



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES  
APPROVED ON MAY 20, 2016  
TO  
THE REPUBLIC OF KENYA

SOCIAL PROTECTION & JOBS

AFRICA

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## ABBREVIATIONS AND ACRONYMS

AGPO	Access to Government Procurement Opportunities
BDS	Business Development Services
BPC	Business Plan Competition
CBST	Core Business Skills Training
FKE	Federation of Kenya Employers
FY	Fiscal Year
FTP	Formal Training providers
GRM	Grievance Redress Mechanism
IA	Implementing Agencies
IP	Implementation Progress
ISR	Implementation Status Results Report
ISSOS	Informal Service Sector Occupational Survey
JSST	Job Specific Skills Training
KAM	Kenya Association of Manufacturers
KLMIS	Kenya Labor Market Information System
KNOCS	Kenyan National Occupational Classification
KEPSA	Kenya Private Sector Alliance
KYEOP	Kenya Youth Employment and Opportunities Project
KYEP	Kenya Youth Empowerment Project
LMI	Labor market information
LMO	Labor Market Observatory
LST	Life Skills Training
MSEA	Micro and Small Enterprise Authority
MTR	Mid-Term Review
MIIYA	Ministry of ICT, Innovation and Youth Affairs
MU	Moderately Unsatisfactory
M&E	Monitoring and Evaluation
NITA	National Industrial Training Authority
PCU	Project Coordination Unit
PDO	Project Development Objective
PITC	Project Implementation Technical Committee
SDL	State Department for Labour
SDY	State Department for Youth
SDR	Special Drawing Rights



**BASIC DATA**

**Product Information**

Project ID P151831	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 20-May-2016	Current Closing Date 31-Dec-2021

**Organizations**

Borrower The Republic of Kenya	Responsible Agency Ministry of ICT,Innovations and Youth Affairs
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**Project Development Objective (PDO)**

Original PDO

The proposed Project Development Objective (PDO) is to increase employment and earnings opportunities for targeted youths.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-58120	20-May-2016	04-Jul-2016	15-Dec-2016	31-Dec-2021	150.00	51.06	96.40

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### Overall Project Status

1. The Kenya Youth Employment and Opportunities Project (KYEOP) is an IDA credit for an equivalent of US\$150 million that was approved by the World Bank Board of Executive Directors on May 20, 2016, becoming effective on December 15, 2016. The Project closing date is December 31, 2021. As of March 2020, the disbursement ratio is 35 percent, representing an improvement of 5 percentage points since the Mid-Term Review (MTR) held in November 2019, but still below the projected disbursement of 45 percent as at Q3 of fiscal year (FY) 2020. The PDO rating was recorded in the latest Implementation Status Results Report (ISR) from December 2019 as Moderately Satisfactory (MS), with the Implementation Progress (IP) rating recorded MS as well. The Financial management is rated Moderately Unsatisfactory (MU) due to challenges related to payments of youth stipends and training providers under Component 1. Out of the 4 PDO-level results indicators that can be measured at this stage (the fifth one will be measured with an impact evaluation for which results will only be available in FY 2021), 2 indicators are on track and 2 are lagging. A total of 6 out of the 13 intermediate results indicators have been achieved. KYEOP is a Category C project and does not trigger any safeguards policies. The fiduciary risk is rated High while the overall risk rating is Substantial.

2. KYEOP includes 4 components: Component 1 addresses the skills mismatch of youth by engaging training providers and private sector employers to offer training and work experience to targeted youth. Component 2 responds to the need for job creation with initiatives to help launch new businesses, improve the productivity and job creation potential of existing microenterprises and among self-employed youth, and support innovative approaches to improve job and earning opportunities among the hard-to-serve youth. Component 3 improves access to and the quality of labor market information (LMI) to help public and private actors make decisions and formulate policies. Component 4 provides support for strengthening youth policy development, monitoring and evaluation (M&E), and management of the Project.



