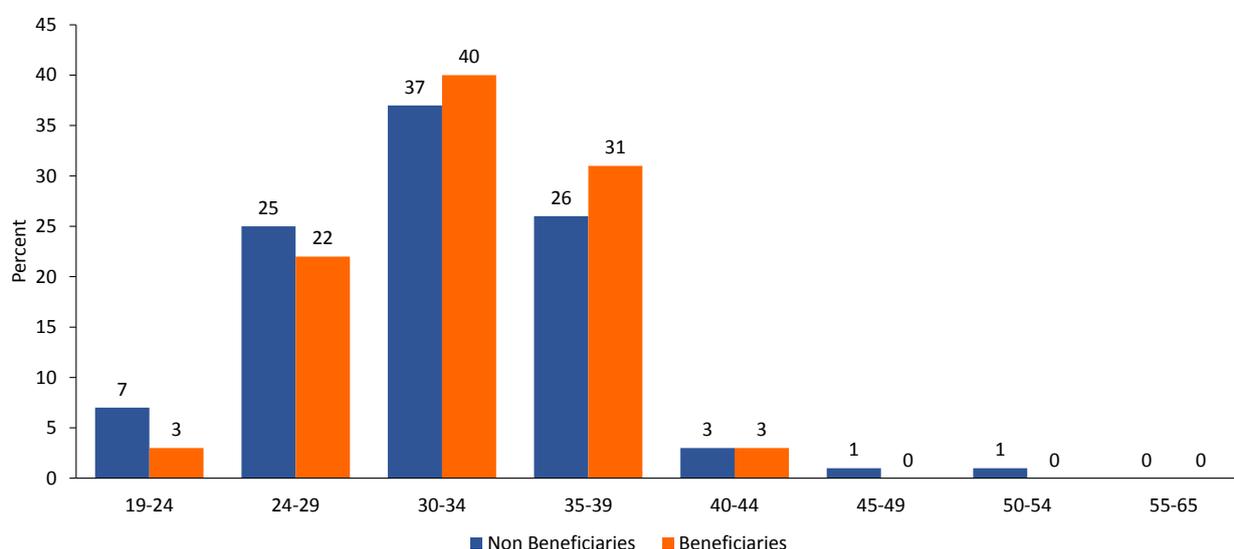
The average response rate was 86% with the highest response rate from Northern and Muchinga Provinces. Table 9 shows the response rates by province.

**Table 9: Survey response rate by Province**

Province	Sampled	Actual Collected	Response Rate
Copperbelt	169	118	70%
Lusaka	176	152	86%
Luapula	82	83	101%
Northern/Muchinga	138	149	108%
Central	144	108	75%
North Western	155	124	80%
Eastern	65	62	95%
Southern	84	84	100%
Western	36	27	75%
Average National Response Rate	1049	907	86%

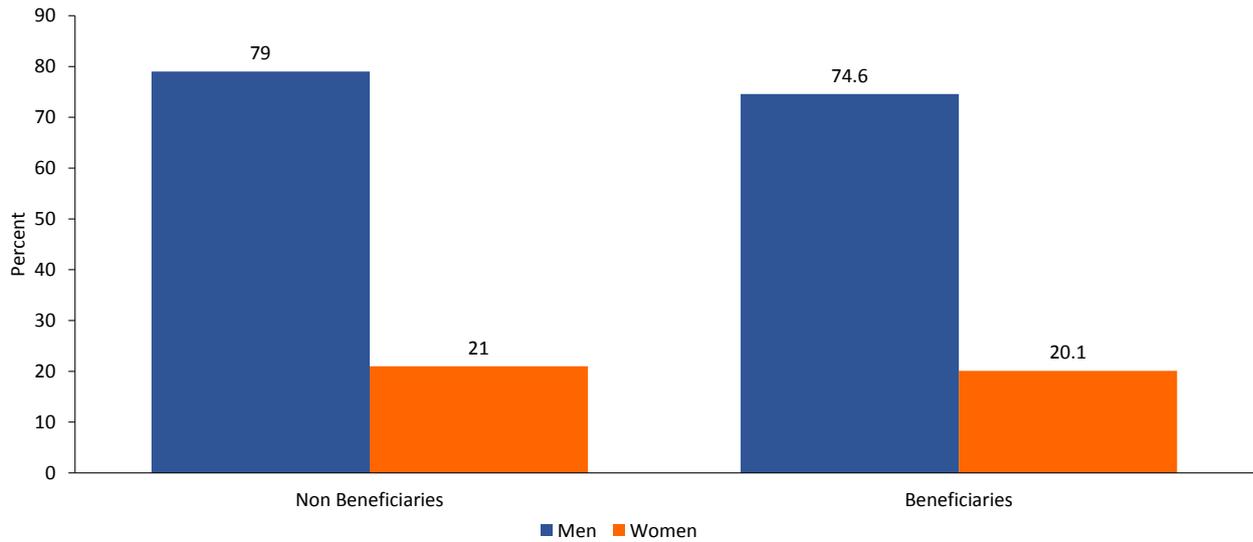
Majority (67%) of the respondents were below the age of 35. The mean age for the beneficiaries was 32 years while that of the non-beneficiaries was 34 years.

**Figure 5: Respondents distribution by age**



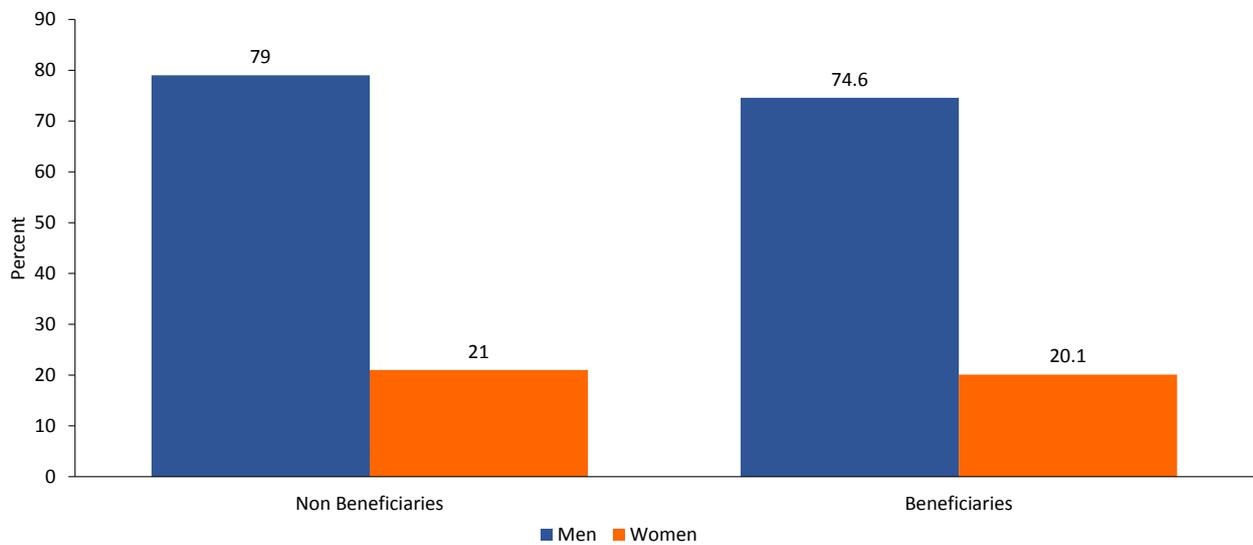
There were more males than females in both the beneficiaries and non-beneficiaries' groups. The reason for the low number of females is not very clear. It could be because of the unequal gender relations in society which preclude women from actively participating in programmes involving accessing of resources for economic activities. It may also be that awareness programmes are not reaching female youths.

**Figure 6: Respondents distribution by sex**



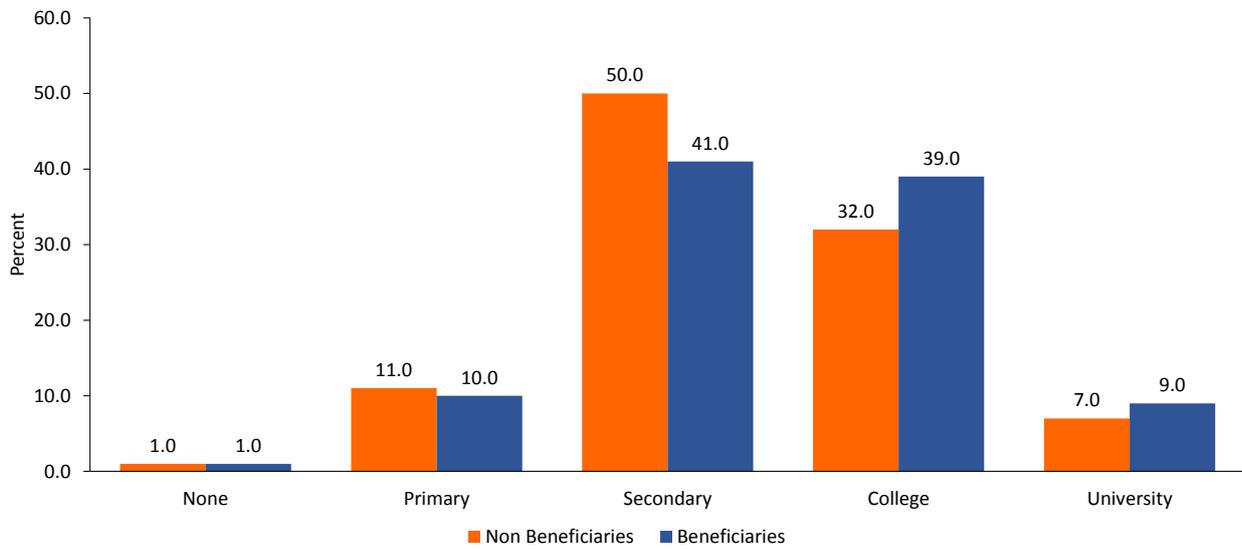
One of the objectives of the Fund is to encourage the out-of-school, marginalized and unemployed youths to venture into sustainable and viable income generating projects. One of the marginalized groups consists of people with disabilities. There were a total of 29 physically challenged respondents in the survey. This represented 3% of the total respondents. There were just as fewer physically challenged youths in the beneficiaries as there were in the non-beneficiaries group.

**Figure 7: Respondent's distribution by disability**



The average education attainment of both beneficiaries and non-beneficiaries was secondary education.

**Figure 8: Respondents by education attainment**



The majority (81%) of the respondents had attained secondary and college education. The high level of education among the beneficiaries and non-beneficiaries indicates a selection bias towards those relatively more educated in the YDF application process.

Most of the youth’s businesses were in wholesale and retail trade at 32% followed by agriculture at 23%. The average number of years of running a business among the non-beneficiaries was four (4) years while three (3) years among the beneficiaries

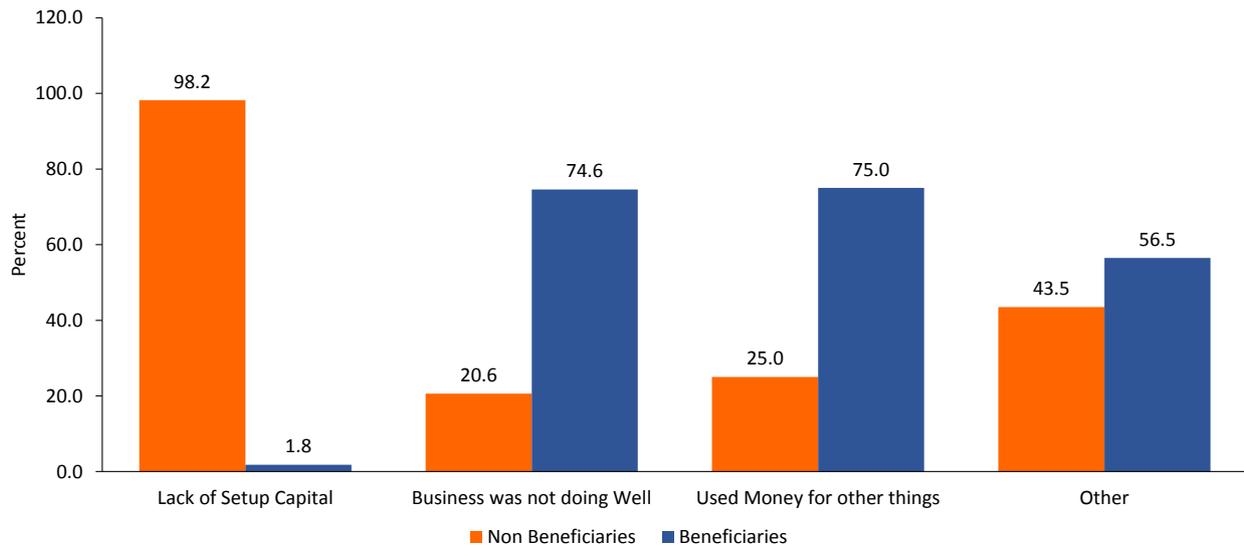
**Table 10: Respondents by Industry**

Industry	Non-beneficiaries	Beneficiaries	All
Wholesale and retail trade	36%	28%	32%
Agriculture, forestry and fishing	22%	24%	23%
Other	20%	24%	22%
Manufacturing	15%	19%	17%
Transportation and storage	7%	5%	6%

There were a total of 232 respondents who were not doing business at the time of the survey. These represented 27% of the total respondents. The beneficiaries represented 34% of the respondents not in business.

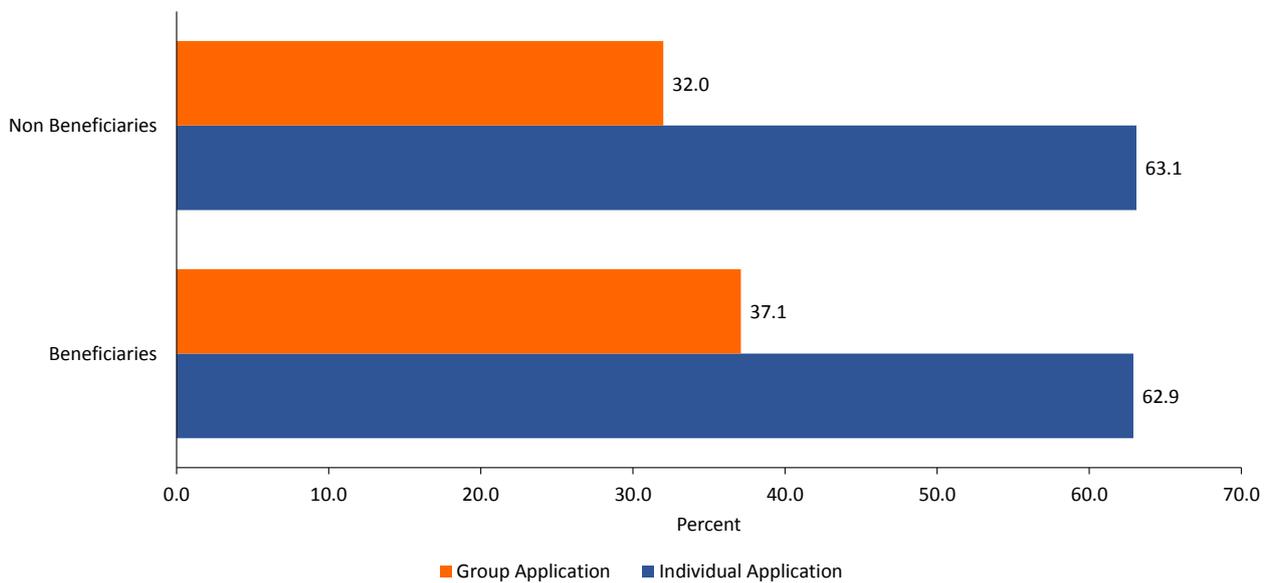
Those not doing business offered some reasons for being in such a position. The most common reason among the non-beneficiaries was lack of capital while for the beneficiaries it was poor business performance forcing them to go out of business. The beneficiaries that were no longer in business accounted for over K2.3 million in YDF loans and had a total of K2.1 million in arrears.

