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## UWEZO FUND AND POVERTY REDUCTION IN MOYALE SUB –COUNTY IN MARSABIT COUNTY, KENYA

**Authors:** <sup>1</sup>Halima Ibrahim Golicha, <sup>2</sup>Mumo Nzau and <sup>3</sup>Wilkins Ndege Muhingi

<sup>1,2&3</sup>The Catholic University of Eastern Africa

P.O BOX 62157 00200 Nairobi, Kenya

Web site: [www.cuea.edu](http://www.cuea.edu)

**Corresponding author:** Halima Ibrahim Golicha: **Email:** [halima.shukha@gmail.com](mailto:halima.shukha@gmail.com)

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| <p><b>Chief Editor</b><br/>Web: <a href="http://www.ijcdc.org">www.ijcdc.org</a><br/>Email: <a href="mailto:info@ijcdc.org">info@ijcdc.org</a></p> <p><b>Editing Oversight</b><br/>Impericals<br/>Consultants<br/>International<br/>Limited</p> | <p><b>Abstract:</b> Globally, poverty and unemployment are some of the main development concerns. This is especially true in third world countries. Different governments have employed various strategies in attempt to alleviate poverty amongst its most vulnerable population of youth, women and people living with disabilities. The Government of Kenya set up a number of development funds, such as the Uwezo Fund, to aid in its fight against poverty among vulnerable groups especially the youth, women and the disabled. The broad objective of this study was to investigate the role of the national government special funds such as the Uwezo Fund on poverty reduction in Moyale sub – county, Marsabit County, Kenya. The study adopted a descriptive survey research design. Both quantitative and qualitative research methods were employed. Questionnaires were used to engage members of the various groups that had received funding. Face to face interviews with group leaders and local Fund Officials were carried out with the help of key interview guides. Multi-stage sampling techniques was used to draw a sample of 125 respondents. These were drawn from 25 groups, representing 5 out of the 7 Wards in Moyale sub County. Descriptive statistics was analyzed using the Statistical Packages for Social Sciences (SPSS) program. For inferential statistics, Chi-square test was used to understand the relationship between the loan amount, the rate of unemployment, and the loan -profit margin. Further analysis, using the same chi-square test, was done to evaluate the relationship between the profit margin and market access facilitation, Fund policy awareness and entrepreneurial training. The study revealed that the Uwezo fund did not achieve its main objective – the reduction of poverty among its beneficiaries through the creation of youth employment. The fund's ineffectiveness is linked to the amounts disbursed as loans. These amounts were considered too little to support any viable business venture. The role of the fund in the creation of a local entrepreneurial network was noted by the respondents. In addition, it was found that infrastructural support - including media, policy and training - had a positive impact in advancing the objectives of the fund. The study recommended that, for the fund to achieve its key objective, the amounts disbursed as loans should be increased. Further support initiatives targeting the fund beneficiaries, including training and awareness creation through the use of appropriate media, also need to be to be given more emphasis.</p> <p><b>Key Words:</b> Uwezo Fund, Poverty reduction, unemployment</p> |
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## 1.1 Study Background

Poverty and under development are some of the priority development concerns especially in the third world countries yet poverty is said to have increased in the last here decades (Spring, 2019). There exist many prospects as well as challenges of breaking poverty cycle for the young people in world today. Different governments have used diverse strategies as a means of alleviating poverty among its most vulnerable population including youth, women and people living with disability. Be it Job Corp in the USA, National youth Development Agency in South Africa (Smole & Loane, 2008) or Uganda Youth Venture Fund (Dortch, 2014), governments have made deliberate effort to address poverty among special groups.

