



**Republic of Zambia**  
**Ministry of Youth Sport and Child Development**

**&**

**Ministry of National Development Planning**



**Policy Brief for the Evaluation of the Youth  
Development Fund**

**September, 2017**

## Introduction

The Youth Development Fund (YDF) is an initiative of the Government of the Republic of Zambia to address high rates of youth unemployment. Through the Ministry of Youth, Sport and Child Development, loans are provided to youths who otherwise would not obtain business capital from commercial banks. The relevance of the YDF is based on the realization that Zambia's population is youthful (about 80 percent of the population is below the age of 35, of which 37 percent is between ages 15-35), which presents an opportunity to grow the economy if appropriate investments are made in creating opportunities and a supportive environment for innovation and entrepreneurship.

## Purpose of the Evaluation

Since 2011 when the YDF was scaled up, there has never been an evaluation to assess whether the program is achieving its intended objectives. The aim of the evaluation was, therefore, to assess the entire program of the YDF, its structure, operations and the loan management system. The evaluation also intended to account for the number of jobs that have been generated from the program.

## Methodology

The evaluation of the YDF was based on a survey of 1049 youths in 54 districts. About 698 of the youths surveyed were beneficiaries and the rest were non-beneficiaries. The non-beneficiaries were youths that had

applied for the YDF between 2012 and 2014 but were not successful in obtaining a loan. These formed the comparison group to those who obtained the loans. The survey was designed to attribute any differences in business and welfare outcomes between the two groups of youths to the YDF loan.

## Key Findings

The following are some of the key findings of the evaluation:

- i. The YDF has to some extent created employment over the years and impacted a number of youths positively, despite the number of jobs being too few for the amount of resources invested:***

The evaluation established that the YDF created a total of 742 paid jobs from 2011 to 2015. The YDF also gave many youths an opportunity to participate in the economy, and they gained rare experiences in

the process. This was indeed the intended purpose of the empowerment fund as it helped prepare youths for the future ahead of them.

Year	Existing employment	Additional jobs per year
2011	300	
2012	428	128
2013	668	240
2014	912	244
2015	1042	130
<b>Total</b>	<b>3350</b>	<b>742</b>

Nonetheless, compared to the amount of resources that were invested in the YDF over the same period, the jobs created were not sufficient to make a dent on the high rates of youth unemployment in the country.

Additionally, the welfare of the beneficiaries did not improve compared to non-beneficiaries.

Below are examples of some of the youths who were impacted positively through the YDF:

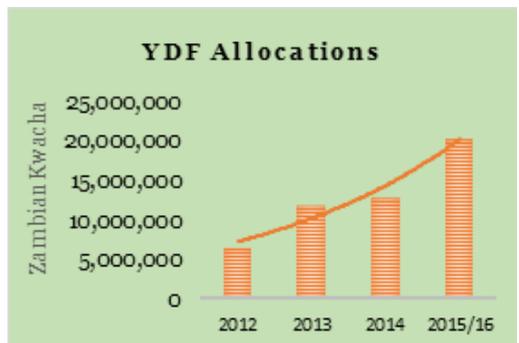
***A millionaire woman on the rise using the YDF funds:*** A 36-year-old woman of Isoka district benefited from the YDF. At the time of the evaluation her annual income stood at K152, 000 propelled by increased capacity to process rice which rose threefold following a YDF loan that helped her buy modern processing equipment. She had 20 permanent workers out of which 5 were male and 15 were females. All this had been realized from a K44, 500 loan which had also turned the lady into a prominent rice farmer and entrepreneur. Her success story has been publicized by the community and other media. Many aspiring rice farmers and entrepreneurs from various districts in Muchinga visit her shed regularly to study and learn from her.

***A successful meat processor empowered through the YDF funds:*** The YDF positively impacted the life of a resident of Kasama who borrowed K25, 000 from which he acquired his first Sausage Mixer and Sausage filler machine. This moved his production capacity from 20kg per day to 600kgs per hour. The increased capacity of the butchery now brings the youth entrepreneur an annual income of K216, 000. With this he has been able to acquire further equipment and has expanded his business. He has also acquired land where he was building his own butchery at the time of the evaluation. His business had employed 3 permanent paid employees, 2 men and 1 woman.

**An Auto parts supplier who left employment to do business using YDF provided finances:** A Ndola-based youth is another success story of the YDF. In the past few years, he was able to expand his business of supplying auto spares and providing transport logistics to areas as far as Kalumbila mine in Solwezi, North-western Province using the money obtained from the YDF. Immediately his business expanded, he saw it fit to leave formal employment as he needed adequate time to concentrate on his business. He now runs two shops and has three permanent and paid employees.

**ii. The Government has continued to invest more financial resources into the YDF in response to the rising demand for finance among youths:**

Overtime, and as the demand for business financing among youth entrepreneurs continues to rise, the YDF allocations have grown exponentially. From 2012 to 2015 the fund increased from K6.7 to K20.4 million, representing an increase of more than 300% in less than 5 years. Similarly, more youths have benefited from the YDF since it started. By 2015 a total of 1278 had cumulatively benefited from the Fund. Over the same period, loans have accounted for the larger share (64%) of



disbursed funds compared to when the fund just started when it was dominated by grants.