**Figure 9: Respondents not in business**



Most of the respondents had applied to the Fund as individuals contrary to guidelines which stipulate that youths apply in groups. This was the case for both the beneficiaries and non-beneficiaries.

**Figure 10: Group or Individual application**

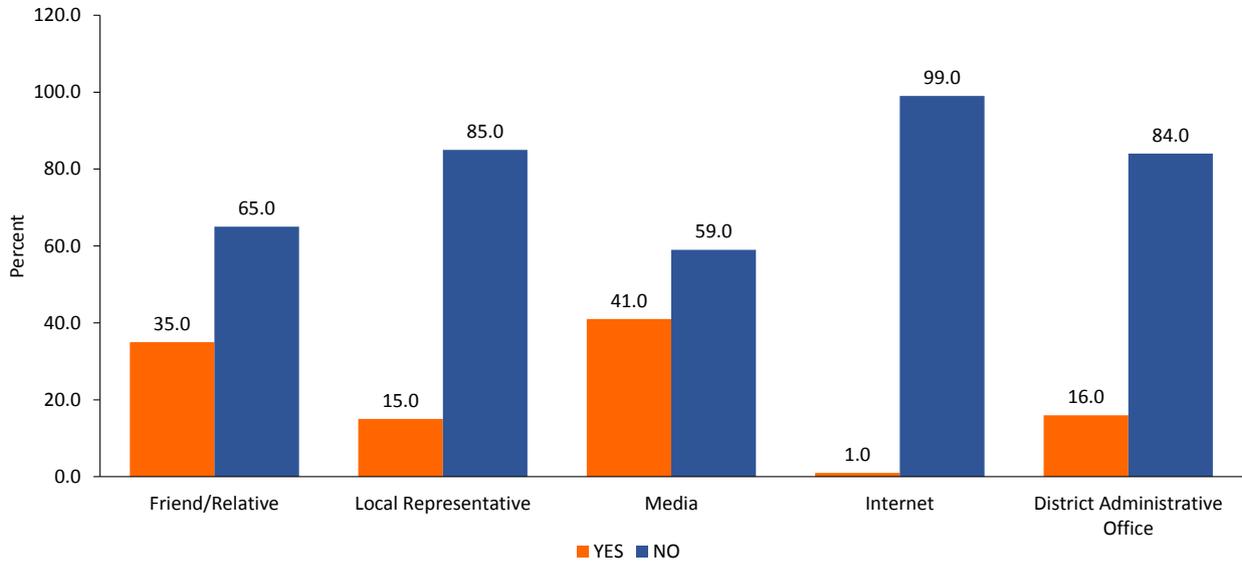


## 7.2 Loan application process

The review of the YDF included an analysis of the application process to understand the effectiveness of the dissemination as well as the strengths and weaknesses of the entire application process. The questions in the survey included: the source of information on the YDF, whether the respondent spent any money during the application process, rating of the application process, respondent’s views on the loan size, repayment period, grace period and interest rate.

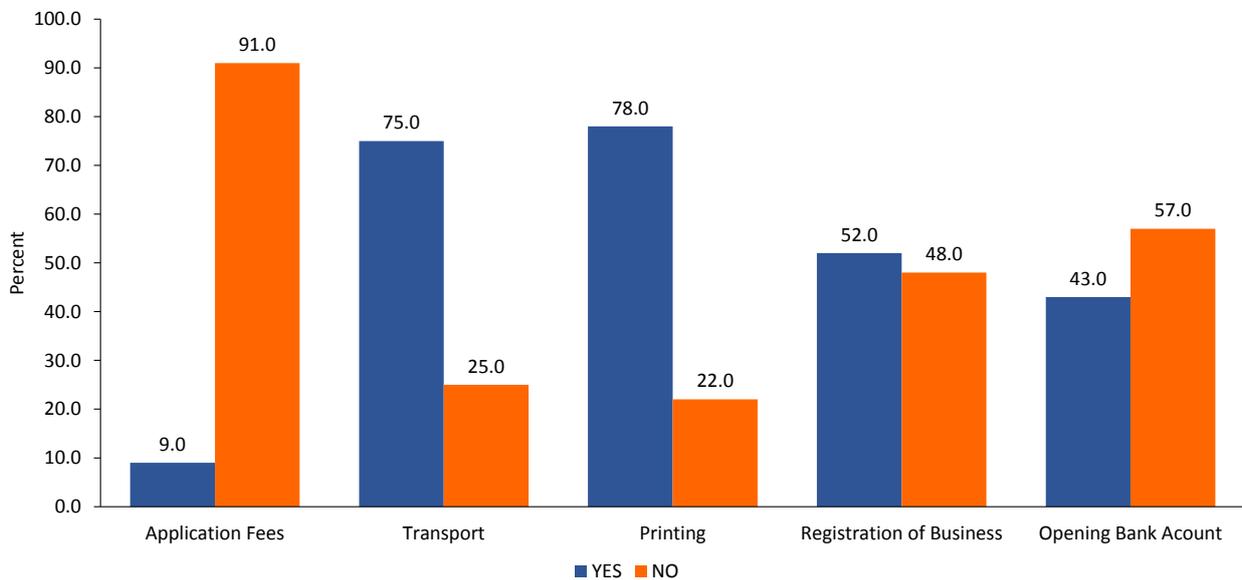
When asked on how the youths got to know about the YDF, most of them mentioned the media. The most uncommon source of information is through the internet, obviously due to low internet accessibility by many youths most especially those resident in predominantly rural provinces.

**Figure 11: Source of information on YDF**



Approximately 72% of the respondents said they had spent money, up to K985 on average, during the application process. Most of the money was spent on printing and transport as shown below.

**Figure 12: Expenditure on application**

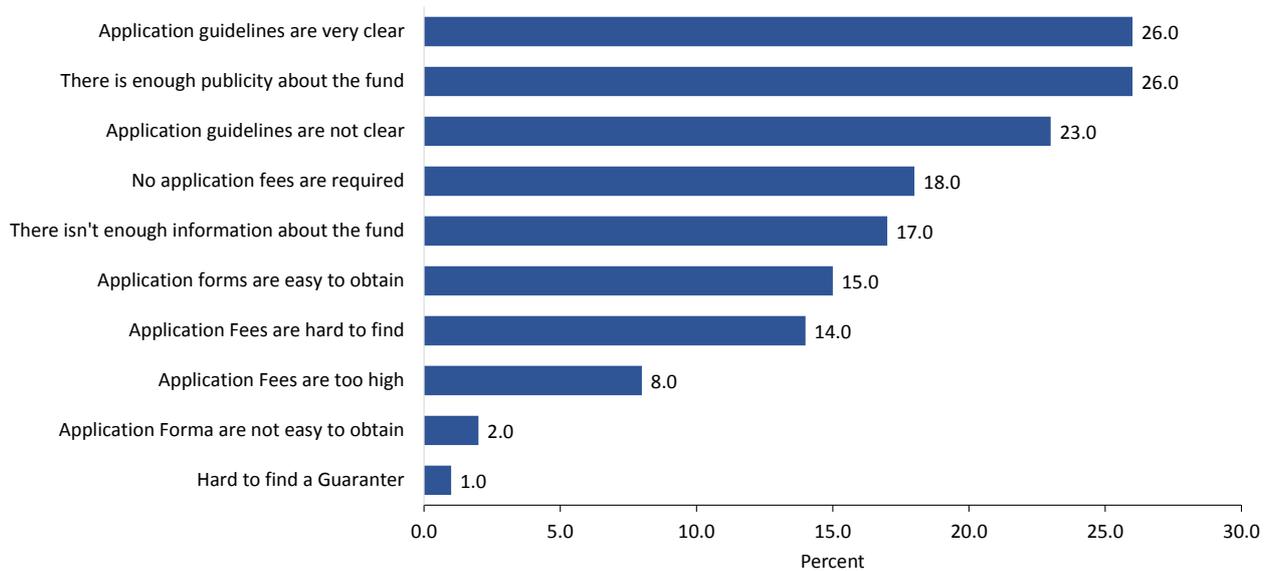


A large proportion (39%) of the respondents rated the application process as “not easy” compared to a paltry 3% who said it was “extremely easy”.

**Table 11: Respondents rating of the application process**

Responses	Freq.	Percent	Cum.
Extremely easy	29	3.32	3.32
Very easy	158	18.08	21.4
Somewhat easy	213	24.37	45.77
Not so easy	344	39.36	85.13
Not easy at all	130	14.87	100

The respondents who said the process was “not so easy” cited the application guidelines as not being clear while others said the information on the YDF was not enough. The figure below summarizes the reasons for the rating of the application process.

**Figure 13: Reasons for the rating of the application process**

### 7.3 Factors determining the success of obtaining the YDF

The survey used a logistic model to determine the factors that influence the outcome of a youth obtaining a loan or not. The table below shows the results from the logistic equation.

**Table 12: Logistic model results**

YDF status	Odds Ratio	Std. Err.	z	P> z	[95% Conf. Interval]	
Province	0.960709	0.021169	-1.82	0.069**	0.920102	1.003108
Region	0.8163224	0.107291	-1.54	0.123	0.630939	1.056176
Age group	1.220562	0.074334	3.27	0.001*	1.083229	1.375305
Sex	1.411008	0.220741	2.2	0.028*	1.038402	1.917315
Disability	0.296177	0.117071	-3.08	0.002*	0.136488	0.642699
Education	1.228812	0.090455	2.8	0.005*	1.06372	1.419527
Marital status	1.081625	0.08702	0.98	0.329	0.923836	1.266364
Individual/group application	0.5152521	0.07092	-4.82	0.000*	0.393422	0.674809
Business years	0.8797939	0.01575	-7.15	0.000*	0.849461	0.91121
Industry	1.014356	0.014589	0.99	0.322	0.986161	1.043357
Living_conditions_status	0.4639118	0.265496	-1.34	0.18	0.151111	1.424217
_cons	69.86488	75.16422	3.95	0	8.481892	575.4733

Asterisks indicate the level of significance: \*=5% and \*\*=10%

The results from the model show that region (rural/urban), marital status, the industry and the living conditions, a proxy for welfare, do not affect the outcome of the application.

However, the results show that the age of the applicant, the number of years in business, disability, whether the application is made by an individual or group and education have an impact on whether the youth obtains the loan or not.

In order to understand the magnitude of these factors in influencing the outcome of applying for the YDF, marginal effects were used as shown below.

**Table 13: Marginal effects results**

	dy/dx	Std. Err.	z	P> z	[95% Conf. Interval]	
Province	-0.0090707	0.004962	-1.83	0.068**	-0.0188	0.000655
Region	-0.0459256	0.029639	-1.55	0.121	-0.10402	0.012165
Age group	0.0451031	0.013564	3.33	0.001*	0.018519	0.071688
Sex	0.0779143	0.03516	2.22	0.027*	0.009002	0.146826
Disability	-0.2753552	0.088233	-3.12	0.002*	-0.44829	-0.10242
Education	0.0466276	0.016464	2.83	0.005*	0.014358	0.078897
Marital status	0.0177561	0.018182	0.98	0.329	-0.01788	0.053392
Individual/group application	-0.1500559	0.030072	-4.99	0.000*	-0.209	-0.09112
Business years	-0.0289811	0.003739	-7.75	0.000*	-0.03631	-0.02165
Industry	0.0032256	0.00325	0.99	0.321	-0.00314	0.009596
living_conditions_status	-0.1738083	0.129161	-1.35	0.178	-0.42696	0.079343

Note: Asterisks indicate level of significance at \*=5% and \*\*=10%

The results show that older applicants are 4.5% more likely to be funded, indicating that the programme favours older applicants more than the younger ones. This could be for various reasons including that older applicants have more experience in doing business or have spent more years learning to do business and can therefore write more realistic business proposals. The results also show that males are 7.8% more likely to be funded than females. The reasons for this trend are unclear. The survey did not establish any indications of gender discrimination and cannot cite this as a reason for a higher likelihood of males to obtain loans than females.

Education does matter in obtaining the YDF. Applicants are 4.7% more likely to be funded if they have more years of education. Applicants who apply as groups are 15% less likely to be funded than those that apply as individuals. The survey established that it was always difficult for groups to gather all the requirements when applying. This could have affected the odds of success. Usually a number of requirements would miss in group applications compared to individual applications. The programme seems to favour applicants with new businesses. The applicant is 2.9% less likely to obtain funding with every additional year of running the business. This could be because the programme was meant to reach marginalised youths and hence may not favour those already in business as they would be viewed as less vulnerable.

