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KYEOP

KENYA YOUTH EMPLOYMENT & OPPORTUNITIES PROJECT

*Tambua, Inua, Endeleza Vijana*


# AUDITOR-GENERAL`S PERFORMANCE AUDIT REPORT ON IMPLEMENTATION OF THE SUPPORT FOR JOB CREATION COMPONENT UNDER THE KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT

**FEBRUARY 2024**

## VISION

Making a difference in the lives and livelihoods of the Kenya people

## MISSION

Audit services that impact on effective and sustainable service delivery

## CORE VALUES

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## FOREWORD BY THE AUDITOR-GENERAL

I am pleased to present this performance audit report on; the Implementation of the Support for Job Creation Component under the Kenya Youth Employment and Opportunities Project, as implemented by the State Department for Youth Affairs and Micro and Small Enterprises Authority. My Office carried out the audit under the mandate conferred on me by Article 229 (6) of the Constitution of Kenya, 2010, which requires I confirm whether or not public money has been applied lawfully and in an effective way. In addition, Section 36 of the Public Audit Act, 2015 requires the Auditor-General to examine the economy, efficiency and effectiveness with which public money has been expended.

Performance, financial and compliance audits form the three-pillar audit assurance framework established to provide focus to the varied and wide scope of the audit work carried out by my Office. The framework is intended to provide a high level of assurance to stakeholders that public resources are not only correctly disbursed, recorded and accounted for, but that the use of the resources results in positive impacts on the lives of all Kenyans. The main goal of our performance audits is to ensure effective use of public resources and promote service delivery to Kenyans.

The report is submitted to Parliament in accordance with Article 229 (7) of the Constitution of Kenya, 2010. In addition, I have remitted copies of the report to the Chief of Staff and Head of Public Service, the Principal Secretary, The National Treasury, the Principal Secretary, State Department for Youth Affairs, the Chief Executive Officer, Micro and Small Enterprises Authority.

**FCPA Nancy Gathungu, CBS**
**<u>AUDITOR-GENERAL</u>**
**9 February, 2024**

## TABLE OF CONTENT

## LIST OF TABLES



## LIST OF FIGURES

## LIST OF ABBREVIATION

| Abbreviation | Meaning |
|---|---|
| BDS | Business Development Service |
| BPC | Business Plan Competition |
| CHRIPS | Centre for Human Rights Policy Studies |
| CPC | County Project Coordinator |
| CSVR | Centre for the Study of Violence and Reconciliation |
| EAT | Entrepreneurship Aptitude Test |
| GRM | Grievance Redress Mechanism |
| IA | Implementing Agencies |
| KYEOP | Kenya Youth Employment Opportunity Project |
| M&E | Monitoring and Evaluation |
| MIS | Management Information System |
| MSEA | Micro and Small Enterprise Authority |
| MYASA | Ministry of Youths Affairs, Sports and the Arts |
| PAD | Project Appraisal Document |
| PCU | Project Coordination Unit |
| PDO | Project Development Objective |
| PIM | Project Implementation Manual |
| PITC | Project Implementation Technical Committee |
| PIU | Project Implementation Unit |
| POM | Project Operations Manual |
| SCYDO | Sub County Youth Development Officer |
| SDG | Sustainable Development Goal |
| SDYA | State Department for Youth Affairs |
| SD-MSMEs | State Department for Micro, Small and Medium Enterprises |

## Definition of Terms

| Term | Meaning |
|---|---|
| **Challenge Management Company** | A consulting firm managing the Future Bora intervention |
| **Cycle** | A six-month implementation period within which several beneficiaries were inducted and went through the process of receiving business start-up grants and or business development services training. |
| **Hand-holding** | Step-by-step mentorship of the youth beneficiaries |
| **Innovative Challenge** | Also called the "Future Bora" intervention, was an initiative that involved the development of innovative ideas that were expected to engage the hard-to-serve youth in income-generating activities. |
| **Inter-operability** | The capability of the management information systems of implementing agencies to communicate and share information. |
| **Lot** | Also called cluster, a group of counties in the implementation of Business Development Services in cycles 2, 3 and 4 |
| **Non-responsive** | Youths who were unreachable on phone or those who answered calls the first time and later switched off or did not pick calls again and others gave direction to their premises and when the Audit Team and youth officers arrived at the agreed venue they never turned up. |
| **Randomization** | Is the scientific method that randomly selects the beneficiaries |
| **Restructuring** | An amendment to the Project Appraisal Document; including but not limited to: extensions of the Project implementation periods, transfer of functions, reallocation of funds and change of Project deliverables. |
| **Scalability** | Characteristic that describes the ability of an organization, system, process, or software to adapt to changes. |

## EXECUTIVE SUMMARY

### Introduction

1. According to the 2019 Kenya Population and Housing Census Report by the Kenya National Bureau of Statistics, 38.9% of the 13 million youths in Kenya were unemployed, with the numbers projected to rise. Unemployment continues to pose a serious challenge, with over eight hundred thousand (800,000) youth entering the workforce every year. The large number of new entrants to the workforce is currently outpacing the capacity of the economy to absorb them in productive employment.

2. To partially address the challenges of youth unemployment, the government has been implementing various programs and projects. The Kenya Youth Employment and Opportunities Project (KYEOP), is one such project being implemented in collaboration with the World Bank. The Project started in May 2016 and was expected to end in December 2021, although this was revised to August 2023. The objective of the Project was to increase employment and earnings opportunities for youths by offering training and internship opportunities as well as business grants to start-up businesses. The audit assessed one of the components under the Project reffered to as, Support for Job Creation. Under this Component, youths were provided with grants to start or expand their business as well as acquisition of business development skills. The Component was implemented through four (4) interventions: -

    i. The Business Start-up Grants - where successful youth applicants were provided with Kshs.40,000 each as seed funding.

    ii. The Business Development Services (BDS) - which entailed business and entrepreneurship training at a cost of Kshs.40,000 per youth.

    iii. The Business Plan Competition (BPC) where youths developed business plans that were evaluated for viability. Youths with the best business plans were awarded grants of either Kshs.3.6 million or Kshs.0.9 million each to fund their business ideas.

iv. Innovation Challenge for the Hard to Serve, "Future Bora" - that targeted vulnerable youths by providing income generating activities through organizations that engaged such youths. Four (4) organizations were identified and funded with Kshs.30 million each.

3. The Business Start-up Grant and BDS training was implemented in cycles, where each cycle took six (6) months. At the time of the audit, the Project had run 12 cycles; 1, 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, 8c and 8d.

4. According to the Project Appraisal Document, the Component was to reach 41,800 youths, in urban and rural areas in selected counties by the end of the initial Projected timeline of December 2021. However, the number was increased to 90,050 after the restructuring of the Project in May 2021. The total funding for this component as of June 2023 was approximately Kshs.9.2 billion. KYEOP is jointly funded by the World Bank through a credit facility and the Government of Kenya.

5. The Project was jointly implemented by the State Department for Youth Affairs (SDYA) and the Micro and Small Enterprises Authority (MSEA).

**Motivation for the Audit**

6. Youths, being the majority in the country, are expected to drive social, economic and political development. Unemployment limits their ability and potential to participate and contribute to the social and economic development of the country. It was therefore, necessary to assess whether the Project was meeting its objective of increasing employment and earning opportunities for the youths.

7. The total funding for KYEOP was Kshs.15 billion out of which the Support for Job Creation Component was initially allocated Kshs.6.9 billion. This was later increased to Kshs. 9.2 billion. These funds were expected to bring change in terms of enhancing employment and earning opportunities for the youth in the Country. It was therefore, important to assess whether these funds were expended economically and efficiently for achievement of the Project objective.

### Objective of the Audit

8. The objective of the audit was to assess the extent to which the State Department for Youth Affairs (SDYA) and Micro and Small Enterprises Authority (MSEA) increased earning opportunities for the youth through effective implementation of the Support for Job Creation Component under KYEOP.

9. The specific objectives were to assess whether the State Department of Youth Affairs and Micro and Small Enterprises Authority:

   i. Ensured achievement of the Project targets;
   ii. Ensured efficient implementation of the Support for Job Creation Component;
   iii. Ensured efficient management of the contracted services;
   iv. Ensured effective supervision, monitoring and evaluation of the Component.

### Audit Scope

10. The audit examined the Implementation of KYEOP by the State Department for Youth Affairs and Micro and Small Enterprises Authority in Kenya. The audit focused on Support for Job Creation Component whose activities included; implementation of the Business Start-up Grants, Business Development Services, Business Plan Competition and Innovation Challenge[1] for the Hard to Serve Youths[2] also Known as "Future Bora". The audit also assessed supervision, monitoring and evaluation of the Component. The audit covered the financial years from 2017/2018 to 2023/2024 which was the Project implementation period including the extensions granted.

### Summary of the Findings

### A. Extent of Achievement of the Set Targets

11. The number of youths who had benefitted from the Support for Job Creation Component as of June 2023 was 87,432 youths against the revised target of 90,050.

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[1] The innovation challenge involved development of innovative ideas that was expected to engage the "hard to serve" youth in income generating activities.

[2] Hard to Serve Youths: Youths with limited education, street children, youths living with disabilities, youths in rural areas and single mothers.

12. The revised target for the BPC intervention was 750 youths from the initial target of 500 youths. Out of the 750 youths, 248 were awarded grants of Kshs.3.6 million each while 435 received Kshs.0.9 million each, bringing the total achievement for this intervention to 683 youths.

13. The Business Development Services intervention initially targeted 8,000 beneficiaries. This was revised to 8,500 and the achieved target was 7,022 beneficiaries equivalent to 83% of the target.

14. The Business Start-up Grant had an initial target of 30,000 beneficiaries which was later revised to 78,000. As of February 2023, 99% of the beneficiaries had been awarded grants of Kshs.40,000 each.

15. The Future Bora Intervention aimed to reach at least 3,000 youth beneficiaries through the selected firms that served the targeted youths. The intervention reached 1,931 youths which accounted for 64% of the targeted number.

**B. Achievement of Project Objectives**

16. Despite the positive impact in terms of achieving the targeted number of youths, the main objective of creating employment and increasing earning opportunities for the youth may not have been optimally achieved as discussed below:-

**i. Non-Responsive Beneficiaries and Failed Businesses**

17. The audit revealed that close to half of the 553 beneficiaries sampled were either unreachable on phone or non-cooperative by not willing to give directions to their premises, while some indicated that their businesses had failed. For instance, out of the 308 Business Start-Up Grants Beneficiaries sampled, ninety-eight (98) were unreachable on phone to give directions to their businesses while 119 were non-cooperative and declined to give audience to the Audit Team. We could therefore not confirm the status of their businesses. Out of ninety-one (91) youth businesses physically verified, sixteen (16) had been wound up.

18. Our analysis revealed that failed youth businesses may have been caused by; inadequate follow-up, inadequate mentorship and monitoring and diversion of funds to non-business-related activities.

### ii. Changes in the Project Design

#### a) Removal of the Second Orientation for the Business Start-up Grants

19. According to Annex 1 Paragraph 35 of the Project Appraisal Document, the Business Start-up Grant of Kshs.40,000 was to be disbursed in two equal tranches. MSEA was to hold orientation sessions with grantees before disbursement of each of the tranches.
20. The audit revealed that after the restructuring of the Project in May 2021, the second orientation was removed and the first orientation was reduced from a full-day orientation to an hour session of submission and verification of the beneficiary's documents. Removal of the second orientation meant that the second tranche was disbursed without considering and analyzing the utilization of the first tranche. As a result, the beneficiaries received the second tranche despite not having justified how they had spent the first tranche.
21. Further, restructuring of the Project increased beneficiaries funded under this intervention from 30,000 to 78,000. Funding for the increased number of beneficiaries amounted to Kshs.1.92 billion. With increased funding, there was increased risk for use of funds on non-business-related expenditures. Therefore, there was a need for increased monitoring to assess whether the grants were used to start or expand businesses as per the intended objectives.

#### b) Reduction in Frequency of the Monitoring Activities

22. The Project monitoring and evaluation plan highlights the need for continuous monitoring and tracking of the interventions. The Plan identified routine monitoring of grants as critical to ensuring that funds disbursed to the youths are invested in creating employment and earning opportunities.
23. Interviews with Business Start-up Grant beneficiaries indicated that fifty-two (52) out of the ninety-one (91) beneficiaries interviewed were not monitored between tranche 1 and tranche 2 while sixty-seven (67) of the ninety-one (91) beneficiaries were not monitored after the second tranche. Interviews with BDS beneficiaries revealed that twenty-eight (28) out of the sixty-six (66) beneficiaries were not monitored at all. Interviews with County representatives from both SDYA and

MSEA revealed that monitoring of the Business Start-up Grant intervention was conducted once as a spot check on sampled youths after disbursement of the first tranche.

24. A change in the design of the Project led to the revision of the monitoring activities from being a continuous activity to a disbursement-based activity, thus affecting the envisioned monitoring plan. In addition, there were no plans for continuous monitoring after the disbursement of the final tranche to the beneficiaries. As a result, beneficiaries missed out on the mentorship and coaching they would have received during continuous monitoring visits.

### iii. Funding of Youths in the Business Plan Competition did not Consider Their Business Plans

25. Review of the sampled Business Plan Competition application forms and interviews with the beneficiaries indicated that youths who won the competition were randomly awarded funds without considering their business plans. Analysis of data obtained from the beneficiaries' business plans and disbursement records indicated that 30% of the seventy-two (72) youths interviewed received more funding than they had requested in their business plans. For instance, a youth who had a business plan that required Kshs.150,000 was awarded Kshs.3,600,000, indicating that youth may have been awarded funds that they had no capacity to utilize.

### iv. Future Bora Interventions did not Meet Scalability and Sustainability Aspects of the Project

26. The selection criteria for the award of the Future Bora financing was to include consideration for the interventions that would foster scalability and sustainability as part of the activities.

27. Takataka Solutions, an organization that was targeting youths working within Mwakirunge and Mavoko dumpsites in Mombasa and Machakos County respectively had activities that included payment of school fees for children of the beneficiaries. The organization entered into a Memorandum of Understanding (MOU) with four (4) kindergartens, of which, one (1) was public and three (3), privately-owned. Takataka Solution was to pay half of the fees while parents were to pay the other half, from proceeds of sale of waste to the firm. For the public

kindergarten, parents did not have to pay fees as Takataka Solution covered the entire fees since it was highly subsidized. Review of the payment records in the three (3) privately owned schools, indicated that despite the firm paying half of the fees, parents had fees arrears for two terms indicating that they could not meet their obligations. As at the time of the audit, Takataka Solutions had not purchased waste from the beneficiaries for three (3) months as the waste compressing machines were not in use, which could have contributed to the arrears. Further, the MOUs with the schools did not define the duration of the support. This meant that the firms could decide to stop the support at any time.

28. Hydroponics Africa Limited, an organization that was working with young single mothers on agriculture-related interventions, committed to construct thirty-five (35) greenhouses and issue Hydroponic Kits to beneficiaries in Nakuru and Kiambu Counties. At the time of the audit, the investment in the greenhouses was yet to realize sales due to crop failure. The firm did not put in place measures to mitigate against crop failure. The intervention therefore, had challenges in meeting the scalability and sustainability objective.

29. In Kiambaa Sub-County in Kiambu County, the hydroponic kits did not have the capacity to produce adequate produce for sale, hence the envisaged scalability and sustainability objective had not been realized.

**v. Failure to Create a Revolving Fund for the Beneficiaries of Future Bora**

30. The contracts in three (3) of the four (4) Future Bora organizations stated that; they would create a revolving fund to enable the youths to borrow and invest in small businesses and consequently create employment opportunities and increase their earnings. The audit revealed that the three organizations had not created and operationalized a revolving fund as at the time of the audit. Failure to create and operationalize the revolving fund by the organizations was attributed to lack of guidance by SDYA on how the revolving funds were to be created and operationalized. Consequently, the youths could not borrow and invest in small businesses that would have created earning opportunities for them.

### C. Delays in Disbursements of the Business Plan Competition Tranches and Handling of Grievances

#### i. Delays in Disbursements of the Business Plan Competition Tranches

31. The audit revealed that there were delays in the disbursement of tranches that affected implementation of the youth-funded business. Analysis of responses obtained from the BPC beneficiaries in the six (6) sampled counties indicated an average waiting period of four (4) months between verification of documents and disbursement of tranche 1 against the envisaged one (1) month. Disbursement of the second and third tranches was also delayed, taking as long as nine (9) months in some counties. Youths interviewed stated that, as a result of the delays, they had to scale down operations and even change the nature of businesses due to cashflow challenges. The delay was mainly attributed to the lengthy approval processes.

#### ii. Delays in Handling of Grievances

32. Review of the grievance redress data revealed that there were delays in grievance resolutions. Grievances that were to take two (2) days, took an average of fourteen (14) days to be resolved. Further, as of April 2023, it was not clear whether the 316 grievances that had been escalated had been resolved. The delays were attributed to inter-operability challenges between SDYA and MSEA Management Information Systems that made it difficult to track the escalated grievances.

### D. Inadequate Follow-up, Monitoring and Supervision of Project Beneficiaries

#### i. Business Start-up Grants Beneficiaries

33. The State Department for Youth Affairs was mandated to follow-up on beneficiaries of the Business Start-up Grants and Business Development Services through visits and focus group discussions at the local level. Follow-up and hand-holding for the Business Start-up Grant beneficiaries was to be done within one month from the receipt of the first tranche. Indicator 9 of Annex 1 of the Monitoring and Evaluation Framework highlights that 100% of youth beneficiaries were to be followed up for assessment and support after the disbursement of the first tranche.The audit revealed that thirty-six (36) out of the ninety-one (91) beneficiaries interviewed were not followed up.

### ii. Business Development Services Beneficiaries

34. The audit also revealed that fifty-eight (58) out of the sixty-six (66) Business Development Services beneficiaries interviewed did not receive all the seven (7) coaching and follow-up sessions they were to receive. Further, out of the sixty-six (66) beneficiaries, thirty-one (31) did not receive any coaching and follow-up. This could be attributed to lack of coordination between the Consultant, field officers and the coordinating officers at MSEA head office.

### iii. Inadequate Resources for Monitoring and Evaluation Exercises

35. Interviews with MSEA County Project Coordinators in three (3) of the six (6) sampled counties indicated that they did not have project vehicles to facilitate continuous and effective monitoring and evaluation of the youth businesses. Further, the field officers stated that the transport allowance of Kshs.500 per day, that they were allocated in lieu of vehicles, was not commensurate to the area of coverage. This was attributed to inadequate planning for monitoring and evaluation. Inadequate resources led to changes in the monitoring and evaluation program, from being a continuous activity to a need-based process. As a result, gaps that could have been identified through regular monitoring and evaluation exercises were not identified and addressed adequately.

### iv. Inefficient Coordination Between the Implementing Agencies

36. The audit revealed that crucial information on lists of beneficiaries who benefitted from various interventions, roll-out dates as well as feedback on the status of the raised grievances was not shared between the agencies at the county level. This was attributed to inadequate coordination between the implementing agencies both at the county and national level. As a result, not all field officers were informed about ongoing events, therefore they could not monitor and follow-up beneficiaries' activities continuously.

37. Further, interviews with SDYA field officers in the six (6) sampled counties indicated that they had no role in the monitoring of Business Development Services beneficiaries, despite them having offices up to the sub-county level.

### E. Inefficiencies in Management of the Contracted Services

#### i. Target as Per Contract not in Tandem with the Planned Targets.

38. The audit revealed instances where there were differences in the targeted number of beneficiaries as per the roll out plan and the number defined in contracts. For instance, contract number MSEA/KYEOP/06/2018-2019 between the Micro and Small Enterprises Authority and a joint venture company indicated that the company was to train 8,253 beneficiaries for BDS in Cycle 4. Cycle 4 BDS Roll Out Plan indicated a target of 5,774 beneficiaries. Despite setting a higher deliverable in the contract, SDYA and MSEA planned for a lower number of beneficiaries. In addition, despite training only about 60% of the number of beneficiaries defined in the contract, the company was paid Kshs.297,258,800, equivalent to 99.7% of the contract sum of Kshs.298,148,000

#### ii. Inadequate Supervision of the Future Bora Consultant

39. The audit revealed that the Project design allowed the Consultant for Future Bora intervention to handle the whole process of designing, implementing and monitoring of the organizations contracted to implement Future Bora interventions. The arrangement failed to consider inputs and effective checks and balances from SDYA. This could be attributed to the unclear definition of the overall oversight and supervisory role for the Future Bora interventions between the consultant and SDYA, minimizing the monitoring roles of SDYA. As a result, challenges such as failure to create a revolving fund, the hydroponic kits not having capacity to produce adequate proceeds for sale, and crop failure were not identified and addressed on time.