## Project Status by Component

3. **Component 1 on "Improving youth employability" is rated MU** due to slow progress towards achieving target numbers of beneficiaries and the low percentage (below expected target of 70%) of youth reporting being employed 6 months after completing training and Internship. Only about 51% of youth are estimated to have found paid employment based on a non-random sample using SMS contacts for cycles 1 and 2 of youth training; 63.5% according to preliminary tracer study results for cycle 1. Through the first three program cycles, attrition has also been an issue. A total of 26,850 youth were targeted in 13 counties to participate in KYEOP in the first three cycles of the Project, but attrition has resulted in 20,197 completing the first month of general training under Component 1, representing a 75% completion rate.

4. **Component 2 has been progressing well and is showing high employment results.** Cycle 1 beneficiaries of business grants exhibit a high percentage of paid employment (mostly self-employment): 87.5% based on the preliminary tracer study results (with similar results obtained via bulk SMS surveys). The main challenge in component 2 stems from the MbeleNaBiz business plan competition (BPC) management firm. While there have been recent improvements, the deliverables by the management firm under the BPC are often unsatisfactory, requiring heavy supervision by Micro and Small Enterprise Authority (MSEA) and by the World Bank task team. This puts the project at risk, especially considering the high visibility of the BPC.

5. **Component 3 has made some progress during calendar year 2019 but keeps a slow implementation pace.** The State Department for Labor (SDL) has made progress in completing the Informal Service Sector Occupational Survey (ISSOS), updating the Kenyan National Occupational Classification (KNOCS), preparing a roadmap for the Kenya Labor Market Information System (KLMIS), and setting up a Labor Market Observatory (LMO). However, implementation remains slow and concrete outputs to be showcased on the KLMIS website are yet to be produced.

6. **Under Component 4**, the national youth policy has been revised, the two impact evaluations have started, and project coordination has improved. Project Implementation Technical Committee (PITC) meetings, chaired by the Principal Secretary for Youth, consistently continue to take place every month. State Department for Youth (SDY) has stepped up its monitoring of Job Specific Skills Training (JSST). The agencies continue working together to consolidate the Grievance Redress Mechanism (GRM) for the project at the Project Coordination Unit (PCU) level. However, serious challenges have been noted in addressing complaints within stipulated timelines.

## Rationale for Restructuring

7. The November 2019 MTR confirmed that the PDO remained relevant in the current country context. However, it noted 2 key areas that required modification of project design: 1) Improving employment results by engaging private sector employer organizations to broaden private sector participation in KYEOP and expand opportunities for youth employment; and 2) Streamlining the payment function by using better the Implementing Agencies' (IA) comparative advantage and capacity on the ground to support payments.

8. The proposed project restructuring is in response to the request of the Government of Kenya letter dated February 18, 2020, following the MTR.

9. The first key modification aims to address challenges faced in reaching the 70% employment target, by engaging private sector employer organizations to increase youth employment. The provision of employment opportunities is proving to be a challenge as trainers seem to be lacking employer contacts and networks. There is a need to expand the project's reach to a larger number of private employers in established and emerging industries. As the project has 20



months of implementation remaining, the key proposed action is to engage an employer umbrella organization in order to support placement of youth in internships and employment.

10. The second key modification relates to addressing fiduciary risks and challenges faced in making payments. There have been significant delays in the payment of youth stipends and trainer services under JSST, indicating that this heavy administrative function does not align well with National Industrial Training Authority's (NITA) operations. Formal Training providers (FTP) and Master Craftsmen (MC) uniformly identify delays in stipends and service payments by NITA as an issue. When providers or youth complain about payment delays, the resolution of grievances has been slow. This has led to youth attrition and affected the quality of training, which consequently affects the PDO. To address the incessant delays and increase efficiency, it was agreed to move the payments function from NITA to SDY, taking into consideration SDY's comparative advantage in executing these payments, as well as NITA's strategic objectives that are currently not aligned to this administrative function.