In Kenya, over the past two decades, some effort has been made in the development sector to support youth development and their integration into the economy and development initiatives (KNBS, 2013). Successive government administrations have initiated public sector programmes aimed at creating employment and increasing opportunity for accelerated job creation both in Government and the private sector (Omolo, 2012). Public works jobs are created by public sector programmes such as the “Kazi Kwa Vijana” initiative. Other important initiatives includes provision of financing for private entrepreneurial business ventures such as the Youth Enterprise Development Fund; and, the Uwezo Fund. Both of these initiatives aims to provide young people with start-up or business expansion funding for creating enterprises. The concept is based on the premise that micro and small enterprise development initiatives are likely to have the greatest impact on job creation. Furthermore, affirmative actions are involved where 30% of Government procurements assigned to the youth, women and people living with disability aimed towards giving benefit to enterprises created and run by young people as a way to increase employment (Omolo, 2012). In spite of the efforts by the governments, socio-economic laws and policies adopted to address poverty have had varying effects on the lives of the target population. The debate on the successful of these initiatives in addressing poverty menace is not settled. For example in Kenya, there is a sense in public opinion especially among young people that initiatives such as Youth Enterprise Development Fund (YEDF) and Uwezo fund have not borne enough fruit in dealing with the problem of youth unemployment in the country (Odero, Okoth, Okello, Aila, Awitu, Onyango, & Ogutu, 2013). There are also those who argue that young people have not sufficiently and actively embraced such initiatives to improve their unemployment status (Kimando, Njogu & Kihoro, 2012). Accessing the loans, business infrastructure, market support and networks are thought to be not effective enough to facilitate poverty alleviation/ self-employment among the youth through the special national government funds. Although the special fund policies were generally viewed as a positive step in addressing poverty among vulnerable population, lack of its effectiveness was blamed on the low amount of loan given (Ongera, Nyakundi & Nyagao, 2016).

In most African countries, in spite of the efforts to support youth empowerment programs through various programs, youth unemployment continues to be a developmental challenge. The trend also defies the much harped the positive economic growth rates reported across Africa over the past decade (Taylor, 2014). There are indicators that this growth has not generated enough and decent employment opportunities for the youth (UNECA, 2011). Even in cases where some positive progresses have been reported, adequate data is lacking to give the full impression. For example, in Uganda, the Uganda Youth Venture Capital Fund’s (UYVCF) has reported commendable progress, yet not much is known about the scale and outreach of the fund in terms of geographical

distribution, age, gender and type of business enterprise, among other characteristics (UNECA, 2011). Several reasons have been advanced to explain the poor performance of development fund intervention and unabated trend in poverty among the vulnerable groups. According to Mungai (2013) the poverty level is compounded by lack of access to education, training, hunger and malnutrition, high exposure to diseases, and poor participation in decision making. Access to information on the available funding opportunities has remained a major barrier to the effective use of the development funds targeting youth and other disadvantaged groups. According to (Maas & Herrington 2006), most youth are not aware of the various support program available to them. The views were supported by (Ndhlovu & Twala 2007), who reported that most of the potential entrepreneurs are not aware of government programmes specifically designed to help them in South Africa. There is need therefore to assess the effectiveness of the initiatives in different context, in order to improve the policy that informs the initiative.

In Moyale Sub County, which has high level of poverty as per the census of 2009, the government has unveiled different initiatives including the Uwezo Fund, Youth Enterprise Development Fund (YEDF) and Women Fund. Since inception, no assessment has been conducted to evaluate the effectiveness of the funds in addressing poverty problem. The objective of this study is to assess the effectiveness of the Uwezo Fund in poverty reduction. The study considered creation of employment, increase in profit margin for the loan recipient and creation of local entrepreneurial network as an indication the effectiveness of the Uwezo Fund in reducing poverty in the region.

## 1.2 Statement of the Problem

In an effort to effectively address the challenges affecting the youths in Kenya, including the acute problem of unemployment in the Country, the government of Kenya has aggressively established special funds since the year 2006. At the county level, specifically in Marsabit County, there is an existing enterprise fund, free vocational training, and ICT training that specifically targets the youth. With this important initiatives put in place, both by national and county government, questions are still being raised as to whether this has led to a significant reduction of poverty or unemployment levels among the youth. The youth play a vital role in poverty eradication by providing productive labor in the society - which eventually leads to social economic development. In Moyale sub-county, only few youth engage in productive labor. Most of them idle in the village, seat by the road side all day long, learn how to chew khat or engage in crime under the influence of drugs. Some of the young people in Marsabit County mainly involve themselves in trade (Livestock and charcoal) and *bodaboda* for their livelihoods. These economic activities are however affected by the lack of Livestock market and frequent cases of cattle rustling in the county, poor road networks and insecurity. In spite of the fact that special funds have been established to help finance youth development activities, there is little visible evidence that youth in this region are actually benefiting from the same. Access to these loans, business infrastructure, market support and networks are thought not to be effective enough in facilitating effective poverty alleviation/ self-employment among the youth as intended by the special national government funds.