### Conclusion

40. The Support for Job Creation Component under the Kenya Youth Employment and Opportunities Project (KYEOP) was successful in achieving the targeted number of youths in the program, having attained 97% of the targeted youths. Additionally, the Component had numerous benefits including; the creation and expansion of small businesses, transfer of entrepreneurship skills to youths and increased earnings for the hard-to-serve youths.

41. Despite the Component's successes in achieving the targeted number of youths, the intended objective of increasing earning opportunities for the youth was not optimally achieved. The audit observed that there were youths who did not start businesses and others who wound up their business. Additionally, in spite of the Audit Teams' collaboration with the State Department of Youth Affairs (SDYA) and Micro and Small Enterprise Authority (MSEA) staff, half of the sampled youth could not be reached. This was because they were either unreachable on phone to give directions to their premises or non-cooperative by failing to give an audience to the Audit Team. This raised doubts as to whether their businesses were up and running or if they were existing beneficiaries. The expenditure or funding of Kshs.83,200,000 was made to the sampled youth who were un-reachable and non-cooperative. There was also doubt about the achievement of Future Bora intervention objectives as the projects implemented by the organizations did not meet the scalability and sustainability objectives.

42. Changes in the design of the Project, may have negatively affected the achievement of the Project objectives. These included reduced frequency of monitoring and removal of the second orientation. Further, it may have affected the commitment of the youths since they were not regularly held to account. Monitoring and evaluation on a sample basis was not adequate and may have contributed to the funds not being put to the intended use.

43. Inefficiencies in the implementation of the Project including delays in the disbursement of funds to the recipients, may have also affected operations of the youth businesses due to cashflow challenges.The differences between the targets as per contracts and the planned targets may have resulted in payment for undelivered services for some of the interventions.

**Recommendations**

44. In view of the findings and conclusions of the audit, the following is recommended for implementation by the State Department for Youth Affairs and Micro and Small Enterprises Authority for the Support for Job Creation Component and other similar projects in future.

The State Department for Youth Affairs and Micro and Small Enterprise Authority should:-

i. Put in place measures to ensure effective orientation of beneficiaries. This will enable the youths to understand the Project objectives and their role and responsibilities in running their business. The orientation will also help in screening and leaving out youths who may not be serious in running businesses.

ii. Consider a percentage of the funding to be repayable and form a revolving fund for other beneficiaries and remove the notion of free money. By this, the beneficiaries will be more accountable.

iii. Ensure that similar interventions are implemented in a manner that will ensure sustainability and scalability.

iv. Put in place measures to ensure continuous mentorship of the Project beneficiaries to assist the youths in understanding and gaining skills in running their businesses,

v. Put in place measures to ensure regular monitoring and evaluation of the projects being implemented by the beneficiaries.

vi. Fully engage field officers and ensure proper coordination with staff at the head office for the effective implementation of projects.

vii. Ensure proper resource planning for continuous supervision, monitoring and evaluation.

viii. Put in place measures to ensure timely processing and disbursement of funds to beneficiaries to enhance effective implementation of the Project.

ix. Ensure that the system for grievances redress enhances timely tracking and resolution of grievances.

x. Regularly review the achievement of deliverables by consultants to ensure they are on track and respond to any challenges hindering the progress.

## CHAPTER 1: BACKGROUND OF THE AUDIT

### Introduction

1.1 According to the 2019 Kenya Population and Housing Census Report by the Kenya National Bureau of Statistics, 38.9% of the 13 million youths in Kenya were unemployed[3]. Unemployment continues to pose a serious challenge to the government, with over eight hundred thousand (800,000) youths entering the workforce every year[4]. The large number of new entrants to the workforce is currently outpacing the capacity of the economy to absorb them in productive employment.

1.2 To partially address the challenges of youth unemployment, the government has been implementing various programs and projects, either individually, or in collaboration with stakeholders. The Kenya Youth Employment and Opportunities Project (KYEOP), is one such project being implemented in collaboration with the World Bank. KYEOP started in May 2016 and was expected to end in December 2021, although this was revised to August 2023. The objective of the Project was to increase employment and earnings opportunities for youths by offering training and internship opportunities as well as business grants to start-up businesses. The entire Project was funded through a credit of Kshs.15 billion by the World Bank Group. The project was structured into four (4) components:

i. **Component 1**: Improving youth employability through the provision of skills and work experience;

ii. **Component 2**: Support for job creation through provision of grants and business development skills;

iii. **Component 3**: Improving labour market information for planning and development; and

iv. **Component 4**: Strengthening youth policy development and project management.

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[3] The Kenya National Bureau of Statistics. 2019 Kenya Housing and Population Census.

[4] Instute of Economic Affairs, March 2020. Youth Unemployment in Kenya: Policy Gaps Analysis.

1.3 Due to the wide scope and nature of the Project, the audit only covered the second component; refered to as Support for Job Creation since it had the greatest potential of reducing the number of youths with no gainful employment. Although the Component had initially targeted to reach at least 41,800 youths in urban and rural areas in selected counties, the number was adjusted to 90,050 after the restructuring of the Project in May, 2021. As at June, 2023, approximately Kshs.9.2 billion had been disbursed under the Component. The Component was jointly implemented by the State Department of Youth Affairs (SDYA) and Micro and Small Enterprises Authority (MSEA)

**Motivation for the Audit**

1.4 The audit was motivated by the following factors:

i. Youths, being the majority in the Country, are expected to drive social, economic and political development. Unemployment limits their ability and potential to participate and contribute to the social and economic development of the country. It was therefore, necessary to assess whether the Project was meeting its objective of increasing employment and earning opportunities for the youths.

ii. The Kenya Youth Employment and Opportunities Project was a five-year safety net project for vulnerable youths. The Project was funded with Kshs.15 billion credit by the World Bank Group out of which Kshs.6.9 billion was allocated to the Support for Job Creation Component. This was significant funding expected to bring change in terms of enhancing employment and earning opportunities for the youth in the country. It was therefore, important to assess whether these funds were expended economically and efficiently for achievement of the Project objective.

iii. The Project is in line with the Kenya Vision 2030 Social Pillar in which Kenya commits to improve the quality of life for all Kenyans by investing in its people. The Vision proposes specific policies and interventions to be implemented to fully develop the potential of youths as well as prepare and engage them in the socio-economic development of the Country. The interventions included; building capacity, empowering and equipping youths to engage in productive activities, creating employment opportunities and providing youths with the necessary support such as financial and market linkages. It was therefore necessary to assess whether the investment made in the Project contributed to youth employment and sustainable livelihood.

iv. The Project is in line with the Sustainable Development Goals (SDG) 4, Quality Education, Target 4.4 and SDG 8, Decent Work and Economic Growth Target 8.6 and 8b. SDG 4, Target 4.4 calls for increase of the number of youths who have decent jobs and entrepreneurship. SDG 8 Target 8.6 and 8b calls for reduction of proportion of youth not in employment, education or training. It was therefore, necessary to ascertain whether the Project was efficiently managed to contribute to the achievement of SDG 4 and subsequently improve on SDG 8.

v. Article 55 of the Constitution of Kenya 2010, provides that the State shall take measures including affirmative action programmes to ensure that the youth access gainful employment. The Kenya Youth Employment and Opportunities Project is one of such initiatives aimed at providing youths with gainful employment. It was therefore important to assess whether the Project was meeting the set objectives.

## CHAPTER 2: DESIGN OF THE AUDIT

### Audit Objective

2.1 To assess the extent to which the State Department for Youth Affairs (SDYA) and Micro and Small Enterprises Authority (MSEA) increased earning opportunities for the youth through effective implementation of the Support for Job Creation Component under KYEOP.

### Specific Audit Objectives

The specific objectives were to assess whether the State Department of Youth Affairs and Micro and Small Enterprises Authority:

i. Ensured achievement of the Project targets;
ii. Ensured efficient implementation of the Support for Job Creation Component;
iii. Ensured efficient management of the contracted services;
iv. Ensured effective supervision, monitoring and evaluation of the Component

### Audit Scope

2.2 The audit examined the Implementation of the Support for Job Creation Component by the State Department for Youth Affairs and Micro and Small Enterprises Authority in Kenya.

2.3 Although KYEOP was implemented in four (4) components : Improving Youth Employability through provision of skills and work experience;, Support for Job Creation through provision of grants and business development skills; Improving Labour Market Information for planning and development, and Strengthening Youth Policy Development and Project Management, the audit only examined the Support for Job Creation Component, due to the wide scope of the Project. The Component was choosen because it reached more youths and was allocated more funds than the other components.

2.4 The activities examined included; implementation of the Business Start-up Grants, Business Development Services, Business Plan Competition and

Innovation Challenges[5] for the Hard to Serve Youths also Known as "Future Bora". The audit also assessed supervision, monitoring and evaluation of the Component. The audit covered financial years 2017/2018 to 2023/2024 which was the Project implementation period including the extensions granted

## Performance Auditing Standards and Guidelines

2.5 The Audit Team conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAI) 3000 issued by International Organization of Supreme Audit Institutions (INTOSAI) as well as relevant guidelines issued by the Office of the Auditor General.

## Methods of Data Collection

2.6 The data collection methods applied in the audit included; documentary review, interviews and physical verification of youth funded businesses.

### a. Document Reviews

2.7 To validate the status of implementation and evaluate the efficiency and effectiveness of the processes used in implementation of Support for Job Creation Component, the team reviewed documents at State Department of Youth Affairs and Micro and Small Enterprises Authority. The details of the documents reviewed are shown in **Appendix 1**.

### b. Interviews

2.8 To gather evidence and make clarification of information collected through other methods, interviews were held with staff responsible for the implementation of Support for Job Creation Component both at SDYA and MSEA, Project consultants and beneficiaries. **Appendix 2** details the list of all the interviews held by the Audit Team.

### c. Physical Verification

2.9 To assess the implementation status of the Component, on-site inspections of the beneficiaries' businesses and projects were carried out.

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[5] The innovation challenge involved development of innovative ideas that was expected to engage the "hard to serve" youth in income generating activities.

2.10 These methods helped the Audit Team to collect and analyze data that assisted in achieving the audit objectives. The evidence collected was presented using tables and graphs as appropriate.

## Sampling

2.11 For verification purposes, the audit sampled six (6) out of seventeen (17) counties where the Project was implemented. These were Kiambu, Nakuru, Kakamega, Migori, Machakos and Mombasa counties. In coming up with the sample of the counties, a stratified random sampling technique was used, where the following factors were considered:

i. **Uptake of the Project** -Counties implementing all sub-components and with higher enrollment of youths were prioritized.

ii. **Regional representation-** The former provincial administration was considered and counties were picked from each except for North Eastern Province where enrolment was low.

2.12 To assess the existence and the status of the youth businesses, the Audit Team considered the sub-counties with the highest numbers of the Business Plan Competition beneficiaries. The intention was to conduct verification on each one of them. Beneficiaries of the Business Start-up Grants, BDS and Future Bora initiative were randomly sampled within the sampled sub-counties. The sampled sub-counties and the number of youths visited per sub-component are shown in **Appendix 3**.

## Assessment Criteria

2.13 The assessment criteria for the audit were derived from the Project Appraisal Document, PAD1654, the Financing Agreement, the Project Implementation Manual, Project Operation Manuals, the Grievance Redress Manual, MSEA Payment Protocol and relevant best practices in project management. The detailed criteria are shown in **Appendix 4.**

## CHAPTER 3: DESCRIPTION OF THE SUPPORT FOR THE JOB CREATION COMPONENT

### Background Information

3.1 The Support for Job Creation is a component under the Kenya Youth Employment and Opportunities Project (KYEOP). The main objective of the Component was to assist youths get access to capital and skills that would help them generate income as entrepreneurs. It was also expected that the youth would employ other youths in their businesses thereby creating earning opportunities. The Component had specific objectives that entailed:

i. Provision of seed funding in form of grants for youth-led start-ups;

ii. Increased access to Business Development Services (BDS) for youth self-employed entrepreneurs;

iii. Supporting innovative interventions to create jobs for targeted youth; and

iv. Expanding economic opportunities to youth who are hard to serve.

3.2 The Component was implemented through four interventions;

i. The Business Start-up Grants - where youths were provided with Kshs.40,000 seed funding each. This intervention was implemented concurrently with the BDS between September 2017 and June 2023.

ii. The Business Development Services (BDS) - which entailed business and entrepreneurship training at a cost of Kshs.40,000 per youth.

iii. The Business Plan Competition (BPC) - where youths developed business plans that were evaluated for viability. Youths with the best business plans were awarded grants of either Kshs.3.6 million or 0.9 million each to fund their business ideas. The Busines Plan Competition was initiated in January 2019 and ran upto December 2021

iv. Innovation Challenge for the Hard to Serve, "Future Bora" - that targeted vulnerable youths by providing income-generating activities through organizations that engaged such youths. Four (4) organizations were identified and funded with Kshs.30 million each. The interventions was implemented between September 2021 and June 2022.

3.3 The beneficiaries of the Component were youths between 18-29 years of age, without formal education or with formal education up to secondary education level. However, for beneficiaries of the Business Plan Competition, the age limit was up to 35 years and at least a secondary education level.

3.4 The Project implementation start date was 20 May 2016, and the expected end date was 31 December 2021. However, the Project sought two extensions that extended the completion dates to 31 August 2023.

3.5 The Component was jointly implemented by the State Department for Youth Affairs (SDYA) and the Micro and Small Enterprises Authority (MSEA).

### Statutory Mandate of the State Department for Youth Affairs and Micro and Small Enterprises Authority

3.6 The mandate of SDYA include, promotion of youth empowerment, mainstreaming youth in national development, and collaborating and overseeing stakeholders engaged in youth-promoting activities.

3.7 The Micro and Small Enterprises Authority's mandate includes promoting the mainstreaming of youth, gender and persons with disabilities in all micro and small enterprises activities and programs, and mobilizing resources for development of the micro and small enterprises sector.

3.8 The roles and responsibilities of the State Department for Youth Affairs and MSEA in implementation of the Project are highlighted in **Table 1.**

**Table 1. Roles and Responsibilities of the State Department for Youth Affairs and Micro and Small Enterprises Authority**

| Entity | Roles and Responsibilities |
|---|---|
| The State Department for Youth Affairs | • Overall project management, coordination and monitoring.<br>• Organize the intake of youths.<br>• Set up systems for contracting, monitoring and evaluation of the Project.<br>• Disburse the tranches to the awardees of the Business Plan Competition (BPC).<br>• Grant awards to winners of the Future Bora.<br>• Follow-up of beneficiaries as well as visit and hold focus group discussions at the local level.<br>• Implement fully the innovative challenge for the hard-to-serve dubbed "Future Bora".<br>• Building capacity for monitoring and evaluation of youth employment policy and programs.<br>• Contract, design and manage terms of reference for the consultants.<br>• Coordinate and manage a Grievance Redress Mechanism. |
| The Micro and Small Enterprises Authority | • Administer Entrepreneurship Aptitude Test to the youths.<br>• Disburse and manage grants to young entrepreneurs.<br>• Monitor and evaluate progress under grants, Business Development Services and the Business Plan Competition.<br>• Contract, design and manage terms of references for the consultants.<br>• Coordinate and manage a Grievance Redress Mechanism.<br>• Coordinate and manage all monitoring activities related to the Grants, BDS and BPC. |

***Source: KYEOP Project Implementation Manual***

3.9 Other stakeholders include the World Bank, The National Treasury and Project Consultants.

## Support for Job Creation Implementation Framework

3.10 To ensure seamless implementation, committees that were to play different roles in the implementation of the Support for Job Creation Component were created. The composition and roles of the committees are shown in **Figure 1**.

**Figure 1. Project Implementation Structure**

**National Steering Committee**

The National Steering Committee comprises the Cabinet Secretary, Ministry of Youth, Sports and the Arts, Principal Secretaries, State Department for Youth Affairs(SDYA), State Department for Micro, Small and Medium Enterprises and National Treasury, the Chairs of the National Youth Council and Council of Governors.

**Roles and Responsibilities**

- Review and approve annual work plan and budgets and regularly review progress in the implementation of the Project
- Oversee the project communications

↓

**Project Implementation Technical committee**

The Project Impementation Technical Committee comprises the Principal Secretary, SDYA, Chief Executive Officer, MSEA, the National Project Coordinator and coordinators at SDYA and MSEA and World Bank Desk Officer at the National Treasury.

**Roles and Responsibilities**

- Provide advisory oversight to the Project Coordination Unit (PCU).
- Review recommendations from the PCU to ensure efficient, timely, cost effective, quality and transparent implementation of project components.

↓

**Project Coordination Unit**

Headed by National Project Coordinator and staff from SDYA seconded to the Project.

**Roles and Responsibilities**

- Project management and progress reporting.
- Managing the intake process and channelling of eligible project beneficiaries.
- Providing technical assistance in major procurement, in line with the Project Budget and Procurement Plan among others.

↓

**Project Implementation Units**

Comprises of Project Implementation Unit from SDYA and MSEA

**Roles and Responsibilities**

- Coordinating implementation of the component at the agency level.

↓

**County Officers**

SDYA and MSEA staff at county level

**Roles and Responsibilities**

- Coordinating the various aspects of the project at county level.

***Source: Auditors' Understanding Obtained from Interviews and Document Reviews***

## Process Description for the Support for the Job Creation Component

3.11 The processes for the implementation of the Support for Job Creation Component are as described below:

### A. The Business Start-Up Grants and Business Development Services Process Description

3.12 The Business Start-up Grant intervention had an initial target of 30,000 beneficiaries, who were to receive Kshs.40,000 grant. However, the target was revised to 78,000 beneficiaries after the Project restructuring. The Kshs. 40,000 grant was to be disbursed in two tranches of Kshs.20,000 each.

3.13 The Business Development Services (BDS) had an initial target of 8,000 beneficiaries out of which 4,000 were part of the beneficiaries that were to receive the business start-up grants while the other 4,000 were to receive BDS training only. The beneficiaries were to be offered four (4) days of classroom training and seven (7) coaching sessions at their business premises.

3.14 The Business Start-up Grant and BDS training was implemented in cycles, where each cycle took six (6) months. As at the time of the audit the Project had run 12 cycles; 1, 2, 3 ,4 , 5, 6, 7A, 7B, 8A, 8B, 8C and 8D. The Start and end dates for the cycles is as indicated **Table 2**.

**Table 2: Dates When the Various Intervantion are Implemented**

| No. | Intervention | Cycle | Start Date | Completion Date |
|---|---|---|---|---|
| 1 | BDS and Grants | Pilot | Sep-17 | Oct-17 |
| | | Cycle 1 | Nov-17 | Jun-18 |
| | | Cycle 2 | Sep-18 | Aug-19 |
| | | Cycle 3 | Sep-18 | Aug-19 |
| | | Cycle 4 | Jul-19 | Jun-20 |
| | | Cycle 5 | Nov-20 | |
| | | Cycle 6 | Apr-21 | Dec-22 |
| | | Cycle 7A &B | Jan-22 | |
| | | Cycle 8A | Jun-22 | |
| | | Cycle 8B | Apr-23 | |
| | | Cycle 8C | May-23 | |
| | | Cycle 8D | Jun-23 | |
| 2 | Business Plan Competition | | 01-Jan-19 | 01-Dec-22 |
| 3 | Future Bora Intervention | | 08-Sep-21 | 07-Jun-22 |

***Source: SDYA and MSEA Data on Targets and Achievements***

### i. Mobilization and Application

3.15 Mobilisation involved a marketing campaign done through print, electronic and social media platforms which was followed by online or manual application. All applications were processed through the Management Information System. SDYA would then do the first random selection of the applicants based on the minimum selection criteria. A list of selected youths was then submitted to MSEA for administration of the Entrepreneurship Aptitude Test (EAT)[6].

### ii. Administration of Entrepreneurship Aptitude Test and Selection of Beneficiaries

3.16 After receiving the applicant list MSEA was to administer an Entrepreneurship Aptitude Test to the applicants. Those who passed the test underwent a second random selection to pick the targeted number of beneficiaries for each county in each cycle and an equivalent number to form a pool from which replacement of any youth who drops out can be made.