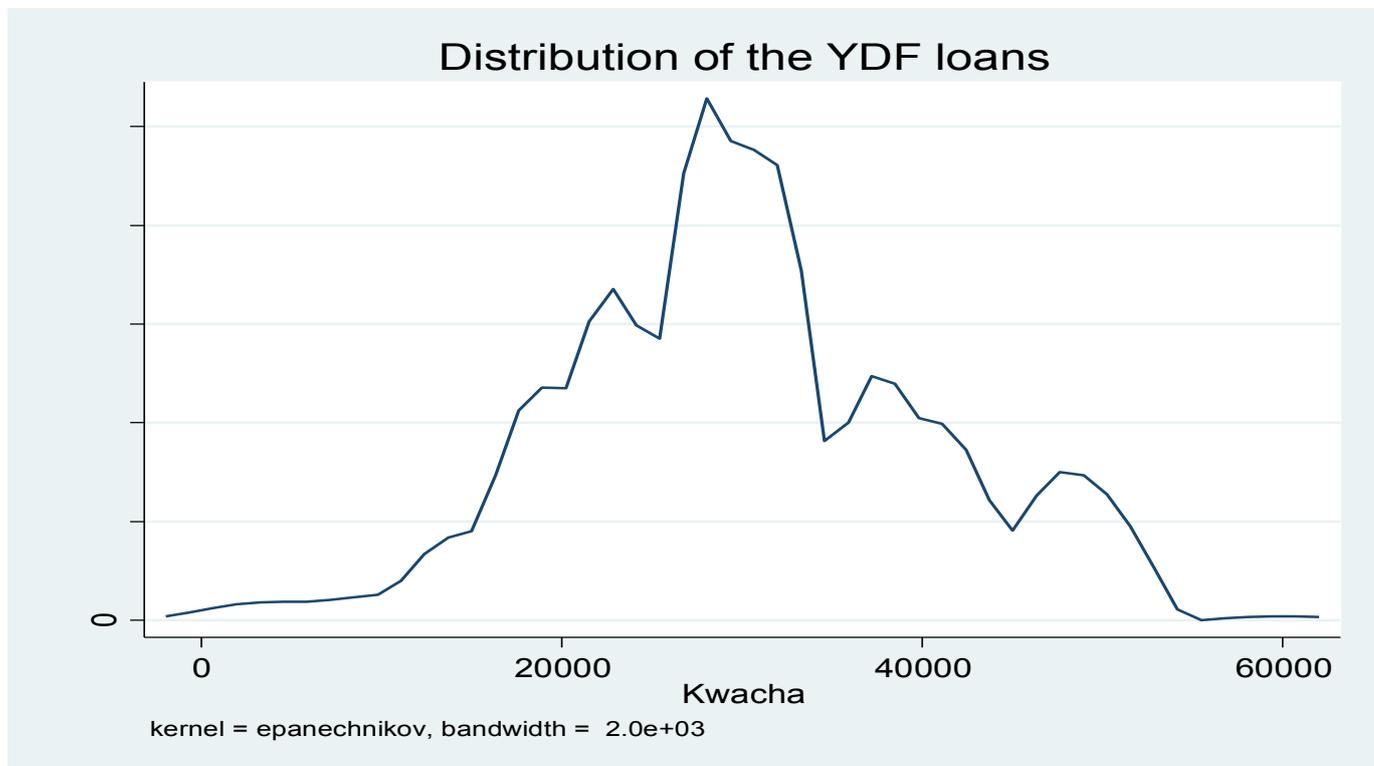
## 7.4 Loan information

This section provides information on the YDF loans. The results include the average size of loan that youths applied for and the repayment to date. Table 14 gives the summary statistics on the loans.

**Table 14: Summary statistics on the YDF loans**

Variable	Obs.	Mean	Std. Dev.	Min	Max
Amount applied for	427	44749.64	14485.36	2000	212000
Size of YDF	420	30324.91	9996.442	2000	60000
Interest rate	390	5.179231	20.09152	0	400
Grace period	412	5.506311	1.521255	0	18
Loan repayment period	414	2.815663	0.778498	1	6
Monthly instalments	403	1138.255	858.3276	0	11000
Amount repaid	318	6641.09	8040.024	0	54495
Arrears	382	26762.72	11197.76	0	72000

Table 14 shows that overall, the average amount of the loans youths applied for is K45, 000. Nonetheless, the average amount approved or disbursed was K30, 000. The distribution of the loan is as shown in figure 14. The distribution shows a smaller left tail. The majority of the loans given out are larger than K20, 000.

**Figure 14: Distribution of the YDF loans**

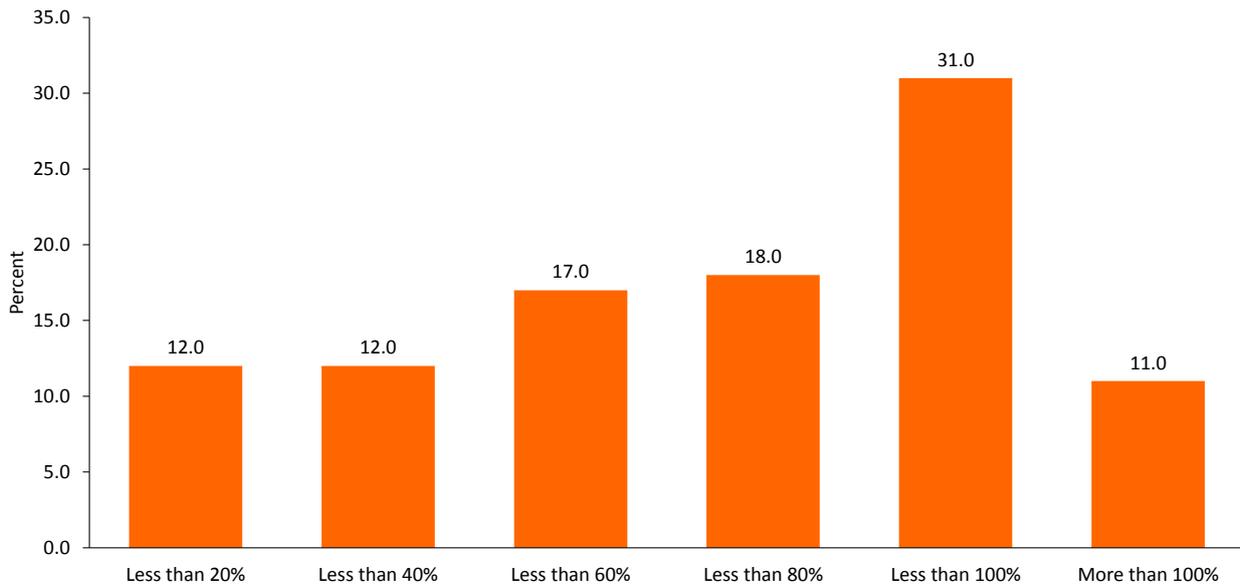
Half of the loans were disbursed in 2014 compared to 17% and 33% in 2012 and 2013, respectively.

Table 14 also shows the average monthly instalments that the beneficiaries reported, the amount repaid to date and the average amounts owed. The average monthly instalment was K1, 100 and each beneficiary has repaid K6, 600 to date on average. The data shows that out of the K12.8 million that was disbursed between 2012 and 2014, only K2.1 million has been repaid representing 16% repayment rate. This is despite 63% of the beneficiaries rating their businesses as good after obtaining the loan.

## 7.5 Loan usage

The data shows that 41% of the respondents used less than 60% of the funds that they received on the business. The respondents reported using some of the funds for home consumption, advancing their own education while others simply could not account for the funds. The high levels of leakages in the fund could explain the reason for the lack of impact of the Fund on the beneficiaries. Fungibility of money makes the disbursement of cash unsuitable for Zambia. Perhaps, the provision of fixed assets could provide a better model for Zambia. The following graph shows the absorption of the fund into the youth's enterprises.

**Figure 15: Absorption rate of the YDF into businesses**

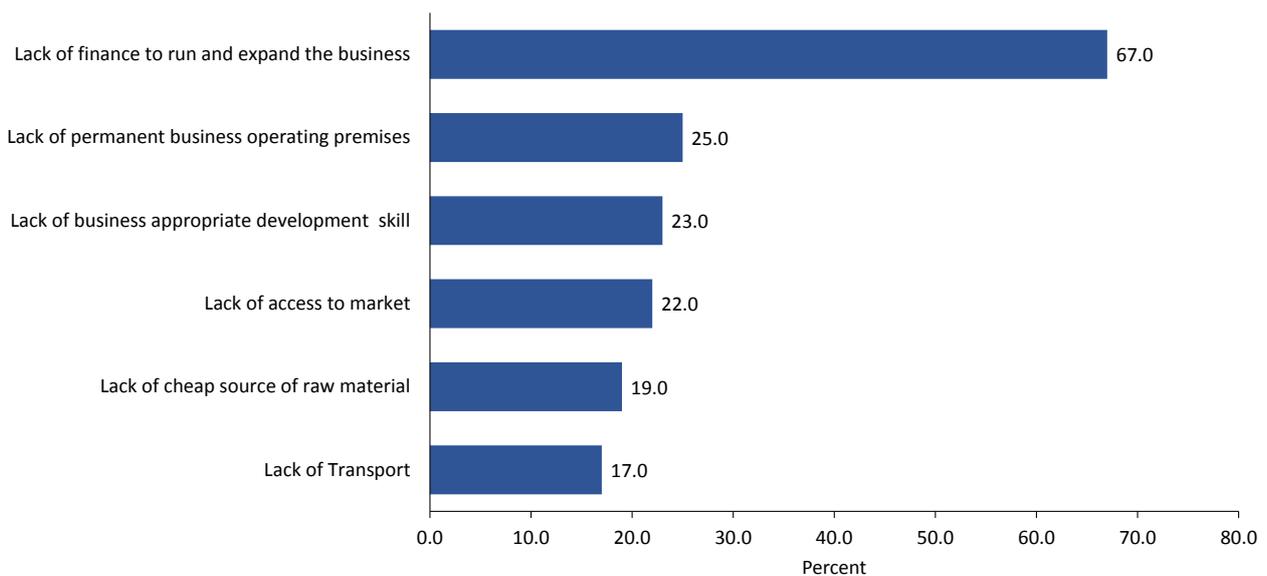


More than half (59%) of the beneficiaries used less than 80% of the funds on their businesses while 31% used between 80% to 100% and 11% used over 100%. Approximately 11% of the respondents injected money in their business in addition to the YDF loan.

### 7.6 Challenges faced by the respondents

The top three main challenges being faced by the youths in business were: lack of finance to run and expand their businesses, lack of permanent operating premises and lack of appropriate business development skills. Table 23 in the appendix shows the challenges of the beneficiaries and non-beneficiaries and table 24 shows other support services that the youths would like to receive from Government.

**Figure 16: Main challenges faced by youths in business**



## 7.7 Employment

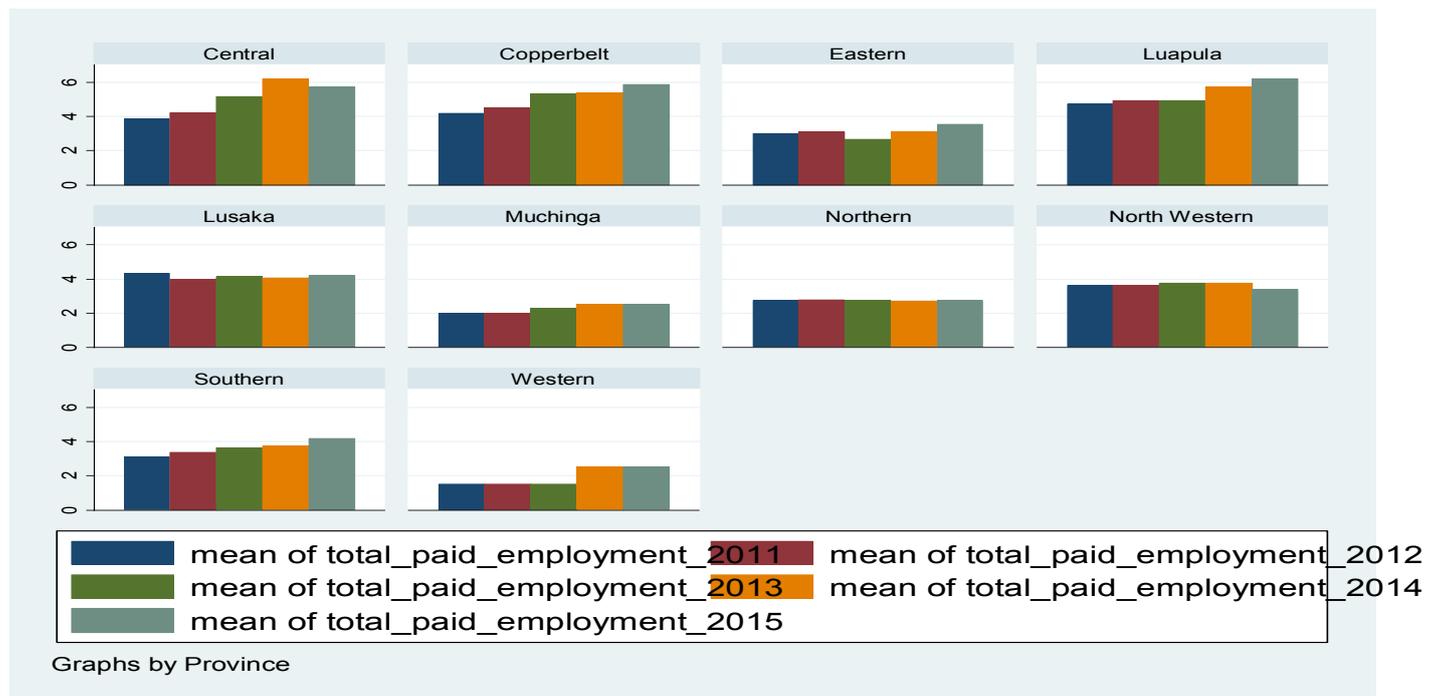
One of the objectives of the Youth Development Fund was for the youths to create employment. Table 15 shows the total number of paid employment created between 2011 and 2015.

Year	Total paid employment	Additional jobs per year	obs.
2011	300		86
2012	428	128	106
2013	668	240	156
2014	912	244	219
2015	1042	130	249

The data therefore shows that 742 paid jobs were created by the beneficiaries from 2012 to 2015. On average each beneficiary created at least two (2) jobs over the period 2012 to 2014. The non-beneficiaries over the same period created 514 jobs.

The data in Figure 17 shows that Central, Copperbelt, Luapula, Lusaka and Southern Provinces had high mean number of total employment. Western Province had the lowest average total employment.

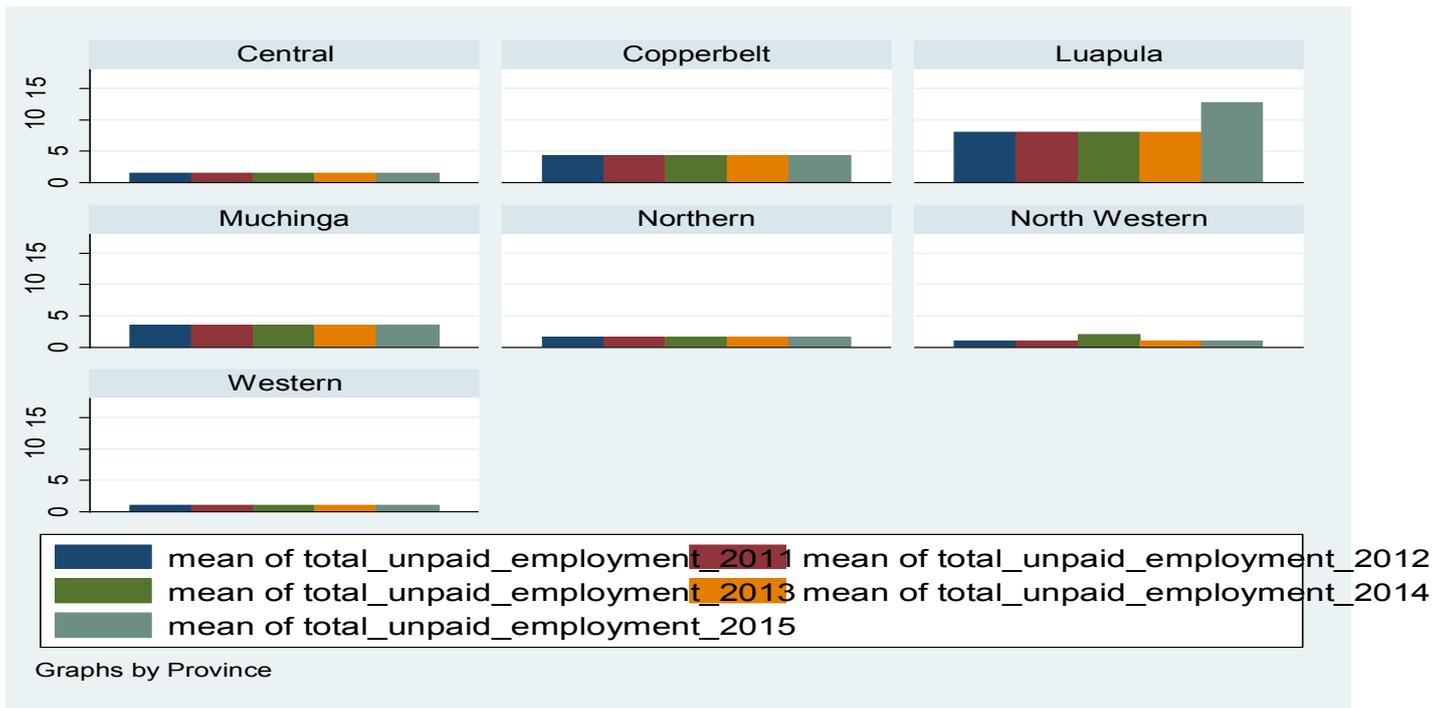
**Figure 17: Average Full time paid employment by Province**



The Research Team did not, however, determine whether the jobs created are formal or informal jobs. Despite registering their businesses, very few beneficiaries reported registering their employees under National Pension Scheme Authority (NAPSA) or Workers Compensation Control Fund Board and very few, if any, were remitting their tax returns to the Zambia Revenue Authority. Thus, most of the businesses were still operating in the informal sector.