11. Additional smaller modifications relate first to the development of a Micro and Small Enterprise policy under Component II. This policy is seen as an important element in providing an enabling environment for businesses in Kenya, which is, in turn, key for job creation. Second smaller modifications relate to the results framework and are detailed in section II.

## II. DESCRIPTION OF PROPOSED CHANGES

12. **This Restructuring Paper proposes two key modifications and other smaller modifications.** The two key modifications are: 1) Private sector employers' organizations are included with a significant role in the project to improve employment outcomes. 2) Payment function is transferred from NITA to SDY under the Ministry of ICT, Innovation and Youth Affairs (MIIYA). The funds will still be budgeted under the SDY as they still maintain their vote code but administratively, they will be under a different Cabinet Secretary. Funds will flow to SDY but through the MIIYA Development Account. Other smaller modifications are: 1) Development of a micro and small enterprise policy as an activity to be added to enhance job creation under component II; and 2) Update the results indicator on employment after 6 months for sub-component 2.1, changing it from an absolute number to a percentage, with a 70% target, similar to Component 1.

13. **Hiring of a private sector employer organization.** There is a need to expand the project's reach to a larger number of private employers in established and emerging industries. Strengthening the partnership between trainers and employers is important to improving the relevance of the skills acquired and achieving increased opportunities for employment and earnings. At the same time, expanding the number of large employers willing to partner with trainers and reaching out to employers in growth sectors of the economy is important to ensuring youth access opportunities for employment. The successful Kenya Youth Empowerment Project (KYEP), KYEOP's predecessor project) demonstrated this by giving the private sector a lead role in defining and delivering skills for 75% of a total of 25,000 youth targeted. KYEOP could benefit from a stronger engagement with the Kenya private sector as well. The key proposed action from the MTR is to engage an employer umbrella organization. The Government would like to leverage the experience of the Kenya Private Sector Alliance (KEPSA) as they successfully managed youth placement in internships and employment under KYEP. Furthermore, KEPSA is an apex employer organization covering 18 economic sectors and has membership comprised of other umbrella employer organizations such as the Federation of Kenya Employers (FKE) and the Kenya Association of Manufacturers (KAM).



14. **Transfer of the payment function from NITA to SDY.** The second change relates to payments performed under component 1 by both SDY and NITA. Payment of youth stipends and training providers under Component 1, sub component 1.1 (provision of training and work experience in the formal sector) and sub component 1.2 (provision of training and work experience in the informal sector) are currently performed by SDY during Life Skills Training (LST) and Core Business Skills Training (CBST), while NITA does this during JSST. However, the significant delays in the payment of youth stipends and trainer services under JSST, indicates that the heavy administrative function does not align well with NITA's operations. SDY's comparative advantage and capacity on the ground for monitoring and responding to payment related grievances will increase efficiency and provide youth and trainers the required support. The transfer of the payment function notwithstanding, the SDY PCU in collaboration with the other IAs is still expected to engage a consulting firm to validate and verify the processes associated with the payments to youth in the MIS systems. The procurement has been going on for long and there is need to expedite this procurement especially now that activities have picked up in all the IAs. This will enable the project to mitigate the risks associated with the payments systems.

15. **The transfer of the payment function from NITA to SDY would entail changes in the Financing Agreement, the Subsidiary agreements and the Operations Manual:**

(a) The changes in the Financing agreement are as follows:

- (i) Split Part A2 of Schedule 1 into 3 parts: a) life skills and core business skills, b) job specific trainings and internships, and c) services aimed at: (i) Developing and updating of certification standards for traditional apprenticeship trades and (ii) upgrading of master craftsmen skills; and addition of Part A3, to include: a) Certification of youth through trade and competency tests, and b) quality assurance of skills training;
- (ii) Change in the implementation arrangements to have MIIYA take over responsibility for parts A1, A2(a), and A2(b) of the Project, while NITA will remain with the activities specified under the new parts A2 (c) and A3;
- (iii) Category 1 in the table in Section IV.A. of Schedule 2 to be amended as follows: Under parts A.1, A.2(a) and A.2(b), to be implemented by MIIYA, an allocation of SDR 27,963,000 and under parts A.2(c) and A.3, to be implemented by NITA, an allocation of SDR 25,277,000.