### iii. First Orientation

3.17 The selected Business Development Services and Businesses Start-up Grants beneficiaries were invited for the first orientation. During the orientation, the youth were required to provide a copy of their national identity cards and bank account details for verification. They were also expected to have a simple business idea. This orientation session aimed at assisting the beneficiaries in developing simple entrepreneurship plans on how they would utilize the grant.

### iv. Disbursement of Tranche 1

3.18 After the first orientation MSEA was expected to disburse the first tranche of Kshs.20,000 to the accounts of the youth, after which, the youth were allowed to run their businesses.

### v. Follow-Up and Spot Checks

3.19 In the first month after tranche 1 disbursement, MSEA was to carry out phone-based checks and follow-up with all beneficiaries to confirm receipt of the first

[6] Entrepreneurship Aptitude Test: A test to identify beneficiaries with business potential by assessing their risk attitudes, personality and socio-emotional skills.

tranche. MSEA was also to conduct spot checks through field visits to a sample of beneficiaries, to check on their progress against the submitted business plans. The recommendations from spot checks and follow up would inform the disbursement of the second tranche.

**vi. Second Orientation**

3.20 The Business Start-up Grants and BDS beneficiaries were to be invited for the second Orientation before disbursement of the second tranche. The youths were required to avail a report in a prescribed format on how they utilised the first tranche and what they intended to do with the second tranche.

**vii. Disbursement of Tranche 2**

3.21 The Micro and Small Enterprises Authority would then disburse the second tranche of Kshs.20,000 to the accounts of the youth. The entire grants cycle was expected to take a maximum of six (6) months.

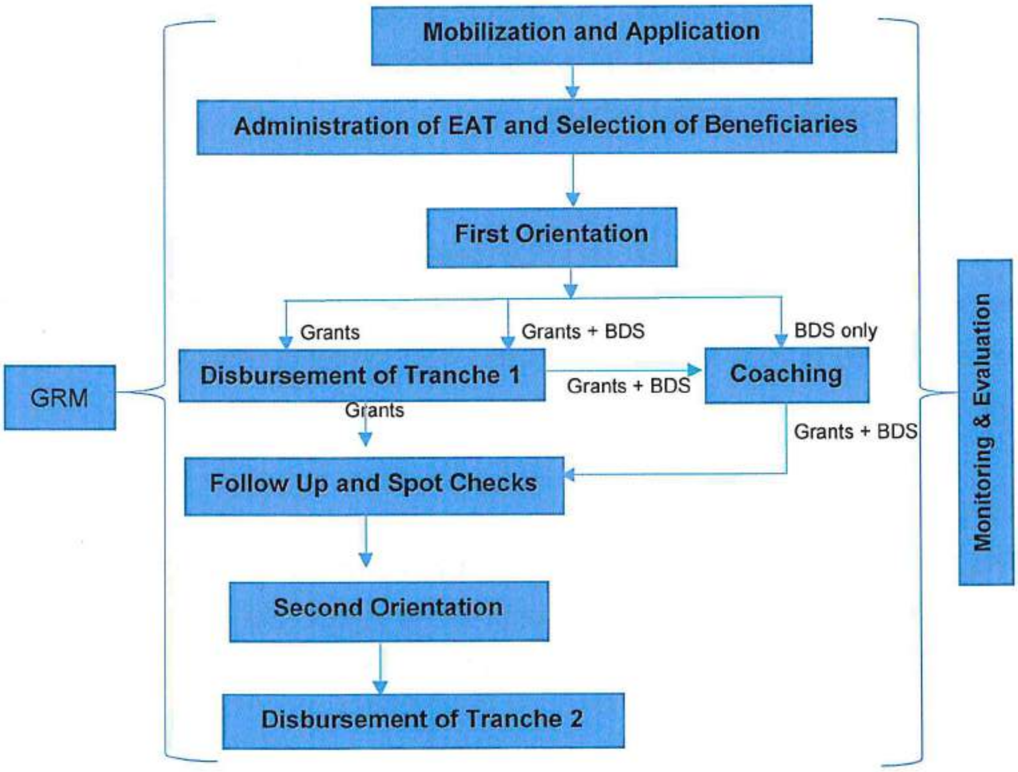
**viii. Monitoring and Evaluation**

3.22 The Micro and Small Enterprises Authority was to carry out continuous monitoring of the BDS and Business Start-up Grants beneficiaries. This was to be done through visits to the beneficiaries by the field officers to check the progress against the submitted business ideas.

**ix. Grievance Redress Mechanism**

3.23 The Grievance Redress Mechanism was a system that would receive, record and manage complaints. It was to be managed at national and local levels through the Project Coordinating Unit at SDYA. The officer in charge would receive and either handle the complaints or forward to the relevant officers at SDYA and MSEA coordinating unit. All complaints were to be documented, assessed and assigned to individuals for management. They would later be tracked and marked closed upon resolution. The complainant was to be consulted and informed on the progress during the resolution process.

**Figure 2. Business Start-Up Grants and Business Development Services Process Description**




***Source: Auditors' Understanding Obtained from Interviews and Document Reviews***

### B. The Business Plan Competition Process Description

3.24 The Business Plan Competition (BPC) was designed as a competition where youth were invited to present their business plans from which the best was to be selected for funding. BPC was to be implemented through a consultant who was to design and manage the competition. The consultant through independent expert judges, was to select 500 business plans from high-potential young entrepreneurs. The plans were to be selected based on their economic viability and the potential to create jobs for vulnerable youths.

#### i. Outreach to Potential Youths

3.25 The process aimed at encouraging young entrepreneurs around the country to apply for the Business Plan Competition. It involved an extensive marketing campaign done through print, electronic and social media platforms by KPMG Advisory Services Limited in consultation with MSEA and SDYA.

### ii. Application and Screening

3.26 The applications were submitted through an online process. Preliminary screening of the eligible youths was done by the consultants according to the set eligibility criteria.

### iii. Training on Business Plans and Access to Government Procurement Opportunities

3.27 Eligible youths were to receive training on the development of a business plan and business development services. According to the Project Appraisal Docment, approximately 300 of the youths applying for the Business Plan Competition were to also receive intensive support and mentoring on Access to Government Procurement Opportunities (AGPO).

### iv. Submission of Detailed Business Plans and Pitching

3.28 After the business plan training, the applicants were to submit detailed business plans. Thereafter, the consultant was to constitute an evaluation panel that would evaluate the business plans as well as listen to fifty (50) selected applicants who were to pitch for their business plans.

### v. Winners Selection and Grants Award

3.29 The consultant was to rank the applications based on the scores submitted by the evaluation panel. The top 500 shortlisted applications were to be presented to MSEA and the World Bank out of which 250 winners were to be awarded a grant of Kshs.3,600,000 each while 250 were to receive Kshs.1,800,000 each.

### vi. Verification and Vetting of the Awardees

3.30 The 500 winners were to be subjected to a verification process jointly conducted by MSEA and SDYA. Verification and vetting process involved checking compliance requirements such as Certificate of Good Conduct, Business Registration Certificate, business bank accounts and KRA Personal Identification Number. The awardees then signed the award agreement.

### vii. Disbursement of the Grant Awards

3.31 The disbursement of the grants was done in three tranches, with the first, second and third tranches being 30%, 50% and 20% of the amount awarded respectively.

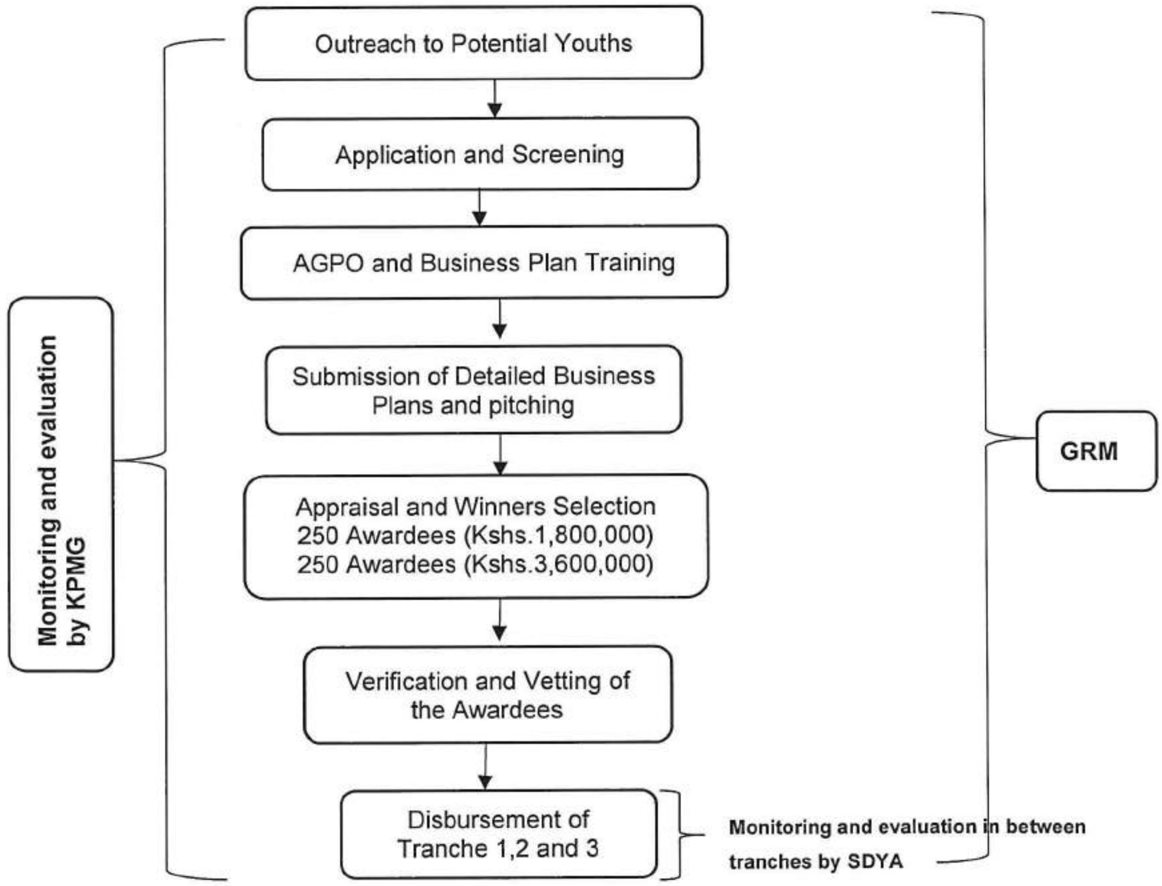
### viii. Monitoring and Evaluation

3.32 KPMG was contracted to monitor the progress of the Project according to the Monitoring Plan, through a Management Information System (MIS). The State Department for Youth Affairs and Micro and Small Enterprises Authority were to monitor the awardees through field visits that were to be done before the release of each tranche. The recommendations from monitoring and evaluation were to inform the disbursement of the subsequent tranches.

### Grievance Redress Mechanism

3.33 KPMG rolled out a grievances redress mechanism that was to allow applicants and officers in charge of the Business Plan Competition to raise and address issues related to the application, selection, award and disbursement of the grant. It was to be managed at national and local levels through the Project Coordinating Unit at SDYA. Further, field officers were to collect, record, and refer any complaints and grievances to the unit.The officer in charge would receive and either handle the complaints or forward them to the relevant officers at the State Department for Youth Affairs and Micro and Small Enterprises Authority. All complaints were to be documented, assessed and assigned to individuals for management.They would later be tracked and marked closed upon resolution.The complainants were to be consulted and informed on the progress during the resolution process.

**Figure 3. The Business Plan Competition Process Description**




***Source: Auditors' Understanding Obtained from Interviews and Document Reviews***

### C. Future Bora Process Description

3.34 This intervention aimed at providing income-generating activities for vulnerable youths who could not be easily reached. The intervention was targeted to benefit 3,000 youths. It was to be implemented through a consultant who was to design and manage the initiative. Applications were invited from organizations that engaged hard to serve youths in income-generating activities. The organizations were to submit innovative ideas on how they will enhance employment for these youths. The ideas were to be evaluated and four organizations picked for funding with Kshs.30 million each.

### i. Outreach, Application and Selection of Awardees

3.35 The call for application was publicized through social media platforms and local radio stations. The organizations were to submit proposals on how they intended to implement the intervention. To identify the final awardees, the participating organizations were evaluated based on the detailed proposals they submitted and presentations made to a panel of judges. Four organizations were selected; Hydroponics Africa Limited, Life in Abundance International, Takataka Solutions and Afya Research Africa.

### ii. Due Diligence and Budget for Selected Awardees

3.36 Due diligence on shortlisted organizations was done to ensure that, only legitimate organizations benefitted from the intervention. This included field visits to understand the capabilities of these organizations to implement the proposed interventions, review of financial records, and regulatory and compliance documents. Each awardee submitted an activity-level budget that detailed how the grant funding was to be utilized for direct and tangible economic empowerment of the targeted youth beneficiaries.

### iii. Grant Reporting, Monitoring and Evaluation

3.37 Grant reporting entailed indicating the activities undertaken and their respective expenditures monthly. The consultant was to collaborate with each of the awarded organizations in developing a monitoring and evaluation framework. The framework was to evaluate the impact created by the organizations in terms of unlocking economic opportunities for the targeted youths.

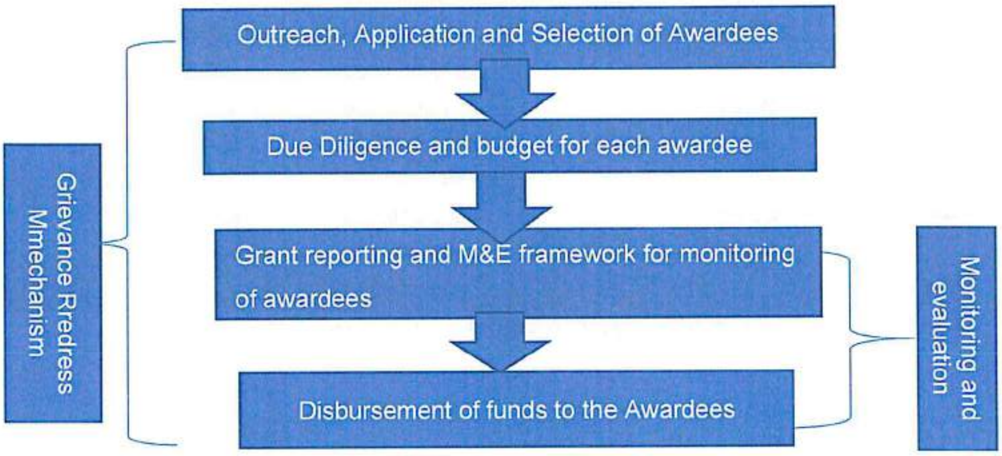
### iv. Disbursement of funds to the Awardees

3.38 Disbursement of the funds was to be done in four tranches. The first tranche was to be disbursed on successful completion of the due-diligence process, signing of the Grant Agreement and submission of an activity plan. The subsequent tranches were to be disbursed as per the grant milestone schedule and subject to achievement of associated milestones.

### v. Grievance Redress Mechanism

3.39 Applicants were to communicate their grievances through the Future Bora intervention website. The consultant was to track and resolve the grievances as well as provide weekly reports to the World Bank and SDYA.

**Figure 4. Future Bora Process Description**




***Source: Auditors' understanding obtained from interviews and document review***

## Funding and Project Cost

3.40 Out of the Kshs.15 Billion funding for the entire KYEOP, the Support for Job Creation Component was allocated Kshs.6.9 billion. The Project restructuring in May 2021 reallocated an additional Kshs.2.3 billion from the other components, increasing the total allocation to Kshs.9.2 billion. The budget and expenditure for the Component from financial years 2016/2017 to 2021/2022 are detailed in **Table 3.**

**Table 3. Funding for the Support for Job Creation Component Under KYEOP**

| Year | Agency | Budget (Kshs) | Receipt (Kshs) | Expenditure (Kshs) |
|---|---|---|---|---|
| 2016/17 | SDYA | 207,000,000 | 121,363,550 | 27,923,127 |
| 2017/18 | SDYA | 410,822,873 | 215,566,770 | 253,104,569 |
| | MSEA | 574,000,000 | 140,000,000 | 86,867,746 |
| 2018/19 | SDYA | 848,428,361 | 749,846,920 | 563,913,314 |
| | MSEA | 654,000,000 | 304,000,000 | 278,225,203 |
| 2019/20 | SDYA | 1,100,000,000 | 732,301,848 | 937,481,186 |
| | MSEA | 644,340,209 | 644,340,209 | 460,610,959 |
| 2020/21 | SDYA | 2,037,000,000 | 1,778,621,106 | 1,814,319,536 |
| | MSEA | 715,000,000 | 1,007,000,000 | 668,688,108 |
| 2021/22 | SDYA | 3,297,267,232 | 3,270,287,713 | 2,503,609,024 |
| | MSEA | 802,100,000 | 2,000,000,000 | 1,624,484,970 |
| Sub Totals | SDYA | 7,900,518,466 | 6,867,987,907 | 6,100,350,756 |
| | MSEA | 3,389,440,209 | 4,095,340,209 | 3,118,876,986 |
| Grand Total | | 11,289,958,675 | 10,963,328,116 | 9,219,227,742 |

***Source: OAG analysis of budgets, receipts and expenditure***

## CHAPTER 4: AUDIT FINDINGS

### A. Extent of Achievement of the Set Targets

4.1 The four (4) interventions under the Support for Job Creation Component had targeted to reach 41,800 youths. This number was revised to 90,050 youths during implementation. As of 30 June 2023, the actual number of beneficiaries reached was 87,432 youths as shown in **Table 4.**

**Table 4. Targeted and Actual Number of Beneficiaries as at 30 June 2023**

| Intervention | Target Beneficiaries | Revised Target | Achieved | % achieved | Variance | % Variance |
|---|---|---|---|---|---|---|
| BPC | 500 | 750 | 683 | 91% | 67 | -9% |
| AGPO under BPC | 300 | 300 | - | 0% | 300 | -100% |
| BDS | 8,000 | 8,500 | 7,022 | 83% | 1,478 | -17% |
| Business Start-up Grants | 30,000 | 78,000 | 77,874 | 100% | 126 | 0% |
| Future Bora | 3,000 | 3,000 | 1,931 | 64% | 1,069 | -36% |
| **Total** | **41,800** | **90,050** | **87,432** | 97% | **2,618** | **-3%** |

***Source: OAG Analysis of Data on Targets and Achievements***

#### i) Business Plan Competition

4.2 Part 3.5 of Component 2 Operational Manual states that the Business Plan Competition was to reach at least 750 beneficiaries, this was an increase from the 500 stated in the Project Appraisal Document (PAD). The competition awarded 750 youths, however, nine awardees did not proceed with the competition due to inability to satisfy the vetting process. As of 30 June 2023, 683 out of the 741 BPC beneficiaries who were awarded had received all the funds disbursed. Fifty-eight (58) beneficiaries did not receive all the tranches as a result of recommendations made by the monitoring and evaluation team. The evaluation established that the status of their businesses could not be ascertained. There was therefore a risk that Kshs.43,100,000 that had already been disbursed to the fifty (58) awardees may not have been put to the intended use of financing their business plans hence not creating employment and earning opportunities as envisaged by the Project.

**ii) Access to Government Procurement Opportunities Training Under the Business Plan Competition**

4.3 Annex II paragraph 37 of the Project Appraisal Document states that 300 youths were to be trained on Access to Government Procurement Opportunities (AGPO) during the implementation of the Business Plan Competition. Further, Annex I paragraph 40 stated that this training was to be offered by a consultant during the business plan development training. However, interviews with the consultant revealed that AGPO training was not conducted as it was not part of the consultant's deliverables. This could be attributed to the failure by the State Department for Youth Affairs and the Micro and Small Enterprises Authority to include AGPO as one of the deliverables in the contract.

**iii) Business Development Services**

4.4 Annex 1, paragraph 35 of the Project Appraisal Document indicated that, the targeted number of beneficiaries that were to receive classroom Business Development Services training and coaching were at least 8,000 youth entrepreneurs. The Implementation Support Mission dated May 2019 indicated a revision of the BDS target to 8,500 to allow for impact evaluation. However, review of the BDS beneficiaries' data as at May 2023 revealed that the achieved number of beneficiaries for cycles 2, 3 and 4 was 7,022, reflecting a deficit of 1,478.