The results also show the average total employment of unpaid employees by province and that Luapula had the highest number of unpaid employees while Lusaka, Southern and Eastern Provinces had none.

**Figure 18: Full Time Unpaid Employees by Province**



## 7.8 Measuring the impact of the YDF

A number of methods were used to assess whether the YDF has had an impact on the target beneficiaries or not. This section presents results from the different methods that were used namely, test of means, difference in difference and the propensity score matching technics.

### 7.8.1 Test of means

Using the standard of living as a measure of welfare, a test of means was carried out on the welfare of respondents before and after the YDF loan. The table below shows that there is a difference in welfare between the non-beneficiaries and beneficiaries before and after the obtaining the YDF.

**Before the YDF**

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
living~s	534	.9400749	.0102807	.2375706	.9198793	.9602705
YDF_st~1	534	.5018727	.0216573	.5004653	.4593286	.5444167
diff	534	.4382022	.0241109	.557165	.3908382	.4855663

mean(diff) = mean(living\_conditi~s - YDF\_status\_all)      t = 18.1745  
 Ho: mean(diff) = 0      degrees of freedom = 533  
 Ha: mean(diff) < 0      Ha: mean(diff) != 0      Ha: mean(diff) > 0  
 Pr(T < t) = 1.0000      Pr(|T| > |t|) = 0.0000      Pr(T > t) = 0.0000

**After the YDF**

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
living~2	554	.967509	.0075396	.1774603	.9526993	.9823187
YDF_st~1	554	.4945848	.0212609	.5004225	.4528228	.5363469
diff	554	.4729242	.0225723	.5312884	.4285863	.5172621

mean(diff) = mean(living\_conditi~2 - YDF\_status\_all)      t = 20.9515  
 Ho: mean(diff) = 0      degrees of freedom = 553  
 Ha: mean(diff) < 0      Ha: mean(diff) != 0      Ha: mean(diff) > 0  
 Pr(T < t) = 1.0000      Pr(|T| > |t|) = 0.0000      Pr(T > t) = 0.0000

The data shows that the beneficiaries had different housing conditions such as the type of roofing material, floor and walls as the non-beneficiaries before the beneficiaries received the YDF loans. The results also show that the housing conditions between the beneficiaries and non-beneficiaries are different after the YDF loans were disbursed to the beneficiaries. It is not conclusive whether the differences in welfare between the beneficiaries and non-beneficiaries after the YDF can be attributed to the Fund. It could just mean that nothing changed over the period for both groups.

**7.8.2 Difference in Difference (DiD)**

Business performance measured by profits was used to measure the impact of the YDF on the beneficiaries. Three-time periods were used based on the years that the funds were disbursed (2012, 2013 and 2014). The results are as shown in Table 16.

**Table 16: Difference in difference results at time 2012, 2013 and 2014**

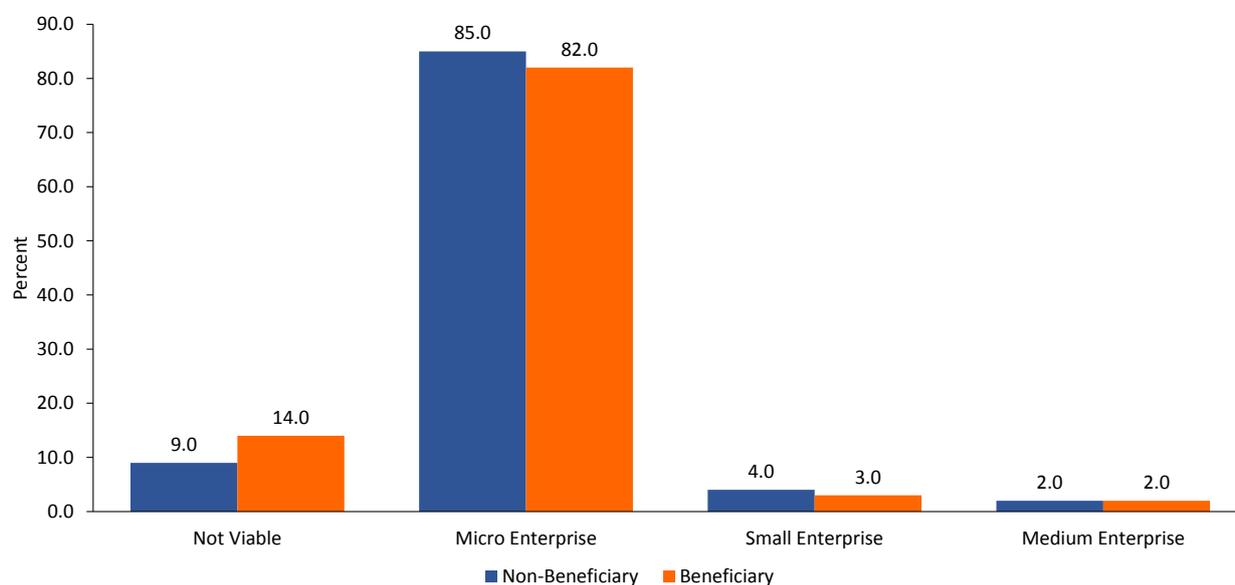
profit_	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Time_2012	-4058.58	5334.722	-0.76	0.447	-14521.2	6404.013
Time_2013	3693.774	4899.665	0.75	0.451	-5915.57	13303.12
Time_2014	6638.854	4644.58	1.43	0.153	-2470.21	15747.92
YDF_status_business	2256.778	8315.434	0.27	0.786	-14051.7	18565.22
Did_2012	1946.694	10561.18	0.18	0.854	-18766.2	22659.55
Did_2013	-1740.96	9743.042	-0.18	0.858	-20849.3	17367.34
Did_2014	-4282.79	13113.45	-0.33	0.744	-30001.2	21435.64
_cons	25750.79	4060.546	6.34	0.000	17787.15	33714.44

The difference in difference indicated by the ‘DiD’ for all the treatment years is insignificant. This shows that there is no difference between the beneficiaries in 2012, 2013 and 2014 and the non-beneficiaries in the same years. There is also no difference in the business performances of the beneficiaries and non-beneficiaries. The study groups the enterprises into micro, small and medium enterprises. It also includes a category for enterprises that are not viable (enterprises with negative profits). For the purpose of this study the sizes of the businesses are defined as follows;

- a) Not viable: enterprises with negative annual profits
- b) Micro enterprise: profits between K0 and K30, 000
- c) Small enterprise: profits between K30, 001 and K50, 000
- d) Medium enterprise: profits above K50, 000

Figure 19 shows no difference in the distribution of businesses according to their size. There are just as many micro enterprises among beneficiaries as there are among the non-beneficiaries.

**Figure 19: Size of the businesses**



Majority (85%) of the enterprises were micro enterprises while the least were medium enterprises. There are, however, slightly more non-viable enterprises among the beneficiaries than the non-beneficiaries.

### 7.8.3 Propensity score matching

Using profits as a measure of business performance and matching the beneficiaries and non-beneficiaries using age, sex, education and marital status, the propensity score matching shows no difference between the treated (beneficiaries) and the untreated (non-beneficiaries) in terms of the business performance.

**Table 17: Results from the propensity score matching**

Variable	Sample	Treated	Controls	Difference	S.E.	T-stat
profit_	Unmatched	29470.79	28331.15	1139.644	6524.361	0.17
	ATT	29470.79	17082.83	12387.96	7547.733	1.64

The results from the two methods - propensity score matching and the difference in difference - show that the YDF has not had an impact on the beneficiaries. There is no difference between the beneficiaries and non-beneficiaries in terms of business performance. Further, results using the investments that the respondents have made between 2011 and 2015 all show no difference between the two sub-groups (see table 22 in the appendix). The living standards, however, show that there is a difference between the beneficiaries and non-beneficiaries after the YDF but this difference can be observed even before the funds were received. The results from the means test, therefore, are not conclusive and do not show whether there is an impact on the beneficiaries.

## 7.9 Conclusion from the impact evaluation

The expectation of the research study was that the beneficiaries of the YDF would be better off than the non-beneficiaries in terms of business performance and welfare (measured by housing conditions). However, the results show that there is no difference between the two sub-groups.

The conclusion, therefore, is that the YDF has not achieved its intended objectives of enhancing youth self-employment and improving livelihoods among the poor and marginalized youths. This result could be because the YDF did not have other support services to offer to the youths apart from providing financial support.

The youths could benefit from other business development services not only business management, but technical skills on how to run certain businesses. Furthermore, there is a need to enhance the motivation of young entrepreneurs to invest the funds provided under the YDF by providing business coaching, mentorship, linkages and monitoring business performance. This is likely to change the youths' perception of the Fund as a public fund that will be replenished by the Government even if no repayments are made into it.

## 8.0 Analysis of the Relevance, Effectiveness, Efficiency and Sustainability of the YDF

### 8.1 Relevance

It is important to assess the relevance of the Youth Development Fund in the national development agenda of Zambia. The overarching national development plan, the Vision 2030, has no specific focus on the youth. In fact, the Vision 2030 mentions the youth only once in the document. However, other national development plans such as the Fifth National Development Plan (2006-2010) and the subsequent plans have a dedicated focus on youth development. The role of youth empowerment programmes became more pronounced in the FNNDP with a specific chapter on youth and child development. Prior to the FNNDP, Government through the Zambia National Service facilities implemented youth empowerment programmes to address youth unemployment. It is in the FNNDP that Government set out to establish a youth empowerment fund. The FNNDP did not include any key performance indicators for the youth empowerment fund. The promotion of youth empowerment is, therefore, mostly evident after 2006 and the inclusion of empowerment programmes in the national youth policies. Before 2006, the first National Youth Policy of 1994 had an objective to reduce youth unemployment through the promotion of self-employment enterprises. Most of its strategies centered on skills development and there was no mention of direct empowerment funds to the youths. Much like the 1994 National Youth Policy, the 2006 and 2015 youth national policies also had an objective of enhancing self-employment opportunities among the youths but the difference with the 1994 youth policy was the inclusion of the youth empowerment fund as a strategy. The current National Youth Policy of 2015 has an action plan for youth empowerment and employment. This is the first action plan ever developed by the Ministry of Youth, Sport and Child Development. The action plan includes one strategy on the YDF which is to reform the YDF into a programme that provides comprehensive enterprise development services and this will be done by repackaging the YDF into one that provides financial and entrepreneurship support. This strategy on the YDF has three targets namely:

- a) To award the funding to 60% of the YDF applicants;
- b) To have at least 500 youths accessing the YDF funds per annum; and
- c) To ensure 80% of the YDF loans are recovered and to monitor the number of youth established businesses surviving beyond three years.

From the review of the national development plans, it is evident that the youth development fund has an important role to play in youth development. The fact that the Zambian population will continue to be a young population in the years to come means that youth development will continue to be a policy priority for Government. The effectiveness of the YDF then becomes critical in the sustainability of the fund.

### 8.2 Effectiveness of the YDF

It remains highly questionable whether the Fund is achieving its intended objectives of employment and wealth creation mainly through the promotion of self-employment. The statistics from the Labour Force Survey (LFS) on employment and self-employment do not seem to show a strong sensitivity to the Fund. This finding is supported by the impact evaluation study results from the review of the Fund. One of the objectives of the YDF is to support the growth and sustainability of youth-led enterprises.

A sustainable enterprise in this study is defined by the number of enterprises that survive beyond the YDF and were consistent in their operations from the time they were funded.

The data shows that 18% of the enterprises that were funded over the period 2012 to 2014 did not survive, meaning that they were no longer operational at the time of the survey. The majority of enterprise deaths occurred in 2013 accounting for 43% of the enterprise deaths while there was a 16% and 41% death rate in 2012 and 2014, respectively. The data from the survey further shows that 28% of the enterprises were in operation for a shorter duration compared to the number of years under the YDF. This means 28% of the enterprises suffered a setback which resulted in the closure of the business and revamped later on. Some beneficiaries who received the YDF in the period under review (2012-2014) reported running the business for less than two years. In total the data shows that 39% of the beneficiaries' enterprises were not sustainable. The other objective of the Fund is to support viable income generating projects. Viability in this study is measured by the annual profits that were reported by the beneficiaries. The data shows a number of enterprises reporting negative and zero

profits. The data shows that the absolute number of enterprises categorized as “not viable” has increased over the years from 27 enterprises in 2012 to 78 enterprises in 2015. These enterprises represented 26% of the enterprises in 2015. The non-beneficiaries, however, reported a lower number of enterprises that were not viable at 14% in 2015.

The YDF also seeks to stimulate the creation of employment opportunities and one of the requirements for receiving the YDF is that the youth enterprises should create employment for others. The data shows that a total of 742 jobs had been created between 2012 and 2014. On average each beneficiary created approximately two jobs over the period 2012 and 2014.

### 8.3 Sustainability of the YDF

Sustainability in terms of the YDF refers to the ability of the Fund to generate its own resources for continued operations. Particularly, it is the extent to which the loans that are being given out can be recovered and be used to further benefit more people. Sustainability also means the possibility of the Fund to stop receiving money from the Treasury perpetually and expand to become resourceful and stand on its own through appropriate innovations.

The original plan of the YDF was for it to be self-sustaining by operating as a revolving fund. It was anticipated that at some stage, the Fund would start using the loans that are being repaid for on-lending to more youths. Nonetheless, at the time of this evaluation there was no record of any money that had been repaid which had been lent out. Since the beginning of the programme, the national Treasury has been pumping money into the YDF and thereby raising sustainability issues, given limited resources in the state coffers. Clearly, the YDF is not sustainable in its current form as the concept of a revolving fund has not been actualized.