(b) Changes in the Subsidiary financing agreement between MIIYA and NITA to reflect MIIYA taking over responsibility for new parts A1 and A2 of the project with related resources attached to Component 1.

16. **Micro and Small Enterprise Policy.** Under component II of the project, Support for Job creation, an additional activity will be added within the same resource envelope: The activity relates to supporting the development of the Micro and Small Enterprise Policy, which is an important catalyst aimed at supporting job creation.

17. **The restructuring will also entail minor changes in the Results Framework.** First, the restructuring will also update the PDO-level results indicator on "Number of youth employed, including self-employed, at least 6 months after receiving a startup grant and/or Business Development Services (BDS)", changing it from an absolute number to a percentage, having a 70% target, similar to Component 1. The second change is related to eliminating the double counting of beneficiaries in CBST and Access to Government Procurement Opportunities (AGPO), under the indicator "Number of youth who participate in the awareness sessions on government opportunities (AGPO and government funding)". The current target of 188,500 youth risks double counting because it currently includes youth completing CBST who would also be counted in the 70,000-youth benefiting from training and internships. This restructuring will allow counting of AGPO information recipients to be made separately from the CBST.



### III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Institutional Arrangements	✓	
Financial Management	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
DLIs		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

### IV. DETAILED CHANGE(S)

#### REALLOCATION BETWEEN DISBURSEMENT CATEGORIES





Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IDA-58120-001   Currency: XDR				
iLap Category Sequence No: 1A	Current Expenditure Category: GD,NCS,CS,TR,OC part A1a,A2a MPYG			
12,070,000.00	5,863,682.99	27,963,000.00	100.00	100.00
iLap Category Sequence No: 1B	Current Expenditure Category: GD,NCS,CS,TR,OC part A1b,A2b MLEAA			
41,170,000.00	10,102,437.46	25,277,000.00	100.00	100.00
iLap Category Sequence No: 2A	Current Expenditure Category: GD,NCS,CS,TR,OC part B MIIT B.1,B2a			
9,370,000.00	1,919,276.00	9,370,000.00	100.00	100.00
iLap Category Sequence No: 2B	Current Expenditure Category: GD,NCS,CS,TR,OC part B MPYG B2a,B2b			
783,000.00	0.00	783,000.00	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: Business start-up Grants B1 MIIT			
8,520,000.00	1,954,983.44	8,520,000.00	100.00	100.00
iLap Category Sequence No: 4	Current Expenditure Category: Business Plan C award B2a,MPYG			
9,940,000.00	0.00	9,940,000.00	100.00	100.00
iLap Category Sequence No: 5	Current Expenditure Category: Innovation award part B2a MPYG			
852,000.00	0.00	852,000.00	100.00	100.00
iLap Category Sequence No: 6	Current Expenditure Category: GD,NCS,CS,TR,OC part C, MLEAA			
9,590,000.00	964,543.17	9,590,000.00	100.00	100.00
iLap Category Sequence No: 7	Current Expenditure Category: GD,NCS,CS,TR,OC part D MPYG			



	12,640,000.00	2,957,746.10	12,640,000.00	100.00	100.00
iLap Category Sequence No: 8					
	1,565,000.00	1,471.64	1,565,000.00		
<b>Total</b>	<b>106,500,000.00</b>	<b>23,764,140.80</b>	<b>106,500,000.00</b>		

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2016	0.00	0.00
2017	5,000,000.00	5,000,000.00
2018	10,000,000.00	10,000,000.00
2019	20,000,000.00	20,000,000.00
2020	45,000,000.00	25,000,000.00
2021	50,000,000.00	60,000,000.00
2022	20,000,000.00	30,000,000.00



**Results framework**

COUNTRY: Kenya

Kenya Youth Employment and Opportunities

**Project Development Objectives(s)**

The proposed Project Development Objective (PDO) is to increase employment and earnings opportunities for targeted youths.

