



**PERFORMANCE AUDIT REPORT
ON
IMPLEMENTATION OF YOUTH ECONOMIC
EMPOWERMENT PROGRAMMES IN MALAWI

UNDER
MINISTRY OF LABOUR, YOUTH AND MANPOWER
DEVELOPMENT**



**NATIONAL AUDIT OFFICE
P.O. BOX 30045
LILONGWE 3**

APRIL 2017



Table of Contents

| | |
|---|------|
| Table of Contents..... | i |
| List of Acronyms..... | iv |
| List of Tables | vi |
| List of Figures | vii |
| Executive Summary..... | viii |
| CHAPTER 1: INTRODUCTORY..... | 1 |
| 1.1 Background | 1 |
| 1.2 Motivation..... | 1 |
| 1.3 Audit Objective, Audit Questions and Audit Scope | 3 |
| 1.3.1 Audit Objective..... | 3 |
| 1.3.2 Audit Questions..... | 3 |
| 1.3.3 Audit Scope | 4 |
| CHAPTER 2: METHODOLOGY..... | 6 |
| 2.1 Interviews | 6 |
| 2.2 Document review | 6 |
| 2.3 Physical Inspection..... | 6 |
| 2.4 Audit Limitations..... | 8 |
| 2.5 Sampling..... | 8 |
| CHAPTER 3: DESCRIPTION OF THE AUDIT AREA AND CRITERIA USED FOR ASSESSING PERFORMANCE. | 9 |
| 3.1 Description of The Audit Area..... | 9 |
| 3.1.1 Legislation of the MoYSD | 11 |
| 3.1.2 Goals and objectives of YEE programmes..... | 11 |
| 3.1.3 Organisation of the Youth Department..... | 12 |
| 3.1.4 Staffing arrangements for the Youth Department and Outreach Services..... | 14 |
| 3.1.5 Funding Arrangements..... | 15 |
| 3.1.6 Key Stakeholders on YEE Programmes..... | 16 |
| 3.2 Process Description for YEE programmes..... | 19 |
| 3.2.1 Administration of Youth Development Fund (YEDEF)..... | 19 |



| | |
|--|----|
| 3.2.2 Vocational, Technical, Entrepreneurship and Business Management Skills Trainings ²² | |
| 3.3 Criteria for assessing the performance..... | 26 |
| 3.3.1 Establishment, improvement and sustainability of Youth Development Fund | 26 |
| 3.3.2 Youth trained in vocational, technical, and entrepreneurship skills..... | 26 |
| 3.3.3 Attachment of Youth to successful entrepreneurs | 27 |
| 3.3.4 Monitoring and Evaluation of Youth Economic Empowerment Programs | 27 |
| CHAPTER 4: FINDINGS..... | 28 |
| 4.1 Establishment, improvement and sustainability of Youth Development Fund. | 28 |
| 4.1.1 Loan Disbursement | 28 |
| i. Non adherence to YEDEF Operational guidelines | 29 |
| ii. Loan beneficiaries provided with equipment without start-up capital. | 32 |
| 4.1.2 YEDEF loan recoveries | 33 |
| i. Inability to meet loan recovery target | 33 |
| ii Loan recoveries taking longer than the maximum repayment period..... | 38 |
| 4.1.3 YEDEF equipment | 42 |
| 4.2 Training of youth and athletes in vocational, technical and entrepreneurship skills... | 51 |
| 4.2.1 Inability to meet target..... | 51 |
| 4.2.2 High dropout and low enrolment rates at Neno IYD Centre..... | 56 |
| 4.2.3 Low district coverage for YEE related trainings..... | 58 |
| 4.2.4 Presentation of conflicting information..... | 61 |
| 4.2.5 Needs Assessments for youth economic empowerment programs..... | 62 |
| 4.2.6 Improvement of livelihoods of trainings and startup tools youth beneficiaries. . | 63 |
| 4.3 Attachment of young entrepreneurs to successful entrepreneurs..... | 64 |
| 4.4 Monitoring and Evaluation of Youth Economic Empowerment Programs. | 66 |
| CHAPTER 5: CONCLUSIONS..... | 68 |
| 5.1 General Conclusion | 68 |
| 5.2 Specific conclusions..... | 69 |
| 5.2.1 Establishment, improvement and sustainability of Youth Development Fund | 69 |
| 5.2.2 Training of youth and athletes in vocational, technical and entrepreneurship skills | 69 |
| 5.2.3 Attachment of youth entrepreneurs to successful entrepreneurs | 70 |



| | |
|--|----|
| 5.2.4 Monitoring and Evaluation of Youth Economic Empowerment Programs..... | 70 |
| CHAPTER 6: RECOMMENDATIONS..... | 71 |
| 6.1 Improvement and sustainability of Youth Development Fund..... | 71 |
| 6.2 Training of youths in vocational, technical and entrepreneurship skills..... | 72 |
| 6.3 Attachment of youth entrepreneurs to successful entrepreneurs..... | 72 |
| 6.4 Monitoring and Evaluation..... | 73 |
| APPENDICES: | 74 |
| Appendix 1: Strategic Plan Implementation Matrix for the MOYSD..... | 74 |
| Appendix 2: Summary of Reviewed Yedef Files on Compliance to Guidelines..... | 76 |
| Appendix 3: Districts where YEE programmes were implemented..... | 77 |
| Appendix 4: YEDEF Equipment Closing Stocks..... | 78 |
| Appendix 5: List of documents reviewed and their purposes..... | 80 |
| Appendix 6: Interviews List for Main Study..... | 83 |
| Appendix 7: Sampled Yedef Beneficiaries From 3 Districts..... | 84 |
| Appendix 8: Stock Movement Rates..... | 87 |
| Appendix 9: YEDEF Loan Disbursement Flow Chart | 89 |



List of Acronyms

| | |
|-----------------|---|
| ADC: | Area Development Committee |
| APA: | Annual Performance Agreement |
| AU: | African Union |
| CHRMO: | Chief Human Resources Management Officer |
| DDP: | District Development Plan |
| DC: | District Council |
| DEC: | District Executive Committee |
| DYO: | District Youth Officer |
| DHRMD: | Department of Human Resources Management and Development |
| FBO: | Faith Based Organization |
| GOM: | Government of Malawi |
| HR: | Human Resources |
| IHS: | Integrated Household Survey |
| IYDC: | Integrated Youth Development Centre |
| MARDEF: | Malawi Rural Development Fund |
| MARYDEF: | MARDEF and YEDEF (combined loan products accounting software) |
| MEDEF: | Malawi Enterprise Development Fund |
| MGDS: | Malawi Growth Development Strategy |
| MLYMD: | Ministry of Labour Youth and Manpower Development |
| MOU: | Memorandum of understanding |



| | |
|----------------|--|
| MOEST: | Ministry of Education science and Technology |
| MOYSD: | Ministry of Youth and Sports Development |
| NAC: | National Aids Commission |
| NAO: | National Audit Office |
| NGO: | Non-Governmental Organization |
| NSO: | National Statistical Office |
| NYCOM: | National Youth Council of Malawi |
| OPC: | Office of the President and Cabinet |
| ORT: | Other Recurrent Transaction |
| SWG: | Sector Working Group |
| TA: | Traditional Authority |
| TEVETA: | Technical Vocational Entrepreneurship Training |
| UN: | United Nations |
| UNDP: | United Nations Development Program |
| UNFPA: | United Nations Fund |
| UNICEF: | United Nations International Children Fund |
| UNFPA: | United Nations Population Fund |
| YED: | Youth Economic Development |
| YEDEF: | Youth Enterprise Development Fund |
| YEE: | Youth Economic Empowerment Programmes |



List of Tables

Table 2.1: Places visited for physical inspection

Table 3.1: Staff Establishment Warrant for Youth Department and Youth Outreach Services

Table 3.2: Budget allocations for Youth Economic Empowerment Programmes

Table 3.3: Key stakeholders and their respective roles and responsibilities

Table 4.1: Politically mobilized and exceeded membership YEDEF Loan Groups

Table 4.2: Summary of Political Leader who were YEDEF Loan Guarantors

Table 4.3: YEDEF Loan Data for Sampled Districts

Table 4.4: YEDEF Equipment Loans from Sampled Districts

Table 4.5: Loan accounts with no repayments evidence and repayments that were not reflected in the statement of accounts.

Table 4.6: List of equipment valued more than MK 2,000,000.00.

Table 4.7: Values of opening and closing stocks for high valued equipment

Table 4.8: Values of opening and closing stocks for low valued equipment

Table 4.9: Annual Targets and Progress on YEE Trainings for 2013/2014

Table 4.10: Annual allocation and actual funding for output targets and progress made.

Table 4.11: Staffing for the youth department and youth outreach services

Table 4.12: Number of youth trained in sampled districts.



List of Figures

Figure 3.1: Youth Department's Organogram

Figure 3.2: Coordination System of key stakeholders on YEE Programmes

Figure 3.3: Process Description Flow Chart of YEE trainings programs

Figure 4.1: Compliance to YEDEF Operational Guidelines

Figure 4.2: Trend of Disbursement of YEDEF Loan Fund

Figure 4.3: Files without loan application forms and loan appraisals and those not updated on statements of accounts and loan activities forms

Figure 4.4: Rate of Stock issues for equipment valued from MK 100,000.00 to
MK 900,000.00

Figure 4.5: An incomplete septic tank at NENO IYDC

Figure 4.6: MoYSD's achievement on attaching Young Entrepreneurs to Successful
Entrepreneurs

Executive Summary

Youth development and empowerment is among the pillars that the government of Malawi is implementing through the Malawi Growth and Development Strategy (MGDS) ii. Implementation of Youth Economic Empowerment (YEE) programs was set as one of the initiatives to meet the strategies falling under this pillar. The main components of the YEE programmes are Youth Development Fund (YEDEF) as a resource mobilization tool, Neno Integrated Youth Development Centre, Youth Vocational Skills and Entrepreneurship Skills Trainings.

YEE programmes have been implemented by the MoYSD from the year 2000 up to mid-2015. Since August 2015 to date, these programmes are being implemented by the Ministry of Labour, Youth and Manpower Development (MLYMD) to which the department of youth has been attached.

There was a public outcry in 2013 relating to procurement and warehousing of YEDEF equipment that were meant to be distributed to youth beneficiaries in the form of loan. Malawi Rural Development Fund (MARDEF) had paid MK61.2 billion (\$153,000) for warehousing equipment wrongly procured (not as per specified needs assessment) for YEDEF loan fund¹. Furthermore, there has been high unemployment levels among the youth which were meant to be addressed by the initiative of implementing YEE programmes². For instance, in 2013 the National Statistical Office (NSO) published a report which showed 23% unemployment for the youth of 15-34 age bracket.

Data collection was conducted through interviews, document reviews and physical observation to obtain testimonial, documentary and analytical evidence in order to address the audit questions.

Purposive sampling was used to select districts visited for data collection. Sampling was based on where YEDEF loans were disbursed, youth attachments were made and YEE related trainings were conducted. Out of 28 districts in Malawi, 8 districts were thus sampled for the audit.

¹ Nation Online, April 12, 2013- MARDEF blows MK60 million on idle equipment

² The Malawi Coverage Exercise Report Providing evidence for youth services coverage – January 2010



The audit established the following:

Establishment, improvement and sustainability of Youth Development Fund

The fund was established in 2009, however disbursement of loans was suspended in 2014.

LAPSES IN YEDEF LOAN DISBURSEMENT:

Non-adherence to YEDEF Operational Guidelines

The audit found that MARDEF officials did not adhere to YEDEF Operational Guidelines when disbursing the loans. A review of 461 YEDEF loan account files from 8 sampled districts revealed that 52%, 33%, 25% and 23% were not supported with business plans, were not endorsed by the Traditional Authorities (TAs), and were above the age limit of 35 years respectively.

Equipment loan beneficiaries not provided with capital start up.

It was also found that loan beneficiaries were provided with equipment without 30% cash for working capital start up. 67% of reached beneficiaries from 8 sampled districts did not receive start-up capital.

LAPSES IN YEDEF LOAN RECOVERIES:

Inability to meet loan recovery target.