The main reason for the failure of the Fund to revolve is obviously the low rates of loan recovery. It is practically impossible for the Fund to revolve if those borrowing money are not repaying it, which happens to be the case with the YDF. As earlier highlighted only a small portion of those who borrow repay their loans. Regardless of this, there are a number of people who have repaid fully and one would expect that the proceeds from these repayments would be lent out to others who had applied for funds. But as stated earlier, there are no records of the money that has been recovered being lent out. This may be because the system of fund management has not been fully established and the repayments are transmitted back into the Treasury.

There are other ways of building sustainability besides revolving the funds. One of them entails being innovative enough and venturing into other activities that would generate extra income beyond what comes from Treasury. Such activities can include investing in other profitable ventures. As at the time of the evaluation no such activities, however, are happening within the YDF and the Fund continues to rely on Treasury funds. Again this shows that the Fund’s management model is not sustainable and can face serious liquidity problems if the Treasury was not able to fund it.

The legal framework surrounding the YDF also raises a question about the sustainability of the Fund. In most cases establishing a fund such as the YDF should always have a legal backing for it to be protected from political interference or other influences. For example, the CEEC fund which is similar to the YDF in some respects is legally backed by the Citizens Economic Empowerment Act 2006. Unlike the CEEC fund, however, the YDF was not established by any such legislation and so faces the risk of being revoked. It is gratifying that in recent years the YDF has been included in the National Youth Policy as one of the important avenues for addressing youth unemployment. From this perspective it can be said to be sustainable as far as its legitimacy is concerned.

Another indicator of sustainability is the comparison between the lending rates and that of inflation. At all the lending points considered in the survey (2012, 2013, 2014) the lending rates were much lower than the inflation rate. This means that even if all the youths repaid all the money owed, the Fund would be eroded by inflation. This makes the YDF programme unsustainable.

### 8.4 Efficiency

Understanding the efficiency of a programme such as the YDF is important for policy making. There are several ways of assessing efficiency that have been used for similar programmes. For example, and for the project such as the YDF one way of assessing efficiency is to measure how much it costed to create an extra job since the YDF was principally meant to create employment. However, using this method proved challenging for the YDF for a number of reasons, including

that there was no baseline benchmark set to indicate what cost per job would be considered as efficient. Moreover, such an approach demands a lot of data and assumptions that were not available under the YDF. In the absence of this information the efficiency assessment focused on other things such as the timeliness of disbursements, revolving nature of the Fund, capacity to manage the Fund and rates of repayment as outlined hereunder:

- i. **Timeliness of disbursements:** the YDF funds were rarely received on time. Beneficiaries reported that in some cases it took more than six months before they could receive the money. This was inefficient in terms of recipients being able to do their businesses at the time they made projections. In a dynamic economy where prices and exchange rates change from time to time, delay in disbursements negatively affect business prospects as money gets eroded reducing its real value.
- ii. **Capacity to manage the Fund:** the management of the YDF cannot be said to be efficient. As earlier discussed, the YDF is administered by MYSCD officers whose primary responsibility is not the YDF per se. The YDF is an additional or secondary responsibility. Additionally, whereas loan management requires specialised skills, it is not so for the YDF. This has affected the efficiency of the Fund in different ways that include repayments and risk management.
- iii. **Repayment rates:** the lack of capacity to manage the Fund has affected the rate of repayments of YDF funds. Since there are no dedicated loan officers like those found in the conventional financial institutions, borrowers are rarely monitored and hence rarely repay the money. The study found that repayment rates currently stand at 16%. This calculation is based on the total disbursements for the evaluation period (2012-2014).
- iv. **Revolving nature of the Fund:** initially the YDF fund was meant to be revolving, that is, lending out the money, being repaid and lending out to more and new beneficiaries. This has never happened since the Fund started and the repaid money has just been kept in the bank.

## 9.0 Conclusion

In conclusion the study has demonstrated that the YDF has failed to achieve its objective of stimulating employment and wealth creation among the youth. The reasons for this failure are many and have been highlighted in the report. In this section the report highlights two important things namely: 1) The lessons learnt, and 2) Analysis of the assumptions that were set in the theory of change. Both of these form the foundation for the recommendations of the report.

### 9.1 Lessons Learnt

The following are the lessons learnt in the process of evaluation of the YDF. This section also provides a summary of the main findings of the report:

- i. The institutional framework of having a fund solely operated within the operational set-up of a line ministry is not appropriate for a credit facility even if the facility is heavily subsidised. This is because the MYSCD in particular, like many other ministries are not financial institutions and may not be suited to run a loan facility.
- ii. The Fund lacks dedicated personnel appropriately trained to manage a loan facility. The report has highlighted how that the MYSCD does not have specialised fund managers to manage and administer a loan facility.
- iii. The resources provided for the day-to-day management of the Fund are not adequate to ensure effective follow ups on beneficiaries. There was no strong M&E framework in place. It was therefore was not possible to effectively track progress and measure the impact of the Fund in order to draw lessons and make the necessary policy changes that could lead to improved outcomes.
- iv. There is a lack of complementary support services to enhance the potential for business survival. In this regard the YDF does not have the capacity and complementary services such as proper entrepreneurship training with adequate modules on various aspects of business planning and management to empower youths especially those engaging in business for the first time.
- v. The involvement of politicians in the disbursement of funds has negatively influenced the public perception of the Fund and its potential as a youth economic empowerment vehicle. This is because the Fund is highly linked to the political structures, which make youths think the funds are a political reward or benefit, and this perception could have significantly affected repayments.

### 9.2 Revisiting the Theory of Change

With the lessons learnt, it is also important to test whether the assumptions that were made in the theory of change were upheld. This is imperative as the failure or success of the YDF depends on these assumptions. The table below summarises the outcome of the assumptions of the theory of change and how they impacted on youth businesses and contributed to the impact of the YDF.

Theory of Change Assumptions	Analysis of Actual Situation
a) The youth will have an entrepreneurial mind-set to have the right disposition to undertake business activities.	<ul style="list-style-type: none"> <li>Not all the youths had entrepreneurship mindsets. A good number of them got the money but did not engage in any business at all.</li> </ul>
b) The Ministry of Finance should be able to adequately provide for the financing of the fund by disbursing funds timely.	<ul style="list-style-type: none"> <li>The funds were not always enough to reach as many youths as had good business ideas. Additionally, disbursement of funds was rarely on time. Some youths waited for too long even after their applications were approved. (This resulted in business assumptions upon which the application had been made changing drastically by the time money was being received, thereby impacting on the success of the business).</li> </ul>
c) Youths will be able to cooperate and undertake joint venture activities. Working in groups entails trust, transparency and strong leadership.	<ul style="list-style-type: none"> <li>To the contrary most of the money was given to individuals and not to groups. This exposed individuals to a lot of risks which could have been averted had they worked in groups due to the positive influence of group dynamics.</li> </ul>
d) A conducive macro-economic situation where people have the means to procure goods and services from the youth business ventures.	<ul style="list-style-type: none"> <li>The economy faced a number of macroeconomic instabilities during the period under review making it hard for youth businesses to survive. Some of the challenges included inflation, and Kwacha depreciation leading to low demand for products.</li> </ul>

## 10.0 Recommendations

In view of the findings of the report from both the survey and review of other programmes in the region, the report makes the following recommendations:

1. The MYSCD being the Ministry specialized in dealing with youths should continue with the responsibility of publicizing the Fund at national, provincial and lower levels. The Ministry should also undertake to build capacity for youths in terms of business development services before they are provided with money. Training could be provided using different approaches that will be appropriate including, where necessary, training subsidies for institutions that are willing to provide the relevant training to youths.
2. As the Ministry may not be best placed to administer the loans in view of the complexities of loan portfolio management, it should consider appointing a specialised financial institution to administer the Fund on its behalf. The identified financial institution should enter into an elaborate memorandum of understanding (MOU) with the MYSCD. The financial institution should offer youth-friendly credit at a calculated and sustainable interest rate, higher than the current 4% but not necessarily at the prevailing market rates since the YDF is predominantly an empowerment fund. The annual YDF allocation to the Ministry will then be used as collateral for the youth loans at the financial institution. Through the MOU, the identified financial institution will also be advised to have different credit packages for different business sizes and needs in order to cater for the diversity in youth businesses and entrepreneurial ideas.
3. Further, in order to get rid of the political tag associated with the YDF, loan applications from youths should henceforth be submitted directly to the financial institution, using the DC and the MYSCD and other selected Ministries only as referees in the application process. These will not be guarantors but rather points of reference.

In arriving at this recommendation it is acknowledged that majority of Zambians, youths included, tend to shun use of financial institutions. While financial inclusion has risen in recent years, access to credit is still low and the credit culture remains poor. This new mechanism is, therefore, a way of encouraging young people to build relationships with financiers as well as developing a sustainable way of accessing business capital.

The assumption of this recommendation is that there would be a financial institution which would be interested in working with Government in lending credit support to youths. The other assumption is that Government will continue funding the YDF, at least for the next few years before the Fund can become sustainable.

The details of the recommended partnership between the Government, through MYSCD, and financial institutions and the incentive structures for sustainable provision of low interest loans for empowerment of youths can be formulated after studying how similar models have worked in other countries.

## 11.0. References

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Central Statistical Office, 2015. Zambia Labour Force Survey 2014, Lusaka: Central Statistical Office.

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Ministry of Finance, 2015. Harnessing the Demographic Dividend: The future we want for Zambia, Lusaka: Ministry of Finance.

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### 13. Quantitative survey questionnaire



#### YOUTH DEVELOPMENT FUND - IMPACT ASSESSMENT QUESTIONNAIRE

SECTION A: INDIVIDUAL AND HOUSEHOLD IDENTIFICATION PARTICULARS	CODE NUMBER
1. NAME OF ENTREPRENEUR/RESPONDENT .....	
2. AGE AS OF LAST BIRTHDAY .....	
3. SEX 01- MALE 02- FEMALE	
4. DO YOU HAVE ANY DISABILITY? YES NO >>>GO TO Q6	
5. WHAT IS THE TYPE OF DISABILITY? 01-BLIND 02-PARTIALLY SIGHTED 03-DEAF 04-DUMB 05-PHYSICALLY DISABLED 06-MENTALLY RETARDED 07-MENTALLY ILL 08-EX-MENTAL	
6. WHAT IS YOUR HIGHEST LEVEL OF EDUCATION ATTAINED? 01- NONE 02- PRIMARY 03- SECONDARY 04- COLLEGE 05- UNIVERSITY 06- OTHER (SPECIFY).....	
7. WHAT IS YOUR RELATIONSHIP TO HOUSEHOLD HEAD? 01- HEAD 02- SPOUSE 03- OWN CHILD 04- STEP CHILD 05- ADOPTED CHILD 06- GRAND CHILD 07- BROTHER/SISTER 08- COUSIN 09- NIECE/NEPHEW 10- BROTHER/SISTER-IN LAW 11- PARENT 12- PARENT-IN-LAW 13- OTHER RELATIVE 14- MAID/NANNY/HOUSE-SERVANT 15- NON-RELATIVE	
8. WHAT IS YOUR MARITAL STATUS? 01- MARRIED 02- SINGLE 03- DIVORCED 04- SEPARATED 05- WIDOWED	

SECTION A: INDIVIDUAL AND HOUSEHOLD IDENTIFICATION PARTICULARS	CODE NUMBER																						
<p>9. HOW MANY PEOPLE LIVE IN YOUR HOUSEHOLD?</p> <p>.....</p>																							
<p>10. WHAT WAS THE MAIN ROOFING MATERIAL OF HOUSE YOU WERE LIVING IN BEFORE AND AFTER YOU APPLIED FOR THE LOAN?</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">BEFORE</td> <td style="width: 50%;">AFTER</td> </tr> <tr> <td>01- ASBESTOS SHEETS</td> <td>01- ASBESTOS SHEETS</td> </tr> <tr> <td>02- ASBESTOS TILES</td> <td>02- ASBESTOS TILES</td> </tr> <tr> <td>03- OTHER/ NON-ASBESTOS TILES</td> <td>03- OTHER/ NON-ASBESTOS TILES</td> </tr> <tr> <td>04- IRON SHEETS</td> <td>04- IRON SHEETS</td> </tr> <tr> <td>05- GRASS/STRAW/THATCH</td> <td>05- GRASS/STRAW/THATCH</td> </tr> <tr> <td>06- CONCRETE</td> <td>06-CONCRETE</td> </tr> <tr> <td>07- OTHER (SPECIFY)</td> <td>07-OTHER (SPECIFY)</td> </tr> </table>	BEFORE	AFTER	01- ASBESTOS SHEETS	01- ASBESTOS SHEETS	02- ASBESTOS TILES	02- ASBESTOS TILES	03- OTHER/ NON-ASBESTOS TILES	03- OTHER/ NON-ASBESTOS TILES	04- IRON SHEETS	04- IRON SHEETS	05- GRASS/STRAW/THATCH	05- GRASS/STRAW/THATCH	06- CONCRETE	06-CONCRETE	07- OTHER (SPECIFY)	07-OTHER (SPECIFY)							
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<p>11. WHAT WAS THE MAIN BUILDING MATERIAL OF HOUSE YOU WERE LIVING IN BEFORE AND AFTER YOU APPLIED FOR THE LOAN?</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">BEFORE</td> <td style="width: 50%;">AFTER</td> </tr> <tr> <td>01- PAN BRICK</td> <td>01-PAN BRICK</td> </tr> <tr> <td>02- CONCRETE BRICK</td> <td>02-CONCRETE BRICK</td> </tr> <tr> <td>03- MUD BRICK</td> <td>03-MUD BRICK</td> </tr> <tr> <td>04- BURNT BRICK</td> <td>04-BURNT BRICK</td> </tr> <tr> <td>05- POLE</td> <td>05-POLE</td> </tr> <tr> <td>06- POLE &amp; DAGGA</td> <td>06- POLE &amp; DAGGA</td> </tr> <tr> <td>07- MUD</td> <td>07-MUD</td> </tr> <tr> <td>08- GRASS/STRAW</td> <td>08-GRASS/STRAW</td> </tr> <tr> <td>09- IRON SHEETS</td> <td>09-IRON SHEETS</td> </tr> <tr> <td>10- OTHER (SPECIFY)</td> <td>10-OTHER (SPECIFY)</td> </tr> </table>	BEFORE	AFTER	01- PAN BRICK	01-PAN BRICK	02- CONCRETE BRICK	02-CONCRETE BRICK	03- MUD BRICK	03-MUD BRICK	04- BURNT BRICK	04-BURNT BRICK	05- POLE	05-POLE	06- POLE & DAGGA	06- POLE & DAGGA	07- MUD	07-MUD	08- GRASS/STRAW	08-GRASS/STRAW	09- IRON SHEETS	09-IRON SHEETS	10- OTHER (SPECIFY)	10-OTHER (SPECIFY)	
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<p>12. WHAT WAS THE MAIN TYPE OF FLOOR OF HOUSE YOU WERE LIVING IN BEFORE AND AFTER YOU APPLIED FOR THE LOAN?</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">BEFORE</td> <td style="width: 50%;">AFTER</td> </tr> <tr> <td>01- CONCRETE ONLY</td> <td>01- CONCRETE ONLY</td> </tr> <tr> <td>02- COVERED CONCRETE</td> <td>02- COVERED CONCRETE</td> </tr> <tr> <td>03- MUD</td> <td>03- MUD</td> </tr> <tr> <td>04- WOOD ONLY</td> <td>04- WOOD ONLY</td> </tr> <tr> <td>05- OTHER (SPECIFY)</td> <td>05- OTHER (SPECIFY)</td> </tr> </table>	BEFORE	AFTER	01- CONCRETE ONLY	01- CONCRETE ONLY	02- COVERED CONCRETE	02- COVERED CONCRETE	03- MUD	03- MUD	04- WOOD ONLY	04- WOOD ONLY	05- OTHER (SPECIFY)	05- OTHER (SPECIFY)											
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04- WOOD ONLY	04- WOOD ONLY																						
05- OTHER (SPECIFY)	05- OTHER (SPECIFY)																						
<p>13. CATEGORY</p> <p>01- BENEFITED AND DOING BUSINESS&gt;&gt;&gt;&gt;&gt;&gt;CONTINUE TO SECTION B</p> <p>02- BENEFITED BUT NOT DOING BUSINESS&gt;&gt;&gt;ANSWER Q14 THEN SKIP TO SECTION D</p> <p>03- DID NOT BENEFIT BUT DOING BUSINESS&gt;&gt;&gt;&gt;&gt;&gt;CONTINUE TO B, C AND E &amp; F</p> <p>04- DID NOT BENEFIT AND NOT DOING BUSINESS&gt;&gt;&gt;&gt;ANSWER Q14 AND SKIP TO SECTION E</p>																							
<p>14. WHY ARE YOU NOT DOING BUSINESS?</p> <p>01-LACK OF START UP CAPITAL</p> <p>02-BUSINESS WAS NOT DOING WELL SO I CLOSED</p> <p>03-USED THE MONEY FOR OTHER THINGS</p> <p>04-OTHER (SPECIFY)</p>																							