4.5 Section 3.3.2 of Component 2 Operations Manual Final Draft 8 states that the Project was to combine Digital Business Development Services training and Entrepreneurship Aptitude Test after Cycle 4. The training was to be offered to all eligible applicants of the Business Start-up Grants. Review of the digital BDS contracts for cycles 5, 7a, 8a, 8b, 8c and 8d indicated that 140,535 beneficiaries had been targeted. The targets for cycles 6 and 7b had not been defined in the contracts reviewed. The Digital Business Development Services summary provided by MSEA showed a target number of about 37,114 and an achievement of 80,574 beneficiaries. As a result of the variance, the team could not ascertain the correct target and numbers achieved for Digital Business Development Services.

**iv) Business Start-Up Grants**

4.6 Section 3.0 of the Project Implementation Manual states that the target for the Business Start-up Grants was 30,000 beneficiaries, which was later revised to 78,000. Interviews with SDYA and MSEA officials the upward revision revealed that, this was as a result of the sub-component absorbing funds faster than the other components, therefore more funds were reallocated from the other components enabling the Business Start-up Grants to reach more youths. As at 30 June 2023, the achieved number of the Business Start-up Grants was 77,874 beneficiaries, equivalent to 99.8%.

**v) Future Bora Intervention**

4.7 According to Annex 2 paragraph 46 of the PAD, the Future Bora intervention aimed to reach at least 3,000 youth beneficiaries through the selected firms that served the targeted youths. Review of the contracts awarded to the four firms contracted to implement the sub-component showed that they were to reach a total of 1,840 youths. Our interviews with the SDYA representative in charge of the Future Bora intervention revealed that 1,931 youths, accounting for 64% of the target had been reached. Non-achievement of the targeted number of beneficiaries was due to SDYA reducing the total number of youth to 1,840 and not the 3,000 as indicated in the Project Appraisal Document.

**B. Achievement of Project Objectives**

4.8 Annex 1 paragraph 26 of the PAD highlights that Support for the Job Creation was to respond to the need for job creation by; launching new businesses; improving productivity; increasing job creation potential for youth with existing businesses; and supporting innovative approaches to improve the employment landscape among hard-to-serve youth. The achievement of the objective was to be evaluated through outcomes such as survival of the supported youth businesses, productivity, number of youth hired and wages of employees. Despite the positive impact in terms of achieving the targeted number of youths there was a risk that the main objective of creating employment and increasing earning opportunities for the youth may not have been optimally achieved as discussed below:-

**i) Non-Responsive[7] Beneficiaries and Failed Businesses**

4.9 Out of the 116 Business Plan Competition beneficiaries sampled for verification of the status of their businesses, seventy-two (72) were responsive while forty (44) were not willing to give an audience to the Audit Team. Therefore, the status of their businesses could not be verified. Out of the seventy-two (72) beneficiaries that granted audience to the Audit Team, twelve (12) confirmed that their businesses had failed.

4.10 The Audit Team sampled 129 Business Development Services (BDS) beneficiaries out of which sixty-three (63) were non-responsive and could not be interviewed while sixty-six (66) were interviewed. Out of the sixty-six (66) beneficiaries interviewed, seventeen (17) indicated that they received BDS training and coaching only but had not started businesses due to lack of funds. The Cycle 4 Business Start-up Grants and BDS Monitoring Report of May 2020 indicated that 397 out of 1,169 BDS beneficiaries did not start businesses after training and coaching. The investment put in the BDS training without funding may not have achieved the intended results since the beneficiaries could not start their own businesses and practice the skills acquired. **Table 5** shows the status of BDS intervention.

[7] Non-responsive -Youths who were unreachable on phone or those who answered calls the first time and later switched off or did not pick calls again and others gave direction to their premises and when the audit team and youth officers arrived at the agreed venue they never turned up.

**Table 5. Analysis of the Status of the Business Development Services Intervention**

| No. | County | Sample | Non-Responsive Youths | Available & interviewed | Youths who did not start businesses | Youths who did not create additional employment |
|---|---|---|---|---|---|---|
| 1 | Kiambu | 26 | 19 | 7 | 2 | 7 |
| 2 | Machakos | 20 | 6 | 14 | 1 | 13 |
| 3 | Nakuru | 16 | 8 | 8 | 2 | 6 |
| 4 | Migori | 13 | 5 | 8 | 2 | 7 |
| 5 | Kakamega | 30 | 14 | 16 | 6 | 13 |
| 6 | Mombasa | 24 | 11 | 13 | 4 | 11 |
| | **Total** | **129** | **63** | **66** | **17** | **57** |

**Source:** ***OAG Analysis of the Status of Business Development Services Intervention***

4.11 Out of the 308 Business Start-up Grants beneficiaries sampled, ninety-eight (98) were unreachable on the phone to give directions to their businesses 119 were non-cooperative and did not give an audience to the Audit Team hence the status of their businesses could not be confirmed. Ninety-one (91) beneficiaries were available for interview and physical verification. Out of the ninety-one (91) youth businesses physically verified, sixteen (16) had been wound up. **Table 6** shows the status of the businesses for the start-up grant beneficiaries.

**Table 6. Analysis of the Status of the Business Start-Up Grants Intervention**

| No. | County | Sample | Non-cooperative | Unreachable on phone | Interviewed Youths | Collapsed businesses |
|---|---|---|---|---|---|---|
| 1 | Kiambu | 35 | 16 | 14 | 6 | 1 |
| 2 | Machakos | 36 | 9 | 11 | 16 | 1 |
| 3 | Nakuru | 61 | 26 | 19 | 16 | 5 |
| 4 | Migori | 73 | 38 | 13 | 21 | 2 |
| 5 | Kakamega | 46 | 4 | 29 | 13 | 2 |
| 6 | Mombasa | 57 | 26 | 12 | 19 | 5 |
| | **Total** | **308** | **119** | **98** | **91** | **16** |

**Source: OAG Analysis of the Status of Business Start-up Grants Intervention**

4.12 Failed youth businesses funded through BPC, Business Start-up Grants and BDS may have been caused by; inadequate follow up; inadequate mentorship and monitoring of the businesses; inadequate funding and diversion of funds to non-business-related activities including personal needs.

4.13 There is a risk that youths who were non-responsive and un-reachable may not have commensed any businesses or they may have failed. The businesses funded therefore may not have created or increased earning opportunities as intended. The total expenditure or funding to the sampled youth who were un-reachable and non-cooperative was Kshs.83,200,000 as shown in table

**Table 7: Funding and Disbursement to Non-Responsive and Unreachable Youths**

| Intervention | Number of Youths | Amount Spent or Disbursed per Youth | Total |
|---|---|---|---|
| Business Start-up Grants | 217 | 40,000 | 8,680,000 |
| Business Development Services | 63 | 40,000 | 2,520,000 |
| Business Plan Competition | 32 | 900,000 | 28,800,000 |
| Business Plan Competition | 12 | 3,600,000 | 43,200,000 |
| | **324** | | **83,200,000** |

**ii) Unclear Implementation of Cycle 4 Business Development Services**

4.14 According to Section 3.4.1 of Component 2 Operations Manual, the overall objective of the Business Development Services (BDS) was to impart entrepreneurship skills to targeted youths interested in starting and growing businesses but lack managerial and entrepreneurial skills to run an enterprise. In Cycle 2 and 3 applications for both Business Start-up Grants and Business Development Services were not distinct and every beneficiary of the Business Start-up Grants also benefited from the Business Development Services. In Cycle 4, the Business Start-up Grants and BDS were split such that it was not a guarantee that a BDS beneficiary would receive business start-up grants.

4.15 Documentary review of Cycle 4, BDS beneficiaries' data for the six (6) sampled counties revealed that 50% of the BDS beneficiaries did not receive the business start-up grants as detailed in **Table 7**. There was no communication to the beneficiaries at the point of application that not all applicants were to receive the business start-up grants. It was explained that this was done intentionally for impact evaluation. However, youths applied with the expectation that they would receive both the BDS training and business start-up grants. According to interviews with the field officers, this negatively affected the youths' response to the BDS training and coaching after they realized they were not to receive the grant.

**Table 8: Cycle 4 Business Development Services Beneficiaries in Sampled Counties**

| No | County | Total Beneficiaries | Beneficiaries that Received Business Development Services (BDS) Only | % of BDS only |
|---|---|---|---|---|
| 1 | Kiambu | 426 | 214 | 50.23% |
| 2 | Machakos | 176 | 88 | 50.00% |
| 3 | Nakuru | 521 | 260 | 49.90% |
| 4 | Migori | 318 | 160 | 50.31% |
| 5 | Kakamega | 421 | 211 | 50.12% |
| 6 | Mombasa | 302 | 152 | 50.33% |
| **Grand Total** | | **2164** | **1085** | **50.14%** |

**Source: OAG Analysis of Cycle 4 Business Development Services Beneficiaries in Sampled Counties**

4.16 There was a possibility that the skills acquired from the training were not applied resulting to non improvement in their earnings or increase in employment opportunities for other youths.

**iii) Changes in the Project Design**

**a) Removal of the Second Orientation for the Business Start-up Grants**

4.17 According to Annex 1, paragraph 35 of the Project Appraisal Document, the business start-up grant of Kshs.40,000 was to be disbursed in two equal tranches. MSEA was to hold orientation sessions with grantees before disbursement of each of the tranches. The first orientation was to enable grant beneficiaries to understand the grants process, prepare simple business plans on how to utilize the grant and learn simple business management skills. The second orientation was to assess progress made and outline the activities to be financed by the second tranche. Disbursement of the second tranche was based on attendance of the second orientation and verification of satisfactory utilization of the first tranche.

4.18 After the restructuring of the Project the second orientation was removed and the first orientation was reduced from a full-day orientation to an hour session of submission and verification of the beneficiary's documents. Removal of the second orientation meant that the second tranche was disbursed without consideration and analysing how the first tranche was spent. As a result the beneficiaries received the second tranche despite not having justified how they had spent the first tranche

4.19 Interviews with the field officers and beneficiaries indicated that there was a need for second orientations as there were instances where youth did not utilize the grants received on business-related activities. For instance, 21% of the interviewed beneficiaries confirmed that they did not implement their businesses as per the submitted plans. This was collaborated through interviews with Mombasa and Migori field officers who indicated that there were instances they recommended non-disbursement of the second tranche for non-utilization of the first tranche as per their business plans.

4.20 Further, the restructuring increased the number of beneficiaries from 30,000 to 78,000. Funding for the increased number of beneficiaries amounted to Kshs.1.92 billion. Increased funding and additional number of beneficiaries, increased the risk of the funds being utilized on non-business-related activities. Therefore, there was need for increased monitoring to assess whether the grants were used to start or grow businesses as per the intended objectives.

**b) Reduction in Frequency of the Monitoring Activities**

4.21 Section 1.2 paragraph 3 of the Monitoring and Evaluation plan highlights the need for continuous monitoring and tracking of the interventions. Section 4.5(e) of the Operations Manual, Draft 8, outlines the monitoring and evaluation of BDS as a continuous activity. In each of the implementing counties, a supervisory team consisting of the State Department for Youth Affairs, Micro and Small Enterprises Authority and Business Development Service consultants was to be constituted to monitor the progress of the BDS and Business Start-up Grants beneficiaries quarterly. The Monitoring and Evaluation Plan identified routine monitoring of grants as critical to ensuring the money is invested effectively in creating employment and earning opportunities.

4.22 Annex II paragraph 52, of the PAD tasked the State Department for Youth Affairs to provide monitoring and evaluation mechanisms to assess and monitor the scalability and sustainability of the selected initiatives in Future Bora intervention.

4.23 Interviews with the Business Start-up Grant beneficiaries indicated that, fifty-two (52) of the ninety-one (91) beneficiaries interviewed were not monitored between tranche 1 and tranche 2 while sixty-seven (67) of the ninety-one (91) beneficiaries were not monitored after the second tranche. The Business Development Services beneficiaries interviewed revealed that twenty-eight (28) out of the sixty-six (66) beneficiaries were not monitored at all. Interviews with county representatives from both SDYA and MSEA revealed that monitoring of the Business Start-up Grants intervention was conducted once as a spot check on sampled youths after disbursement of the first tranche.

4.24 Interviews with the seventy-five (75) Future Bora beneficiaries indicated that 82.9% were not visited by the Company that had been contracted to run and monitor the Intervention.

4.25 Further, interviews with the seventy-two (72) BPC beneficiaries revealed that 7%, 10% and 58% of beneficiaries were not monitored between tranche 1 and tranche 2, tranche 2 and tranche 3 and after Tranche 3 respectively.

4.26 **Appendix 5** details the frequency of monitoring for the Business Start-up Grant, Future Bora and the Business Plan Competition.

4.27 The reduction in the frequency of monitoring was attributed to a change in design that led to the revision of the monitoring activities from being a continuous activity to a disbursement-based activity thus affecting the envisioned monitoring plan. In addition, there were no plans for continuous monitoring after the disbursement of the final tranche. As a result, beneficiaries missed out on the mentorship and coaching they would have received during continuous monitoring visits.

### iv) Funding of Youths in the Business Plan Competition did not Consider their Business Plans

4.28 Under the Business Plan Competition youths developed business plans that were to be evaluated for viability. According to Part 3.5 of Component 2

Operational Manual, the best business plans were to be awarded grants of either Kshs.3,600,000 or Kshs.900,000 each for the beneficiaries to implement their plans.

4.29 Review of the Business Plan Competition application forms and interviews with the beneficiaries indicated that, youths who won the competition were randomly awarded funds without considering their business plans. Analysis of data obtained from the beneficiaries' business plans and disbursement records shows that 30% of the seventy-two (72) beneficiaries interviewed received more funding than they had requested in their business plans. For instance, a youth who had a business plan that required Kshs.150,000 was awarded Kshs.3,600,000, indicating that youth may have been awarded funds that they could not utilize. **Appendix 6** shows the amount requested as per the business plan, the amount applied and the amount disbursed to the youth.

**v) Future Bora Interventions not Meeting Scalability[8] and Sustainability Aspects of the Project.**

4.30 Annex 2, paragraph 45 of the PAD states that the selection criteria for the award of the Future Bora financing would also include consideration for the interventions that would foster scalability and sustainability as part of the activities in the interventions.

4.31 Takataka Solutions, an organization that was targeting youths working within Mwakirunge dumpsite in Mombasa County and Mavoko dumpsites in Machakos County, had activities that included payment of school fees for the children of the Project beneficiaries. The organization entered into a Memorandum of Understanding (MOU) with four kindergartens, one (1) which was public and three (3) privately owned. Review of the MOUs indicated that the organization committed to pay half of the school fees for the children whose parents were working at the dumpsites. The parents were to pay the remaining half from the proceeds of the waste sold to the organization. For the public kindergarten parents did not have to contribute to the fees because Takataka

[8] Scalability is a characteristic that describes the ability of an organization, system, process, or software to adapt to changes.l

Solution covered the entire fees as it was highly subsidized. Review of the payment records in the three (3) privately owned kindargattens indicated that despite the firm paying half of the fees, parents had fee arrears for two (2) terms indicating that they could not meet their obligation. As at the time of the audit, Takataka Solutions had not collected waste from the beneficiaries for three (3) months since the waste-compressing machines were out of use which could have contributed to the arrears.

4.32 Further the MOUs with the schools did not define the duration of the support. This meant that the firms could decide to stop the support at any time.

4.33 Hydroponics Africa Limited, an organization that was working with young single mothers on agriculture-related interventions committed to construct thirty-five (35) greenhouses and issue Hydroponic[9] Kits to their beneficiaries in Nakuru and Kiambu Counties. One hundred and eighteen (118) beneficiaries were to receive hydroponic kits while 270 beneficiaries were to work in the greenhouses owned by the Organisation. The beneficiaries working in the greenhouses were to be paid a salary of Kshs.5,000 while the ones issued with the hydroponic kits were to grow crops and earn from the sale of the produce.

4.34 Interviews with beneficiaries in Naivasha Sub-County, Nakuru County indicated that each beneficiary had signed contracts for ownership of the greenhouses with the organization. In the contracts, the youths committed to spend one-third of the proceeds from the sale of vegetables from the greenhouses to purchase hydroponics nutrients from the organization. At the time of the audit, the investment of the greenhouses was yet to realize any sales due to crop failure. Hydroponics Africa Limited did not put in place measures to mitigate against crop failure hence the intervention had not achieved scalability and sustainability objective.

4.35 In Kiambaa Sub-County, Kiambu County, youths who were issued with the hydroponic kits also experienced challenges with their earnings. The kits could

[9] Hydroponics is a method of growing plants without soil. This technique uses a mineral nutrient solution in a water solvent.

not produce adequate produce for sale. As a result, the beneficiaries used the produce for domestic purposes only. The scale of production that could have guaranteed earnings for the youths may not have been considered. Therefore, the envisaged scalability and sustainability objective had not been realized.

4.36 Review of the Future Bora Monitoring & Evaluation Full Implementation and Project Completion Report of 2022 highlighted that, Afya Research Africa had implementation challenges as they could not mobilize and recruit the targeted number of beneficiaries. In addition, review of the Deliberation Meeting minutes dated 17 January 2022, indicated that Afya Research Africa failed to meet their contract deliverable on establishing new sites for Healthcare kiosks[10], establishing and registering new youth groups for vulnerable youths and youth with disabilities and failing to provide capital grants to beneficiaries. As a result, SDYA could not disburse the second tranche to Afya Research Africa. Interviews with two youth groups that benefited from tranche 1 disbursement indicated that they had only received part payment towards the implementation of their earmarked businesses which affected the growth of their businesses.

**vi) Failure to Create a Revolving Fund for the Beneficiaries of Future Bora**

4.37 The Future Bora intervention aimed at supporting innovative ideas that would improve the employment landscape among hard-to-serve youth and hence offer them earning opportunities.

4.38 Three (3) of the four (4) Future Bora organizations stated in their contracts that they would create a revolving fund to enable the youths to borrow and invest in small businesses and consequently create employment opportunities and increase their earnings. However, interviews with nine (9) groups of beneficiaries that were to benefit from these three (3) organizations indicated that none had an operational revolving fund at the time of the audit. Failure to create and operationalize the revolving fund by the organizations was attributed to a lack of guidance by SDYA on how the revolving funds were to be created and operationalized. Consequently, the youths could not borrow and invest in small businesses that would have created earning opportunities for them.

[10] Healthcare kiosks, also known as Ubuntu Afya Kiosks- These were facilities for clinical and rehabilitation services for youths with disability.

### C. Delays in Disbursements of the Business Plan Competition Tranches and Handling of Grievances

#### i) Delays in Disbursements of the Business Plan Competition Tranches

4.39 Section 7.1 of the BPC Operational Manual states that SDYA would disburse funds to grantees in three tranches as detailed in **Table 8**.

**Table 9. Disbursement Schedule for the Business Plan Competition**

| Tranche | Period | Time | % of Award Disbursed |
|---|---|---|---|
| First Tranche | On contract Signature | Month 1 | 30 |
| Second Tranche | Two months after tranche 1 | Month 3 | 50 |
| Third Tranche | Three months after tranche 2 | Month 5 | 20 |

***Source: Business Plan Competition Operations Manual***

4.40 Review of Aide Memoirs dated 23 May 2019, 3 May 2021 and 4 to 12 May 2022 highlighted delays in the disbursement of tranches that impacted on the implementation of the youth-funded business. Analysis of responses obtained from the BPC beneficiaries in the six sampled counties indicated an average waiting period of four (4) months between verification of documents and disbursement of tranche 1 as shown in **Table 9.**

**Table 10: Delays Between Verification of Documents and Disbursement of Tranches**

| County | Average Waiting time between verification of documents and disbursement of tranche 1 in Months | Average waiting time between tranche 1 and 3 in Months |
|---|---:|---:|
| Kakamega | 4 | 2 |
| Kiambu | 4 | 9 |
| Machakos | 5 | 6 |
| Migori | 4 | 3 |
| Mombasa | 4 | 7 |
| Nakuru | 4 | 9 |

**Source: OAG Analysis of Interview Minutes and Beneficiaries' Records**

4.41 Disbursement of the second and third tranches was subject to the outcome of the monitoring and evaluation exercise. Mombasa, Kiambu, Machakos and Nakuru Counties reported the highest waiting period of more than five (5) months between receipt of tranche 1 and 3. The delay was caused by the lengthy approval processes. As a result of the delay in disbursements, 32% of the interviewed youths stated that they had to scale down operations and even change the nature of businesses due to cashflow challenges.

**ii) Delays in Handling of Grievances**

4.42 Section 6.0 of the Grievance Redress Mechanism (GRM) states that, for grievances that did not need to be escalated, it would take two (2) days to record, verify and give feedback to the beneficiaries while grievances that needed escalation were to take ten (10) days to be resolved.