A review of structured interviews minutes with MARDEF senior officers revealed that only 30% of disbursed loans was recovered at a national level during the period from 2011/2012 to 2013/2014 financial years.

Loan recoveries taking longer than the maximum repayment period.

A review of 40 randomly sampled YEDEF loan account record from sampled districts revealed that loan recoveries took an average of 60 months, which was more than the 24 months period provided for in the operational guidelines.

Incompatibility of YEDEF equipment sets and lack of spare parts on local market



Physical inspection of one of the issued and installed bakery equipment conducted at area 24 in Lilongwe, revealed that the equipment had serious anomalies. The equipment had computerised spare parts which can hardly be found on our local markets in case of machinery breakdown. In addition, the equipment sets were incompatible with one another and the machinery operations required specialised skills

High valued equipment procured for YEDEF loan scheme

A review of opening stock record and its subsequent analysis established that there was equipment procured whose values were more than the set guidelines threshold of MK2, 000,000.00. High valued equipment ranged from MK 2, 100,000.00 to MK 20,000,000.00.

Cash tied up in high valued equipment

A review of YEDEF equipment closing stock record and its analysis established that there was still volumes of high valued equipment stock comprising of vehicle body repair, steel fabrication, handloom and warping, bakery plant, paper making and briquette machines. Their total closing stocks value was MK 761,084,428.00 as at January 2015 and this means that the same value cash has been tied up in such high valued equipment.

Cash tied up in low valued equipment

A review of YEDEF equipment stock record established a total value of MK 532,594,854.00 in closing stocks of lower valued equipment and the same cash value has been tied up in stock as at January 2015.

Lack of Monitoring and Evaluation of YEDEF

Unlike the provisions in YEDEF operational guidelines, interviews with the secretariat senior officials established that MARDEF board did not monitor and evaluate YEDEF loan funds as they were not provided with operational funding by the MOYSD.



LAPSES IN TRAINING OF YOUTH AND ATHLETES IN VOCATIONAL, TECHNICAL AND ENTREPRENEURSHIP SKILLS:

Inability by the ministry to meet set targets on vocational, technical and entrepreneurship skills trainings.

The audit established that the ministry did not meet the set target of training 12,000 youths in vocational, technical and entrepreneurship skills. A review of the 2013/14 APA progress report revealed that only 26.35% of the set target were trained in 2013/14 financial year. Details for targets achieved in the years 2011/12 and 2012/13 financial years were not provided by the ministry officials.

Inability by Neno IYD centre to meet targets to train youths in agribusiness skills.

The audit found that Neno IYDC which is the only established national youth development centre in Malawi planned to train 100 youths in the 2013/14 financial year but only 4 youths were successfully trained and still active in agribusiness as at January 2016.

High dropout and low enrolment rates at Neno IYD Centre.

The audit established that in 2012 Neno IYD Centre had only managed to graduate 25 youths out of the initial annual intake of 120, representing 79% dropout rate. It was also established that there was a low enrolment rate at the centre. Out of the Centre's annual intake capacity, only 29% and 25% of the capacity were enrolled in 2012/2013 and 2013/2014 respectively.

Low district coverage for YEE related trainings.

It was established that out of 28 districts, only 13 districts benefited from trainings in vocational and technical skills and only 1 district benefited from agribusiness trainings representing 43% and 4% respectively. Furthermore, Interviews with the DYOs from the sampled districts revealed that youths who benefited from vocational, technical and entrepreneurship skills trainings were only 1% and 36% of annual targets of 2,400 youths for 2012/2013 and 2013/2014 respectively.



Presentation of conflicting information on the number of youth trained in vocational, technical, business management and entrepreneurship skills

It was found that the ministry's planning and development section presented conflicting information with that presented by DYOs in relation to the number of youth trained in vocational, technical, business management and entrepreneurship skills.

No Needs Assessments for youth economic empowerment programs

The audit established that no needs assessment exercise was conducted as per plan. The ministry based its decisions on implementation of YEE programmes on the 2009 needs assessment report which was outdated.

Based on the findings, the audit made the following conclusions:

The audit conclude that principles of economy, efficiency and effectiveness in relation to the implementation of YEE programs in the MOYSD were not followed.

The impact on the livelihood of the youth has not been significant due to both external and internal factors which include, political interference and low prioritization in the allocation of both human and financial resources for implementation, monitoring and evaluation of YEE programmes.

The MoYSD did not implement YEE programmes as spelt in 2009/10 - 2014/15 strategic plans. There were Issues of noncompliance that affected the effective implementation of the programmes. These are for instance, non-adherence to YEDEF operational guidelines and inability to implement YEE programmes in accordance to the stipulated conditionalities.

The effectiveness of the implemented YEE programmes (YEDEF loan fund and YEE related training) was negatively impacted by the inability to meet the loan recovery targets and youth training targets respectively



Further the audit concluded that there were some inefficiencies relating to the implementation of YEE programmes which included low and delayed YEDEF loan recoveries, low district coverage in YEE related trainings, high drop-out rates and low enrollment rates in agribusiness trainings

Economically, the audit concluded that there was more cash tied up in YEDEF loan equipment which was lying idle in MARDEF warehouses and which were procured without needs assessment.

Based on the findings and conclusions the audit made the following recommendations:

- The MLYMD should realistically set targets and budgets for YEE related trainings.
- MLYMD should allocate adequate staff to youth outreach services.
- The MLYMD through Neno centre manager should sensitise the public on requisites of trainings offered.
- MLYMD should ensure that start up tools are provided to YEE related trainings in order to make an impact on livelihoods of the youths.
- MARDEF should ensure compliance on YEDEF operational guidelines.
- MARDEF should ensure that cash is available for YEDEF equipment loans before disbursement
- MARDEF board and the MLYMD should monitor and evaluate performance of YEDEF loan fund and implementation of YEE programmes respectively.



CHAPTER 1: INTRODUCTORY

1.1 Background

Youth development and empowerment is among the pillars that the government of Malawi is implementing through the Malawi Growth and Development Strategy (MGDS) ii Theme 2, Sub-theme 5. Implementation of Youth Economic Empowerment (YEE) programs was set as one of the initiatives to meet the strategies falling under this pillar³.

Major components of YEE programs are, Youth Enterprise Development Fund (YEDEF) scheme, technical, vocational, agribusiness and entrepreneurship skills trainings; and attachment of young entrepreneurs to successful entrepreneurs.⁴ The overall objective of YEE programmes is to reduce high unemployment rate amongst young people in Malawi so as to enhance their capacity to be job creators and uplift their income-earning capacity⁵.

YEE programmes have been implemented by the MoYSD from 2002 to 2015. Since August 2015 to date, these programmes are being implemented by the Ministry of Labour, Youth and Manpower Development (MLYMD) to which the department of youth has been attached.

1.2 Motivation

Despite the existence of many initiatives to empower the youth economically, Malawi continues to face challenges affecting the youth in relation to poverty and unemployment. There has been a sharp rise in unemployment rate among the youth in the country which is testified by reports published by the National Statistical Office (NSO) indicating that the unemployed youth population of 15-34 age bracket was at

³ National Youth Policy 2013 (Page 12)

⁴ Interviews with Chief Youth Officer

⁵ Annual Economic Report 2014 – page 116.



3.76%⁶ in 2008 and at 23% in 2013⁷. This trend of rise in unemployment rate is despite Government of Malawi (GoM) and development partners allocating a total of MK 1,020,920,000 towards the implementation of YEE programmes for the period from 2011/2012 up to 2013/2014 financial year.

In addition, there was a public outcry in 2013 relating to procurement and warehousing of YEDEF equipment that were meant to be distributed to youth beneficiaries in the form of loans. Malawi Rural Development Fund (MARDEF) had paid MK61.2 billion for warehousing equipment which was procured not as per specified needs assessment for YEDEF loan fund⁸. Reports were that some machines were too huge to be used by the youth for instance briquette machines. Some machines came in with huge power generators as they were meant to be used in the rural growth centers. In addition from the initial budget of MK2.2 billion meant for the youth fund, MK1.148 billion was disbursed from 2011 to 2014, representing a disbursement rate of 52%. Despite pumping in of the said funds, there is -still a wide gap in terms of addressing youth economic empowerment issues for the period under review.

In 2015 the media had raised issues that the youth population constituency in the country is in majority and hence a need for more allocation of financial resources towards youth economic empowerment programs⁹.

It is against this background that the National Audit Office (NAO) conducted a performance audit on youth economic empowerment programs at the MLYMD.

⁶ Population and Housing Census 2008, economic activity (page 46)

⁷ Labour Survey Report of April, 2014 pages 43-44.

⁸ Nation Online, April 12, 2013- MADEP blows MK60 million on idle equipment

⁹ Youths Decry Funding Woes To NYCOM, DYOS –malawinationonline.com – 3rd September 2015



1.3 Audit Objective, Audit Questions and Audit Scope

1.3.1 Audit Objective

The objective of the audit was to assess whether the Department of Youth has implemented youth economic empowerment programs as spelt in 2009/10 -2014/15 MOYSD strategic plans and the impact there of on the livelihood of the youth. Its sub-objectives include:

- I. To establish whether the MOYSD established the youth development fund and what measures had been put in place to ensure that the fund was sustained.
- II. To establish if the MOYSD had trained the youths in technical, vocational and entrepreneurship skills.
- III. To establish if the MOYSD had attached young entrepreneurs to successful entrepreneurs.
- IV. To establish whether the MOYSD monitored and evaluated YEE programmes.

1.3.2 Audit Questions

To achieve the objective and sub-objectives of the audit the following audit questions were used.

1. Has youth development fund improved and is there a chance of sustaining it?
 - a. Have the operational guidelines on youth development fund been reviewed and implemented by the ministry?
 - b. In which districts were YEDEF loans disbursed and how many youths have benefited from each district?
 - c. Has YEDEF loan repayment been improved?
 - d. Which equipment were procured for YEDEF loans and what criteria was used to procure the equipment?



- e. What was the total value of procured YEDEF loan equipment and how much of it was disbursed to beneficiaries?
2. Have the youth been trained in vocational, technical and entrepreneurship skills?
 - a. In which districts and city councils have the vocational, technical, business management and entrepreneurship skills trainings been conducted?
 - b. How many youths have been trained in vocational, technical, business management and entrepreneurship skills?
 - c. Has the needs assessment of youth and athlete led related enterprises been conducted and what were the results?
 - d. Is the livelihood of the youths who benefited from the trainings and start up tools improved?
3. Have the youth entrepreneurs been attached to successful entrepreneurs?
 - a. To which successful entrepreneurs has the ministry attached the youth entrepreneurs and how many have benefited?
4. Has the ministry been monitoring and evaluating youth economic empowerment programs in the country?
 - a. How did MARDF monitor and evaluate YEDEF loan scheme?
 - b. How many monitoring visits for YEE programs did the MOYSD conduct?

1.3.3 Audit Scope

The focus of the audit was on YEE programmes implemented by the MoYSD. Specifically these programmes comprised of YEDEF loan scheme, vocational, technical and entrepreneurship skills, trainings and attachment of young entrepreneurs to successful entrepreneurs. The audit covered sampled districts where YEE programmes were implemented with a country wide perspective. The districts were Blantyre and Neno in



the Southern Region, Balaka and Machinga in the Eastern region, Lilongwe and Dedza in the Central region, Mzuzu and Nkhatabay in the Northern region.

The study focused on three financial years and these are 2011/12; 2012/13; 2013/14. This period was chosen to establish the trend of implementation of YEE programs.



CHAPTER 2: METHODOLOGY

Data collection was conducted through interviews, document reviews and physical observation to obtain testimonial, documentary and analytical evidence in order to address the audit questions.

2.1 Interviews

Interviews were conducted with the Director of Youth, Chief Youth officer, Economist, Project coordinator for Neno Integrated Youth Development Centre (IYDC), district youth officers, chief human resources management officer, Neno Centre manager and beneficiaries. A total 40 interviews were conducted to help auditors to gain deeper understanding of YEE programmes that were being implemented and to get the explanation relating to statistical data that was reviewed. Appendix 6 shows a list of interviews that were conducted.

2.2 Document review

Documents were reviewed in order to establish facts on planning, implementation and monitoring of YEE programs obtained from various sources. Some documents were also reviewed to find supporting facts which were gathered through interviewees and physical observation. Appendix 5 shows a list of documents reviewed.