SECTION B: BUSINESS PARTICULARS	CODE NUMBER
15. WHAT IS YOUR MAIN BUSINESS ACTIVITY (WRITE THE ACTUAL DESCRIPTION OF THE BUSINESS ACTIVITY AND THEN THE ISIC REV CODE)? ..... ..... .....	
16. IS THE BUSINESS IN QUESTION 15, THE BUSINESS YOU APPLIED THE YDF FOR? 01- YES>>>>>SKIP TO Q18 02- NO	
17. WHY ARE YOU DOING A DIFFERENT BUSINESS FROM THE ONE YOU APPLIED FOR? 01-CURRENT BUSINESS IS MORE PROFITABLE 02-MY BUSINESS PARTNER WANTED CURRENT BUSINESS 03-I WORK UNDER A COOPERATIVE SO WE DO MANY DIFFERENT BUSINESSES 04-OTHER .....	
18. WHAT IS THE LOCATION OF THE BUSINESS? ..... 18a. PROVINCE NAME: 18b. DISTRICT NAME: 18c. CONSTITUENCY NAME: 18d. WARD NAME: 18e. WHAT IS THE PHYSICAL ADDRESS OF THE BUSINESS? ..... ..... .....	
19. WHAT IS THE LEGAL STATUS OF THE BUSINESS (TICK WHATEVER IS APPLICABLE) 01- REGISTERED WITH PACRA 02- REGISTERED WITH ZRA 03- REGISTERED WITH REGISTRAR OF COOPERATIVES 04- NOT REGISTERED 05- OTHER (SPECIFY).....	
20. HOW MANY YEARS HAVE YOU BEEN RUNNING THIS BUSINESS? .....	
21. WHAT IS THE TYPE OF OWNERSHIP OF THE BUSINESS? 01- SOLE PROPRIETOR 02- COOPERATIVE 03- PRIVATE LIMITED 04- PARTNERSHIP 05- PUBLIC LIMITED COMPANY BY SHARES 06- OTHER (SPECIFY).....	

<b>SECTION B: BUSINESS PARTICULARS</b>	<b>CODE NUMBER</b>
22. DOES THE BUSINESS HAVE A BANK ACCOUNT?  01- YES>>>>>>>SKIP TO Q24 02- NO	
23. WHY DOESN'T THE BUSINESS HAVE A BANK ACCOUNT? 01-PROPRIETOR CANNOT READ OR WRITE 02-BANK ACCOUNTS ARE EXPENSIVE TO MAINTAIN 03-IT IS STILL SAFE TO KEEP MONEY AT HOME 04-OTHER (SPECIFY)	
24. DOES THE BUSINESS MAINTAIN BOOKS OF ACCOUNTS? 01- YES>>>>>>>SKIP TO Q26 02- NO	
25. WHY DOESN'T THE BUSINESS MAINTAIN BOOKS OF ACCOUNTS? 01-PROPRIETOR CANNOT READ OR WRITE 02-BOOKS OF ACCOUNTS ARE EXPENSIVE TO GET 03-THE BUSINESS STILL RUNS PROPOERLY WITHOUT BOOKS OF ACCOUNTS 04-OTHER (SPECIFY)	

<b>SECTION C: BUSINESS PERFORMANCE</b>										
26. LIST THE INVESTMENTS/ACQUISITIONS THAT HAVE BEEN MADE OVER THE YEARS?										
PROPERTY TYPE	2011		2012		2013		2014		2015	
	QTY	VALUE								
LAND (IN ACRES, INDICATE IF OTHER UNITS)										
BUILDINGS AND OTHER STRUCTURES										
MACHINERY										
VEHICLES										
OTHER (SPECIFY)										
.....										
.....										
.....										

27. IN YOUR VIEW, OVER THE PERIOD UNDER REVIEW, WHAT HAS HAPPENED TO THE INVESTMENTS OVER THE YEARS?	
01-INCREASED	
02-DECREASED	
03-REMAINED THE SAME	
28-WHAT EXPLAINS THE REASONS FOR YOUR ANSWER ABOVE?	
.....	
.....	
.....	
.....	

29. COULD YOU ESTIMATE THE ANNUAL SALES REVENUE (TURNOVER) IN EACH OF THESE YEARS (YOU COULD ASK FOR MONTHLY AVERAGE ESTIMATES THEN MULTIPLY BY 12)

YEAR	ZMW
2011	
2012	
2013	
2014	
2015	

30. COULD YOU ESTIMATE HOW MUCH YOU SPENT TO RUN YOUR BUSINESS ON AVERAGE ON AN ANNUAL BASIS IN EACH OF THESE YEARS?

TRADING RESULTS	2011	2012	2013	2014	2015
2012					
2013					
2014					
2015					
ANNUAL AVERAGE EXPENDITURE					

31. IN YOUR VIEW, OVER THE PERIOD UNDER REVIEW, WHAT HAS HAPPENED TO THE PROFIT OF YOUR BUSINESS?

- 01- INCREASED
- 02- DECREASED
- 03- REMAINED THE SAME

32. WHAT EXPLAINS THE REASONS FOR YOUR ANSWER ABOVE?

.....

.....

.....

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33. HOW MANY FULLTIME PAID EMPLOYEES (INCLUDING YOURSELF) HAVE YOU HAD IN EACH OF THESE YEARS

YEAR	MALE	AVERAGE SALARY/MONTH	FEMALE	AVERAGE SALARY/MONTH
2011				
2012				
2013				
2014				
2015				

34. HOW MANY FULLTIME UNPAID EMPLOYEES HAVE YOU HAD IN EACH OF THESE YEARS

YEAR	MALE	FEMALE
2011		
2012		
2013		
2014		
2015		

35. HOW MANY PART TIME PAID WORKERS IF ANY HAVE YOU HAD IN EACH OF THESE YEARS?				
	MALE	AVERAGE SALARY/ MONTH	FEMALE	AVERAGE SALARY/ MONTH
2011				
2012				
2013				
2014				
2015				

36. IN YOUR VIEW, OVER THE PERIOD UNDER REVIEW, WHAT HAS HAPPENED TO THE NUMBER OF PAID EMPLOYEES IN YOUR BUSINESS?

01- INCREASED  
02- DECREASED  
03- REMAINED THE SAME

37. WHAT EXPLAINS THE REASONS FOR YOUR ANSWER ABOVE?

.....

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SECTION D: LOAN INFORMATION	CODE NUMBER
38. HOW MUCH MONEY DID YOU APPLY FOR UNDER THE YDF?  AMOUNT IN WORDS:.....  AMOUNT IN FIGURES:.....	
39. IN TOTAL, HOW MUCH WAS THE LOAN YOU RECEIVED FROM YDF?  AMOUNT IN WORDS:.....  AMOUNT IN FIGURES:.....	
40. WHEN DID YOU OBTAIN THE LOAN?  01 - 2012  02 - 2013  03 -2014	
41. HOW LONG DID IT TAKE TO RECEIVE FUNDING AFTER APPLICATION? 01- LESS THAN THREE MONTHS 02- THREE TO SIX MONTHS 03- SIX TO ONEYEAR 04- MORE THAN ONE YEAR	
42 WHAT IS/WAS THE INTEREST RATE ON THE LOAN?  .....	

43. WHAT IS/WAS THE GRACE PERIOD OF THE LOAN? .....	
44. WHAT IS/WAS THE LOAN REPAYMENT PERIOD? .....	
45. HOW MUCH IS/WAS THE MONTHLY INSTALLMENT? AMOUNT IN WORDS:..... AMOUNT IN FIGURES:.....	
46. HOW MUCH HAVE YOU REPAID TODATE? AMOUNT IN WORDS:..... AMOUNT IN FIGURES:.....	
47. HOW MUCH IS STILL IN ARREARS? AMOUNT IN WORDS:..... AMOUNT IN FIGURES:.....	
48. HAVE YOU DEFAULTED ON THE LOAN?  01-YES  02-NO >>>>> GO TO Q50	
49. WHAT DO YOU THINK ARE THE FACTORS THAT HAVE CONTRIBUTED TO THE DEFAULT?  01- POOR BUSINESS PERFORMANCE 02- CHANNEL OF REPAYMENTS ISN'T VERY CLEAR 03- REPAYMENT AMOUNTS ARE TOO BIG 04- PERIOD OF REPAYMENT IS TOO SHORT 05- OTHER (SPECIFY)	
50. PLEASE PROVIDE A BREAK DOWN OF HOW YOU INVESTED THE LOAN IN THE TABLES BELOW:	

	1. TYPE OF ... PURCHASED	2. QUANTITY PURCHASED	3. UNIT COST (ZMW)	TOTAL COST
A. PURCHASE OF MATERIAL <sup>17</sup>	1.			
	2.			
	3.			
	4.			
B. PURCHASE OF BUILDINGS/PLANT/EQUIPMENT <sup>18</sup>	1.			
	2.			
	3.			
	4.			
TOTAL				
C. WORKING CAPITAL (INDICATE AMOUNT)				

<sup>17</sup> Materials are physical consumables for production or service business with life span of less than a year

<sup>18</sup> Tools, equipment or fixed structures with life span of more than one years

<p>51. WHAT IS THE MAIN SOURCE OF FUNDS USED TO REPAY YDF LOAN?</p> <p>01- BUSINESS RETURNS                  02- OTHER LIVELIHOOD ACTIVITIES                  03- BORROWED FROM FAMILY                  04- OTHERS (SPECIFY)</p>	
<p>52. HOW DO YOU RATE THE PERFORMANCE OF YOUR BUSINESS AFTER RECEIVING THE LOAN?</p> <p>01- EXCELLENT                  02- VERY GOOD                  03- GOOD                  04- NOT SURE (DO NOT WANT TO SAY)                  05- POOR                  06- VERY BAD                  07- WORSE</p>	
<p>53. EXPLAIN YOUR REASON FOR THE PERFORMANCE STATED ABOVE?</p> <p>.....</p> <p>.....</p> <p>.....</p>	

<b>SECTION E: LOAN FEATURES</b>	<b>CODE NUMBER</b>
<p>54 HOW DID YOU KNOW ABOUT THE YDF?</p> <p>01- THROUGH A FRIEND/RELATIVE                  02- LOCAL REPRESENTATIVE (AREA COUNCILOR, WARD CHAIRPERSON, MP)                  03- THROUGH THE MEDIA (TV, RADIO)                  04- THROUGH THE INTERNET                  05- FROM THE DISTRICT ADMINISTRATION OFFICES                  06- OTHER (SPECIFY)</p>	
<p>55. DID YOU SPEND ANY MONEY ON THE APPLICATION PROCESS?</p> <p>01 YES                  02 NO &gt;&gt;&gt;&gt;&gt;GO TO Q58</p>	
<p>56. HOW MUCH MONEY DID THE APPLICATION PROCESS COST?</p> <p>AMOUNT IN WORDS:.....</p> <p>AMOUNT IN FIGURES:.....</p>	
<p>57. WHAT WAS THE MONEY ON THE APPLICATION PROCESS SPENT ON?</p> <p>01- APPLICATION FEES                  02- TRANSPORT                  03- COMMUNICATION                  04- PRINTING                  05- REGISTRATION OF BUSINESS                  06- OPENING BANK ACCOUNT                  07- ANY OTHER (SPECIFY)</p>	

<p>58. HOW DO YOU RATE THE APPLICATION PROCESS IN TERMS OF EASE OF ACCESSING THE YDF FUNDS?</p> <p>01- EXTREMELY EASY                  02- VERY EASY                  03- SOMEWHAT EASY                  04- NOT SO EASY                  05- NOT EASY AT ALL</p>	
<p>59. WHAT ARE SOME OF THE POSSIBLE REASONS TO EXPLAIN YOUR ANSWER ABOVE?</p> <p>01- THERE IS ENOUGH PUBLICITY ABOUT THE FUND                  02- APPLICATION FORMS ARE EASY TO OBTAIN                  03- THE APPLICATION GUIDELINES ARE VERY CLEAR                  04- NO APPLICATION FEES ARE REQUIRED                  05- APPLICATION FEES ARE TOO HIGH                  06- THERE ISN'T ENOUGH INFORMATION ABOUT THE FUND                  07- APPLICATION FORMS ARE NOT EASY TO OBTAIN                  08- THE APPLICATION GUIDELINES ARE NOT VERY CLEAR                  09- APPLICATION FEES ARE HARD TO FIND                  10- HARD TO FIND GUARANTOR                  11- OTHER (SPECIFY).....</p>	

**SECTION F**

<p>WHAT ARE YOUR VIEWS ON THE FOLLOWING ABOUT THE YDF LOAN?</p>	
<p>60. THE LOAN SIZE IS.....</p> <p>01- TOO SMALL                  02- JUST ABOUT RIGHT                  03- TOO LARGE FOR THE TYPE OF BUSINESS                  04- OTHER(SPECIFY)</p>	
<p>61. THE REPAYMENT PERIOD IS .....</p> <p>01- TOO SHORT                  02- JUST ABOUT RIGHT                  03- TOO LONG                  04- OTHER (SPECIFY)</p>	
<p>62. THE GRACE PERIOD IS .....</p> <p>01- TOO SHORT                  02- JUST ABOUT RIGHT                  03- TOO LONG                  04- OTHER (SPECIFY)</p>	
<p>63. THE APPLICATION FEES ARE .....</p> <p>01- TOO SHORT                  02- JUST ABOUT RIGHT                  03- TOO LONG                  04- NOT APPLICABLE                  05- OTHER (SPECIFY)</p>	
<p>64. THE INTEREST RATE IS .....</p> <p>01- TOO LOW                  02- JUST ABOUT RIGHT                  03- TOO HIGH                  04- OTHER (SPECIFY)</p>	