4.43 An analysis of the Project grievance redress data between November 2017 and March 2023 indicated that there were 11,942 grievances lodged by the youths out of which 733 related to Component 2. The grievances were categorized per thematic area ranging from application and selection inquiries, delays in payments of Grants and BPC tranches, general inquiries regarding Component 2 as well as youths seeking business support. Out of 733 filed grievances, 417 were marked resolved while 316 were marked as having been escalated. The resolved grievances that were to take two (2) days, took an average of fourteen (14) days from the day they were lodged as shown in **Table 10.** As of April 2023, it was not clear whether all the 316 grievances that had been escalated had been resolved.

**Table 11. Analysis of Time Taken to Resolve Component 2 Grievances**

| No | Categories | No of Grievances | Resolved | Average Resolution Time (Days) | Escalated | Average Time from Lodging (Days) |
|---|---|---|---|---|---|---|
| 1 | Application Enquiry | 49 | 29 | 18 | 20 | 318 |
| 2 | Business Plan Competition | 245 | 198 | 14 | 47 | 308 |
| 3 | Inadequate Information | 18 | 8 | 17 | 10 | 405 |
| 4 | Other | 77 | 38 | 13 | 39 | 398 |
| 5 | Payments | 326 | 128 | 15 | 198 | 384 |
| 5 | Selection Criteria | 18 | 16 | 14 | 2 | 523 |
| **Grand Total** | | **733** | **417** | **14** | **316** | **372** |

***Source: OAG Analysis of Time Taken to Resolve Component 2 Grievances***

4.44 The field officers further highlighted inter-operability challenges between SDYA and MSEA Management Information Systems that made it difficult to track the escalated grievances. There was a risk that grievances raised by the Project beneficiaries went unresolved thus affecting the implementation of the businesses especially when the grievances related to timely disbursement of funds and relevant business support during the implementation period.

4.45 According to chapter 6 of the Future Bora Operations Manual, all received grievances were to be lodged into a central database where a grievance reference number would be generated for each. The consultant in charge was to provide a weekly report on grievances to the World Bank and the State Department for Youth Affairs. Interviews with the SDYA officer in charge of Future Bora indicated that beneficiaries lodged their grievances through the consultant's GRM system. However, the consultant's GRM was not interoperable with the State Department for Youth Affairs GRM system. There is a likelihood that grievances raised by the Future Bora beneficiaries were not channeled to the Future Bora officer for review and resolution.

## D. Inadequate Follow-up, Monitoring and Supervision of Project Beneficiaries

### i. Inadequate Follow-up and Hand-holding[11] of the Business Start-up Grants Beneficiaries

4.46 Annex 1 of the PAD, mandates the State Department for Youth Affairs to follow-up beneficiaries of the Business Start-up Grants and BDS through visits and focus group discussions at the local level.

4.47 Follow-up and hand-holding for the start-up grants was to be done within one month from the receipt of the first tranche. Indicator 9 of Annex 1 of the Monitoring and Evaluation Framework highlights that 100% of youth beneficiaries were to be followed up for assessment and support after the disbursement of the first tranche.

4.48 Interviews held with ninety-one (91) business start-up grants beneficiaries in the six sampled counties indicated that thirty-six (36) of the beneficiaries were not followed up. Review of the Cycle 1 follow-up Report noted that the time allocated for the follow-up exercise was insufficient. The report further noted that there was inadequate allocation of resources required for comprehensive

[11] Guidance offered to the Business Start-up Grants Beneficiaries

follow-up. In addition, G4 cluster 1 Business Start-up Grants and Business Development Services Beneficiaries' Follow Up Report highlighted; inadequate time, remote management and respondent fatigue in administering a relatively large questionnaire over the phone as constraints to adequate follow-up. Therefore MSEA could not ascertain whether all the beneficiaries had established businesses.

**ii. Inadequate Follow-up and Coaching of Business Development Services Beneficiaries**

4.49 According to Section 3.4.2 of Component 2 Operations Manual Draft 8, the Business Development Services package included four days of classroom training, proactive business counseling, coaching and follow-up of the Project selected beneficiaries. The Terms of Reference for BDS consultancy services indicated that there were to be seven (7) follow up sessions with the BDS beneficiaries after the classroom training. In addition, Annex 1 Component 2 Monitoring and Evaluation Framework indicated that there was to be 100 % follow-up of beneficiaries quarterly. Further, the framework indicated that field officers had a responsibility of following-up with BDS beneficiaries. The consultant contracted for BDS training was supposed to share the implementation schedules to allow field officers to plan for the follow-up.

4.50 Interviews held with sixty-six (66) Business Development Services beneficiaries indicated that fifty-eight (58) did not receive all seven (7) coaching and follow-up sessions. Further, out of the sixty-six (66) beneficiaries,thirty-one (31) did not receive any coaching and follow-up. This could be attributed to lack of coordination between the Consultant, field officers and the coordinating officers at the MSEA Head Office. Due to inadequate follow-up, the implementing agencies could not ascertain whether the youths received and applied the business development training and coaching skills.

**iii. Inadequate Resources for Monitoring and Evaluation Exercises**

4.51 According to Component 2 Monitoring and Evaluation Framework, there was need for close monitoring to ensure effectiveness. Monitoring required allocation of resources to cater for logistics for teams undertaking various routine monitoring assignments. The best practices[12] for monitoring and evaluation define resources as; financial in terms of paying staff to carry out monitoring and evaluation, paying external consultants, administrative costs in terms of tablets, mobile phones with airtime, costs for transport and accommodation, requisite numbers of personnel, capacity building, and sufficient time allocation on monitoring and evaluation activities. Component 2 of Annex 1 of the Monitoring and Evaluation Framework highlights the monitoring and evaluation activities, which entailed 100% follow up, on a quarterly basis, for assessment and support of the Business Start-up Grant and BDS beneficiaries after disbursement of the first tranche.

4.52 Documentary review of SDYA and MSEA inventory indicated that resources such as vehicles and personnel were procured to facilitate the monitoring and evaluation activities. However, the vehicles were not sufficient for the seventeen (17) counties. Interviews with MSEA County Project Coordinators in three (3) of the six (6) sampled counties indicated that they did not have project vehicles to facilitate continuous and effective monitoring and evaluation activities of the youth businesses. In two (2) of the six (6) sampled counties the allocated vehicles were recalled back to the headquarters leaving the counties without any vehicle for continuous and effective monitoring and evaluation activities.

4.53 Interviews with the field officers revealed that in lieu of provision of vehicles, they were facilitated with transport allowance of Ksh.500 per day. However, field officers in four (4) out of the six (6) sampled counties indicated that the transport allowances were not commensurate to the area of coverage.

4.54 The Interviews further revealed that the six (6) sampled counties had sixty-one (61) sub-counties with forty-four (44) sub-county youth officers, therefore some sub-counties did not have designated officers occasioning some of the officers to cover more than one subcounty. Further, five (5) out of the six (6) sampled counties indicated that they were understaffed occasioning requests for support from other regional offices during monitoring and evaluation exercises.

[12] Monitoring and evaluation for learning and performance improvement by the Food and Agriculture Organization (FAO)

4.55 Interviews with the field officers in the six (6) sampled counties revealed that Inadequate monitoring was attributed to inadequate planning for monitoring and evaluation. In addition, inadequate resources led to changes in the monitoring and evaluation program, from being continuous to a need-based process. As a result, gaps that could have been identified through regular monitoring and evaluation exercises were not identified and addressed adequately.

**iv. Inefficient Coordination Between the Implementing Agencies**

4.56 Schedule 2 section 1 A (1) of the Financing Agreement Credit Number 5812-KE vests SDYA with the overall responsibility for project coordination. By design, some of the components and sub-components were closely linked with shared implementation responsibilities, hence the need for closer coordination on the shared monitoring and evaluation activities. Areas of joint monitoring between SDYA and MSEA were to be pursued for effectiveness and efficiency to ensure better outcomes. MSEA was to coordinate with other agencies in executing the shared monitoring and evaluation responsibilities under the leadership of the Kenya Youth Employment and Opportunities Monitoring and Evaluation Unit.

4.57 Interviews held with field officers in four (4) of the sampled counties indicated that, crucial information on lists of beneficiaries who benefitted from various interventions, roll-out dates as well as feedback on the status of the raised grievances was not shared between the agencies at the county level. This is attributed to inadequate coordination between the Implementing agencies both at the county and national level. As a result, not all field officers were informed of the ongoing events, thus affecting continuous monitoring and follow-up of beneficiaries' activities.

4.58 Further, Interviews with SDYA field officers in the six (6) sampled counties indicated that, they had no role in the monitoring of BDS beneficiaries, despite them having offices up to the sub-county level.

## E. Inefficiencies in Management of the Contracted Services

4.59 Section 4.4 of the Project Implementation Manual states that the Project Coordinator should ensure that all contractual obligations are performed promptly and efficiently and that all deliverables are reviewed immediately, and responded to in writing where necessary. SDYA and MSEA coordinators ought to have set clear deliverables with clear milestones to be achieved by the project consultants. The audit revealed instances where contracted services were not well managed.

### i) Target as Per Contract not in Tandem with the Planned Targets.

4.60 Review of contract number MSEA/KYEOP/06/2018-2019 between the Micro and Small Enterprises Authority and a joint venture company indicated that the company was to train 8,253 beneficiaries for BDS in Cycle 4. However, the Cycle 4 BDS Roll Out Plan targeted 5,774 beneficiaries, a number lower than the initialy targeted beneficiaries.

4.61 An analysis of the data on Cycle 4 achievements indicated that ,the joint venture company trained 4,936 beneficiaries equivalent to 60% of the deliverable as per the contract.Despite setting a higher deliverable in the contract, SDYA and MSEA planned for a lower number of beneficiaries. In addition, despite training only about 60% of the number of beneficiaries defined in the contract the company was paid Kshs.297,258,800, equivalent to 99.7% of the contract sum of Kshs.298,148,000.

4.62 Further, review of contract number MSEA/KYEOP/001/2021-2022 for the Cycle 7 Digital Business Development Services training indicated that the beneficiaries to be trained were 32,009 which was not in agreement with the 40,267 targeted beneficiaries per the BDS Roll-out plan. The consultant achieved 81% of the target in the BDS Roll out plan which was different from the number in the contract document. Due to the difference in the target as per the rollout plan and the contracted target the number set as per the roll out plan, was not achieved.

### ii) Inadequate Supervision of the Future Bora Consultant

4.63 Annex II paragraph 47(c) of the PAD states that the design of the Future Bora intervention was to be done by an expert consultant under the supervision of SDYA.

4.64 Further, interviews held with SDYA Officers in charge of the Future Bora Initiative indicated that, there were challenges in the supervision of the consultant tasked with conducting monitoring and evaluation of the Future Bora intervention. The Project design set the consultant to handle the whole process of designing, implementing and monitoring the organizations. The arrangement failed to consider inputs and effective checks and balances from SDYA. This could be attributed to the unclear definition of the overall oversight and supervisory role for the Future Bora intervention between the consultant and SDYA. This resulted in SDYA performing minimal monitoring role, with challenges such as failure to create a revolving fund, the hydroponic kits not having capacity to produce adequate proceeds for sale, and crop failure not identified and addressed early enough.

## CHAPTER 5: CONCLUSIONS

5.1 The Support for Job Creation Component under the Kenya Youth Employment and Opportunities Project was successful in achieving the targeted number of youths in the program, having attained 97% of the targeted youths. Additionally, the Component had numerous benefits including; the creation and expansion of small businesses, transfer of entrepreneurship skills to youths and increased earnings for the hard-to-serve youths.

5.2 Despite the Component's successes in achieving the targeted number of youths, the intended objective of increasing earning opportunities for the youth was not optimally achieved. The audit observed that there were youths who did not start businesses and others who wound up their business. Additionally, in spite of the Audit Teams' collaboration with the State Department of Youth Affairs and MSEA staff, half of the sampled youths could not be reached. This was because they were either unreachable on phone to give directions to their premises or non-cooperative by failing to give an audience to the Audit Team. This raised doubts as to whether their businesses were up and running or they were existing beneficiaries. The total expenditure or funding to the sampled youth who were un-reachable and non-cooperative was Kshs.83,200,000. There was also doubt on the achievements of Future Bora intervention objectives as the projects implemented by the organizations did not meet the scalability and sustainability objectives.

5.3 Changes in the design of the Project may have had negatively affected achievement of the Project objectives. These included reduced frequency of monitoring and removal of the second orientation. Further, it may have negatively affected the commitment of the youths since they were not regularly held to account. Monitoring and evaluation on a sample basis was not adequate and may have increased the possibility of funds not being put to the intended use.

5.4 Inefficiencies in the implementation of the Project including delays in the disbursement of funds to the youths may have also affected the operations of the youth businesses due to cashflow challenges. The differences between the targets as per contracts and the planned targets may have resulted in payment for undelivered services for some of the interventions.

## CHAPTER 6: RECOMMENDATIONS

6.1 In view of the findings and conclusions of the audit, the following is recommended for implementation by the State Department for Youth Affairs and Micro and Small Enterprises Authority for the Support for Job Creation Component and other similar projects in the future. The State Department for Youth Affairs and Micro and Small Enterprises Authority should:-

i. Put in place measures to ensure effective orientation of beneficiaries. This will enable youths understand the Project objectives and their role and responsibilities in running their business. The orientation will also help in screening and leaving out youths who may not be serious in running businesses.

ii. Consider a percentage of the funding to be repayable and form a revolving fund for other beneficiaries in the future, and remove the notion of free money. By this, the beneficiaries will be more accountable.

iii. Ensure that similar interventions are implemented in a manner that will ensure sustainability and scalability.

iv. Put in place measures to ensure continuous mentorship of the Project beneficiaries.

v. Put in place measures to ensure regular monitoring and evaluation of the projects being implemented by the beneficiaries to ensure that they achieve their objectives.

vi. Fully engage field officers and ensure proper coordination with staff at the head office for the effective implementation of projects.

vii. Ensure proper resource planning for continuous supervision, monitoring and evaluation.

viii. Put in place measures to ensure timely processing and disbursement of funds to beneficiaries to enhance the effective implementation of the Project.

ix. Ensure that the system for grievance handling is effective to enhance timely tracking and resolution of grievances.

x. Regularly review the achievement of deliverables by consultants to ensure that they are on track and respond to any challenges hindering the progress.

## APPENDICES

### Appendix 1:Documents Reviewed

| Document | Purpose of the Review |
|---|---|
| Project Appraisal Document | • To understand the description, design, feasibility, financing and implementation arrangements, legal instruments as well as timeframes for main milestones for the Support for Job Creation Component.<br>• To assess the Component's activities against the anticipated outputs, outcomes, impacts, risks/mitigation measures and estimated costs involved. |
| Project implementation schedule(s) | • To assess whether the support for job creation activities were completed on time. |
| Project Implementation Manual | • To understand the detailed activities to be undertaken in the implementation of the Component by the State Department for Youth Affairs and Micro and Small Enterprises Authority. |
| Project Operational Manual | • To understand the detailed activities to be undertaken in the implementation of the Component by each agency. |
| Component 2 M&E framework | • To assess the processes and procedures of undertaking Monitoring and Evaluation (M&E) activities for the support for Job Creation Component.<br>• To assess the frequency and extent of M&E activities. |
| Management Information System | • To extract the Component's beneficiary's data, Grievance Redress Mechanism data and M&E reports. |
| The Constitution of Kenya (CoK) | • To understand the definition of a youth as stipulated by CoK. |
| The Big 4 Agenda | • To assess how the Support for Job Creation Component contributes to the achievement of the Big 4 Agenda. |
| The Kenya Vision 2030 | • To assess how the Support for Job Creation Component contributes to the achievement of Kenya's Vision 2030. |

| Document | Purpose of the Review |
|---|---|
| Consultant reports | • To assess the milestones and deliverables achieved by consultants. These reports include project progress/status, risks and mitigation aspects, challenges and the way forward. |
| Financing Agreement | • To understand the coordination arrangement between the Implementing Agencies. |
| Monitoring and evaluation reports | • To assess the progress of the Component 's key output and outcome indicators and timeliness of preventive and corrective measures on the program and challenges faced. |
| Progress Reports | • To assess the extent of implementation status of the Support for Job Creation Component. |
| Staff Establishment | • To assess the number, qualifications, distribution, job description of the staff required involved in the Component. |
| Contractual agreements with the various consultants | • To assess the terms of contract between the implementing agencies and the service providers. |
| Correspondences and memos | • To understand the nature of coordination among the agencies, the changes in the scope of works and pending grievances. |
| Minutes of meetings | • To understand the key areas of discussions in the regarding the Component. |
| Grievance Resolution Manual (GRM) and complaint reports | • To assess how the grievances were raised and resolved. |

## Appendix 2: List of People Interviewed and Purpose of the Interviews

| No. | Interviewee | Purpose for the Interview |
|---|---|---|
| 1. | National Coordinator Unit and Project Coordination Unit | To assess their roles, an overview of the implementation of the Project and the status of the Project as at the time of the audit. |
| 2. | Project Implementation Unit- The State Department for Youth Affairs (SDYA) and The Micro and Amll enterprises Authority (MSEA). | To assess the roles and their effectiveness in meeting the Project objectives. |
| 3. | County Project Coordinators<br>SDYA and MSEA | To assess their role in the Project at a county level in their respective Implementing Agencies. |
| 4. | County and Sub-County Youth Development Officers | To assess their roles at the sub-county level in their respective Implementing Agencies. |
| 5. | Beneficiaries of Support for job creation Component | To understand the Project from their point of view and their experience as recipients of capital interventions and business development while assessing the effectiveness of the training |
| 6. | Consultants involved in the implementation of Support for job creation Component | To assess their role in Support for Job Creation Component |

## Appendix 3: Population and Sample per County, Sub-county and Sub-Component

### Business Plan Competition

| No. | County | Sub-county | Population | Sample |
|---|---|---|---|---|
| 1 | Kakamega | Lurambi | 4 | 4 |
| | | Matungu | 5 | 5 |
| | | Navakholo | 3 | 3 |
| | | Malava | 2 | 2 |
| 2 | Kiambu | Kiambaa | 6 | 6 |
| | | Kiambu | 5 | 5 |
| | | Kikuyu | 6 | 6 |
| | | Ruiru | 6 | 6 |
| 3 | Machakos | Machakos Town | 4 | 4 |
| | | Mavoko | 11 | 11 |
| | | Mwala | 4 | 4 |
| 4 | Migori | Awendo | 3 | 3 |
| | | Suna East | 6 | 6 |
| | | Uriri | 3 | 3 |
| 5 | Mombasa | Changamwe | 4 | 4 |
| | | Kisauni | 14 | 14 |
| | | Nyali | 3 | 3 |
| | | Mvita | 5 | 5 |
| 6 | Nakuru | Gilgil | 5 | 5 |
| | | Nakuru Town East | 13 | 13 |
| | | Naivasha | 4 | 4 |
| | | Njoro | 0 | 0 |
| | | **Total** | **116** | **116** |

### Business Development Services

| No. | County | Sub-county | Population | Sample |
|---|---|---|---|---|
| 1 | **Kakamega** | Lurambi | 35 | 10 |
| | | Matungu | 43 | 10 |
| | | Navakholo | 80 | 10 |
| 2 | **Kiambu** | Kiambaa | 3 | 8 |
| | | Kiambu | 39 | 10 |
| | | Ruiru | 46 | 8 |
| 3 | **Machakos** | Machakos Town | 44 | 15 |

| No. | County | Sub-county | Population | Sample |
|---|---|---|---|---|
| | | Mavoko | 24 | 0 |
| | | Mwala | 17 | 5 |
| 4 | **Migori** | Awendo | 4 | 4 |
| | | Suna East | 4 | 4 |
| | | Uriri | 5 | 5 |
| 5 | **Mombasa** | Changamwe | 99 | 8 |
| | | Kisauni | 57 | 8 |
| | | Mvita | 29 | 8 |
| 6 | **Nakuru** | Gilgil | 22 | 5 |
| | | Nakuru Town East | 14 | 3 |
| | | Naivasha | 153 | 8 |
| **Total** | | | **718** | **129** |