2.3 Physical Inspection

Visits to places where YEE related activities took place were made to appreciate and verify their implementation and impact to beneficiaries. The visited 9 places are as indicated in table 2.1 overleaf.



TABLE 2.1: PLACES VISITED FOR PHYSICAL INSPECTION

| Type of yee activity | Name of place visited | Details of Insection Exercise |
|-----------------------------|--|---|
| YEDEF equipment warehousing | MARDEF warehouses at Kanengo and area 36 | Inspection of equipment which has been lying idle in the warehouses. |
| Agribusiness training | Neno integrated youth development centre | Inspection of crops grown and livestock reared and newly build and refurbished infrastructure at the centre |
| Agribusiness | Chimwemwe youth club in linthipe, dedza | Inspection of crops grown and livestock reared at the organisation centre |
| | Machinga District- Chigona Youth Club | Inspection of maize farming and horticulture |
| Welding and fabrication | Machinga District – TEVET training beneficiaries | Inspection of welding and fabrication workshop and products |
| | Chikondi Youth club (YEDEF Loan beneficiary – Mzuzu | Inspection of welding and fabrication workshop adn products |
| Tailoring and designing | Machinga District – TEVET training beneficiaries | Inspection of tailoring and designing workshop and products |
| | Chitukuko cha Bingu club – Mzuzu | Inspection of tailoring and designing workshop and products |
| Chalk making | Balaka District - YEDEF beneficiary | Inspection of the chalk making machine set |
| Saloon Business | Balaka District - YEDEF beneficiary | Inspection of saloon shop and products and its related business furniture |
| | Blantyre District – Tween Saloon (YEDEF beneficiary) | Inspection of saloon shop and products and its related business furniture |
| Mechanical and engineering | Dedza District | Inspection of mechanical engineering workshop and its business equipment. |
| Carpentry business | Nkhatabay - YEDEF cash loan beneficiaries | Inspection of carpentry workshop and its business equipment. |

Source: Visited places in Sampled Districts



2.4 Audit Limitations

There were challenges during the process of data collection, data analysis and compilation of this report. These include, delays and failure by the auditee to provide the requested data and in some cases DYOs were giving manipulated data. Inability to obtain complete information from the auditee had effects in the process of data analysis.

2.5 Sampling

Purposive sampling was used to select districts visited for data collection. Sampling was based on where YEDEF loans were disbursed, youth attachments were made and YEE related trainings were conducted. Out of 28 districts in Malawi, 8 districts were thus sampled for the audit.

Convenience sampling was used to identify beneficiaries of YEE programs who were reachable and available during the teams visit. 3 beneficiaries were sampled from each sampled district making an overall total sample of 24.



CHAPTER 3: DESCRIPTION OF THE AUDIT AREA AND CRITERIA USED FOR ASSESSING PERFORMANCE.

3.1 Description of The Audit Area

In Malawi, the youth is defined as all persons from age 10-35 years regardless of their sex, race, education, culture, religion, economic, marital and physical status. The youth profile indicates that out of the population of 15.3 million (population and housing census 2008 – projections for 2015), 46% are persons aged 10 to 35 years.¹⁰

Youth development and empowerment is among the pillars that the government is implementing through the Malawi Growth and Development Strategy (MGDS) ii theme 2, subtheme 5. Implementation of YEE programmes was set as one of the initiatives to meet the strategies falling under this pillar. In order to reduce high unemployment rate among the youth in the country which was at 3.76%¹¹ and 23% in 2008 and 2013 respectively, the Government of Malawi (GoM) is implementing YEE programmes which seeks to enhance capacity of the youth to be job creators in order to uplift their income earning capacity.

The main components of the YEE programmes are Youth Development Fund (YEDEF), Neno Integrated Youth Development Centre, Youth Vocational Skills and Entrepreneurship Skills Trainings.

- **Youth Entrepreneurship Development (YED)**

The ministry planned to establish a youth development fund and ensure that the fund is sustained. In addition, the ministry planned to review the loan fund by 2014 to ensure its improvement and sustainability.¹²

Youth Enterprise Development Fund (YEDEF) was established in 2009 as a vehicle to address challenges facing youth in Malawi by providing them with knowledge, essential skills,

¹⁰National Youth Policy 2013 (Page 2)

¹¹ Population and Housing Census 2008, economic activity (page 46)

¹² Ministry's Strategic Plan 2009/2010 to 2014/2015



competencies and opportunities to engage in micro, small and medium enterprises as a self-employment mechanism. YEDEF was meant to be a revolving fund to avail cash and equipment loans to youth entrepreneurs.

The objective of the Fund is to provide the youth with sustainable technical, entrepreneurial and financial skills that will promote business ingenuity as well as sufficiently prepare them to operate commercial ventures in an effective and efficient manner towards achieving business continuity, growth and profitability. YEDF is housed at MARDEF Secretariat supported by four Regional Offices based in Mzuzu, Lilongwe, Mangochi and Blantyre.

- **Neno Integrated Youth Development Centre (NIYDC)**

The ministry constructed the national integrated youth development centre at Neno under the Integrated Youth Development Project. The centre core focus is to impart practical agricultural skills to the youth who would like to take up farming as a business and form self-employment. Since its establishment, the centre operates with two hostel facilities, two dwelling houses and several production units which include 23 acres maize production, poultry production with capacity of 1500 broilers and 30 acres of eggs per day, piggery with capacity of 75, 5 bee apiaries and 3 fish ponds.¹³

- **Youth Trainings in Business Management, Entrepreneurship, Vocational and Technical Skills**

The ministry conducts youth trainings across the country in community based skills. The objective behind this initiative is to inculcate entrepreneurship culture among the young people and provide them with the necessary skills and start-up capital to enable them to run commercially viable businesses. Ultimately this is meant to reduce unemployment among the young people and helping them to contribute to the economic development of the country. These trainings are done basing on the ministry's annual activity plans.¹⁴

¹³ Interview minutes with the PS and a copy of projects to be implemented in 2015/2016 FY

¹⁴ Strategic plan 2013-2017 page 29



3.1.1 Legislation of the MoYSD

Mandated by the National Youth Council of Malawi (NYCOM) Act of 1996¹⁵, the Ministry of Youth and Sports Development, through its youth department had the responsibility of implementing youth programmes in Malawi. The Act provides for the establishment of the NYCOM as an oversight body for youth organizations. It further provides for the promotion, coordination and implementation of youth development programmes.

NYCOM is further guided by the Malawi National Youth Policy of 2013 which emphasises on creation of more youth employment opportunities and promotion of entrepreneurship for self-employment.

3.1.2 Goals and objectives of YEE programmes

The goal of Youth Economic Empowerment is to improve socio-economic status of youths through increased incomes. The objective of implementing YEE programmes is to create more and decent employment for the youth both in the formal and informal sectors and in urban and rural areas¹⁶.

In order to achieve the objectives outlined in the Malawi National Youth Policy as indicated above, the following strategies were employed:-

- a) Promotion and support for technical, vocational and entrepreneurship training facilities for the youth.
- b) Establishing, promoting and supporting agricultural youth clubs and cooperatives linked to the private sector.
- c) Creation of an enabling environment for Public Private Partnership for youth development including the provision of technical trainings to the youth.

¹⁵National Youth Council of Malawi Act No.22 of 1996, Page 2

¹⁶ National Youth Policy of Malawi 2013.



- d) Facilitate the establishment of a Youth Development Fund to foster a dynamic climate for youth entrepreneurs to access credit.

3.1.3 Organisation of the Youth Department

From the year 2000 up to 2015, YEE programmes were being implemented by the department of youth under the MoYSD. Currently, YEE programmes are being implemented by the MLYMD to which the department of youth has been attached. These programmes are implemented by the department through its 3 youth outreach services in Mzuzu, Lilongwe and Blantyre located in the north, central and southern regions respectively. Each youth outreach service has district youth offices.

Mzuzu youth outreach service has Mzuzu (Mzimba urban), Mbelwa (Mzimba rural), Rumphi, Karonga, Nkhatabay, Likoma and Chitipa district youth offices.

Lilongwe youth outreach service has Lilongwe rural, Lilongwe Urban, Dedza, Dowa, Salima, Nkhotakota, Mchinji, Ntcheu, Ntchisi and Kasungu district youth offices.

Blantyre youth outreach service has Blantyre rural, Blantyre urban, Mulanje, Phalombe, Balaka, Neno, Thyolo, Zomba, Chiradzulu, Mangochi, Machinga, Chikhwawa, Nsanje and Mwanza district youth offices. Each district youth office has youth clubs and youth organizations through which actual implementation of YEE programme activities take place.

In terms of the chain of command, the Minister oversees all the ministry undertakings including the department of youth through the principal secretary.

The department of youth has the Director of Youth as a head who reports to the Principal Secretary.

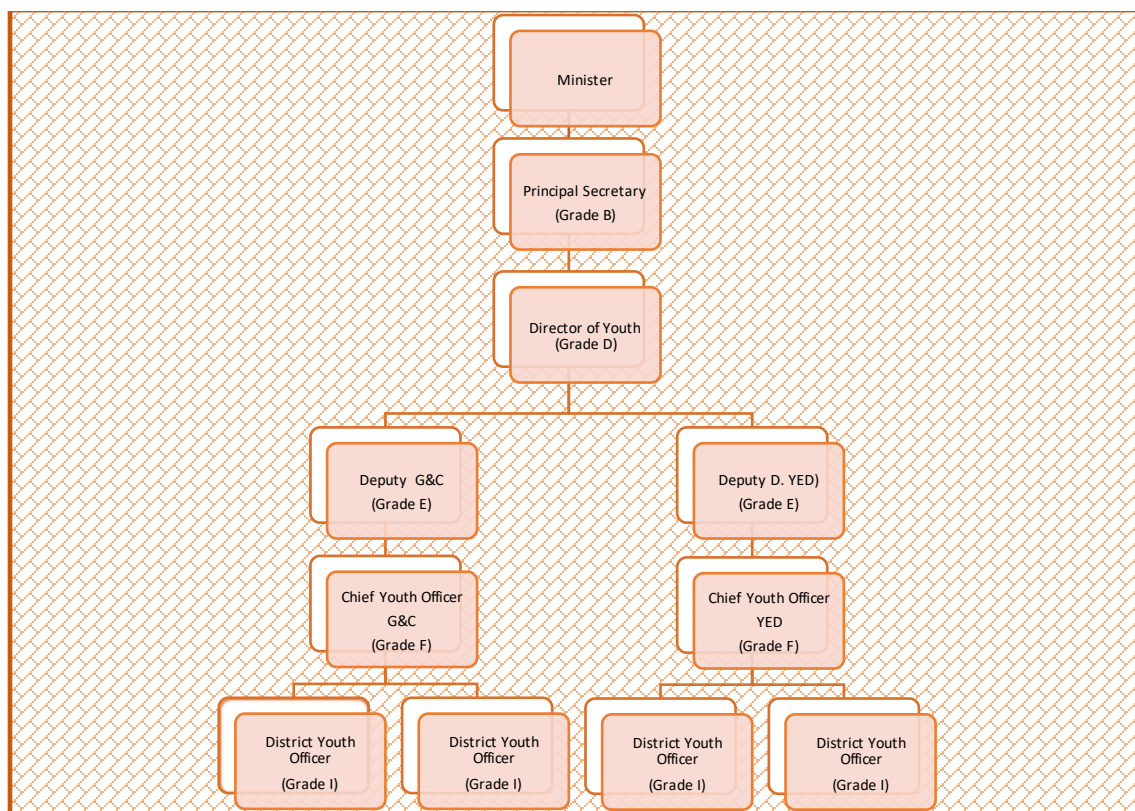


Then below the director are 2 Deputy Directors. One of them is responsible for Guidance and Counseling programmes and another responsible for Youth Economic Empowerment and Development programmes.

Then below each Deputy Director is Chief Youth Officer (CYO). One CYO is responsible for Guidance and Counseling programmes and another responsible for Youth Economic Empowerment and Development programmes.

Finally, below CYOs, there are district youth officers. Figure 3.1 is an organogram for the department of youth.