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>To increase employment and earning opportunities for targeted youths</b>							
Direct Project Beneficiaries (Number)		0.00					280,500.00
Female Beneficiaries (Percentage)		0.00					50.00
Percentage of youth receiving training and an internship who find a job or are self-employed after at least six months (Percentage)		55.00	70.00	70.00	70.00	70.00	70.00
Number of youth employed, including self-employed, at least 6 months after receiving a startup grant and/or BDS (Number)		0.00	0.00	2,400.00	7,200.00	18,100.00	27,200.00
<b>Action: This indicator has been Revised</b>							
► Percentage increase in average earnings among		0.00	0.00	0.00	10.00	10.00	10.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
workers (self-employed or wage) at least 6 months after receiving a startup grant, BDS, or a business competition award (Percentage, Custom) (Percentage)							

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Improving youth employability</b>							
Number of beneficiary youths receiving life skills, technical, and entrepreneurship training and internships (Number)	0.00		10,000.00	30,000.00	50,000.00	70,000.00	70,000.00
Number of beneficiary youths obtaining a skill certification (Number)	0.00		5,000.00	15,000.00	25,000.00	35,000.00	35,000.00
Number of craftsmen who participate in upgrading and obtain master craftsman certification (Number)	0.00		200.00	450.00	700.00	1,000.00	1,000.00
Number of new trade standards and testing instruments developed or revised for traditional	0.00		10.00	20.00	30.00	50.00	50.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
apprenticeships (Number, Custom) (Number)							
Percentage of beneficiary youth satisfied with the start-up grants and the business development services (Percentage, Custom) (Percentage)		0.00	0.00	65.00	70.00	75.00	80.00
<b>Support for job creation</b>							
Number of beneficiary youth receiving a startup grant and/or BDS (Number)		0.00	0.00	3,000.00	9,000.00	22,000.00	34,000.00
Number of applicants to the business competition (Number)		0.00	0.00	3,000.00	3,000.00	3,000.00	3,000.00
Percentage of beneficiary youth satisfied with the start-up grants and the business development services (Percentage, Custom) (Percentage)		0.00	0.00	65.00	70.00	75.00	80.00
<b>Improving labor market information</b>							
Number of and types of LMIS reports published by the LMIS unit (Text)		0.00	1) Revised KNOCS 2) Skills and Occupational outlook for the informal sector	1) Localized ISIC Rev 4 2) Updated Skill inventory	1) National Manpower Profile Report	National Occupational Outlook Report	Fully functional LMIS generating and disseminating various LMI reports
Number of visitors of the LMIS website (Number)		0.00	0.00	1,000.00	4,000.00	7,000.00	10,000.00
<b>Strengthening youth policy development and project management</b>							



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Number of youth who participate in the awareness sessions on government opportunities (AGPO and government funding) (Number, Custom) (Number)		0.00	23,500.00	55,000.00	133,500.00	188,500.00	188,500.00
Implementation plan for new NYES submitted to the National Cabinet Office (Text, Custom) (Text)		Implementation plan not submitted	n.a.	n.a.	n.a.	n/a	Implementation plan submitted
Complete process and beneficiary assessment for at least one of the government funding programs for youth (Text, Custom) (Text)		No process and beneficiary assessments conducted	Consultant(s) to conduct process evaluation and beneficiary assessments hired	Process evaluation completed	Beneficiary assessment completed	Process evaluation and beneficiary assessments published online and disseminated to relevant stakeholders	One or more process and beneficiary assessments completed



**The World Bank**

Kenya Youth Employment and Opportunities (P151831)

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