This shift is to allow for the Fund to be able to revolve which is seen as one way of ensuring sustainability.

***iii. Though the YDF resources have expanded over the years, there is no corresponding capacity to administer the funds:***

Despite the Fund increasing significantly, the administrative capacity in the Ministry of Youth and Sport remained largely unchanged. For example, the Ministry did not have a dedicated department nor expert staff to solely oversee the funds, especially the management of the loan portfolio. The YDF remained an added task to existing core responsibilities of staff and the task of managing and administering the YDF is not part of the specific job deliverables of staff, regardless of the amount of money at stake. Secondly, project and financial appraisal of applications were not performed by trained experts but by YDF national and provincial committee members who predominantly mobilised from various departments and agencies of government. This has a potential risk of ill-advised conclusions on the financial viability of projects. The YDF does not have a dedicated loan management information system as per standard practice in most lending institutions. This potentially lends the Fund to ineffective record keeping and management and has resulted in the loss of paper trails on applicants and borrowers over the years.

***iv. The design and operational mechanism of the YDF has hindered it from successful recovery of loans, leading to poor loan portfolio performance:***

The evaluation established that loan repayments for the YDF are very low and currently stand at 16% compared to 65% for a similar Youth fund in Kenya and about 50% for the local Citizen's Economic Empowerment Commission's (CEEC) Fund.

Low recoveries under the YDF can be attributed to design and operational inadequacies such as the following:

- Unlike lending institutions where money is directly deposited in the account of the borrower, and a loan contract and repayment scheduled is activated through the involvement of loan officers, the YDF loans are at times disbursed at a ceremony officiated by politicians. This tends to give the impression that the money is a social welfare grant.
- The YDF is characterised by an unclear system of loan repayments, especially that the financial institutions where the repayments are to be made are not always represented in all the places where youths are found. In some instances, borrowers do not clearly know where to deposit money if they want to repay. Certain banks have been appointed as pay points but there are no arrangements for follow up of defaulters.

- The YDF is not yet governed by a legal and regulatory framework providing guidance on how to deal with loan defaulters. Defaulting under the YDF does not attract any penalties whatsoever. There is a risk of negative perceptions by the beneficiaries, thereby increasing the likelihood of default.

***v. The YDF was not efficient in terms of operations nor was it sustainable as it failed to generate its own resources.***

The design of the YDF exposes it to a lot of inefficiencies which makes it difficult to operate successfully and sustainably. Firstly, the funds are rarely disbursed on time by the Treasury. Beneficiaries reported that in some instances, it took more than six (6) months from the time of loan approval to receiving the actual funds. This affected the applicants' operations because by the time the money was accessed, important business factors such as prices and markets for products and services would have changed significantly. For instance, some youth reported having lost business opportunities due to delayed release of funds as some of the planned services or products were no longer profitable by the time the YDF funds were made available.

The initial design of the YDF was for it to be a revolving fund. However, the evaluation established that even though repayments are low, the money that has been recovered is rarely reinvested into the Fund to expand the scope of beneficiaries. Meanwhile the Treasury has continued to release more funds annually, without taking into account the loan repayments.

The YDF lending rates have been designed to be lower than the rate of inflation. This means that even if all the youths were still to repay their loans, the YDF would not be sustainable due to inflation which would erode the value of the money.

## Recommendations

In view of the above stated findings from the evaluation, it is important that the design of the YDF is revisited to ensure it achieves its salient objective of contributing to reducing youth unemployment and poverty. The following are the recommendations that could make the YDF become more effective:

1. The Ministry of Youth and Sport has been doing a commendable job in publicizing the fund at national, provincial and lower levels. This should continue for youths to know that this program is meant for them.
2. Nonetheless, the Ministry does not have specialised people nor is itself a financial institution to be able to manage such huge financial resources as the YDF. Based on this, we recommend that the Ministry delegates the loan portfolio management role to a specialised financial institution to administer the Fund on its behalf. Such a financial institution should enter into an MOU with the Ministry to offer youth friendly credit at a calculated and sustainable interest rate, higher than the current 4% but not necessarily at the prevailing market rates.

3. The Ministry should enter into an agreement with a preferred financial institution especially one of the Government- owned or Government-influenced financial institution which will lend money to youths at friendlier conditions using the annual YDF allocation as collateral. Through the MOU, the identified financial institution will also be advised to have different credit packages for different business sizes and needs in order to cater for the diversity observed in youth businesses during the evaluation.
  
4. In order to get rid of the political tag that has been associated with the YDF, youths will be applying directly to the financial institution using the District Commissioners and the Ministry of Youth Sport and Child Development only as referees in the application process.
  
5. This new mechanism will not only improve the management of the fund but will also encourage young people to build relationships with financial institutions to be able to develop a culture of borrowing for business without thinking of defaulting deliberately.