Figure 3.1 Youth Department's organogram



Key: GC means Guidance and Counselling

YED means Youth Economic Development

Source: Ministry's Human Resources Department



3.1.4 Staffing arrangements for the Youth Department and Outreach Services

The total number of established positions for the department of youth is 179. This is comprised of a sub-total of 13 posts at the department headquarters and a sub-total of 166 posts for youth outreach services. Table 3.1 indicates detailed staffing arrangements for both the department and outreach services.

Table 3.1: Staff Establishment Warrant for Youth Department and Youth Outreach services

| Posts | | | | Established posts |
|---|----------|----------|-------|-------------------|
| Youth Department Headquarter Staff | | | | |
| Director of Youth | | | | 1 |
| Deputy Director of Youth | | | | 2 |
| Chief Youth Officer (Economic Empowerment | | | | 1 |
| Chief Youth Officer (Guidance and Counselling) | | | | 1 |
| Principle Officer (economic Empowerment) | | | | 1 |
| Principle Officer (Guidance and Counselling) | | | | 1 |
| Principle Officer (Youth Participation) | | | | 1 |
| Ground Labour | | | | 5 |
| Sub-total | | | | 13 |
| Youth Outreach Services | | | | |
| Posts | Blantyre | Lilongwe | Mzuzu | Established posts |
| Principal Youth Officer | 1 | 1 | 1 | 3 |
| Youth Officer | 5 | 4 | 4 | 13 |
| Senior Assistant Youth Officer | 2 | 2 | 1 | 5 |
| Assistant Youth Officer | 7 | 6 | 1 | 14 |
| Assistant Accountant | 1 | 1 | 6 | 8 |
| Assistant Human Resources Management Officer | 1 | 1 | 1 | 3 |
| Senior Accounts Assistant | 1 | 0 | 0 | 1 |
| Clerical Officer | 8 | 4 | 3 | 15 |
| Copy Typist | 8 | 9 | 9 | 26 |
| Accounts Assistant | 2 | 1 | 0 | 3 |
| PBX Operator | 1 | 1 | 1 | 3 |
| Motor Vehicle Driver | 3 | 8 | 0 | 11 |



| | | | | |
|---------------------|-----------|-----------|-----------|------------|
| Security Guard | 11 | 10 | 10 | 31 |
| Messenger | 9 | 9 | 9 | 27 |
| Cook | 1 | 0 | 0 | 1 |
| Ground Labour | 2 | 0 | 0 | 2 |
| Sub-totals | 63 | 57 | 46 | 166 |
| GROSS TOTALS | 63 | 57 | 46 | 179 |

Source: Ministry's Human Resources Department

3.1.5 Funding Arrangements

Youth economic empowerment programmes are implemented using funding from the GoM's Other Recurrent Transactions (ORT) finances and development partners. Such funding is channeled from the Ministry of Youth to YEE related training activities in all district youth offices through district councils and city councils.

Another part of funding is specifically channeled to Neno Integrated Youth Development Centre for agribusiness trainings and National Youth Service Program activities.

Ministry of Finance is responsible for financing YEDEF loan fund capital through MARDEF Secretariat. MARDEF manages YEDEF on behalf of the Ministry of Youth. The total amount of the loan fund was MK 2.2 billion out of which MK 1.2 billion was used to procure YEDEF loan equipment, representing 55% and MK 1.0 billion was meant for cash loan disbursement, representing 45% of the loan fund¹⁷.

Table 3.2 shows financial budget allocations for YEE programmes during the period under review.

¹⁷ Interview minutes with the Chief Executive Officer (MARDEF)



Table 3.2: Budget allocations for youth economic empowerment programs

| ORT FUNDING FROM MALAWI GOVERNMENT | | | | | | |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|--------------------|
| PROGRAMS | 2011/12 Approved MK ,000,000 | 2011/12 Revised MK ,000,000 | 2012/13 Approved MK ,000,000 | 2012/13 Revised MK ,000,000 | 2013/14 Approved MK ,000,000 | 2013/14 REVISED |
| ECONOMIC EMPOWERMENT (NATIONAL) | 45.56 | 25.1 | 16.79 | 16.79 | 14.7 | NOT GIVEN |
| NATIONAL YOUTH SERVICE OF MALAWI – Neno Centre | - | - | - | - | 30.0 | 29.7 |
| SUB-TOTAL | 45.56 | 25.1 | 16.79 | 16.79 | 44.7 | 29.7 |
| FUNDING FROM DEVELOPMENT PARTNERS | | | | | | |
| PROGRAMS | 2011/12 Approved MK ,000,000 | 2011/12 Revised MK ,000,000 | 2012/13 Approved MK ,000,000 | 2012/13 Revised MK ,000,000 | 2013/14 Approved MK ,000,000 | 2013/14 REVISED |
| INTEGRATED YOUTH DEVELOPMNET PROGRAM - Neno Centre | 80 | 80 | 100 | 80 | 80 | 65 |
| SUB-TOTAL | 171.12 | 130.20 | 133.58 | 113.58 | 169.40 | 124.40 |
| TOTAL FUNDING BUDGET ALLOCATIONS (ORT + DEVELOPMENT PARTNERS) | 216.68 | 155.30 | 150.37 | 130.37 | 214.10 | 154.10 |

Source: Ministry of Finance – Output based budget documents

3.1.6 Key Stakeholders on YEE Programmes

There are a number of stakeholders involved in coordination, planning and implementation of YEE programmes in the country. These include government agencies, faith based organizations, international NGOs and the private sector.

Key stakeholders on YEE programmes are the MoYSD, the MLYMD, National Youth council of Malawi (NYCOM), Malawi Rural Development Enterprise Fund (MARDEF) Secretariat, Integrated Youth Development Centre (IYDC), development partners, youth organizations and youth clubs. The roles and responsibilities of these players are illustrated in the table 3.3.



Table 3.3: Key stakeholders and their respective roles and responsibilities.

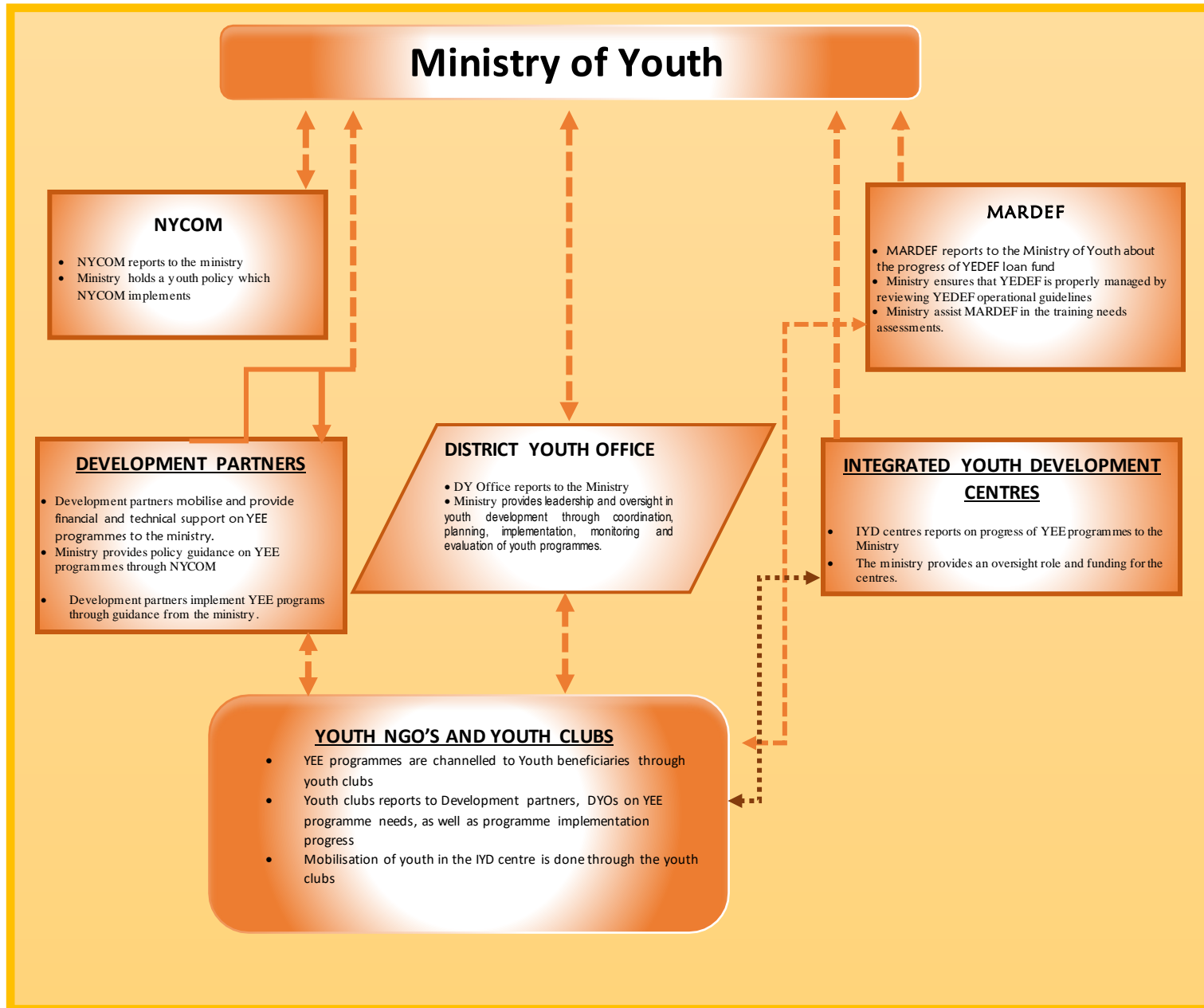
| STAKEHOLDER (INSTITUTION) | ROLE/RESPONSIBILITY ON YEE PROGRAMMES |
|--|---|
| Ministry of Youth | Providing leadership and oversight in youth development through coordination, planning, implementation, monitoring and evaluation of YEE programmes. Ensuring that Malawi's youths are educated, healthy, well trained, vibrant and productive. |
| National Youth Council of Malawi (NYCOM) | Providing policy guidance to all stakeholders involved in the implementation of YEE programmes in Malawi Registers and deregistering youth organizations in Malawi Promotion, co-ordination and implementation of youth development programmes in Malawi. |
| Malawi Rural Enterprise Development Fund (MARDEF) | A micro-financing institution which manages YEDEF loan fund. Compiling periodic reports to Ministry of Finance (MoF) and Ministry of Youth and Sports Development (MoYSD) on YEDEF loan performance |
| National Youth Development Centre | Operates under the MoYSD' integrated youth development program in Empowering the youth economically through agri-business trainings with financial and technical support from the United Nations Development Fund (UNDP). |
| Development Partners | Providing financial and technical support in the implementation of YEE programmes in the country |
| Youth organizations and youth clubs | Structures set at community levels through which YEE programmes are implemented for the youth. NYCOM implements through youth organizations while DYOs implement through youth clubs. |

Source: MoYSD – Malawi National Youth Policy

Stakeholders on YEE programmes coordinate with the Ministry of Youth through the reporting system as indicated in figure 3.2.



Figure 3.2: Cordination System of Key Players on YEE Programmes



Key: IYD means Integrated Youth Development
 MARDEF means Malawi Rural Development Program
 YEE means Youth Economic Empowerment
 DY means District Youth
 NYCOM Means National Youth Council of Malawi

Source: MoYSD – Malawi National Youth Policy



3.2 Process Description for YEE programmes

This process description of YEE programmes has been presented in twofold. Firstly it is for administration of YEDEF loan scheme and secondly for vocational, technical, entrepreneurship and business management skills trainings.

3.2.1 Administration of Youth Development Fund (YEDEF)

The administration of YEDEF is under Malawi Rural Development Fund (MARDEF).

The processes involved in the administration of YEDEF loans are sensitization of the youth about the requisites of loan application process, desk appraisals, loan disbursement and loan recoveries.

3.2.1.1 Sensitization of youth about the loan application process

To ensure that YEDEF loans are equitably accessed geographically¹⁸ MARDEF transacts business in all the three regions and in all the districts in Malawi. The first stage of YEDEF loan disbursement process is sensitization. This is done through mobilization of the youth in their local communities to form youth clubs by community leaders. Then youth clubs or individual youth members collect YEDEF application forms from District Youth Offices or MARDEF offices. Completed loan application forms are returned to DYOs for further processes¹⁹.