**Business Start-up Grants**

| No. | County | Sub County | Population | Sample |
|---|---|---|---|---|
| 1 | Kakamega | Lurambi | 10 | 10 |
| | | Matungu | 49 | 18 |
| | | Navakholo | 222 | 18 |
| 2 | Kiambu | Kiambaa | 17 | 10 |
| | | Kiambu | 101 | 7 |
| | | Kikuyu | 10 | 10 |
| | | Ruiru | 58 | 8 |
| 3 | Machakos | Machakos Town | 182 | 18 |
| | | Mavoko | 1 | 1 |
| | | Mwala | 20 | 17 |
| 4 | Migori | Awendo | 83 | 18 |
| | | Suna East | 56 | 21 |
| | | Uriri | 61 | 34 |
| 5 | Mombasa | Changamwe | 14 | 14 |
| | | Jomvu | 15 | 12 |
| | | Kisauni | 48 | 12 |
| | | Nyali | 18 | 7 |
| | | Mvita | 12 | 12 |
| 6 | Nakuru | Gilgil | 10 | 10 |
| | | Nakuru Town East | 15 | 15 |
| | | Naivasha | 76 | 18 |
| | | Njoro | 43 | 18 |
| **Total** | | | **1,111** | **308** |

**Appendix 4 : Assessment Criteria**

| Audit Questions | Audit Criteria |
|---|---|
| To what extent has State Department for Youth Affairs(SDYA) and Micro and Small Enterprises Authority (MSEA) achieved the targets for Support for Job Creation Component? | i. Part A 3.0 of the Project Implementation Manual states that $400 (Kshs.40,000) grant was to be provided as seed funding for youth-led start-ups to invest in tools and inputs. A total of 26,000 only grants and an additional 4,000 were to receive both grants and Business Development Services.<br>ii. The Business Development Services was to be given to 8000 youths.<br>iii. The Business Plan Competition was to reach at least 750 beneficiaries.<br>iv. Part 46 of the Project Appraisal Document (PAD) specifies that the Future Bora intervention was to reach an estimated Three Thousand (3,000) youth from the Hard-to-Serve (vulnerable) youth. |
| To what extent has SDYA and MSEA ensured efficient implementation of the Support for Job Creation Component (business start-up grants, business development services and business plan competition) to the Project beneficiaries? | i. Annex 1(24) of the Project Appraisal Document states that MSEA was to hold one-day orientation sessions with grantees before making disbursements. During these sessions simple entrepreneurship plans outlining the investments and expenditures to be financed by the grant were to be developed.<br>ii. Annex 2 (35) of the Project Appraisal Document states that MSEA was to work with entrepreneurs and service providers in determining services needed, and write and manage performance-based training contracts with specific providers. These services included a basic package of business and entrepreneurship training as well as mentoring, specific consulting, and advisory services for marketing or technical issues.<br>iii. Part G of the Project Implementation Manual states that the implementing agencies were to pay project expenditures promptly.<br>iv. Part B.12 of the MSEA Payment Protocol states that payment processing and payment would take 8 days. (48 |

| | |
|---|---|
| | hours for preparing the list of beneficiaries after the last day of orientation, verification and approval was to be within 48 hours after receiving payment data from the orientation session, payment voucher was to be processed and paid within 48 hours of receiving the verified and approved payroll information from the Project Implementation Unit Coordinator, the bank was then to issue the payments to each beneficiary account within 48 hours of receiving the quick pay payroll information. The procedure for payment of second tranche was to start by youth attending the second orientation. The second tranche would then be issued to youth beneficiaries who attended the first and second orientation.<br>v. Annex 1(35) of the Project Appraisal Document states that SDYA was to follow-up on the Business start-up grants, BDS, BPC beneficiaries through visits and focus group discussions at the local level.<br>vi. Schedule 2 section 1 A (1) of the Financing Agreement Credit Number 5812-KE states that SDYA was to have overall responsibility for Project coordination. |
| To what extent has SDYA and MSEA ensured effective contract management for the contracted services? | i. Section 4.4 of the Project Implementation Manual states that the project coordinators were to ensure that all contractual obligations are performed promptly and efficiently and also ensure that all deliverables (and especially reports) are reviewed immediately and responded to in writing where necessary |
| To what extent has SDYA and MSEA ensured effective supervision, Monitoring and Evaluation? | i. Annex 2 (27) of the Project Appraisal Document states that MSEA was to monitor the performance of service providers, implementation progress and the satisfaction of beneficiaries through a Management Information System (MIS), beneficiary assessments and visits to providers.<br>ii. Annex 2(65) of the Project Appraisal Document states that MSEA was to contract a professional management company who was to manage the business plan competition. The managing firm was to have the responsibility for independent monitoring of awardees. |

| | |
|---|---|
| | Youth officers at SDYA, together with MSEA enterprise officers were to accompany the firm in a subset of visits to employers as part of the monitoring arrangements for the business competition. |

## Appendix 5: Monitoring and Follow up Visits for Support for the Job Creation Component

### Monitoring Visits for the Business Start-up Grants Beneficiaries

| County | Number of Beneficiaries Visited Between Tranche 1&2 | | | | Number of Beneficiaries Visited after Tranche 2 | | | |
|---|---|---|---|---|---|---|---|---|
| | Not visited | Visited Once | Visited Twice | Three or More Visits | Not Visited | Visited Once | Visited Twice | Three or More Visits |
| Kiambu | 1 | 1 | 1 | 2 | 0 | 0 | 0 | 0 |
| Machakos | 8 | 5 | 3 | 0 | 12 | 3 | 1 | 0 |
| Nakuru | 11 | 5 | 0 | 0 | 11 | 5 | 0 | 0 |
| Migori | 11 | 5 | 2 | 0 | 16 | 1 | 1 | 0 |
| Kakamega | 10 | 4 | 1 | 0 | 11 | 4 | 0 | 0 |
| Mombasa | 11 | 9 | 0 | 0 | 17 | 2 | 0 | 1 |
| Totals | 52 | 29 | 7 | 2 | 67 | 15 | 2 | 1 |
| Percent-ages | 57 | 32 | 8 | 2 | 74 | 16 | 2 | 1 |

### Monitoring Visits for Future Bora Beneficiaries

| Future bora Firms | Number of Beneficiaries Interviewed | Number of Beneficiaries Visited by Intellecap Advisory Services Limited | Number of Beneficiaries not Visited by Intellecap Advisory Services Limited |
|---|---|---|---|
| Taka Taka solutions | 25 | 3 | 22 |
| Afya Research Africa | 7 | 5 | 2 |
| Life in Abundance | 20 | 0 | 20 |
| Hydroponics Africa Limited | 24 | 5 | 19 |
| Total | 76 | 13 | 63 |
| Percentages (%) | | **17.1** | **82.9** |

Monitoring Visits for the Business Plan Competition Beneficiaries

| | Number of Beneficiaries Visited Between Tranche 1&2 | | | | Number of Beneficiaries Visited Between Tranche 2&3 | | | | Number of Beneficiaries Visited Post Tranche 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| County | Not Visited | Visited Once | Visited Twice | Three or More Visits | Not Visited | Visited Once | Visited Twice | Three or More Visits | Not visited | Visited Once | Visited Twice | Three or More Visits |
| Kiambu | 0 | 7 | 6 | 1 | 1 | 11 | 2 | 0 | 12 | 3 | 0 | 0 |
| Machakos | 1 | 5 | 6 | 0 | 2 | 5 | 2 | 3 | 7 | 4 | 0 | 1 |
| Nakuru | 1 | 6 | 4 | 2 | 0 | 10 | 3 | 0 | 6 | 6 | 1 | 0 |
| Migori | 1 | 2 | 6 | 0 | 1 | 3 | 3 | 2 | 5 | 4 | 0 | 0 |
| Kakamega | 0 | 6 | 4 | 1 | 1 | 5 | 3 | 3 | 6 | 5 | 0 | 1 |
| Mombasa | 2 | 1 | 5 | 3 | 2 | 1 | 2 | 6 | 6 | 4 | 2 | 0 |
| Totals | 5 | 27 | 31 | 7 | 7 | 35 | 15 | 14 | 42 | 26 | 3 | 2 |
| Percentages | 7 | 38 | 43 | 10 | 10 | 49 | 21 | 19 | 58 | 36 | 4 | 3 |

## Appendix 6: The Business Plan Competition Proposals, Funding Application and Award

| No | County | Name of the Beneficiary | Business Proposal | Amount Applied | Amount Received | Variance Between the Business Proposal and Amount Received |
|---|---|---|---|---|---|---|
| 1 | Kiambu | Eunice Migwi | 150,000 | 3,600,000 | 3,600,000 | -3,450,000 |
| 2 | Mombasa | Gladys Wanjiru | 200,000 | 3,600,000 | 3,600,000 | -3,400,000 |
| 3 | Nakuru | Carolyne Wainaina | 400,000 | 200,000 | 3,600,000 | -3,200,000 |
| 4 | Mombasa | Boniface Kikaso Kalingu | 500,000 | 3,600,000 | 3,600,000 | -3,100,000 |
| 5 | Kakamega | Yusuf Omete | 600,000 | 900,000 | 3,600,000 | -3,000,000 |
| 6 | Nakuru | Lilian Wambui | 900,000 | 900,000 | 3,600,000 | -2,700,000 |
| 7 | Mombasa | Dennis Onkangi | 950,000 | 3,600,000 | 3,600,000 | -2,650,000 |
| 8 | Machakos | Anthony Musyimi Muia | 1,180,000 | 3,600,000 | 3,600,000 | -2,420,000 |
| 9 | Kakamega | Moses Wambua Mwombe | 1,975,000 | 3,600,000 | 3,600,000 | -1,625,000 |
| 10 | Kiambu | John Mungai | 2,600,000 | - | 3600000 | -1,000,000 |
| 11 | Migori | Maurine Ujiji | 55,000 | 900,000 | 900,000 | -845,000 |
| 12 | Migori | Micheal Oginga Ongaro | 169,000 | 3,600,000 | 900,000 | -731,000 |
| 13 | Nakuru | Mark Koech | 170,000 | 900,000 | 900,000 | -730,000 |
| 14 | Kakamega | Salim Malipote Osore | 2,900,000 | 3,600,000 | 3,600,000 | -700,000 |
| 15 | Migori | Arnold Ogolla Odongo | 240,000 | 900,000 | 900,000 | -660,000 |
| 16 | Kakamega | Bildad Echesa | 300,000 | 900,000 | 900,000 | -600,000 |
| 17 | Kiambu | Mary Ngendo | 3,100,000 | 900,000 | 3,600,000 | -500,000 |
| 18 | Migori | Abich Edwin Onyango | 415,000 | 3,600,000 | 900,000 | -485,000 |
| 19 | Mombasa | Peter Mugendi | 3,150,040 | 3,600,000 | 3,600,000 | -449,960 |
| 20 | Mombasa | Ann Mwikali | 500,000 | 900,000 | 900,000 | -400,000 |
| 21 | Kakamega | Winnie Auma Odhiambo | 3,300,000 | 3,600,000 | 3,600,000 | -300,000 |
| 22 | Nakuru | Karanja Kamau Anthony | 850,000 | 3,600,000 | 900,000 | -50,000 |

| No | County | Name of the Beneficiary | Business Proposal | Amount Applied | Amount Received | Variance Between the Business Proposal and Amount Received |
|---|---|---|---|---|---|---|
| 23 | Mombasa | Josiah Onyango | 3,700,000 | 3,600,000 | 3,600,000 | 100,000 |
| 24 | Kakamega | Lucy Ang'ana | 3,800,000 | 3,600,000 | 3,600,000 | 200,000 |
| 25 | Migori | Samwel Doe Atura | 3,850,000 | 3,600,000 | 3,600,000 | 250,000 |
| 26 | Nakuru | Samuel Kuria Mungai | 4,000,000 | 3,600,000 | 3,600,000 | 400,000 |
| 27 | Machakos | Nzyuko Mukenyi Carolyne | 1,300,000 | 3,600,000 | 900,000 | 400,000 |
| 28 | Kiambu | John Muthuma Mbugua | 1,420,000 | 3,600,000 | 900,000 | 520,000 |
| 29 | Kakamega | Joan Acholla Lwande | 1,640,000 | 3,600,000 | 900,000 | 740,000 |
| 30 | Machakos | Sigilai Linda | 1,650,000 | 900,000 | 900,000 | 750,000 |
| 31 | Kiambu | Douglas Olimah | 1,750,000 | 3,600,000 | 900,000 | 850,000 |
| 32 | Mombasa | Alfred Onyango Ayoki | 1,750,000 | 3,600,000 | 900,000 | 850,000 |
| 33 | Machakos | Kamwilwa Kiteme Kenedy | 4,715,736 | 3,600,000 | 3,600,000 | 1,115,736 |
| 34 | Machakos | Brian Konzoni Webbo | 2,300,000 | 3,600,000 | 900,000 | 1,400,000 |
| 35 | Kiambu | Janet Muthoni | 2,500,000 | - | 900,000 | 1,600,000 |
| 36 | Kiambu | Eliud Kamau Icharia | 2,500,000 | 3,600,000 | 900,000 | 1,600,000 |
| 37 | Kiambu | Faith Sisi Mwangudza | 2,800,000 | 900,000 | 900,000 | 1,900,000 |
| 38 | Machakos | Cruiz Rhyl Kiio | 5,593,993 | 3,600,000 | 3,600,000 | 1,993,993 |
| 39 | Migori | Collins Odhiambo Ogango | 2950000 | - | 900000 | 2,050,000 |
| 40 | Mombasa | Johao Amer Salmin | 3,000,000 | 3,600,000 | 900,000 | 2,100,000 |
| 41 | Nakuru | Ann Mwira | 3,000,000 | 3,600,000 | 900,000 | 2,100,000 |
| 42 | Kiambu | Joseph Kimani Kamau | 3,140,000 | - | 900,000 | 2,240,000 |
| 43 | Kakamega | Astrola Shitsama | 3,400,000 | 3,600,000 | 900,000 | 2,500,000 |
| 44 | Machakos | Nzuko Ruth | 3,500,000 | 3,600,000 | 900,000 | 2,600,000 |
| 45 | Migori | Emby Atieno Agwaro | 3,600,000 | 3,600,000 | 900,000 | 2,700,000 |
| 46 | Mombasa | Elijah Khamis | 3,600,000 | 3,600,000 | 900,000 | 2,700,000 |

| No | County | Name of the Beneficiary | Business Proposal | Amount Applied | Amount Received | Variance Between the Business Proposal and Amount Received |
|---|---|---|---|---|---|---|
| 47 | Nakuru | Stephen Muthui Kariuki | 3,600,000 | 3,600,000 | 900,000 | 2,700,000 |
| 48 | Nakuru | Purity Maingi | 3,600,000 | 3,600,000 | 900,000 | 2,700,000 |
| 49 | Nakuru | James Mathenge | 3,648,000 | 3,600,000 | 900,000 | 2,748,000 |
| 50 | Kiambu | Jeff Kariuki | 3,674,000 | 3,600,000 | 900,000 | 2,774,000 |
| 51 | Kiambu | Henry Mutamu | 3,700,000 | 3,600,000 | 900,000 | 2,800,000 |
| 52 | Machakos | Musyoki Mbula Benard | 3,746,000 | 3,600,000 | 900,000 | 2,846,000 |
| 53 | Machakos | Sharon Ndegwa | 3,800,000 | 3,600,000 | 900,000 | 2,900,000 |
| 54 | Nakuru | Grace Wangechi Kahuria | 3,810,000 | 3,600,000 | 900,000 | 2,910,000 |
| 55 | Kakamega | Douglas Loopicho | 3,838,575 | 3,600,000 | 900,000 | 2,938,575 |
| 56 | Mombasa | Reagan Ojuku Odhiambo | 3,970,000 | 3,600,000 | 900,000 | 3,070,000 |
| 57 | Migori | Winnie Odera | 4,000,000 | 3,600,000 | 900,000 | 3,100,000 |
| 58 | Kakamega | Elvis Omenda | 4,100,000 | 900,000 | 900,000 | 3,200,000 |
| 59 | Mombasa | Fredrick Ochieng Odhiambo | 4,365,300 | 3,600,000 | 900,000 | 3,465,300 |
| 60 | Kiambu | Linus Wahome | 4,500,000 | 3,600,000 | 900,000 | 3,600,000 |
| 61 | Kiambu | Ann Njoroge | 4,530,000 | - | 900,000 | 3,630,000 |
| 62 | Nakuru | Maina Mureithi Kevin | 7,300,000 | 3,600,000 | 3,600,000 | 3,700,000 |
| 63 | Kakamega | Allan Lugare | 7,600,000 | 3,600,000 | 3,600,000 | 4,000,000 |
| 64 | Kiambu | Eric Koome | 5,297,000 | 3,600,000 | 900,000 | 4,397,000 |
| 65 | Migori | Metrine A Aginga | 5,300,000 | 3,600,000 | 900,000 | 4,400,000 |
| 66 | Machakos | Pamela Muriuki | 5,500,000 | 3,600,000 | 900,000 | 4,600,000 |
| 67 | Kiambu | Gitau Alphard Ndungu | 5,800,000 | 3,600,000 | 900,000 | 4,900,000 |
| 68 | Nakuru | Samuel Mumira Mwathi | 6,291,750 | 3,600,000 | 900,000 | 5,391,750 |
| 69 | Machakos | Joan Kinyanjui | 9,965,000 | 3,600,000 | 3,600,000 | 6,365,000 |
| 70 | Machakos | Akasha Alsayed Mohamed | 8,654,300 | 3,600,000 | 900,000 | 7,754,300 |

| No | County | Name of the Beneficiary | Business Proposal | Amount Applied | Amount Received | Variance Between the Business Proposal and Amount Received |
|---|---|---|---|---|---|---|
| 71 | Kakamega | Sebastian Omenda Nyamoma | 8,700,000 | 3,600,000 | 900,000 | 7,800,000 |
| 72 | Nakuru | Reuben Muchiri | 20,500,000 | 3,600,000 | 3,600,000 | 16,900,000 |

**Appendix 7: Response to the Audit Findings and Recommendations by the Auditees**

| Ref | Audit finding | Management response | Auditor's comments |
|---|---|---|---|
| **A. Extent of Achievement of the Set Targets** | | | |
| 4.1 | The four (4) interventions under the Support for Job Creation Component had targeted to reach 41,800 youths. This number was revised to 90,050 youths during implementation. As of June 2023, the actual number of beneficiaries reached was 87,432 as shown in Table 3. | The achieved numbers are:<br>Business Development Services (BDS)- 9,524<br>Business Start-up Grants- 85,966<br>Future Bora Initiative- 2,015<br>Overall total- 98,198 | Our finding is retained as reported since the State Department of Youth Affairs has not provided a list to support the numbers of achieved beneficiaries. |
| 4.2 | The competition awarded 750 youths, however, nine (9) awardees did not proceed with the competition due to the inability to satisfy the vetting process. As at 30 June 2023, of the 741 Business Plan Competition (BPC) beneficiaries, the number of awardees that had received tranche three was 683. The variance of fifty eight (58) beneficiaries was due to recommendations made by the monitoring and evaluation | Clause 39 (a) of Project Appraisal Document (PAD) page 15 directs that after disbursement of tranche 1 "the following two tranches will be conditional on appropriate verification by the managing firm that the firm (awardee enterprise) remain operational and is advancing in its business plan."<br>Challenges of timely uploading documents on the KPMG portal and low ability to absorb funds as was earlier envisaged made it difficult for M & E teams to clear the | The finding remains as reported since this was the position as at the time of the audit as discuses and agreed with the auditee |

| Ref | Audit finding | Management response | Auditor's comments |
|---|---|---|---|
| | team when the status of their businesses could not be ascertained. Therefore, there is a risk that Kshs.43,100,000 that had been disbursed to the fifty eight (58) awardees may not have been put to the intended use of financing their business plans hence not creating employment and increase in earning opportunities as envisaged by the Project. | awardees for subsequent payment as per the approval protocols which are hereby attached for ease of reference.<br><br>Whereas fifty eight (58) awardees had not met the approval thresholds by the time of the audit, some were later cleared for payment during subsequent M & E exercises resulting to progressive increase in disbursement that enabled the disbursement rate of 98% by July 2023.<br><br>The funded enterprises increased earning to the beneficiaries and have created an average of five jobs per enterprise, translating to at least 3,705 jobs. Some have actually grown to open new business units, for example, Manpro Construction, Last Mile Internet connectivity-Karibu radius and Mwachaka Foods just to mention a few. | |

| Ref | Audit finding | Management response | Auditor's comments |
| --- | --- | --- | --- |
| 4.3 | Annex I paragraph 40 stated that this training was to be offered by a consultant during the business plan development training. However, interviews with the consultant revealed that Access to Government Procurement Opportunities (AGPO) training was not conducted as it was not part of the consultant's deliverables. This could be attributed to failure by State Department for Youth Affairs (SDYA) and Micro and Small Enterprises Authority (MSEA) to include AGPO as one of the deliverables in the contract. | At the time of changing the target numbers for BPC from 500 to 750, the design was also changed and AGPO dropped. This was a consultative process with the World Bank who brought on board Busara Centre Consultancy to develop a Concept Note for BPC (Attached) to incorporate impact evaluation. Through a series of meetings between World Bank, MSEA and Busara Center, specific sections of the concept notes were adopted and incorporated in the Final BPC Terms of Reference (Attached). In this regard, the content of the final Terms of Reference was arrived at through a participatory approach involving all the stakeholders and the TOR met all the new design needs for the Business Plan Competition Minutes attached). AGPO was dropped as it no longer aligned with the revised design and to avoid duplication since the same activity was being implemented under Component 4. | The finding remains as reported as there is no evidence indicating the resolution to drop AGPO from the Terms of References, BPC-MSEA-Busara Minutes dated 10th November, 2017 or the BPC<br>Concept note provided by the auditee |