65. THE COLLATERAL IS .....  01- TOO LOW 02- JUST ABOUT RIGHT 03- TOO HIGH 04- NOT APPLICABLE 05- OTHER (SPECIFY)	
66. THE REPAYMENT FREQUENCY IS.....  01- TOO LOW 02- JUST ABOUT RIGHT 03- TOO HIGH 04- OTHER (SPECIFY)	
67. HAVE YOU RECEIVED ANY OTHER FINANCIAL SUPPORT FROM OTHER GOVERNMENT OR NON-GOVERNMENT ENTITIES?  01- YES 02- NO >>>> SKIP TO Q69	
68. IF YES PLEASE PROVIDE A BREAK DOWN BELOW:	

NAME OF ORGANIZATION	WHEN RECEIVED	AMOUNT	FUND TYPE AND TERM				GRANT
			LOAN	DURATION	INTEREST RATE	BALANCE	

69. HAVE YOU RECEIVED ANY NON-FINANCIAL SUPPORT FROM OTHER GOVERNMENT OR NON-GOVERNMENT ENTITIES?  01- YES 02- NO >>>>GO TO Q72	
70. WHAT TYPE OF SUPPORT WAS THIS? 01- BUSINESS PLAN DEVELOPMENT TRAINING 02- MARKETING AND MARKET ACCESS TRAINING 03- FINANCIAL LITERACY TRAINING 04- BUSINESS LICENSING PROCESS TRAINING 05- OTHER (SPECIFY).....	
71. WHICH INSTITUTION WAS THIS? 01- ZAMBIA DEVELOPMENT AGENCY 02- CITIZENS ECONOMIC EMPOWERMENT COMMISSION 03- OTHER GOVERNMENT INSTITUTION (SPECIFY) 04- NON-GOVERNMENTAL ORGANISATIONS (SPECIFY)	

<p>72. IN WHAT WAYS DO YOU THINK THE YDF CAN BE IMPROVED?</p> <p>.....</p> <p>.....</p> <p>.....</p>	
<p>73. WHAT ARE THE TOP THREE (3) MAIN CHALLENGES THAT YOU FACE AS YOUTHS DOING BUSINESS?</p> <p>01- LACK OF FINANCE TO RUN AND EXPAND THE BUSINESS</p> <p>02- LACK OF PERMANENT BUSINESS OPERATING PREMISES</p> <p>03- LACK OF CAPACITY TO KEEP BUSINESS RECORDS</p> <p>04- LACK OF CHEAP SOURCE OF RAW MATERIALS</p> <p>05- LACK OF ACCESS TO MARKETS</p> <p>06- LACK OF APPROPRIATE BUSINESS DEVELOPMENT SKILLS</p> <p>07- LACK OF TRANSPORT</p> <p>08- LACK OF FINANCIAL LITERACY</p> <p>09- LACK OF COLLATERAL</p> <p>10- LACK OF ACCESS TO GOVERNMENT INCENTIVES</p> <p>11- TOO MANY FEES AND LEVYS BY DIFFERENT REGULATORY AUTHORITIES</p> <p>12- LONG PROCEDURES WHEN REGISTERING OR FORMALISING A BUSINESS</p> <p>13- CORRUPTION</p> <p>14- OTHER (SPECIFY)</p>	
<p>74. FOR EACH OF THESE CHALLENGES, MENTION ONE INTERVENTION THAT SHOULD BE DONE TO HELP THE YOUTHS</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	
<p>75. WHAT OTHER SUPPORT DO YOU THINK GOVERNMENT CAN PROVIDE TO HELP YOUR BUSINESS?</p> <p>01- PROVIDE CHEAPER OPERATING PREMISES</p> <p>02- PROVIDE LESSONS ON BUSINESS RECORD KEEPING</p> <p>03- FACILITATE MARKETS FOR PRODUCTS</p> <p>04- PROVIDE TRAINING ON BUSINESS DEVELOPMENT SKILLS</p> <p>05- IMPROVE TRANSPORT INFRASTRUCTURE</p> <p>06- PROVIDE TRAINING ON FINANCIAL LITERACY</p> <p>07- FACILITATE FOR COLLATERAL</p> <p>08- PROVIDE INCENTIVES FOR SMALL BUSINESSES</p> <p>09- HARMONIZE BUSINESS FEES AND LEVYS</p> <p>10- SIMPLIFY BUSINESS REGISTRATION AND FORMALISATION PROCESSES</p> <p>11- ELIMINATE CORRUPTION</p> <p>12- OTHER (SPECIFY)</p>	

**CONCLUSION:** THANK YOU FOR YOUR TIME. THE INFORMATION YOU HAVE PROVIDED WILL BE TREATED AS CONFIDENTIAL. IT WILL GREATLY ASSIST IN THE IMPROVEMENT OF THE IMPLEMENTATION OF THE YDF IN ZAMBIA. IS THERE ANY QUESTION THAT YOU WOULD LIKE TO ASK ME BEFORE I END THE INTERVIEW?

## 14. Qualitative interviews – Discussion guide

INTERVIEWERS NAME:

DATE:

### QUALITATIVE TOOLS

#### GENERAL DISCUSSION GUIDES

Target respondents: Beneficiaries

Group background information

Name,

Profile (location, gender, age, marital status)

Business type

#### PART 1: Knowledge of YDF and similar funds

1. How did you know about the YDF before deciding to apply for it?
2. From your understanding, what is the purpose of the YDF?
3. Do you know of any funds other than the YDF that one can benefit from? Which ones are those?

#### Part 2: Application Process

1. Could you briefly explain the application process you went through when applying for the YDF?
2. Which aspects did you find easiest? Why?
3. Which aspects did you find difficult to do? Why?
4. Which of these requirements most likely make applications unsuccessful? Explain why?
5. Compared to other funds/loans that you are aware of, how does the YDF application process differs from them?
6. In your view, how do you assess the transparency of the application process? Explain?
7. Based on your view what recommendations would you make to improve the application process?

#### Part 3: Loan Use and Repayment system

1. Based on your experience with YDF, explain to us each of the following elements

- i) Loan amounts (how much is given out)
- ii) repayment period
- iii) Grace period
- iv) Application fees
- v) Interest rate
- vi) Collateral
- vii) Repayment frequency
- viii) Insurance

2. Explain what you like or don't like about each of these loan features?

- i) Loan amounts (how much is given out)
- ii) repayment period
- iii) Grace period
- iv) Application fees
- v) Interest rate
- vi) Collateral
- vii) Repayment frequency
- viii) Insurance

3. What are the loans used for (participants should also explain how they used the loans)? Generally, are the recipients using the loans for the intended purpose? Why? Why not?
4. Explain how your businesses have performed after investing the loan?
5. If the businesses have performed well, what are the factors that have made it so? For businesses that are not performing well, what factors have made it so?
6. In terms of performance, is there a difference with regards to the types of business one is doing? Explain why?
7. Explain the system that is currently in place to repay back the loan?
8. What is the strength of this system?
9. What is the weakness of this system?
10. What else can be done to ease the mode of repayments?
11. What happens if you default?
12. What changes would you recommend to make loan repayments relatively easier?

#### **Part 4: Other support services**

1. Other than the loan, what other support have you received from the YDF? Explain?
2. After receiving the loan, did you receive any training from the Ministry?
3. What type of training is it? How long was it?
4. In what ways has the training benefited you in your business?
5. Did you receive any other support from the YDF to develop your business? What type of support was this?
6. In what ways has it helped you in your business?
7. Are there any other organizations that provide support aimed at growing the businesses run by the youths? Which organizations are these?
8. What type of support do they provide?
9. How does this support compare to that provided by the YDF?
10. What other support do you think is necessary to help the youth develop their businesses?

#### **Part 5: Challenges**

- What are some of the main challenges youths in business face?
- In what ways has the YDF managed to address these challenges?
- Are there any other organizations that provide support aimed at addressing some of these challenges? Which ones are these and what support do they provide?
- What other interventions are needed to support the youths who are doing business?

#### **Target respondents: Non - Beneficiaries**

##### **Background information**

**Names,**

**Profile (location, gender, age, marital status)**

**Business type**

#### **PART 1: Knowledge on YDF and similar funds**

1. How did you know about the YDF before deciding to apply for it?
2. From your understanding, what is the purpose of the YDF?
3. Do you know of any funds other than the YDF that one can benefit from? Which institutions provide them and what time of loans are they?

#### **Part 2: Application Process**

1. Could you briefly explain the application process you went through when applying for the YDF?
2. Which aspects did you find easiest? Why?
3. Which aspects did you find difficult to do? Why?
4. Which of these requirements most likely make applications unsuccessful? Explain why?
5. Compared to other funds/loans that you are aware of, how does the YDF application process differ from them?
6. In your view, how do you assess the transparency of the application process? Explain?

7. Based on your view what recommendations would you make to improve the application process?

### Part 3: Loan Use and Repayment system

1. Based on your experience with YDF, explain to us each of the following elements

- i) Loan amounts (how much is given out)
- ii) repayment period
- iii) Grace period
- iv) Application fees
- v) Interest rate
- vi) Collateral
- vii) Repayment frequency
- viii) Insurance

2. Explain what you like or don't like about each of these loan features?

- i) Loan amounts (how much is given out)
- ii) repayment period
- iii) Grace period
- iv) Application fees
- v) Interest rate
- xi) Collateral
- vii) Repayment frequency
- viii) Insurance

3. Do you know of any youths who have received loans from YDF?

What are the loans used for)?

4. Generally, are the recipients using the loans for the intended purpose? Why? Why not?
5. Explain how their businesses have performed after investing the loan?
6. If the businesses have performed well, what are the factors that have made it so? For businesses that are not performing well, what factors have made it so?
7. In terms of performance, is there a different with regards to those who have received loans and those who have not? Explain?
8. Do you know of the youths who have defaulted? What happened to them?
9. What changes would you recommend to make loan repayments relatively easier?

### Part 4: Other support services

1. Other than the loan, what other support does the YDF provide?
2. Do you think this support is beneficial to the youths? Why? Why not?
3. Are there any other organizations that provide support aimed at growing the businesses run by the youths? Which organizations are these?
4. What type of support do they provide?
5. How does this support compare to that provided by the YDF?
6. What other support do you think is necessary to help the youth develop their businesses?

### Part 5: Challenges

- What are some of the main challenges youths in business face?
- In what ways has the YDF managed to address these challenges?
- Are there any other organizations that provide support aimed at addressing some of these challenges? Which ones are these and what support do they provide?
- What other interventions are needed to support the youths who are doing business?
- YDF Programme (Staff Hq and Provincial, Technical Committee members)

Name:

Position:

Number of years working with YDF?

1. Explain in brief the history of the YDF? Why was it set up?
2. Do you think the objectives of the fund are being met? Why?

The legal provision

- Is there any legislation that provides for the existence of the fund? Why? Why Not?
- What is the advantage and disadvantage of the current form in which the YDF exists?
- How are the funds appropriated in the budget? Is there a rule of how much to set aside for the YDF? Who is responsible for this?

### **Programme management**

- Explain the structures that have been established to manage the day to day operations of the fund at both national and provincial levels?
- Who is involved in the day to day management of the fund? How are these people selected? What are the qualifications?
- What are the strengths and weaknesses of the currently structures for managing the day to day operations of the fund?
- Do you think these structures are appropriate to administer the day to day business of a revolving fund? Why?
- Explain any major changes over the years that were done to improve the administration/management of the fund?
- Why where they done and what improvements have you noticed?
- If you were to change the way the day to day management of the fund is done, what would you keep?
- What would you remove? What new element would you introduce? Explain why?

### **Information Management system**

- What information management system do you use to manage the revolving fund? Who is responsible for this?
- What are the strengths and weaknesses of the system?
- What needs to be done to improve the system?

### **Promotions**

- Explain the channels that you use to promote the Fund?
- Who is responsible for marketing the YDF? Which areas are covered and not covered in the promotions?
- Where does the funding come from? Are these adequate? Who manages the promotion funds?
- Explain the weaknesses and the strengths of the system you use to promote the YDF?
- How do you assess the effectiveness of the promotions in reaching out to the youths across the country?
- What else could be done to improve the marketing of the YDF?

### **Application process**

- Explain the loan application process? How do the youths apply? What support is available to help them apply?
- What documentation is available for the applicants to use when applying? What form? How do the youths access it?
- What are the strengths and weakness of this documentation?
- What are the gaps in the documentation?
- If you were to change any aspects of the documentation, what would you keep, remove or add? Explain why?
- Explain the minimum requirements needed for the youths to successfully apply for the loans? Why where this requirement introduced?
- In your views; are the requirements serving the purpose of the YDF? Explain?
- If you were to change the requirements, which ones would you keep, remove or add? Explain why?
- Is Group application better than individual applications? What are the pros and cons?

## Appraisal

- Explain how the loan appraisal is done at the national and provincial levels?
- Who is involved in the appraisals? How are they selected, what are their qualifications?
- Are there any guidelines used in the appraisal process at all levels?
- What are the weaknesses and strengths of the guidelines?
- Do you check the track records or undertake a comprehensive appraisal of the businesses? How is this done?
- What are the major elements of the system that ensures that the right applicants are selected? (in terms of age, business ownership, right referees, e.t.c)
- Are there any changes made to the appraisal process over the years? What are these changes and why were they made? Have you observed any improvements in the system after the changes? Explain?
- If you were to change any aspect of the appraisal, what would you keep, remove and add? Explain why?

## Loan approval

- Explain the loan approval system?
- Who is involved in the final approval of loans? How are they selected?
- What are the factors that determine which projects are funded or not?
- Who has the final say on who should be funded?
- In the event that there are no adequate funds available, is there a criteria used to determine which project gets funded or not?
- What is the basis for the current loan sizes? How were the maximum and minimum loan ceiling arrived at?
- What are the advantages and disadvantages of these loan amounts?
- If you were to change any aspect of the final approval, what would you keep, remove or add? Explain why?
- Do you think the loan approval/ appraisal process is transparent? Why?
- Is the appraisal team well trained in the guidelines? (Competence and skills)

## Loans management

- Do you have a loan policy? Could we have a copy of it?
- What are the loans used for?
- What mechanisms are in place for monitoring loan usage by the beneficiaries?
- Who is involved in this process? How are they selected and what is the qualification?
- Is the loan monitoring system adequate to ensure that the loans are properly used?
- Explain the features of the loan programmes:
  - o loan sizes
  - o interest;
  - o grace period;
  - o repayment period;
  - o collateral requirements;
  - o processing fees;
  - o insurance;
- What do you see as the advantages and disadvantages of each of these features?
  - o loan sizes
  - o interest;
  - o grace period;
  - o repayment period;
  - o collateral requirements;
  - o processing fees;
  - o insurance;

- If you were to change any feature of the loan, what would you keep, remove or add? Explain?
- How are the loans disbursed? Is there any governing policy on how the loans should be disbursed?
- What is the time lag between application and disbursement of the loan? What explain this time lag?
- Explain the loan recovery system? Do you think the system is adequate to ensure that the loans are fully recovered?