3.2.1.2 Desk Appraisals pertaining to loan approvals

A rigorous review of completed YEDEF loan application forms is done by MARDEF credit officers and District Youth Officers with the help of traditional leaders. This stage involves both field and desk appraisals of the loan applications to verify if applicants have met requirements that are provided for in YEDEF operational guidelines. Key

¹⁸ YEDEF Operational guidelines - 2010

¹⁹ Interviews with MARDEF loan officers.



requirements include a detailed business plans, club constitution, and full details of club members including the physical and postal address of the club. In addition, completed loan application forms are endorsed and stamped by the Traditional Authority for authenticity. Then, appraised loan applications are sent to MARDEF board through MARDEF regional offices for loan approval.

3.2.1.3 Training of beneficiaries and loan disbursement

After loan approvals by MARDEF board, names of successful loan applicants are published in the newspapers with the aim of promoting transparency of the whole process. Two weeks after publishing the names, training of beneficiaries in business management and entrepreneurial skills is conducted by the DYOD/district loan officer. Successful applicants are required to have bank account opened with Malawi Savings Bank (currently under FDH Bank) so that upon completion of the training they are able to deposit the loan cheques as soon as they receive them.

For YEDEF equipment loans, the disbursement arrangement as provided for in the operational guidelines is that 70% of the loan value is supposed to be in equipment value and 30% in cash for working capital. For loan equipment to be issued from warehouses, there has to be proper loan approvals which ensures availability of the 30% start-up capital.

The guidelines further stipulates that, the youths who apply for more than the threshold amount of K2, 000,000 will be referred to other financial institutions under the same YEDEF scheme.

3.2.1.4 Loan recoveries

YEDEF loan fund is a revolving in nature and its success is therefore dependent on timely repayment of loans by its beneficiaries. As such a minimum grace period of 6 months is allowed before beneficiaries start repaying the loans and a maximum of 24 months for



complex businesses that take long time to generate income. Repayment is supposed to be done by depositing monthly instalments into MARDEF bank account held at Malawi Savings Bank which was later taken over by First Discount House (FDH) Bank²⁰. Appendix 9 illustrates the process description for disbursement of YEDEF loans to youth beneficiaries.

To keep track of performance of individual YEDEF loan account MARDEF has a system of record maintenance. Individual YEDEF loan account files are supposed to have Loan Application Form, Loan Appraisal Form, Loan Activity Form, Statement of Account, Loan Repayment schedule, Business Plan, Contract Agreement Form, Copies of beneficiary identifications, Copies of Repayment Deposit slips and or MARDEF official receipts.

Loan Activity Form is a manually maintained document detailing the actual status of loan account repayments including applicable relevant remarks about the frequency of follow up visits made to beneficiaries. A Statement of Account is a computer generated document detailing the actual status of loan account repayments that have been deposited into bank account and gets auto updated into MARYDEF system.

Loan Activity Form and Statement of Accounts are the two key documents that are supposed to be updated to reflect actual status of loan accounts. Their monthly reconciliations are paramount so as to ensure that every transaction that appears on the statement of account tallies with the records on loan activity form.

3.2.1.5 Monitoring and Evaluation of YEDEF loan scheme

²⁰ YEDEF Operational Guidelines – 2010.



MARDEF board shoulders the role and responsibility of monitoring and evaluation of the performance of YEDEF loan fund. This is done with assistance from the secretariat office, district executive committees and area development committees.²¹

3.2.2 Vocational, Technical, Entrepreneurship and Business Management Skills Trainings

Implementation of vocational, technical, entrepreneurship and business management skills training basically starts with needs assessment. This is followed by the formation of annual implementation plans and financial budgets. Then actual implementation is done. The last stage is monitoring and evaluation.

3.2.2.1 Needs assessment

Youth needs assessment is basically done through situation analysis and demographic surveys. Situation analysis is done by the planning department of the Ministry of Youth with the assistance of the District Youth Offices at least once every five years. Demographic surveys are done by the National Statistical Office (NSO) periodically, thus, annually and every five years. Relevant findings of the youth needs are then addressed through activities outlined in the strategic plans and annual implementation plans of the MoYSD.

3.2.2.2 Planning for YEE programmes

Basing on the needs assessment findings, the MoYSD's planning section with technical guidance from the youth department, develops annual implementation plan which is derived from the ministry's strategic plan. Planning includes an implementation road map for all YEE programmes. Compilation of financial budgets for YEE programs were done at a ministry level from 2000 up to 2013 financial year. From 2013/2014 financial years, budgets are being prepared at both city council and district council levels. After budget

²¹ YEDEF operational guideline – 2010.



approval by the parliament, funds are channeled to YEE programme activities at either a youth club or youth organization levels through DYOs.

3.2.2.3 Implementation

Implementation of YEE programmes in the country, is done by DYOs, NYCOM and development partners. Basically targeted beneficiaries are out of school, the illiterate and innumerate youth. The National Youth Policy, specifically points out that, priority target groups are the youths who are orphaned; disabled; living with HIV; on the street; in conflict with the law; unemployed; under-employed and teenage parents.²²

The intention is to produce graduates who are fully equipped with skills needed for self-employment so as to alleviate poverty amongst the youth.

District youth offices which operate under the administration of youth outreach services in the department of youth, implement YEE programmes with guidance of an implementation road map developed by the planning section of the MoYSD. Precisely, YEE programmes are implemented after the funding for monthly activities is accessed from the ministry through district councils. Identification of YEE programme beneficiaries by the DYOs is done through youth club structures at community level.

NYCOM, implements YEE programmes through its registered youth organizations. After securing funds from either the GoM ORT funding or development partners, NYCOM arranges for actual implementation of planned activities basing on its strategic and annual plan.

Development partners implement YEE programmes either through the MoYSD or directly to youth beneficiaries with guidance from the MoYSD or DYOs.

²² National Youth policy – August 2013 (Page 23).



Neno Integrated Youth Development Centre in Neno district is a facility under the MOYSD which offers agribusiness skills trainings under the SONGAI (zero waste) model. It was established in 2008 with sponsorship from UNDP. The centre has an annual intake capacity of 120 trainees from communities around the centre. Upon completion of construction of its boys and girls hostel facilities, the centre will have an addition of boarding 80 trainees, thus, making a total of 200 trainees as an annual intake capacity.

For the rest of its vocational, technical and entrepreneurial skills trainings to the youth the MOYSD conducts them using various borrowed training facilities from other government departments and NGOs in the country. These training facilities include Masache and Bangula in Chikwawa, Katuli in Mangochi, Mpherembe in Mzimba, DAPP-Mikolongwe in Chiradzulu, Livingstonia Technical College in Rumphi and Area 25 in Lilongwe for vocational technical and entrepreneurial skills trainings.

3.2.2.4 Monitoring and evaluation

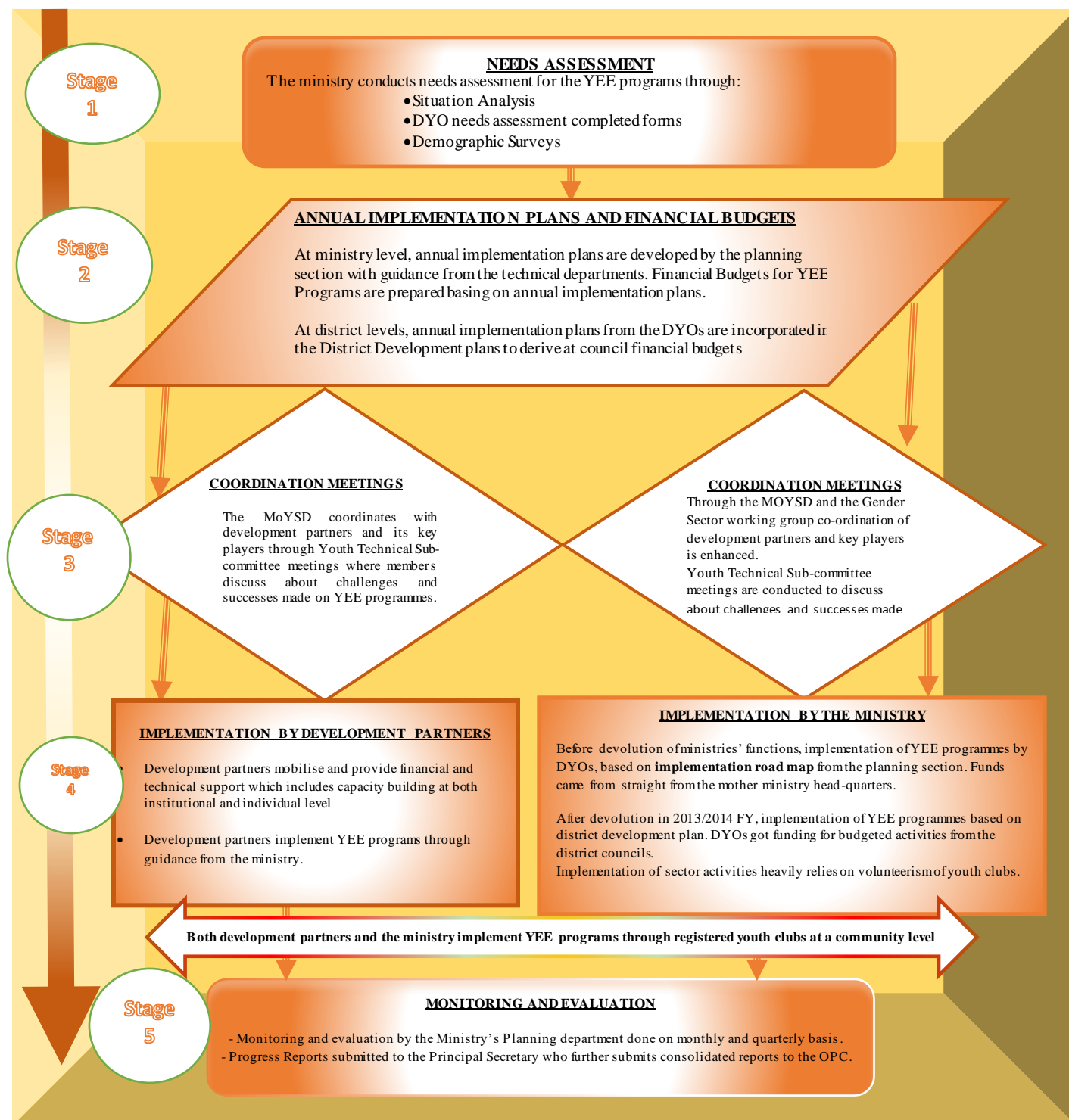
The MoYSD's planning section monitors and evaluates the implementation of YEE programmes on quarterly basis. Monitoring and evaluation identifies causes for delays or implementation failures and proposes relevant measures to remove any barriers to successful implementation. The monitoring and evaluation framework is aligned to the Youth -and Sports Information Management System (YOSMIS), a database of youth development and sports profiles and accomplishments²³. During the period under review the MoYSD targeted to conduct 12 monitoring visits.

Figure 3.3 is a description of the whole process.

²³ Ministry's Strategic Plan, 2009/2010 to 2014/2015.



Figure 3.3: Process Description Flow Chart for Implementation of YEE programs



Key: YEE means Youth Economic Empowerment
DY means District Youth Office

Source: MOYSD



3.3 Criteria for assessing the performance

The criteria for assessing the implementation of YEE programmes was derived from the MOYSD's Strategic plans of 2009 to 2014 and of 2013 to 2017, National Youth Policy, NYCOM Act, Constitution of the republic of Malawi, Public Procurement Act, YEDEF Operational Guidelines, Annual Economic Reports, Establishment Warrant, Financial Appropriation Act and other relevant documents.

Detailed explanation of each criterion is as follows:

3.3.1 Establishment, improvement and sustainability of Youth Development Fund

According to the Strategic Plan of 2009/10 – 2014/15, the MoYSD's was supposed to establish the youth development fund by 2014.