## 1.3 Theoretical Framework

### *The interest group theory*

The interest-group theory of government suggests that well organized producer and consumer interests often influence the spending choices of governments (Tocqueville, 1985; Bentley, 1905;

and Truman, 1950). According to various scholars (e.g Medvetz 2012), pluralism and elitism are the two dominant theories on which researchers have mainly based their analysis of interest groups. An interest group can be broadly defined as a group of individuals that share a common interest in a specific subject and work jointly to influence public policy in its favor. It is expected that the National development fund is also subject to interest group competition, and that these resources are likely to suit well organized interest groups. One of the weakness of the interest group theory, is the influence of a more powerful group shaping the decision on the use of public resources in their favor. It is therefore important that a proper assessment of the impact of special funds on poverty alleviation involves an in depth investigation of the extent to which the projects reflect the competition levels amongst local interests and the government. Further question that we may need to ask is whether Moyale Sub County attracts the attention of the government in any way with regard to their political support, and whether the population numbers can command government interest.

#### **1.4 Materials and Methods**

This study targeted the more than 102,398 youth of Marsabit County (Marsabit CIDP, 2013 – projected population in 2017). According to the Sub-county Social Service Office, the number of registered youth groups in Moyale Sub County stands at one hundred and forty seven. One hundred and nineteen groups benefited from the Uwezo Fund in Moyale. The study targeted registered youth groups. This research employed a descriptive survey research design and mixed methods of data collection. The study used both the structured and unstructured tools. The participants were drawn from five wards out of the seven that constitutes Moyale sub-county. From each ward, five groups that received the fund were randomly sampled. From each group, five members were again randomly sampled. In total, hundred and twenty-five participants were targeted for the questionnaire interview. The questionnaires were administered by assistants who were given detailed orientation on the study. In addition, five group leaders and two fund officials were interviewed using semi structured interview. The questions asked included; compliance, repayment schedule and social economic network that is promoted by the Uwezo loan in Moyale Sub County.

#### ***Data Analysis***

The data was coded and entered in excel sheet and analyzed using Statistical Packages for Social Sciences (SPSS) software. Descriptive statistic (Frequency) was calculated for the number of times the funds were received, amount of funding and profit margin gained after receiving the fund. Effect of loan on poverty reduction was analyzed by running a chi-square test of variation of response on ‘reduction of unemployment’ as result of the fund and ‘loan amount’ across the profit margin. To understand the influence of local network in poverty eradication the benefit of the fund on youth and public and growth of entrepreneurship in Moyale sub-county were analyzed. Qualitative data from the semi –structured interview was organized into manageable units, then categorized into themes, thematic analysis done and be presented in form of narratives and direct verbatim

#### **1.5 Study findings**

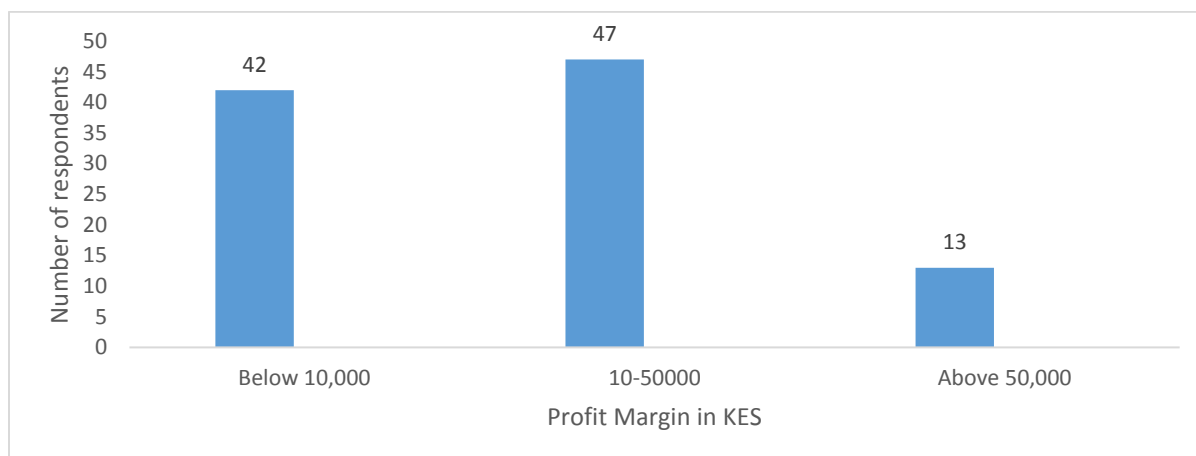
One hundred and two responses were included in the analysis. This is a response rate of 85 % , acceptable as per review conducted by (Baruch, 1999). Although the respondents were randomly drawn from the group members, there was equal representation of men and women in the sample.