### **Explain why?**

- What are the strength and the weaknesses of the system?
- How are the defaulters dealt with?
- How do you assess the effectiveness of the default management system?
- If you were to change any aspect of the default management system, what would you keep, remove or add? Explain why?

### **Monitoring and evaluation system**

- Explain the M & E system currently in place?
- Do you have a log-frame or an M & E plan? When was this developed?
- What tools do you use to monitor progress?
- Who is responsible for conducting the M&E?

### **Delivery model**

- If you were given an opportunity to redesign the YDF, how would you propose it should be run?
- What would be the major departure areas from the current YDF? Explain

Other Programmes (CEEC, Women Empowerment fund, Tourism Fund, PEP)

### **Name:**

### **Position:**

3. Explain in brief the history of the fund? Why was it set up?
4. Do you think the objectives of the fund are being met? why

### **Programme management**

- Explain how the fund is managed?
- What structures have been set up to administer/manage the fund?
- Who is involved in the day to day management of the fund? How are these people selected? Do they have specific training in managing revolving funds?
- What are the strengths and weaknesses of the structure that is in place for managing a loan fund?
- Do you think these structures are appropriate to administer the day to day business of a loan fund? Why?

### **Information Management system**

- What information management system do you use to manage the revolving fund?
- What are the strengths and weaknesses of the system?

### **Promotions**

- Explain the channels that you use to promote the Fund?
- Who is responsible for marketing the fund?
- Where does the funding come from? Are these adequate? Who manages the promotion funds?
- Explain the weaknesses and the strengths of the system you use to promote the YDF?
- How do you assess the effectiveness of the promotions in reaching out to the recipients across the country?

## Application process

- Explain the loan application process? How do the beneficiaries apply? What support is available to help them apply?
- What documentation is available for the applicants to use when applying? What form? How do the applicants access it?
- What are the strengths and weakness of this documentation?
- Explain the minimum requirements needed for the target groups to successfully apply for the loans? Why where this requirement introduced?
- How many youths are accessing loans from the fund since 2012?
- What factors affect the access of the youths from this fund?
- What can be done to increase youth participation in the fund?

## Appraisal Explain how the loan appraisal is done at the national and provincial levels?

- Who is involved in the appraisals? How are they selected, what are their qualifications?
- Are there any guidelines used in the appraisal process at all levels?
- What are the weaknesses and strengths of the guidelines?
- Explain the due diligence mechanism for the appraisals?
- What are the major elements of the system that ensures that the right applicants are selected?
- Are there specific rules for youth participation? What are they? Why not?

## Loan approval

- Explain loan approval system?
- Who is involved in the final approval of loans? How are they selected? What are the qualifications?
- What are the factors that determine that some projects are funded?
- Who has the final say on who should be funded?
- In the event that there are no adequate funds available, is there a criteria used to determine which project gets funded or not?

## Loans management

- Do you have a loan policy (could we access a copy?)
- What are the loans used for?
- What mechanisms are in place for monitoring loan usage by the beneficiaries?
- Who is involved in this process? How are they selected and what is the qualification?
- Is the loan monitoring system adequate to ensure that the loans are properly used?
- Explain the features of the loan programmes:
  - o loan sizes
  - o interest;
  - o grace period;
  - o repayment period;
  - o collateral requirements;
  - o processing fees;
  - o insurance;
- What do you see as the advantages and disadvantages of each of these features?
  - o loan sizes
  - o interest;
  - o grace period;
  - o repayment period;
  - o collateral requirements;
  - o processing fees;
  - o insurance;

- How are the loans disbursed? Is there any governing policy on how the loans should be disbursed?
- What is the time lag between application and disbursement of the loan? What explain this time lag?
- Explain the loan recovery system? Do you think the system is adequate to ensure that the loans are fully recovered?

Explain why?

- What are the strength and the weaknesses of the system?
- How are the defaulters dealt with?
- How do you assess the effectiveness of the default management system?
- If you were to change any aspect of the default management system, what would you keep, remove and add?

**Explain why?**

- In general how do you assess the performance of the funds? Why?

### **Monitoring and evaluation system**

- Explain the M & E system currently in place?
- Do you have a log-frame or an M & E plan? When was this developed?
- What tools do you use to monitor performance of the loan fund?
- Who is responsible for conducting the M&E?

### **Other Programmes (Financial Institution)**

**Name:**

**Position:**

1. Explain in brief the development funds your institution has administered? (line of funding that the institution access from a development entity such as Government)

### **Application process**

- Explain the loan application process? How do the beneficiaries apply? What support is available to help them apply? Is this different from any the ordinary loans?
- Explain the minimum requirements needed for the target groups to successfully apply for the loans? Why where this requirement introduced?
- To what extent are the youths accessing (accessed) loans from the fund from 2012?
- What factors affect the access of the youths from this fund?
- What can be done to increase youth participation in such funds?

### **Appraisal**

- Explain how the loan appraisal is done for such funds?
- Who is involved in the appraisals? How are they selected? Are there any specific competences required for those involved?
- Are there any guidelines used in the appraisal process?
- How is the appraisal process different from the normal loan appraisal system?
- Explain the due diligence mechanism for the appraisals?
- What are the major elements of the system that ensures that the right applicants are selected?
- Are there specific rules for youth participation? What are they? Why not?

### **Loan approval**

- Explain loan approval system?
- Who is involved in the final approval of loans? How are they selected? Are there any specific competences required for those involved?

- What are the factors that determine that some projects be funded and others not funded?
- Who has the final say on who should be funded?
- In the event that there are no adequate funds available, is there a criteria used to determine which project gets funded or not?
- Is the system any different from a normal loan system?

### Loans management

- Do you have a loan policy? Could we have a copy?
- What are the loans used for?
- What mechanisms are in place for monitoring loan usage by the beneficiaries?
- Who is involved in this process? How are they selected and what is the qualification?
- Is the loan monitoring system adequate to ensure that the loans are properly used?
- Explain the features of the loan programmes:
  - o loan sizes
  - o interest;
  - o grace period;
  - o repayment period;
  - o collateral requirements;
  - o processing fees;
  - o insurance;
- What do you see as the advantages and disadvantages of each of these features?
  - o loan sizes
  - o interest;
  - o grace period;
  - o repayment period;
  - o collateral requirements;
  - o processing fees;
  - o insurance;
- How are the loans disbursed? Is there any governing policy on how the loans should be disbursed?
- What is the time lag between application and disbursement of the loan? What explain this time lag?
- Explain the loan recovery system? Do you think the system is adequate to ensure that the loans are fully recovered?

Explain why?

- What are the strength and the weaknesses of the system?
- How are the defaulters dealt with? Is this different from the ordinary credit lines?
- How do you assess the effectiveness of the default management system?
- In general how do you assess the performance of the funds? Why?

Business model

For a revolving fund like the YDF, what do you think would be the appropriate model to operationalize it?

### 14. Summary Statistics

**Table 18: Summary statistics**

Variable	Obs.	Mean	Std. Dev.	Min	Max
Age	863	33.31981	21.42428	19	64
Sex	876	0.211187	0.408384	0	1
Disability	872	1.96789	0.182787	1	3
Education	875	3.403429	0.822029	1	6
Marital status	875	1.398857	0.745543	1	5
Individual or group application	449	1.356347	0.479454	1	2
Business years	641	5.390016	3.969906	1	25
Industry	637	6.089482	4.38621	1	17
Region	877	0.644242	0.479016	0	1

**Table 19: How much do most youths apply for?**

YDF status	Mean(K)
Non-beneficiaries	33130.25
Beneficiaries	44859.51
Total	44749.64

**Table 20: How long did the loan take for the loans to be disbursed?**

Duration	Percent
less than three months	10.4%
three to six months	25.1%
seven months to one year	39.8%
more than one year	24.6%

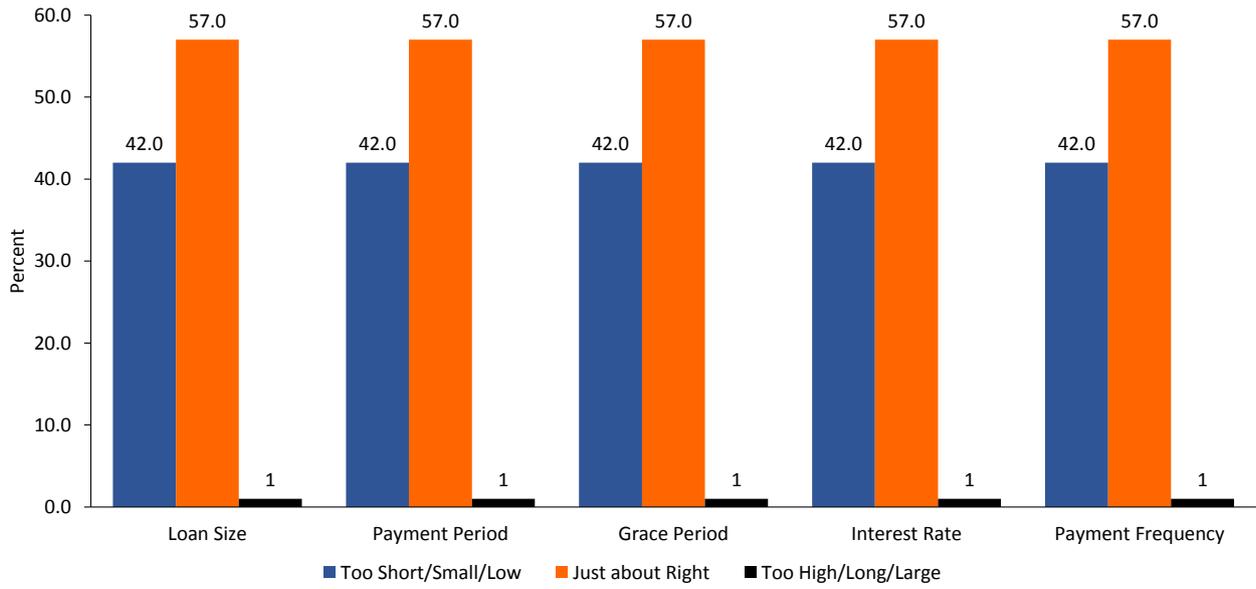
**Table 21: Difference in difference using investment**

Investment_	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Time_2012	-22479.4	30549.5	-0.74	0.462	-82446.9	37488.21
Time_2013	-17064.5	17813.49	-0.96	0.338	-52031.8	17902.73
Time_2014	15566.71	5530.74	2.81	0.005	4710.069	26423.35
YDF_status_business	-34556.2	26034.73	-1.33	0.185	-85661.4	16549.08
Did_2012	34823.5	33571.09	1.04	0.3	-31075.3	100722.3
Did_2013	8304.957	22708.37	0.37	0.715	-36270.8	52880.66
Did_2014	-13334.5	10135.53	-1.32	0.189	-33230.2	6561.143
_cons	54837.98	24968.87	2.2	0.028	5824.999	103851

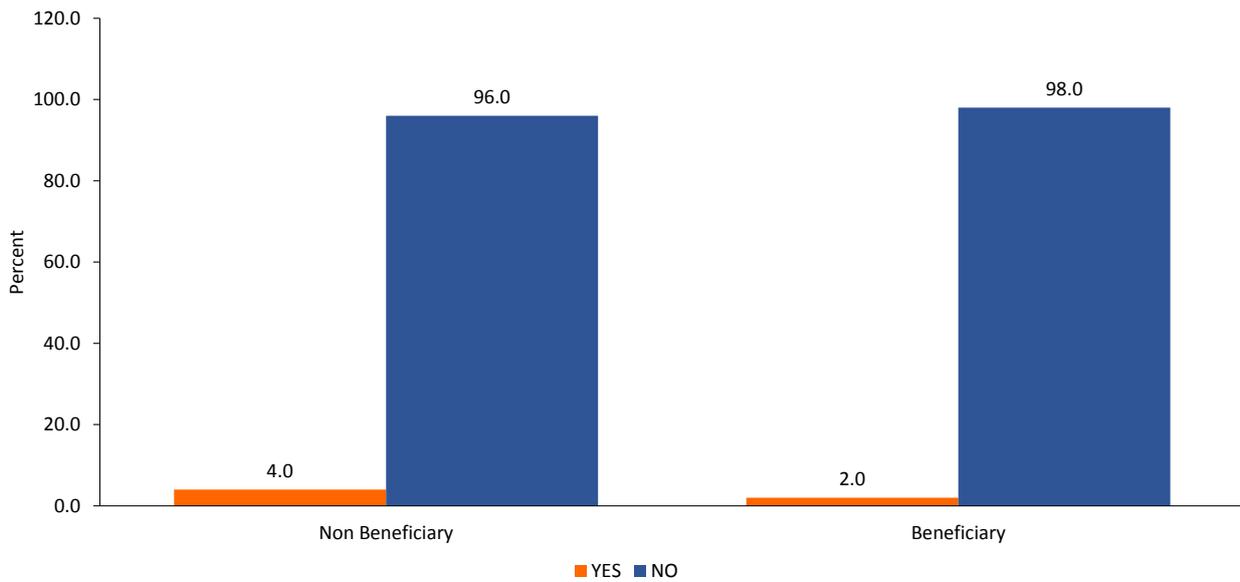
**Table 22: Propensity score matching results based on investments of the respondents**

Variable	Sample	Treated	Controls	Difference	S.E.	T-stat
investment_ Unmatched		25909.23	31726.17	-5816.95	5792.819	-1
ATT		25909.23	23682.74	2226.491	5212.857	0.43

**Figure 21: Received any other support services from Government or any Financial Institution**



**Figure 20: Respondents rating of the loan features**



**Table 23: Challenges faced by youths**

Challenges	Beneficiaries	Non-Beneficiaries
lack of finance to run and expand the business	56%	6%
lack of permanent business operating premises	27%	13%
lack of cheap source of raw materials	26%	10%
lack of appropriate business development skills	23%	17%
too many fees and levy's by different regulatory authorities	20%	17%
lack of transport	18%	30%
lack of financial literacy	17%	24%
lack of access to markets	15%	77%
long procedures when registering or formalising a business	11%	15%
lack of capacity to keep business records	10%	23%
lack of access to government incentives	10%	16%
corruption	9%	8%
lack of collateral	4%	11%

**Table 24: Other support services needed by youths in business**

Other support from Government	Beneficiaries	Non-Beneficiaries
simplify business registration and formalisation processes	42%	15%
provide training on financial literacy	37%	31%
provide training on business development skills	35%	45%
provide lessons on business record keeping	30%	20%
provide incentives for small businesses	28%	31%
provide cheaper operating premises	27%	33%
improve transport infrastructure	22%	12%
harmonise business fees and levy's	21%	20%
facilitate markets for products	20%	25%
facilitate for collateral	16%	9%
eliminate corruption	7%	33%