In addition to this criterion, the following are the support criteria:

- a. The ministry targeted to increase YEDEF loan repayment by 40% – (Strategic Plan 2013-2017, page 16)
- e. Every person shall have the right freely to engage in economic activity – Section 29 of the Constitution of the republic of Malawi)
- f. Methods of procurement and their conditions for use – (Section 30 of the Public Procurement Act 2003)
- g. The ministry targeted to review and implement YEDEF operational guidelines – (Strategic Plan 2013-2017, page 16)

3.3.2 Youth trained in vocational, technical, and entrepreneurship skills

The MoYSD planned to train 12, 000 young people in vocational, technical, business management and entrepreneurship skills by 2014²⁴. Youth equipped with vocational,

²⁴ MoYSD's strategic plan – 2013/14



technical, business management and entrepreneurial skills would become successful business owners or would have their potential job opportunities increased.

- a. The MOYSD targeted to train 6,500 youth in vocational and technical skills and 4,430 in business management and entrepreneurship skills – (Strategic Plan: 2013-2017 page 29);
- b. MOYSD's planned needs assessment reports for youth and athlete led enterprise – (Strategic Plan: 2013-2017 page 29)
- c. The MOYSD targeted to improve the socio-economic status of 4,330 youths through increased incomes – (Strategic Plan 2013-2017 page 16)

3.3.3 Attachment of Youth to successful entrepreneurs

To ensure the youth acquire practical business and entrepreneurship skills the MoYSD targeted to attach 4,000 young entrepreneurs to successful entrepreneurs, (Strategic plan 2009/10 – 2014/15).

3.3.4 Monitoring and Evaluation of Youth Economic Empowerment Programs

- a. The MoYSD's was supposed to monitor and evaluate overall implementation of YEE programmes using a monitoring and evaluation framework²⁵. As such, the MoYSD targeted to conduct 12 monitoring visits on YEE programmes during the period under review.
- b. Besides, monitoring and evaluation of performance of YEDEF loan fund was supposed to be done by MARDEF board with assistance from the secretariat office, District Executive Committees (DEC) and Area Development Committees (ADC)²⁶.

²⁵ Ministry's Strategic Plan (2009/2010 to 2014/2015) page 10, paragraph 4.

²⁶ YEDEF Operational Guidelines – 2010, Page 4, paragraph 1.



CHAPTER 4: FINDINGS.

This chapter presents audit findings on whether the ministry implemented youth economic empowerment programs as they had planned and the impact there of.

4.1 Establishment, improvement and sustainability of Youth Development Fund.

The ministry planned to establish a youth development fund and ensure that the fund is sustained. In addition, the ministry planned to review the loan fund by 2014 to ensure its improvement and sustainability.²⁷

A review of MoYSD's ministerial statement presented in parliament in June 2012, revealed that YEDEF was established on 20th February 2009. First phase of YEDEF loans disbursement was in 2010 and the second phase was in 2012. However, disbursements of the loan fund was later suspended in 2014 for reasons related to its sustainability mechanisms.

The following are audit findings in relation to YEDEF loan disbursement and loan recoveries.

4.1.1 Loan Disbursement

YEDEF operational guidelines of 2010 stipulates that, loan application forms are supposed to be supported by a detailed business plan and undergo rigorous assessment processes which involving positive engagement of Traditional Authorities (TAs) and Area Development Committees (ADCs) to coordinate loan repayment enforcement.

In addition, the fund was supposed to target the youth that fell within the ages of 18 to 35 years as defined by the African Union (AU) and United Nations (UN) charters on youth and in accordance with the Section 43 of Constitution of Malawi and the

²⁷ Ministry's Strategic Plan 2009/2010 to 2014/2015



Convention on the rights of a child. The loans were meant to be disbursed to youth groups of a maximum of 10 members per group.

The approved loan applications were supposed to be sent to MARDEF regional offices and then to MARDEF Secretariat for further recommendations. The Secretariat was then supposed to consolidate all the recommendations for MARDEF Board's final loan approvals. The approved list of names would be published and beneficiaries would later undergo business management trainings before loan disbursements²⁸. The audit revealed the following:

i. Non adherence to YEDEF Operational guidelines

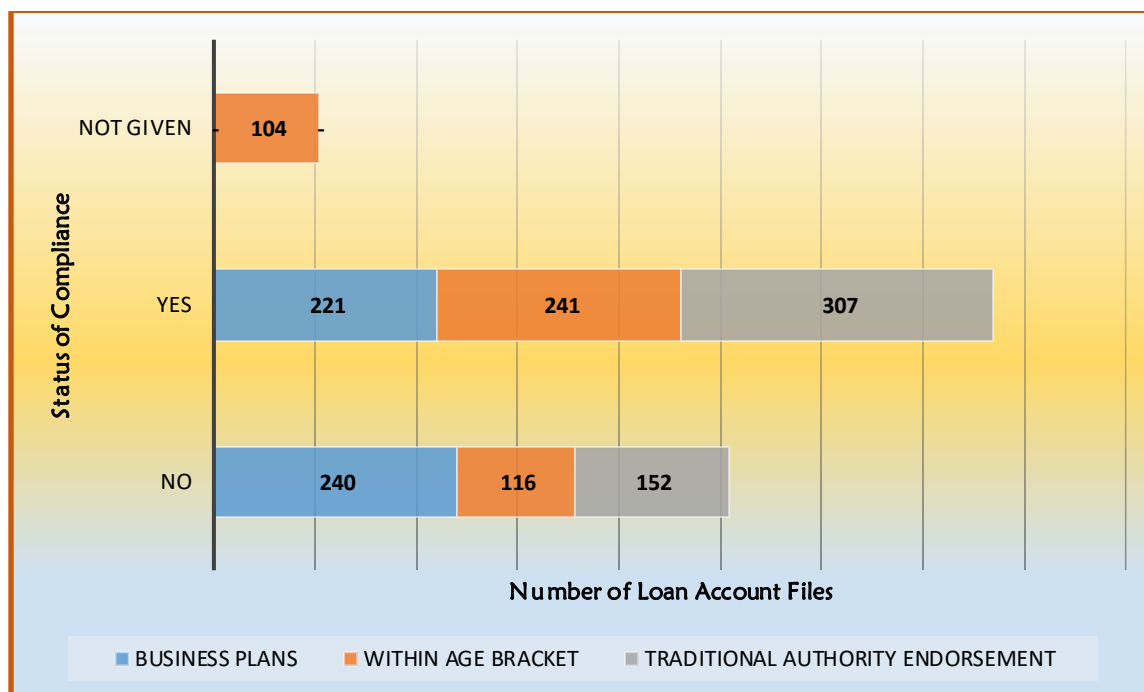
Interviews with MARDEF senior officials and a review of MoYSD's Back to Office Report on YEDEF Disbursement compiled on March 14, 2014, revealed that the above mentioned process was not being followed as per requirement in some instances. A review of 461 YEDEF loan account files from 8 sampled districts revealed that 240 were not supported with business plans, 152 were not endorsed by the TAs, 116 were above the age limit of 35 years while 104 did not declare their ages. These represent 52%, 33%, 25% and 23% respectively.

Figure 4.1 illustrates these findings.

²⁸ YEDEF Operational Guideline, Effective 2010.



Figure 4.1: Compliance to YEDEF Operational Guidelines



Sources: MEDF (district offices)

Non adherence to YEDEF Operational guidelines was caused by political interference in the way how loan beneficiaries were mobilized as shown in table 4.1 below and also supported by evidence in appendix 2.

Table 4.1: Politically mobilized and exceeded membership YEDEF Loan Groups

| District | Number of Loan Groups |
|--------------|-----------------------|
| Blantyre | 13 |
| Neno | 5 |
| Dedza | 1 |
| Total | 19 |

Source: Sampled MARDEF District Offices.



Table 4.1 shows that a review of loan account files established that 19 loan groups comprised of 13 from Blantyre, 5 from Neno and 1 from Dedza were mobilized by political leaders and had more than 10 members per group.

Furthermore, political leaders were found to be guarantors for 27 YEDEF loan groups that ended up being defaulters. These groups comprise of 11 groups from Lilongwe, 8 - groups from Neno, 7 groups from Dedza and 1 group from Blantyre as shown in table 4.2 below.

| Table 4.2 Summary for the Political Leaders who were YEDEF loan Guarantors | |
|---|---|
| District | Number of Loan Guarantors from Political Leaders |
| Blantyre | 1 |
| Dedza | 7 |
| Neno | 8 |
| Lilongwe | 11 |
| Total | 27 |

Source: Sampled MARDEF District Offices.

Non adherence to YEDEF Operational guidelines denied potential bonafide youth chances of YEDEF loan access. In addition, disbursing the loans to beneficiaries who were above the age limit defeated the objective of improving the livelihood of the youth. Eventually, YEDEF beneficiaries who were politically mobilized were reluctant to repay the loans.

MEDF Management Comment:

The matter has been noted. In order to address this challenge Government registered the Malawi Enterprise Development Fund Limited as a company limited by guarantee in February 2014 under the Company's Act. Further to the registration of MEDF Limited as a company Limited by guarantee, the Reserve Bank of Malawi issued a Non Deposit Taking Microfinance License to MEDF Ltd in March 2015. This means that the operations of MEDF Limited will be monitored and supervised by the Reserve Bank of Malawi. MEDF Limited is in compliance with Reserve



Bank of Malawi Directives and several laws relating to microfinance operations in Malawi such as the Microfinance Act, Financial Services Act, Credit Reference Bureau Act, etc

It is imperative to mention that MEDF Limited is currently undertaking several structural reforms that have been agreed with the Ministry of Finance and the Civil Service Reforms Commission.

Suffice to mention that a new Strategic Plan was approved by the Board in 2015 to address the challenges the MARDEF faced over the recent past including political interference in order to convert the institution from its previous social status into a robust commercial institution.

ii. Loan beneficiaries provided with equipment without start-up capital.

As per YEDEF operational guidelines, equipment loans were supposed to be disbursed as 70% in equipment value and 30% in cash for working capital to make a complete loan package²⁹. That is, for loan equipment to be issued from warehouses, there had to be proper loan approvals which ensured availability of the 30% start-up capital.

A review of loan account files established that 79 beneficiaries from the sampled districts received equipment. Interviews with 12 out of 24 beneficiaries that were reached from the districts revealed that 8 beneficiaries did not receive start up cash for working capital representing 67% of the reached sample. In addition, interviews with Mzuzu and Lilongwe MARDEF District Supervisors indicated that all equipment loan beneficiaries from the districts did not receive startup capital.

Failure by MARDEF to disburse cash for 30% working capital was attributed to the fact that instruction to disburse equipment loan was given without having the actual cash for working capital available.

Lack of 30% working capital resulted into a situation where the equipment has been staying idle as beneficiaries did not have cash for buying raw materials and for business operational expenses.

²⁹ YEDEF Operational Guidelines effective 2010



For instance, a chalk making machine loan which was disbursed to a beneficiary in Balaka, valued at MK 652,050.00 as at June 2012 has been lying idle since then up to the date of audit because of not receiving working capital of MK 279,450.00 to make a loan total amount of MK 931,500.00. Similarly, another beneficiary in Mzuzu who received a welding and fabrication machine valued at MK 873,540.00 as at June 2012 never used the machine for having not received the working capital of MK 374,374.00 to make a loan total amount of MK 1,247,914.00.

This problem further led to high loan default rates as beneficiaries could not be able to generate any income from their businesses for loan repayment.

MEDF Management Comment:

The matter has been noted. Suffice to mention that Government directed MEDF to handover all remaining YEDF Equipment to the Ministry of Labour, Youth and manpower Development under the Community Colleges Program.