The men were fifty one percent, while the women were forty nine percent. In terms of age, forty six percent of the participants were aged 30-35 years while forty one percent were 24-29 years of age. Only seven percent of the participant were above 36 years of age. Eighteen percent of the participants have attained tertiary level of education, forty percent completed secondary education, twenty three percent primary, and ten percent attaining university level

### ***Effect of Uwezo Fund on Poverty Reduction***

Ninety eight percent of participants received the loan only once. Ninety percent of the participants received KES 50,000-150,000 as the loan amount. The lack of follow up on utilization of fund /loan for intended purposes and low amount of the loan given could be serious bottleneck in terms of the business growth and benefit the recipient get from the fund. A study by Khaoya (2016) concluded that the loan which majority of youth groups have accessed is less than KES 50,000 and very minimal compared to the number of people in each group who expect to benefit from it hence the trickle-down effect becomes difficult to realize. This conclusion is supported by the observation in the current study. One of the group official explained that their group received 50,000 once, there are 10 members and divided the amount among themselves where each individual member got KES 5000, according to him this amount was too little for start- up capital to empower the members. In other groups where there are more than 10 members, the amount received by individual member could be much smaller, thereby diminishing opportunities to develop the business due to low amount of loan received.

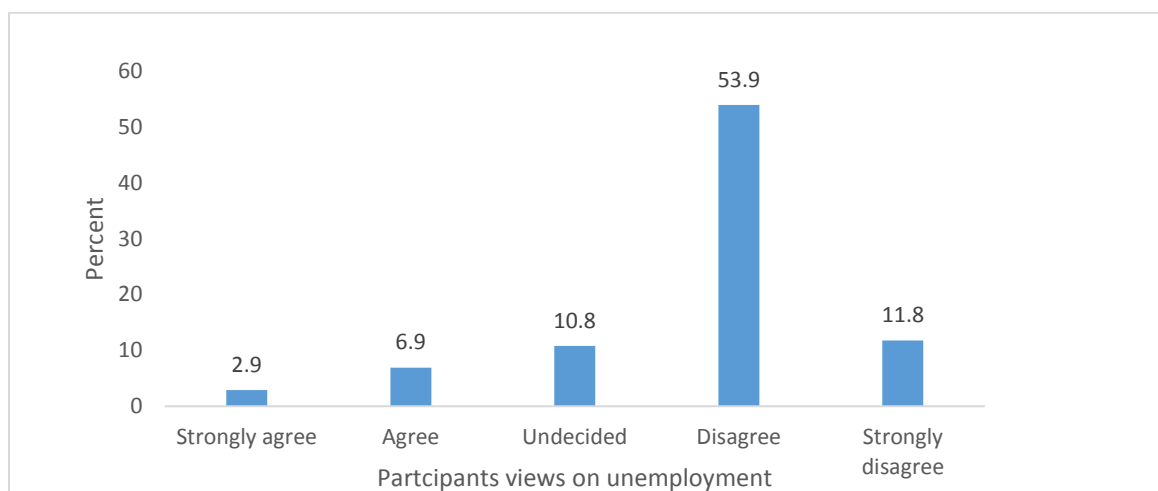
Forty seven percent of the participants reported profit margin of ten to fifty thousand (KES10000-50000), while forty two percent reported profit margin of below ten thousand after receiving the loan. Only thirteen percent reported receiving fifty one to hundred thousand shilling (KES 51,000-100,000) as profit (Fig. 1). Only thirteen percent reported receiving fifty one to hundred thousand shilling (KES 50000-100000) as profit. This means that the profit margin did not improve significantly for bigger percentage (89%) of the beneficiary indicating the poverty level did not reduce. On the other hand, sixty six percent of the participant 'disagree' or 'strongly disagree' with the assertion that the Uwezo fund has helped to reduce the rate of youth unemployment, with fifty four percent 'disagreeing', while eleven percent 'strongly disagreeing' (Fig 2.) The result can be interpreted to mean that importance of the loan in addressing unemployment depend on the size of the loan amount. The observation that most recipient reported achieving low profit margin and the feeling that the loan has not helped to reduce unemployment is a serious drawback to the objective of the fund. The central mission of the Uwezo Fund was to create job and reduce unemployment that stand at 61 percent among the youthful population (CEDGG,2016). Thus if we use reduction in the rate of unemployment and profit margin as indicator for successful poverty reduction through self employment, the fund did not achieve its mission objective. The effectiveness of the loan or otherwise cannot be fully concluded on the merit of the two variables. Similarly, study by Ashiku (2014) revealed that the fund has not been effective in creating employment for youth. From this observation, there is need for further research to make deeper analysis of the effectiveness of loan in poverty reduction by looking at the impact at higher loan level and by considering more variables or indicators for poverty reduction beyond those considered in the current study.