<table>
<tr><th>Ref</th><th>Audit finding</th><th>Management response</th><th>Auditor's comments</th></tr>
<tr><td>4.4</td><td>Review of the Implementation Support Mission dated May 2019 indicated a review of the BDS targets to 8,500 for purposes of Impact Evaluation. This number was to be achieved by the end of Cycle 4. A review of the BDS beneficiaries' data as at May 2023 revealed that the achieved number of beneficiaries in cycles 2, 3 and 4 were 7,022 leaving a deficit of 1,478.</td><td><table><tr><th>Cycles</th><th>Target youth</th><th>Achieved</th></tr><tr><td>Cycle 2</td><td>700</td><td>504</td></tr><tr><td>Cycle 3</td><td>1,389</td><td>1,213</td></tr><tr><td>Cycle 4</td><td>7,846</td><td>7,807</td></tr><tr><td>Total</td><td>9,935</td><td>9,524</td></tr></table><br>The total achieved target was, therefore, 9,524 youth against the revised target 9,935 and a PAD target of 8,000 youths.</td><td>Since the list of BDS beneficiaries provided by MSEA only supports the 7,022 as reported, our finding remains as reported<br>.</td></tr>
<tr><td>4.5</td><td>The training was to be offered to all eligible applicants of the business start-up grants intervention. Review of the digital BDS contracts for cycles 5, 7A, 8A, 8B, 8C, and 8D indicated that 140,535 beneficiaries had been targeted. The target for the digital BDS for Cycles 6 and 7B were not defined in the contracts. Review of the digital BDS summary provided by MSEA revealed that the target number was 137,114 and the</td><td>Digital BDS was adopted from Cycle 5 onwards as part of the COVID-19 response measure and cost containment instruments pertaining to business grant orientation activities. Targets for Cycle 6 were to be determined upon confirmation of the additional funds available to MSEA after the restructuring exercise. It was agreed that Cycle 6 Job Specific Skills Training (JSST) youth should form part of the youth included in Cycle 7b grants given that the overall numbers of youth transitioning and benefiting from grants from Component 1 had been extremely low. MSEA could not fix</td><td>The finding remains as reported since evidence of Digital BDS targets has not been provided for Cycle 6 and 7B.</td></tr>
</table>

| Ref | Audit finding | Management response | Auditor's comments |
|---|---|---|---|
| | achieved were 80,574 beneficiaries. As a result of the variation, the team could not ascertain the correct target and numbers achieved for digital. | the exact numbers in the contract prior to the onboarding of youth transiting from JSST youths. | |
| 4.6 | According to interviews with SDYA and MSEA Officials, the upward revision was as a result of the sub-component absorbing funds faster than the other components, therefore more funds were reallocated from the other components enabling the Business Start-up Grants to reach more youths. As at February 2023, the achieved number of the Business Start-up Grants was 77,874 beneficiaries. | As of 30th June 2023, the business start-up grant numbers had increased to 85,966. | The finding remains as reported as the list provided supports 77,874 beneficiaries as reported.<br><br>The new figure of 85,966 beneficiaries has not been supported with evidence. |
| 4.7 | Future Bora intervention aimed to reach at least 3,000 youth beneficiaries through the selected firms that served the targeted youths. A review of the contracts awarded to the four firms contracted to implement the | The target was revised to 2000 and as of the time of the audit, 1,931 youth had been reached (97%). As of 31 August, 2023 beneficiaries had progressively increased to 2,015 translating to 100.75% achievement. | The revision of the target from 3,000 to 2,000 beneficiaries has not been supported by any |

| Ref | Audit finding | Management response | Auditor's comments |
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| | sub-component showed that they were to reach a total of 1,840 youths. Interviews held with SDYA representative in charge of the Future Bora intervention revealed that 1,931 youths which accounted for 64% of the target had been reached. Non-achievement of the targeted number of beneficiaries was due to SDYA planning for a total of 1,840 youths and not 3,000 as envisioned in the Project Appraisal Document. | | evidence. The finding remains as reported. |
| **B. Implementation of the Support for Job Creation Component May not Have Enhanced Employment and Earning Opportunities for the Youth** | | | |
| 4.9 | Out of the 116 BPC beneficiaries sampled for verification of the status of their businesses, seventy two (72) gave audience for verification while forty (44) were non-responsive and not willing to give audience to the Audit Team. Therefore, the | It is unfortunate that the forty (44) youth could not be reached. The non-responsiveness may be attributed to the dynamic nature of youth such as movement from one place to another, change of phone number and change of interest which the Project had no control over. | The finding remains as reported since the State Department for Youth Affairs agrees with the audit observation. |

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| | status of their businesses could not be verified. Out of the seventy two (72) beneficiaries that granted audience to the Audit Team twelve (12) confirmed that their businesses had failed due to underfunding and delays in disbursement that led to challenges when implementing their plans. | The disbursements to BPC Award winners for tranches II and III were conditional as provided for by the disbursement protocol in line with Clause 39 of Annex 2 (Detailed project description).<br>BPC was implemented in conformity with the Project design. The winners were to be randomly selected to receive an award of either Kshs.900,000 or Kshs. 3.6 million irrespective of the funding needs of the applicant. | |
| 4.10 | The Audit Team sampled 129 Business Development Services beneficiaries in the 6 counties out of which sixty three (63) were unavailable and could not be interviewed while sixty six (66) were interviewed. Out of the sixty six (66) beneficiaries interviewed, seventeed (17) indicated that they received BDS training and coaching only and had not started businesses after the training and coaching due to lack of funds. The Cycle 4 Grants and BDS monitoring report of May | The non-responsiveness of this cohort of youth is attributed to a number of reasons including youths not being reachable to due to change of phone numbers and business location. All the same, internal monitoring reports have demonstrated that 90% of beneficiaries who were sampled confirmed having started/expanded business upon receiving the Kenya Youth and Employment and Opportunities Project (KYEOP) funds.<br>Business Development Services Cycle 4 was unique to provide for impact evaluation using Random Control Trial, as envisaged in the PAD, and had to follow strict protocols in | The finding remains as reported since the State Department agrees with the audit observation. |

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| | 2020 indicated that 397 out of 1169 of BDS beneficiaries followed up did not start businesses after training and coaching. There is a risk that the investment put in the BDS training without funding may not have achieved the intended results since the beneficiaries could not start their own businesses and practise the lessons learnt | terms of youth assignment to specific interventions. It included a complex mix of interventions:<br>1)Business Development Services of various forms (classroom and face to-face counselling);<br>2) Business start-up grants;<br>3) Behavioural interventions of 2 forms (a "future self-intervention" and a "peer networks intervention").<br><br>In this regard, a certain cohort of youths received BDS and coaching only unlike Cycle 2 & 3 where all the youths who received BDS equally received business grants. This cohort of youth was dissatisfied leading to their non-cooperation during the field visits. The key lesson learned after implementation of Cycle 4 was that combining financial support with Business Development Services increases the chances of start-up businesses surviving to provide reliable income for the beneficiaries. We have documented these lessons and will use them in future similar interventions. | |
| 4.11 | Out of the 308 business start-up grants beneficiaries sampled, ninety eight (98) | Business Development Services Cycle 4 was unique to provide for impact evaluation using Random Control Trial, as | The finding remains as reported since the State |

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| | were unreachable on phone to give directions to their businesses. 119 were uncooperative and did not give audience to the Audit Team hence the status of their businesses could not be confirmed while ninenty one (910 beneficiaries were available for verification. Sixteen (16) Out of the ninety one (91) beneficiaries that granted audience for physical verification stated that they had wound up their businesses. | envisaged in the PAD, and had to follow strict protocols in terms of youth assignment to specific interventions. It included a complex mix of interventions:<br>1) Business Development Services of various forms (classroom and face to-face counselling);<br>2) Business start-up grants;<br>3) Behavioural interventions of 2 forms (a "future self-intervention" and a "peer networks intervention").<br>In this regard, a certain cohort of youths received BDS and coaching only unlike Cycle 2 & 3 where all the youths who received BDS equally received business grants. This cohort of youth was dissatisfied leading to their non-cooperation during the field visits. The key lesson learned after implementation of Cycle 4 was that combining financial support with Business Development Services increases the chances of start-up businesses surviving to provide reliable income for the beneficiaries. We have documented these lessons and will use them in future similar interventions. | Department agrees with the audit observation. |

| Ref | Audit finding | Management response | Auditor's comments |
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| 4.14 | In Cycle 2 and 3, applications for both grants and BDS were not distinct and every beneficiary of the grants also benefited from Business Development Services. In Cycle 4, Business Start-up Grants and BDS were split such that it was not a guarantee that a BDS beneficiary would receive a Business Start-up grant. Documentary review of Cycle 4 BDS beneficiaries' data for the 6 sampled counties revealed that 50% of the BDS sub-component beneficiaries did not receive the grant as detailed in Table 6. There was no communication to the beneficiaries at the point of application that not all applicants were to receive the business start-up grants. This was done intentionally for the purpose of impact evaluation. However, the youth applied with the expectation that they would receive both the BDS training and grants. According to | BDS Cycle 4 was unique in providing for impact evaluation using Random Control Trial, as envisaged in the PAD, and had to follow strict protocols in terms of youth assignment to specific interventions. It included a complex mix of interventions:<br>1) Business Development Services of various forms (classroom and face to-face counselling);<br>2) Business start-up grants;<br>3) Behavioural interventions of 2 forms (a "future self-intervention" and a "peer networks intervention").<br>In this regard, a certain cohort of youths received BDS and coaching only unlike Cycle 2 & 3 where all the youths who received BDS equally received business grants. This cohort of youth was dissatisfied leading to their non-cooperation during the field visits. The key lesson learned after implementation of Cycle 4 was that combining financial support with Business Development Services increases the chances of start-up businesses surviving to provide reliable income for the beneficiaries. We have documented these lessons and will use them in future similar interventions. | The finding remains as reported since the State Department of Youth Affairs agrees to the audit observation. |

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| | interviews with the field officers, this affected the BDS only beneficiaries' response to the training and coaching when they realized they were not to receive the grant. | | |
| 4.15 | Documentary review of Cycle 4 BDS beneficiaries' data for the 6 sampled counties revealed that 50% of the BDS beneficiaries did not receive the business start-up grants as detailed in Table 6. There was no communication to the beneficiaries at the point of application that not all applicants were to receive the business start-up grants. It was explained that this was done intentionally for the purpose of impact evaluation. However, youths applied with the expectation that they would receive both the BDS training and business start-up grants. According to interviews with the field | BDS Cycle 4 was unique to provide for impact evaluation using Random Control Trial, as envisaged in the PAD, and had to follow strict protocols in terms of youth assignment to specific interventions. It included a complex mix of interventions:<br>1)Business Development Services of various forms (classroom and face to-face counselling);<br>2) Business start-up grants;<br>3)Behavioural interventions of 2 forms (a "future self-intervention" and a "peer networks intervention").<br>In this regard, a certain cohort of youths received BDS and coaching only unlike Cycle 2 & 3 where all the youths who received BDS equally received business grants. This cohort of youth was dissatisfied leading to their non-cooperation | The finding remains as reported since the State Department of Youth Affairs agrees to the audit observation. |

| Ref | Audit finding | Management response | Auditor's comments |
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| | officers, this negatively affected youths' response to the BDS training and coaching after they realized they were not to receive the grant. | during the field visits. The key lesson learned after implementation of Cycle 4 was that combining financial support with Business Development Services increases the chances of start-up businesses surviving to provide reliable income for the beneficiaries. We have documented these lessons and will use them in future similar interventions. | |
| **a)** | **Removal of the Second Orientation for the Business Start-up Grants** | | |
| 4.17 | The Micro and Small Enterprises Authority was to hold orientation sessions with grantees before disbursement of each of the tranches. The first orientation was to enable grant beneficiaries understand information regarding grants, prepare simple business plans on how to utilize the grant and grasp simple business management skills. The second orientation was to assess progress made and outline the activities to be financed by the second tranche. Disbursement of the second tranche was | The second orientation was dropped after the outbreak of Covid 19 due to the restrictions imposed with respect to large gathering and also to save costs so that more funds could be directed to grants for additional youth. To effectively monitor progress and check on funds utilization by grantees, MSEA put in place a rigorous Monitoring and Evaluation(M&E) exercise for each cycle. This entails undertaking a follow up exercise targeting all beneficiaries through phone calls and spot check field exercises targeting at least 30% of the grantees. This is done one month after disbursement of Tranche 1 and Tranche 2. In addition, the Ministry of Youth Affairs, The Arts and Sports (MYAAS) under Component 4 | The finding remains as reported since the State Department agrees with the audit observation. |

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| | based on attendance of the second orientation and verification of satisfactory utilization of the first tranche. | has separately contracted firms to undertake both impact evaluation and tracer studies targeting Grants, BDS and BPC beneficiaries. | |
| 4.18-4.19 | Interviews with the field officers and beneficiaries showed that there was need for second orientation because there were instances where youth did not spend the grants received on business related activities. For instance, 21% of the interviewed beneficiaries confirmed that they did not implement their businesses as per the submitted plans. In addition, interviews with Mombasa and Migori field officers indicated that there were instances they recommended the second tranche not to be disbursed to the beneficiaries for not utilizing the first tranche as per their business plans. | The second orientation was dropped after the outbreak of Covid 19 due to the restrictions imposed with respect to large gathering and also to save costs so that more funds could be directed to grants for additional youth. To effectively monitor progress and check on funds utilization by grantees, MSEA put in place a rigorous Monitoring and Evaluation(M&E) exercise for each cycle. This entails undertaking a follow up exercise targeting all beneficiaries through phone calls and spot check field exercises targeting at least 30% of the grantees. This is done one month after disbursement of Tranche 1 and Tranche 2. In addition, the Ministry of Youth Affairs, The Arts and Sports (MYAAS) under Component 4 has separately contracted firms to undertake both impact evaluation and tracer studies targeting Grants, BDS and BPC beneficiaries.<br>Monitoring and Evaluation(M&E) | The finding remains as reported since the State Department agrees with the audit observation. |

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| | The restructuring increased beneficiaries funded from 30,000 to 78,000. Funding for the increased number of beneficiaries amounted to Kshs.1.92 billion. With increased funding there was increased risk for use of funds on non-business-related expenditures. Therefore, there was need for evaluating whether these grants were used to start or grow businesses as per the intended objectives. | | |
| 4.20 | Further, the restructuring increased the beneficiaries funded, from 30,000 to 78,000. Funding for the increased number of beneficiaries amounted to Kshs.1.92 billion. With increased funding there was increased risk for use of funds on non-business-related expenditures. Therefore, there was a need to evaluate whether these grants | As per the Project design, monitoring and evaluation activities were tailored per cycle for business start-up grants and BDS and per Tranche with respect to BPC. This is on account of the large number of beneficiaries to be monitored and budget limitations. From Cycle 7 onwards, the World Bank cleared monitoring for grants after the disbursement of Tranche 2. | The finding remains as reported since despite their large numbers, the beneficiaries still had to be monitored. |

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| | were used to start or grow businesses as per the intended objectives. | | |
| b) | **Reduction in Frequency of the Monitoring Activities** | | |
| 4.23 | Interviews with business start-up grant beneficiaries indicated that fifty two (52) of ninety one (91) interviewed beneficiaries were not monitored between tranches 1 and tranche 2 while sixty seven (67) of the ninety one (91) beneficiaries were not monitored after the second tranche. The Business Development Services beneficiaries interviewed revealed that twenty eight (28) out of the sixty six (66) beneficiaries were not monitored at all. Interviews with county representatives from both SDYA and MSEA revealed that Business Start-up Grants monitoring was conducted once as a spot | As per the Project design, monitoring and evaluation activities were tailored per cycle for grants and BDS and per Tranche with respect to BPC. This is on account of the large number of beneficiaries to be monitored and budget limitations. From Cycle 7 onwards, the World Bank cleared monitoring for grants after the disbursement of Tranche 2. | The finding remains as reported since despite their large numbers, the beneficiaries still had to be monitored. |

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| | check on sampled youths after disbursement of the first tranche. | | |
| 4.24 | Interviews with the seventy five (75) Future Bora beneficiaries indicated that 82.9% were not visited by the management company that had been contracted to run and monitor the intervention. | This was occasioned by the reduction in frequency of monitoring which was attributed to a change in design that led to the revision of the monitoring activities from being a continuous activity to a disbursement-based activity thus affecting the envisioned monitoring plan. | The finding remains as reported since the State Department agrees with the Audit Observation |
| 4.25 | Interviews with the seventy two (72) BPC beneficiaries in the six (6) sampled counties revealed that 7%, 10%, and 58% were not monitored between tranche 1 and tranche 2, tranche 2 and tranch 3, and after tranche 3 respectively. | It is a prerequisite for a BPC awardee to be monitored in order to qualify for subsequent disbursement. However, some may not have been monitored at the time of the audit period. The ones who had not been monitored between tranches 1 and 2 and 2 and 3 have since been monitored. The assessment for impact was to be conducted after the end of disbursements under Component 4 as guided by clause 39 in page 50 which talks about rigorous impact evaluation, this has just been concluded and the preliminary report is attached for reference. BPC awardees after tranche 3 were being assessed through impact evaluation. | The finding remains as reported since this was the observation as at the time of the audit. |

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| 4.26 | Appendix 5 details the frequency of monitoring for the Business Start-up Grant, Future Bora and the Business Plan Competition. | As per the Project design, monitoring and evaluation activities were tailored per cycle for Business Start-up grants and BDS and per Tranche with respect to BPC. This is on account of the large number of beneficiaries to be monitored and budget limitations. From Cycle 7 onwards, the World Bank cleared monitoring for Business Start-up grants after disbursement of Tranche 2. | The finding remains as reported since despite their large numbers, the beneficiaries still had to be monitored. |
| 4.27 | The reduction in frequency of monitoring was attributed to a change in design that led to the revision of the monitoring activities from being a continuous activity to a disbursement-based activity thus affecting the envisioned monitoring plan. In addition, there were no plans for continuous monitoring after disbursement of the final tranche. As a result, beneficiaries missed out on discussions and guidance on areas of improvement. They also missed on the mentorship and coaching lessons that could | As per the Project design, monitoring and evaluation activities were tailored per cycle for Business Start-up grants and BDS and per Tranche with respect to BPC. This is on account of the large number of beneficiaries to be monitored and budget limitations. From Cycle 7 onwards, the World Bank cleared monitoring for Business Start-up grants after disbursement of Tranche 2.<br>Monitoring was disbursement-based. However, there were unstructured field visits by Youth Development officers. The presence of field officers provides an avenue for continuous monitoring. However, the Monitoring and Evaluation(M&E) | The finding remains as reported since despite their large numbers, the beneficiaries still had to be monitored. |