4.1.2 YEDEF loan recoveries

Other than establishing the youth development fund, the MoYSD also planned to improve it by increasing loan recovery to 40% by 2013/2014 financial year.³⁰ This plan was supported by YEDEF operational guidelines which provided for all loans to carry a grace period of up to a maximum period of 6 months and repayable over a maximum period of 24 months. Document review and physical inspection revealed the following:

i. Inability to meet loan recovery target

A review of structured interviews with MARDEF senior officers revealed that **MK783,762,763, MK115,355,960 and MK248,882,336** was disbursed in 2012, 2013 and 2014 financial years respectively totalling to **MK 1,148,001,059** at national level. However, a review of board minutes for the period under review revealed conflicting information. Thus the minutes indicated that by the year ending June 2012 a total of

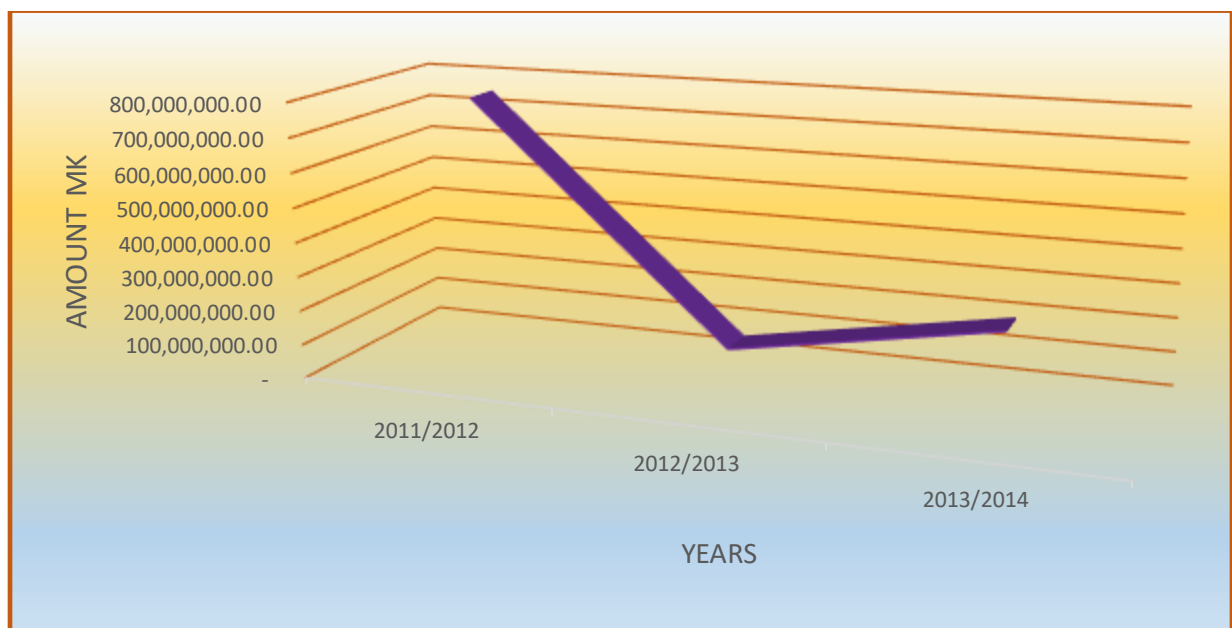
³⁰ Ministry's Strategic Plan 2013/2017



MK 1,085,020,000 was disbursed (i.e. by July 2011 amount disbursed was MK803.3 million and December 2011 amount disbursed was MK 281.72 million) while in the year ending June 2013 a total of MK 420,082,825 was disbursed (i.e. amount of MK1, 505,102,825 disbursed since inception in 2010 less amount of MK1, 085,020,000 disbursed by June 2012).

No detailed data of loan recovery for the period under review was made available to the auditors for analysis and establishment of its trend. However, structured and face to face interviews with MARDEF secretariat senior officers established that a cumulative total of **MK340, 152,249** was recovered from a cumulative total loan disbursement of **MK 1,148,001,059** as indicated above. This represented 30% loan recovery rate at national level. From the loan disbursement statistics collected through the structured interviews, a trend depicting the levels of loan disbursement amounts during the period under review was established and presented in figure 4.3 and an analysis of sampled beneficiaries who got the loans through a normal process is presented in appendix 2.

Figure 4.2: Trend of Disbursement of YEDEF Loan Fund



Source: MARDEF DATA



Figure 4.3 illustrates that the disbursement of YEDEF commenced at a high note in 2011/2012 followed by a sharp decline in 2012/2013 and thereafter a slight increase in 2013/2014. A comparison of total cumulative amount of loans disbursed during the period under review, and the total cumulative amount of recoveries, entails that sustainability of the revolving fund was at stake.

A further analysis of MARYEDF system, data gathered from sampled districts revealed that a total of MK 607,391,981.19 was disbursed in both cash and equipment during the period under review and a total of MK 81,448,500.27 was recovered. Details for this finding are reflected in table 4.3.

Table 4.3: YEDEF Loan Data for Sampled Districts

| DISTRICT | NUMBER OF BENEFICIARIES | AMOUNT DISBURSED | AMOUNT REPAID | RECOVERY RATE |
|--------------|-------------------------|-----------------------|----------------------|---------------|
| BLANTYRE | 268 | 170,997,883.00 | 11,151,638.61 | 7% |
| LILONGWE | 296 | 179,649,842.66 | 15,970,156.46 | 9% |
| NENO | 40 | 11,885,000.00 | 1,641,393.54 | 14% |
| BALAKA | 77 | 26,464,032.53 | 3,777,219.29 | 14% |
| DEDZA | 86 | 37,145,000.00 | 5,592,315.15 | 15% |
| MACHINGA | 80 | 28,978,000.00 | 4,817,429.21 | 17% |
| MZIMBA | 244 | 101,913,408.00 | 21,692,023.06 | 21% |
| NKHATABAY | 130 | 50,358,815.00 | 16,806,324.95 | 33% |
| TOTAL | 1,221 | 607,391,981.19 | 81,448,500.27 | 13% |

Source: MARDEF DATA - MARYEDF System

Table 4.3 shows that Nkhatabay and Mzimba districts had relatively higher loan recovery rates of 33% and 21% respectively. These were followed by Machinga, Dedza, Neno and Balaka at 17%, 15%, 14% and 14% respectively and the least recovery rates were in Lilongwe and Blantyre at 9% and 7% respectively.



Average loan recovery rate for the sampled districts was at 13% as at January 2016.

Further analysis of YEDEF loan account files from sampled districts, revealed that MK 207,464,307.00 was disbursed in equipment and only MK 9,866,790 was recovered representing 5% loan recovery rate. This is illustrated in table 4.4

Table 4.4: YEDEF Equipment Loans from Sampled Districts

| # | DISTRICT | AMOUNT DISBURSED | REPAID | BALANCES |
|---|----------------------|---------------------|------------------|--------------------|
| 1 | BALAKA | 4,230,689.00 | 72,799.00 | 4,157,890.00 |
| 2 | BLANTYRE | 26,125,129.00 | 33,488.46 | 26,091,640.54 |
| 3 | DEDZA | - | - | - |
| 4 | LILONGWE | 168,629,975.95 | 9,760,502.36 | 158,869,473.59 |
| 5 | MACHINGA | - | - | - |
| 6 | MZUZU | 8,478,513.00 | - | 8,478,513.00 |
| 7 | NKHATABA Y | - | - | - |
| 8 | NENO | - | - | - |
| | TOTAL | 207,464,307 | 9,866,790 | 197,597,517 |
| | RECOVERY RATE | | | 5% |

SOURCE: Data extract from district offices

Failure to meet the loan recovery target was attributed to a number of factors which included:

- Failure to take account of loans that were disbursed in the form of equipment in the MARYDEF System as per evidence gathered. A review of equipment loan account files established that out of MK 223,604,306.95 disbursed equipment loan



in sampled districts MK 43,324,347.00 was not posted yet into YEDEF loan record since disbursement in 2012 and this represents 19% of initial disbursed amount.

- Failure by MARDEF Credit Officers to trace loan beneficiaries that received equipment. This was evidenced by auditor's efforts to reach beneficiaries with the help of credit officers for physical inspection of the disbursed equipment. From the 24 sampled equipment loan beneficiaries, 12 of them could hardly be reached.
- Beneficiaries who accessed YEDEF loans through political mobilisation defaulted their loans. As per evidence gathered through a review of 462 loan account files, 42 **were loan defaulters** representing 10% of the sample. In addition, politically mobilised beneficiaries ended up discouraging other beneficiaries who were not politically mobilised from their neighbourhoods. This is also supported by interviews that were conducted with District Loan Officers, Supervisors and regional managers.
- Failure to equip beneficiaries with business management skills to enable them to successfully run their ventures and generate cash for loan repayments. Testimonial evidence from MARDEF Secretariat senior officers through structured interviews indicated that all beneficiaries who got their loans during the second phase from 2011 were not trained in business management skills due to lack of operational funding.

Failure to meet the loan recovery target brought about negative effects which included, failure of the fund to revolve to other new bonafide beneficiaries and unsustainability of the fund as per the ministry's set target³¹.

³¹ Ministerial Statement to Parliament on YEDEF, Page 6, Paragraph 1 – June 2012



MEDF Management Comment:

The matter has been noted. MEDF has engaged the services of Debt Collectors and Lawyers to collect all outstanding loans including Youth Loans through the normal legal and court process. The initiative is expected to improve the loan repayment and send the right message to the general public that MEDF loans are not grants but taxpayers money.

ii Loan recoveries taking longer than the maximum repayment period.

A review of 40 randomly sampled YEDEF loan accounts record from sampled districts revealed that loan recoveries took an average of 60 months, which was more than the 24 months period provided for in the operational guidelines. Thus, loans that were due for repayment completion in October 2013, still had outstanding balances as at January 2016. For more details on this finding, refer to Appendix 7.

The problem of loan recoveries taking longer than the set maximum period was attributed to political interference as stated earlier in the report under 4.2.1 (i). In addition, the problem was also due to failure by credit officers to make follow up visits on beneficiaries in their respective portfolios. This was substantiated by testimonial evidence obtained from the 12 equipment loan beneficiaries that were sampled from the districts. It was learnt through interviews with MRDEF district supervisors that credit officers did not prioritize recovering YEDEF loans which had a low contribution to the monthly targets to achieve the required minimum performance standards by their management.

Failure to repay YEDEF loans within the set repayment period of time defeated the whole purpose of revolving the fund to other potential bonafide youth beneficiaries and it also affected the sustainability of the fund thereby leading to suspension of loan disbursement³².

³² Ministerial statement to parliament on YEDEF, page 6, paragraph 1 – June 2012



MEDF Management Comment:

The matter has been noted. MEDF has engaged the services of Debt Collectors and Lawyers to collect all outstanding loans including Youth Loans through the normal legal and court process. The initiative is expected to improve the loan repayment and send the right message to the general public that MEDF loans are not grants but taxpayers money.

Suffice to mention that some senior politicians accessed loans from MEDF Limited using their political influence and were refusing to follow the due process of loan administration including completing application forms and refusal to submit relevant documentation.

MEDF Field Officers have been threatened over the years by these influential politicians when approached to recover loans making the loan repayment process almost impossible. The influential politicians have even threatened external auditors at times.

Management is in the process of submitting all Loan Data to Credit Reference Bureaus in line with the new Credit Reference Act as this will enhance credit checks in the financial industry.

ii. Failure to update YEDEF loan account files.

According to MARDEF system of record maintenance, YEDEF loan account files were supposed to have Loan Application Form, Loan Appraisal Form, Loan Activity Form, Statement of Account, Loan Repayment schedule, Business Plan, Contract Agreement Form, Copies of beneficiary identifications, Copies of Repayment Deposit slips and or MARDEF official receipts.

Loan Activity Form is a manually maintained document detailing the actual status of loan account repayments including applicable relevant remarks about the frequency of follow up visits made to beneficiaries. A Statement of Account is a computer generated document detailing the actual status of loan account repayments that have been deposited into bank account and gets auto updated into MARYDEF system.