**Figure 1: Profit Margin of the special fund recipient (N=102)**

Source: Study Findings, 2019

According to fig1above\_Forty seven percent of the participants reported profit margin of ten to fifty thousand (KES10000-50000), while forty two percent reported profit margin of below ten thousand after receiving the loan. Only thirteen percent reported receiving fifty one to hundred thousand shilling (KES 51,000-100,000) as profit (Fig. 1). Only thirteen percent reported receiving fifty one to hundred thousand shilling (KES 50000-100000) as profit.



**Figure 2: Fund on unemployment (N=102)**

Source: Study Findings, 2019

From the above figure 2 sixty six percent of the participant 'disagree' or 'strongly disagree' with the assertion that the Uwezo fund has helped to reduce the rate of youth unemployment, with fifty four percent 'disagreeing', while eleven percent 'strongly disagreeing'.

**Table 1: Relationship between amount of loan received and the views on rate of unemployment**

| <b>Amount of loan received</b> | <b>Views on the reduction of the rate of Unemployment</b> |                |                  |                 |                          |
|--------------------------------|-----------------------------------------------------------|----------------|------------------|-----------------|--------------------------|
|                                | <b>Strongly Agree</b>                                     | <b>Agree</b>   | <b>Undecided</b> | <b>Disagree</b> | <b>Strongly Disagree</b> |
| Below KES 50,000               | 0 (1.5)                                                   | 0(2.16)        | 1 (2)            | 14(9.33)        | 2(2)                     |
| KES 50-150,000                 | 5 (6.97)                                                  | 12(10.06)      | 10(9.29)         | 42(43.37)       | 10(9.29)                 |
| Kes 151000-250,000             | 4 (0.52)                                                  | 1(.76)         | 1(0.7)           | 0(3.29)         | 0(0.7)                   |
| Chi-square test                | DF.8                                                      | P= 2.60322E-05 | N=102            |                 |                          |

*Source: Field data, 2019*

Key. The value outside the bracket is the actual frequency while the one inside the bracket is the expected frequency.

The result on the (Table 1) above reveals that, views on reduction of rate of unemployment due to loan vary significantly across the three categories of the amount of the Uwezo loan received (Table, 1,  $P < 0.05$ ). Most participants within the lower (below KES 50,000) and medium category of loan amount (KES 50,000-150,000) disagree ('disagree' or 'strongly disagree') with assertion that the rate of unemployment has reduced. The result can be interpreted to mean that importance of the loan in addressing unemployment depend on the size of the loan amount. When the loan amount is above KES 150,000, it allows the recipient to engage in high earning business that can absorb more youth, thereby helping in the reduction of unemployment. The result is in agreement with observation made by Odera et al. (2013), according to which the YEDF did not significantly influenced youth enterprises due to the low amount of loan received. According to one of the Uwezo Fund official, the small amount of the loan is given at the initial period to test ability of the members to repay the loan as per the agreed schedule. Yet repayment depends on the profit made from the business. In situation where the loan is too small to contribute reduction in poverty level, the situation can be viewed as a loss-loss condition as the fund will not meet its expectation and neither are the recipients. It further curtails the beneficiaries from receiving second or the third round of loan and thereby directly affecting loan uptake in the Sub County.