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| | have been given during the continuous monitoring visits. | tool had provisions for discussions and experience sharing during M&E sessions. | |
| **iv. Funding of Youths in the Business Plan Competition did not Consider the Business Proposals** | | | |
| 4.28 | Under the Business Plan Competition youths developed business plans that were to be evaluated for viability. According Part 3.5 of Component 2 Operational Manual the best business plans were to be awarded grants of either Kshs.3,600,000 or Kshs.900,000 each for the beneficiaries to implement the plan. | BPC was implemented in conformity with the Project design. The winners were to be randomly selected to receive an award of either Kshs.900,000 or Kshs.3.6 million irrespective of the funding needs of the applicant. As alluded on Page 50 paragraph 39 of the KYEOP PAD, given the innovative nature of this intervention, a rigorous impact evaluation was carried out to evaluate the value for money with regard to job creation for the target group. The impact evaluation exercise being carried out under Component 4 will, therefore, give useful insights on the outcomes of the BPC. | The finding is retained as reported, since the auditee agrees with the audit observation |
| 4.29 | A review of the Business Plan Competition application forms and interviews with the beneficiaries indicated that the youths were randomly selected and awarded funds without considering their business plans. | BPC was implemented in conformity with the Project design. The winners were to be selected to receive an award of either Kshs.900,000 or Kshs.3.6 million irrespective of the funding needs of the applicant. As stated on Page 50 paragraph 39 of the KYEOP PAD, given the innovative nature of this | The finding remains as reported since the auditee agrees with the audit observation. |

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| | Analysis of data obtained from the beneficiaries' business plans and disbursement records shows that 30% of the seventy two (72) beneficiaries interviewed received more funding than they had requested in their business plans. For instance, a youth who had a business proposal that required Kshs. 150,000 was awarded 3,600,000, indicating that youth may have been awarded funds that they were not ready to utilize. Appendix 6 shows the amount requested as per the business plan, amount applied and amount disbursed to the youth. | intervention, a rigorous impact evaluation was carried out to evaluate the value for money with regard to job creation for the target group. The impact evaluation exercise being carried out under Component 4 will, therefore, give useful insights on the outcomes of the BPC. | |
| v) | **Future Bora Interventions Not Meeting Scalability and Sustainability Aspects of the Project.** | | |
| 4.31 | Takataka Solutions (TTS), an organization that was targeting youths working within Mwakirunge and Mavoko dumpsites in Mombasa County and Machakos County | There was an agreement between TTS and beneficiaries making partial school fees payments to inculcate responsibility | The Audit finding remains as reported since the audit issue is on Takataka Solution not being able to |

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| | respectively, had activities that payment of school fees for the children of the beneficiaries. The organization entered into a Memorandum of Understanding (MOU) with four (4) kindergartens, one (1) of which was public and three (3) were privately owned, A review of the MOUs indicated that the organization committed to pay half of the school fees for the children whose parents were working in the dumpsites. The parents were to pay the remaining half from the proceeds of the waste sold to the organization. For the public kindergarten parents did not have to contribute to the fees because it was highly subsidized and the amount paid by the company covered the entire fees. A review of the payment records in the three privately owned kindargattens, indicated that despite the firm paying half of the fees, parents had fee arrears for two | | purchase and therefore pay the beficiaries. As a result the parents could not meet their obligation as per the memorandum of understanding. |

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| | terms indicating that they could not meet their obligation. As at the time of the audit, Takataka Solutions had not bought waste from the beneficiaries for three (3) months since the Waste Compressing Machines were out of use which may have contributed ti the arrears. | | |
| 4.32 | The MOUs with the schools did not define the duration of the support. This indicated that the model adopted for supporting the beneficiaries and their children was not sustainable. | The established Kindergartens are still operational and awardees are still working and making improvements hence indicating the sustainability of the intervention. Purchase of waste and recruitment of more youth is ongoing | The finding remains as reported since if the duration of the support is not specified, the support can be withdrawn anytime. |
| 4.34 | Interviews with beneficiaries in Naivasha Sub-County in Nakuru County Indicated that each beneficiary had signed contracts for ownership of the greenhouses with the organization. In the contracts, the youths committed to spend one third of the proceeds from the sale of vegetables from | The 1st and 2nd harvests were successful. However, the 3rd harvest was affected by adverse weather conditions experienced throughout the country. The firm had a borehole and introduced drought-resistant crops. The activities are still ongoing. | The finding remains as reported since at the time of the audit, the beneficiaries were yet to realize profits due to crop failure |

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| | the greenhouses to purchase hydroponics nutrients from the organization. As at the time of the audit, the investment of the greenhouses was yet to realize sales due to crop failure. The firm did not put in place measures to mitigate against crop failure. The intervention therefore, had challenges in meeting the scalability and sustainability objective. | | |
| 4.35 | In Kiambaa Sub-County in Kiambu County, the youths issued with the hydroponic kits also experienced challenges with the earnings. The kits did not have the capacity to produce adequate produce for sale. As a result, the beneficiaries used the produce for domestic purposes only. The scale of production that could have guaranteed earnings for the youths may not have been considered. Therefore, the envisaged | The adverse weather conditions affected production resulting to decrease in sales. The kits were being bought with money realized from the sales. With change in weather and increased production more kits will be purchased and distributed. | The finding remains as reported since the State Department Agrees with the audit observation. |

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| | scalability and sustainability objective had not been realised. | | |
| 4.36 | Review of the Future Bora Monitoring & Evaluation Full Implementation and Project Completion Report of 2022 highlighted that Afya Research Africa had implementation challenges as they could not mobilize and recruit the targeted number of beneficiaries. In addition, a review of the Deliberation Meeting minutes dated 17th January, 2022, indicated that Afya Research Africa failed to meet their contract deliverable on establishing new sites for Healthcare kiosks, establishing and registering new youth groups for vulnerable youths and youth with disabilities, and for failing to provide capital grants to beneficiaries. As a result, SDYA could not disburse the second tranche, and therefore ARA dropped out of the Project. | Disbursement of subsequent tranches was based on milestones. | The finding remains as reported since this was the observation as at the time of the audit. |

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| | Interviews with two youth groups that benefited from tranche 1 disbursement indicated that they had received part payment towards the implementation of their earmarked businesses by the time ARA dropped out of the Project, which affected the growth of their businesses. | | |
| vi) | **Failure to Create a Revolving Fund for the Beneficiaries of Future Bora.** | | |
| 4.38 | Three (3) of the four (4) Future Bora organizations, stated in their contracts that they would create a revolving fund to enable the youths to borrow and invest in small businesses and consequently create employment opportunities and increase their earnings. However, interviews with nine groups of beneficiaries that were to benefit from these three organizations indicated that none had an operational revolving fund as at the time of the audit. | Life in Abundance (LIA) has operationalized revolving funds where youth are doing table banking with the funds. Hydroponics Africa Limited (HAL) uses a revolving fund kitty to purchase individual hydroponic kits. Afya Research Africa (ARA) disbursed funds to the groups for business. E.g. Kaloleni youth group in Kilifi that purchased utensils for hire. However, ARA dropped out of the Project after receiving the first tranche | The finding remains as reported since at the time of the audit, none of the firms had operationalised a revolving fund. |

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| | Failure to create and operationalize the revolving fund by the organizations was attributed to lack of guidance by SDYA on how the revolving funds were to be created and operationalised. Consequently, the youths could not borrow and invest in small businesses that would have created earning opportunities for them. | | |
| **C. Delays in Disbursements of the Business Plan Competition Tranches and Handling of Grievances** | | | |
| 4.41 | Disbursement of the second and third tranches were subject to the outcome of the monitoring and evaluation exercise. Mombasa, Kiambu, Machakos and Nakuru Counties reported the highest waiting period of more than five (5) months between receipt of tranche 1 and tranche 3. The delay was caused by the lengthy approval processes. As a result of the delay in disbursements, 32% of the interviewed | Disbursement of tranches 2 and 3 were based on the achievement of set conditions, individual awardees were approved for payment at different times upon fulfilling the requirements of the protocol. This may have necessitated the revision of the individual enterprise's implementation. The disbursement protocol allowed change of the business plan in response to business climate. | The finding remains as reported since this is what was observed at the time of the audit. |

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| | youths stated that, they had to scale down operations and even change the nature of businesses plans due to cashflow-challenges. | | |
| 4.43 | Out of 733 filed grievances, 417 were marked resolved while 316 were marked as having been escalated. The resolved grievances that were to take two (2) days, took an average of 1fourteen days (4) days from the day they were lodged | Not all grievances escalated were resolved but were managed through communication. In ref to 3.33, KPMG had independent communications to beneficiaries. Some Grievances require verification prior to being addressed for instance those pertaining to payments would require authentication from the paying banks before resolution. | The finding remains as reported since as per the design, all grievances were to be raised and resolved in the Grievance Redress Mechanism (GRM) system for the sole purpose of tracking regardless of how they were handled. |
| 4.44 | The field officers further highlighted inter-operability challenges between SDYA and MSEA Management Information Systems that made it difficult to track the escalated grievances. There is a risk that grievances raised by the Project beneficiaries went | There was a GRM point officer and a coordinator at MSEA who mitigated interoperability issues in GRM. The Management Information System GRM module had continuous development. All Technical actors were trained in handling grievances. | The finding remains as reported since there were interoperability challenges as confirmed by the auditee who put in place |

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| | unresolved thus affecting the implementation of the businesses especially when the grievances related to the timely disbursement of funds business and business support during the implementation period. | Grievance Redress Mechanism was based in SDYA which hosted the Toll-Free Line. All grievances were brought to the attention of the SDYA GRM Officer who escalated to MSEA. | measures to mitigate and the field officers. |
| 4.45 | According to Chapter 6 of the Future Bora operations manual, all received grievances would be lodged into a central database where a grievance reference number would be generated for each. Interviews with the SDYA officer in charge of Future Bora indicated that beneficiaries lodged their grievances through the consultant's GRM system. However, the consultant's GRM was not interoperable with the State Department for Youth Affairs GRM system. There is a likelihood that grievances raised by the Future Bora beneficiaries were not | Future Bora had its own GRM that was domiciled in the managing consultant's system. The consultant would give updates in the bi-weekly meetings. No grievance was ever lodged into the system other than a phone call which was an inquiry on the next step. | The finding remains as reported since as per the Project design, the consultant's GRM was to be linked to the main GRM. |

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| | channelled to the Future Bora officer for review and resolution. | | |
| **D. Inadequate Follow-up, Monitoring, and Supervision of Project Beneficiaries** | | | |
| 4.48 | Interviews held with business start-up grants' beneficiaries in the six sampled counties indicated that 39.6% of the interviewed beneficiaries were not followed up. A review of the Cycle I Follow-Up Report noted that the time allocated for the follow-up exercise was insufficient. The report further noted that there was inadequate allocation of resources required for comprehensive follow-up. In addition, G4 cluster 1 Business Start-up Grants and Business Development Services Beneficiaries' Follow-Up Report highlighted; ; inadequate time, MSEA having new staff who had not previously interacted with the monitoring and evaluation system, remote | At the initial phase of the Project specifically in 2017-2019, MSEA relied on staff seconded from the parent Ministry. After delinking, MSEA hired her own staff and they were immediately inducted to effectively handle the Project, including Monitoring and Evaluation(M&E) activities at the county level. | The paragraph has been edited to omit the part that read "MSEA having new staff who had not previously interacted with the monitoring and evaluation system". |

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| | management, and respondent fatigue to administering a relatively large questionnaire over the phone as constraints to adequate follow-up. | | |
| 4.50 | Interviews held with sixty six (66) Business Development Services beneficiaries indicated that 89% did not receive all the seven (7) coaching and follow-up sessions. Further out of the sixty six (66) beneficiaries, 47% did not receive any coaching and follow-up. This could be attributed to lack of coordination between the Consultant, field officers and the coordinating officers at MSEA Head Office. Due to inadequate follow-up, the implementing agencies could not ascertain whether the youths received and applied the business development training and coaching skills and lessons learnt. | There was close coordination between, and supervision of the BDS consultants in all cycles. However, in Cycle 4 where there was a mix of various different interventions to provide for Impact Evaluation, utmost care was required to prevent contamination between the control and treatment groups. This limited MSEA's ability to conduct continuous monitoring activities in view of the strict protocols in place. | The finding remains as reported since the audiee agrees with the audit observation. |

| Ref | Audit finding | Management response | Auditor's comments |
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| 4.52 | Documentary review of SDYA and Micro and Small Enterprises Authority inventory indicated that resources such as vehicles and personnel were procured to facilitate the monitoring and evaluation activities. However, the resources especially vehicles were not sufficient for the 17 counties. Interviews with MSEA County Project Coordinators in three (3) of the six (6) sampled counties indicated that they did not have project vehicles to facilitate continuous and effective monitoring and evaluation activities of the youth businesses. In two (2) of the six (6) sampled counties the allocated vehicles were recalled back to the headquarters leaving the counties without any vehicle for continuous and effective monitoring and evaluation activities. | All the 17 counties have vehicles. The vehicles were only recalled for service from counties to carry out major repairs which could only be done in Nairobi. However, they were repaired and released back.<br>MSEA got approval to procure 7 vehicles for the Project which meant that they had to be shared between the 17 counties.<br><br>The State Department for Youth Affairs and MSEA project vehicles would complement each other for Monitoring and Evaluation (M&E) activities and at no one time did the field officers lack motor vehicles. | The audit finding remains as reported since inadequate monitoring impacted negatively on the activities as evidenced by physical observations and interviews held with officers in the field. |

| Ref | Audit finding | Management response | Auditor's comments |
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| 4.53 | Interviews with the field officers revealed that in lieu of the provision of vehicles, they were facilitated with transport allowances. However, field officers in four out of the six (6) sampled counties indicated that the transport allowances were not commensurate to the area of coverage. | Officers were provided with meals, airtime and transport facilitation. | The audit finding remains as reported since the allowances were not-commensurate to the area of coverage as evidenced in Annex 4.56 and the interviews held with field officers. |
| 4.54 | Interviews further revealed that the six (6) sampled counties had sixty one (61) sub-counties with forty four (44) sub-county youth officers, therefore some sub-counties did not have designated officers occasioning some of the officers to cover more than one sub-county. Further, five (5) out of the six (6) sampled counties indicated that they were understaffed occasioning requests for support from other regional | The Project is implemented by field staff of the Ministry. Currently, the ministry is understaffed with only 300 Youth development officers to serve the entire country against an establishment of 600 officers. | The finding remains as reported since the State Department agrees with the audit observation. |

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| | offices during monitoring and evaluation exercises. | | |
| 4.56 | Review of the SDYA and MSEA inventory indicated that airtime, tablets, and laptops were also procured to facilitate data entry during monitoring and evaluation. Youth Officers in three (3) of the sampled counties also indicated that they had to spend personal resources over and above the allocated airtime allowances. | Officers were facilitated with airtime, transport, and lunch from the project funds. | This paragraph as been expunged from the draft report. |
| 4.59-4.60 | Interviews with SDYA field officers in the six (6) sampled counties indicated that they had no role in the monitoring of BDS beneficiaries despite them having offices up to the sub-county level. | As stated, each agency had an independent budget for their activities. SDYA Officers were available for engagement as and when the need arose. | The finding remains as reported since based on the complexity of Cycle 4 BDS, the SDYA officers were not engaged yet that is when they were needed most. |

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| **Inefficiencies in Management of the Contracted Services** | | | |
| 4.60-61 | Review of contract number MSEA/KYEOP/06/2018-2019 between the Micro and Small Enterprises Authority and a joint venture company indicated that the company was to train 8253 beneficiaries for BDS in Cycle 4. Cycle 4 BDS Roll Out Plan targeted 5,774 beneficiaries therefore the deliverable as per the contract and the target beneficiaries for the Cycle were not in tandem. An analysis of the data on Cycle 4 target and achievements indicated that the Joint Venture Company trained 4,936 beneficiaries equivalent to 60% of the deliverable as per the contract. Despite setting a higher deliverable in the contract, SDYA and MSEA planned for a lower number of beneficiaries. In addition, despite training only about 60% of the number of beneficiaries defined in the contract the | All the consultants had clear TORs which were reviewed and approved by the World Bank. In addition, there were regular inter-agency meetings to discuss consultants' deliverables. The implementing agencies had regular meetings with consultants to discuss deliverables, challenges, areas of improvement, and emerging issues. This was also complemented by the appointment of the Contract Management Committee by the SDYA Accounting Officer.<br>The targeted numbers captured in the BDS contract for Cycle 4 was 8,253. However, due to the unique characteristics and requirement of this particular Cycle to accommodate Impact Evaluation, the final figures were revised downwards and broken down into the various interventions/ treatments. This was through a consultative process between the World Bank and MSEA. The final numbers were agreed upon on the basis of the different interventions identified for purposes of conducting an effect impact evaluation exercise. The achieved numbers are therefore 7,807. Further, the | The finding remains as reported since the submitted evidence on the appointment of the Contract Implementation Committee does not address the mismatch in the contract targets. The figure of 7,807 Cycle 4 BDS beneficiaries as per the response has not been supported by a list. The amount paid has been amended to 297,258,800 |

| Ref | Audit finding | Management response | Auditor's comments |
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| | company was paid Kshs.297,258,800, equivalent to 99.7% of the contract sum of Kshs.298,148,000. | contracted amount was not paid in full, the total actual amount paid was Kshs.297,258,800 | |
| 4.62 | Review of contract number MSEA/KYEOP/001/2021-2022 for the Cycle 7 Digital Business Development Services training indicated that the beneficiaries to be trained were 32,009 which was not in agreement with the 40,267 targeted beneficiaries per the BDS Roll-out plan. The consultant achieved 81% of the target in the BDS Roll out plan which was different from the number in the contract document. Due to the difference in the target as per the rollout plan and the contracted target the number set as per the roll out plan, was not achieved. | The revised Grants rollout plan targets for Cycle showed a target of 21,339 would benefit from Grants. As a prequalification stage and in line with the Project objective, double this number would be required to take the Digital BDS and EAT. This meant up to 42,678 youth. Given the high number, it was agreed that the exercise should cover one and a half times instead of double the targeted number of youths as the activities began immediately after randomization and so there was no risk of high attrition. In this case, the randomized and transition youth were 21,339x1.5=32,008.5, rounded off to 32,009 and hence the contract reflected the same number. | The finding remains as reported since the resolution to take 1.5 of the targeted number has not been supported.<br><br>Additionally, the supporting evidence provided does not show how the initial figures were amended to the current figure of 32,009. |
| 4.66 | Interviews with SDYA Officers in charge of the Future Bora Initiative indicated that there were challenges in the supervision of the | Despite the design flaws SDYA still conducted Monitoring and Evaluation(M&E) effectively thereby instituting control mechanisms during implementation. | The finding remains as reported since the State |

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| | consultant tasked with conducting monitoring and evaluation of the Future Bora intervention.The Project design set the consultant to handle the whole process of designing, implementing and monitoring the organizations. The arrangement failed to consider inputs and effective checks and balances from SDYA. This could be attributed to unclear definition of the overall oversight and supervisory role for the Future Bora Intervention between the consultant and SDYA. This resulted in SDYA performing minimal monitoring role, with challenges such as failure to create a revolving fund, the hydroponic kits not having capacity to produce adequate proceeds for sale, and crop failure not identified and addressed early enough | | Department agrees with the audit observation. |

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| **Conclusion** | | | |
| 5.3- | Changes in the design of the Project may have negatively affected the achievement of the Component's objectives. These included reduced frequency of monitoring and removal of the second orientation | There was coordination as evidenced by Interagency minutes. Supervision is evidenced by the presence of WhatsApp Groups, and the use of technology e.g. GPS to enable tracking of monitoring activities in the field. | |
| 5.4 | Inefficiencies in implementation of the Project including delays in disbursement of funds to the youths may have also affected the running of the youth businesses. The differences between the targets as per contracts and the planned targets may have resulted in payment for undelivered services for some of the sub-components. | Payments are based on achieved deliverables and where targets were changed the achievements were more than double the targets | |

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| **Recommendations** | | | |
| 6.1 | iv. To assist the youths in understanding and gaining skills in running their businesses, the State Department for Youth Affairs and Micro and Small Enterprise Authority should put in place measures to ensure continuous mentorship of the Project beneficiaries. | Mechanisms for mentorship, coaching and counseling should be factored into the Project design. However, it should be noted that youth are in a transition stage and at some point, in time they should be weaned off to stand on their own. | The recommendation remains as suggested since the State Department agrees with the Audit observation. |
| | v. The State Department for Youth Affairs and Micro and Small Enterprise Authority should ensure that disbursements are utilized for the intended purpose through regular follow-up of the beneficiaries. | This will be possible with the allocation of adequate resources for monitoring. | The recommendation remains as suggested |
| | viii. The State Department of Youth Affairs and Micro and Small Enterprises Authority should carry out due diligence before disbursement of funds. | The youth beneficiaries fitted the target profile as per the Project Appraisal Document. | The recommendation remains as suggested since the State Department did not assess the beneficiaries and their plans before disbursement of funds. |

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