**Table 2 Variation of profit margin across loan amount**

| <b>Profit margin</b> | <b>Amount of loan</b>   |                       |                           |
|----------------------|-------------------------|-----------------------|---------------------------|
|                      | <b>Below Kes 50,000</b> | <b>KES 50-150,000</b> | <b>Kes 151000-250,000</b> |
| Below Kes 10,000     | 11 (6.17)               | 30 (32.9)             | 1 (2.88)                  |
| KES 10-50000         | 2 (6.9)                 | 45 (36.8)             | 0 (3.22)                  |
| KES 50,000 and Above | 2 (1.69)                | 5 (10.9)              | 6 (0.89)                  |
| Chi-square test:     | DF =4                   | P = 2.89E-09          | N= 102                    |

*Source: Field data, 2019*

Key. The value outside the bracket is the actual frequency while the one inside the bracket is the expected frequency.

The Chi-square Test Table 2 indicate that the relationship between the 'loan amounts' on the profit margin for the recipient is significant (Table1,  $P < 0.05$ ). Based on the response for from the participants, there was higher profit margin at higher loan amount (observed frequency 6). Study by Kavenuke, (2016) in Manyara region of Tanzania, identified loan size as an important strategy in reduction of poverty. The analysis from inferential statistic corroborate observation made from descriptive statistics.

### ***Support of Uwezo Fund in Creation of Local Entrepreneurial Network***

The fund has helped the public according to sixty seven percent of the participants. However, thirty two percent opined that the fund has not helped the public.

Sixty seven percent of the participants agree that youth and the public have benefited from the fund, with fifty two 'agreeing' while fifteen percent 'strongly' agreeing (Fig. 3). These views were supported by the data from semi structured interview of the fund officials and group leaders. There was consensus among the group leaders and fund officials that fund has helped strengthen group and promoted growth of support network at local level.

An official of one of the group narrated that;

*"our group got hundred thousand and we topped up our capital for goat trade, we added more stock and networked with Ethiopian traders who advised us to stock sheep instead of goat because there is new market for mutton between Ethiopia and United Arab Emrates, and Saudi Arabia then we sold out the goats to local market and we ventured to sheep trading and our profit margin improved by far. We decided to buy chicken for individual members aimed at household income or nutritional support, currently we follow the market trend through keeping constant communication with cross border traders."*

The experience from this group clearly demonstrate that group cohesion and unity made it easy for them to be more flexible in taking advantage of the changes in market opportunities. Since in most cases the initial investment in micro enterprise is limiting, it is important to train and encourage the recipient to use internal and external network to maximize their gains. This view is in agreement with the tenets of interest group theory which guides this study.

Another respondent adds that;

*"Before the Uwezo fund, it was very difficult for our group and other groups from neighborhood to initiate income generating activity. We received the loan twice and have supported our members to cooperate in joint activities that included retailing water and vegetable garden. Our members are now more united"*

The statement from this group member is an important testimony that the Uwezo Fund was important in initiating business opportunity for the group. The group got the loan twice and that allowed them to engage in extra business opportunities thus increasing their chance of getting more income and profit from their venture. This confirms achievement of Uwezo Fund objective in promoting youth capacity building and innovativeness

Another group leader narrated that:

*"In addition to strengthening our group activities, the fund has helped us to collaborate with a neighboring group that has better capacity. We have learned a lot from their success and will use the knowledge to promote our work."*

The observation made by this group shows that the fund promoted collaboration and increased opportunities for less established group to engage and learn from more advance group. This experience will provide a useful lesson for the fund managers to encourage peer to peer exchanges among local groups, especially those dealing with similar trade. In a related observation, Atieno

2013, reported YEDF promoted youth empowerment in Kangudo, Machakos County by helping them engage in multiple activities such as vegetation farming and tree planting.

Furthermore, one Uwezo Fund official reported that the Fund was more popular than similar funds available in the region because it does not charge interest or administrative fee. He narrated:

*“....The population in Moyale is 95 percent Muslim. Most groups are discouraged from taking alternatives available special fund such as women enterprise fund because they consider the five percent loan administration cost as interest which is prohibited by our religion. We thank God for uwezo fund there is no administrative cost charge”.*

This indicates that there are special groups who are locked out by the policy based on their religious belief. This is an important consideration to enable people of Muslim faith (who are the majority in the region) benefit from other available special Funds. Consequently, the government needs to address the issues of these charges to improve absorption of the special development Funds.

Conversely, Akwala (2014) associated high uptake of loan in Tharaka Nithi with the 5% interest rate, which is much lower than rates charged by commercial banks or private micro-enterprise financing options.

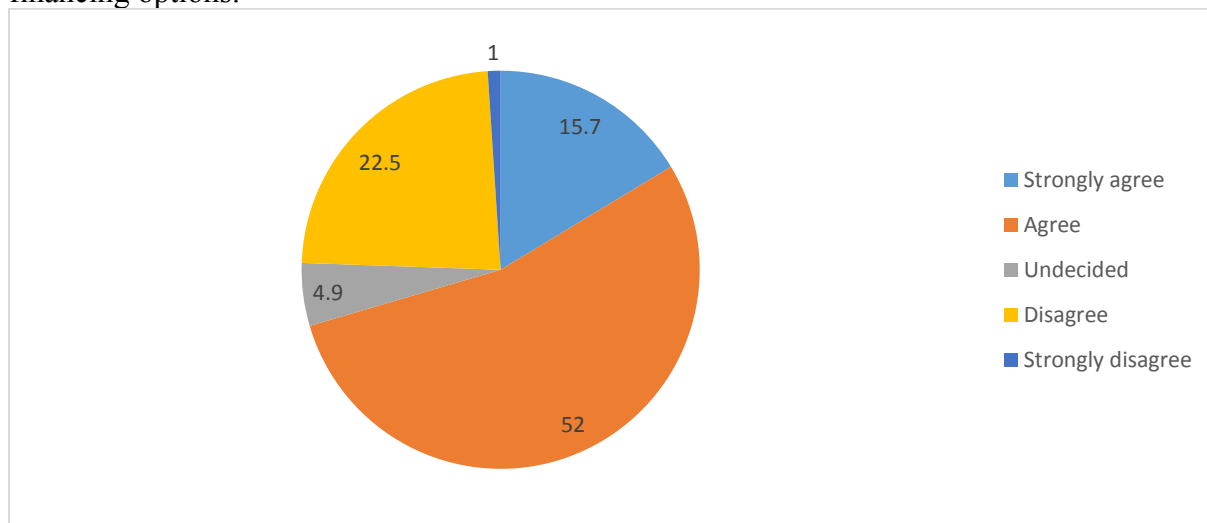


Figure 3; Youth and Public benefit from fund in creation of socio-economic network  
Source

*Source: Study Findings, 2019*

Figure 3 above indicates that the fund has helped the public according to (52+15.7%) total of sixty seven (67%) percent of the participants. However, thirty two percent opined that the fund has not helped the public. There was consensus among the group leaders and fund officials that the fund has helped strengthen group network and promoted growth of support network at local level.

### 1.6 Conclusion and Recommendation

The study analyzed two indicators of poverty reduction which are profit margin and reduction in the rate of unemployment to understand effectiveness of the loan. The two indicators show that the fund has not fully achieved its objective. Possible reasons from the observation made in this study as to why the fund failed to achieve its goal could be related to the loan amount and the number of loans received. The implication of this observation is that loan size needs to be increased to achieve the objective of poverty reduction through more income from micro-enterprises and

greater job opportunities for youth. There is need for further study to evaluate the size of loan that can accelerate rate of development through improved business profitability and increased job opportunities for youth.

In spite of the fact that the Fund has not successfully contributed to poverty reduction (profit margin and unemployment), the respondent appreciated the type of support they had received from the fund. In particular the role of the fund in creation of local network and growth of entrepreneurial practices is well appreciated. These are considered public benefit since it at least led to increased interest in micro-business. It is important that the Uwezo Fund and other development Fund is sustained further so that this interest in business reach point of maturation toward more profit and employment opportunities for the target population. There is however need for further study that will look into actual role of network in promotion of enterprises in the rural. Such a study will evaluate the network in terms of number, type of network and extent to get a much clearer picture.

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