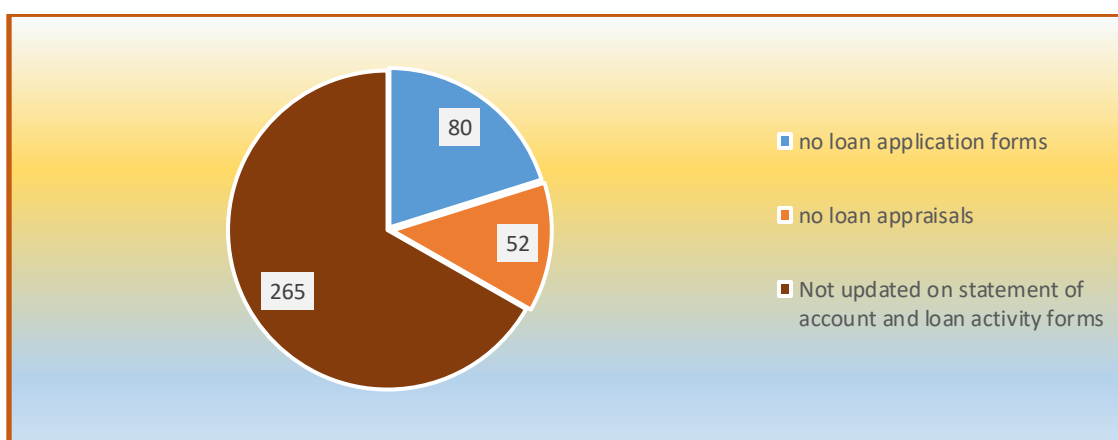
Loan Activity Form and Statement of Accounts are the two key documents that are supposed to be updated to reflect actual status of loan accounts. Their monthly



reconciliations are paramount so as to ensure that every transaction that appears on the statement of account tallies with the records on loan activity form.

A review of YEDEF loan account files revealed that out of 461 files, 265 had their Statements of Accounts and Loan Activity Forms not updated, 80 files had no loan application forms and 52 files had no loan appraisal forms. This represented 57%, 17% and 11% of the sample respectively. Figure 4.5 illustrates this.

Figure 4.3: Files without loan application forms and loan appraisals and those not updated on statements of accounts and loan activities forms



Source: Extract from MEDEF District Loan Account Files

Further review of loan account files established that out of a total account balances of MK 25,165,302.04, there was no evidence of repayments totaling to MK 11,080,733.23. Similarly, out of the total loan account balances of MK 7,161,279.50, deposit slips totaling MK 4,631,749.00 was not posted into the statement of accounts. Details of this, are given in table 4.5.

Table 4.5: Loan accounts with no repayments evidence and repayments that were not reflected in the statement of accounts.



| District | LOAN ACCOUNT WITH NO EVIDENCE | | LOAN ACCOUNT WITH REPAYMENTS NOT REFLECTED INTO ACCOUNT | |
|---------------|-------------------------------|--------------------------|---|--|
| | Loan Account Balance | No Evidence of Repayment | Loan Account Balance | Repayments not reflected in the statement of account |
| BALAKA | 2,411,407.09 | 843,088.70 | 1,378,405.80 | 68,000.00 |
| BLANTYRE | 33,257.52 | 1,000,000.00 | - | - |
| DEDZA | 15,384,637.70 | 5,081,683.53 | 1,910,252.70 | 318,875.00 |
| LILONGWE | 491,848.00 | 238,000.00 | 462,018.00 | 2,209,900.00 |
| MACHINGA | - | - | 1,044,143.00 | 503,514.00 |
| MZUZU | 3,628,812.73 | 1,666,520.00 | 1,415,860.00 | 1,415,860.00 |
| NENO | - | - | - | 2,200.00 |
| NKHATABA Y | 3,215,339.00 | 2,251,441.00 | 950,600.00 | 113,400.00 |
| TOTAL | 25,165,302.04 | 11,080,733.23 | 7,161,279.50 | 4,631,749.00 |

Source: Extracted from MEDEF District Loan Account Files

Interviews with MARDEF secretariat senior officers and regional officers revealed that failure to update the loan account files was due to laxity and failure to take instructions by credit officers. This led to disparities generally between clients' actual balances and their individual loan account balances reflected in their respective files at MARDEF offices. This further created confusion to loan account holders thereby deterring their willingness to repay outstanding balances as per MARDEF record.

MEDF Management Comment:

The matter has been noted. In order to address the challenge MEDF Limited is undertaking structural reforms and reorganisation as agreed with the Ministry of Finance. New branches have been set up, office renovations and maintenance is in progress and interviews for new Branch Managers have been concluded.

Suffice to mention that Government has approved the procurement of an Integrated Accounting and Microfinance MIS in order to improve on financial and operational



reporting and also ensure compliance with the requirements of the Reserve Bank of Malawi.

4.1.3 YEDEF equipment

According to desk instructions for public procurement in Malawi, to ensure user's needs are met, procurement of YEDEF loan equipment was supposed to base on end user needs specifications. On the other hand, YEDEF Operational guidelines required that the value of disbursed equipment loans should not exceed MK 2,000,000.00. The audit established the following in relation to procured YEDEF loan equipment.

Management Comment

No comment was made on this finding by the management.

4.1.3.1 Incompatibility of equipment sets and lack of spare parts on local market

Physical inspection of one of the issued and installed bakery equipment conducted in area 24, Lilongwe revealed that the plant had serious anomalies. The plants had computerised spare parts which can hardly be found on our local markets in case of machinery breakdown. In addition, the equipment sets were incompatible with one another and the machinery operations required specialised skills.

Interview with the Choice Bakery group in Lilongwe, the only beneficiary group that had started using the bakery equipment revealed that for the oven to operate it needed 27.5 litres of diesel together with electricity power to produce 36 loaves of bread per hour. A standard oven was supposed to produce 80 loaves of bread per hour. The generator that came as part of the bakery equipment required 60 litres of diesel per hour in addition to the 27.5 litres required for the oven to produce 36 loaves of bread. Thus the bakery equipment proved to have high running costs as a result Choice Bakery



incurred losses other than realising profits from YEDEF loan facility which the group got in 2013.

Further the interview established that, when the group started using the bakery equipment, the very first day the bread mixer had problems resulting from factory fault of motors in terms of their speed. After six days the scale stopped working and after twelve days a slicer stopped working. Eighteen days later the oven stopped working due to low heating temperatures from the element/burner. Electricity could drive the motor but for the element to get switched on, the diesel burner was not performing well. The group did not manage to maintain the bakery equipment because the spare parts were not found anywhere on the markets within Malawi.

These serious anomalies were as a result of misprocurement of the YEDEF equipment consignment as the process was not based on the needs specifications as stipulated in the desk instructions for public procurement in Malawi..

This brought a negative effect both MARDEF and loan beneficiaries. Lack of the specialised skills on how to efficiently and effectively operate machines coupled with scarcity of spare parts on the local market led to a low demand for such complex machinery loans.

Management Comment

No comment was made on this finding by the management.

4.1.3.2 High valued equipment procured for YEDEF loan scheme

YEDEF Operational Guideline stipulates that the maximum loan threshold is MK2,000,000.00 for either cash or equipment loans.

A review of opening stock record and its subsequent analysis established that there was equipment procured whose values were more than the set guidelines threshold of MK2,



000,000.00. High valued equipment was ranging from MK 2, 100,000.00 to MK 20,000,000.00 and its total value including 30% working capital was MK 1,296,656,650.00 as compiled in 2012. Table 4.6 shows details on this finding.

Table 4.6 List of equipment valued more than MK 2,000,000.00.

| TYPE OF BUSINESS | QTY | UNIT COST OF EQUIPMENT CIF MALAWI (MK) | ADJUSTED TO INCLUDE CLEARING AND TRANSPORT COSTS (MK) | UNIT LOAN AMOUNT WITH WORKING CAPITAL (30% working capital and 70% for equipment) (MK) | TOTAL VALUES OF OPENING STOCKS WITH 30% WORKING CAPITAL (MK) |
|---|-----|--|---|--|--|
| Briquette Making | 5 | 19,989,540.00 | 22,987,971.00 | 32,839,959.00 | 164,199,795.00 |
| Paper Making | 10 | 15,840,000.00 | 18,216,000.00 | 26,022,857.00 | 260,228,570.00 |
| Bakery Plant | 20 | 7,425,576.00 | 8,539,412.00 | 12,199,161.00 | 243,983,220.00 |
| Handloom and Warping | 10 | 4,680,000.00 | 5,382,000.00 | 7,688,571.00 | 76,885,710.00 |
| Steel Fabrication | 35 | 4,320,000.00 | 4,968,000.00 | 7,097,143.00 | 248,400,005.00 |
| Vehicle body Repair | 150 | 1,229,400.00 | 1,413,810.00 | 2,019,729.00 | 302,959,350.00 |
| TOTAL VALUE OF HIGH VALUE EQUIPMENT LOANS EXCLUDING CASH FOR WORKING CAPITAL | | | 1,296,656,650.00 | | |

Source: MARDEF warehouse stocks

Procurement of high valued equipment was a result of not conducting a needs assessment for the loan scheme in as far as the equipment loans were concerned. Paradoxically, the guidelines loan threshold of MK2, 000,000.00 was set without taking consideration of the highly valued equipment which was already procured by the Ministry of Finance in the year 2010.

High valued equipment demanded a relatively higher amount of working capital for purchase of raw materials and payment for running costs of production. This is evidenced by an attempt to conduct physical inspection of a bakery plant issued to Jobless Corner Group – YEDEF loan beneficiary in Karonga, where it was revealed that



the plant was sold by the beneficiary due to lack of working capital for commencement of their business.

Management Comment

No comment was made on this finding by the management.

4.1.3.3 Cash tied up in idle equipment in warehouses.

a. Cash tied up in high valued equipment

A review of YEDEF equipment opening stock record and its analysis established that there was high valued equipment ranging from MK 2, 100,000.00 to MK 20,000,000.00 unlike the set maximum loan threshold as provided for in YEDEF guidelines.

The total value of opening stocks for the high valued equipment in the warehouse was MK 907,659,595.00 and the value of stocks issued to beneficiaries was MK 146,575,167.00. This means that the value of closing stocks was MK 761,084,428.00 representing cash tied up in high valued equipment. There is a risk that most of the equipment will be rendered obsolete with technological change.

Table 4.7 shows this list of equipment and its values.



Table 4.7: Values of opening and closing stocks for high valued equipment

| Type of business | Opening stock (QTY) | Adjusted to Include clearing and transport costs (MK) | Total value of opening stock As at 30 June 2012 | Closing stock as at 26.01.2015 | Total value of closing costs as at 26.01.2015 | Issued to beneficiaries (QTY) | Cost of equip issued to beneficiaries (MK) |
|----------------------|---------------------|---|---|--------------------------------|---|-------------------------------|--|
| Vehicle body Repair | 150 | 1,413,810.00 | 212,071,500.00 | 134 | 189,450,540.00 | 16 | 22,620,960.00 |
| Steel Fabrication | 35 | 4,968,000.00 | 173,880,000.00 | 22 | 109,296,000.00 | 13 | 64,584,000.00 |
| Handloom and Warping | 10 | 5,382,000.00 | 53,820,000.00 | 8 | 43,056,000.00 | 2 | 10,764,000.00 |
| Bakery Plant | 20 | 8,539,412.00 | 170,788,240.00 | 17 | 145,170,004.00 | 3 | 25,618,236.00 |
| Paper Making | 10 | 18,216,000.00 | 182,160,000.00 | 10 | 182,160,000.00 | 0 | - |
| Briquette Making | 5 | 22,987,971.00 | 114,939,855.00 | 4 | 91,951,884.00 | 1 | 22,987,971.00 |
| Totals | | 61,507,193.00 | 907,659,595.00 | | 761,084,428.00 | | 146,575,1670 |

Source: MARDEF Warehouse Stock Record

The values of openings stocks and closing stocks represent a value of warehouse stock issue rate of 16% which left 84% of overall stock value still idle in warehouse as at January 31, 2015.

MEDF Management Comment

The matter has been noted. Government directed MEDF to handover all remaining YEDF Equipment to Ministry of Labour, Youth and Manpower Development for the Community Colleges Program. The Ministry of Finance shall disburse cash to the equivalent of equipment value under the “SWAP” Arrangement in order to capitalize MEDF Limited.

4.1.3.4 Cash tied up in low valued equipment

Further review of closing stocks revealed that there were also equipment whose respective values were less than MK 2,000,000 but were still lying idle in the warehouses.



An analysis of YEDEF equipment stock record established that the total value of opening stocks for the low valued equipment was MK 738,317,250.00 and the value of closing stocks was MK 532,594,854.00. This means that the value of stocks issued out of the warehouse to beneficiaries was MK 205,722,396.00. Detailed values of YEDEF equipment for both opening and closing stocks are reflected in table 4.8.

Table 4.8: Values of opening and closing stocks for low valued equipment

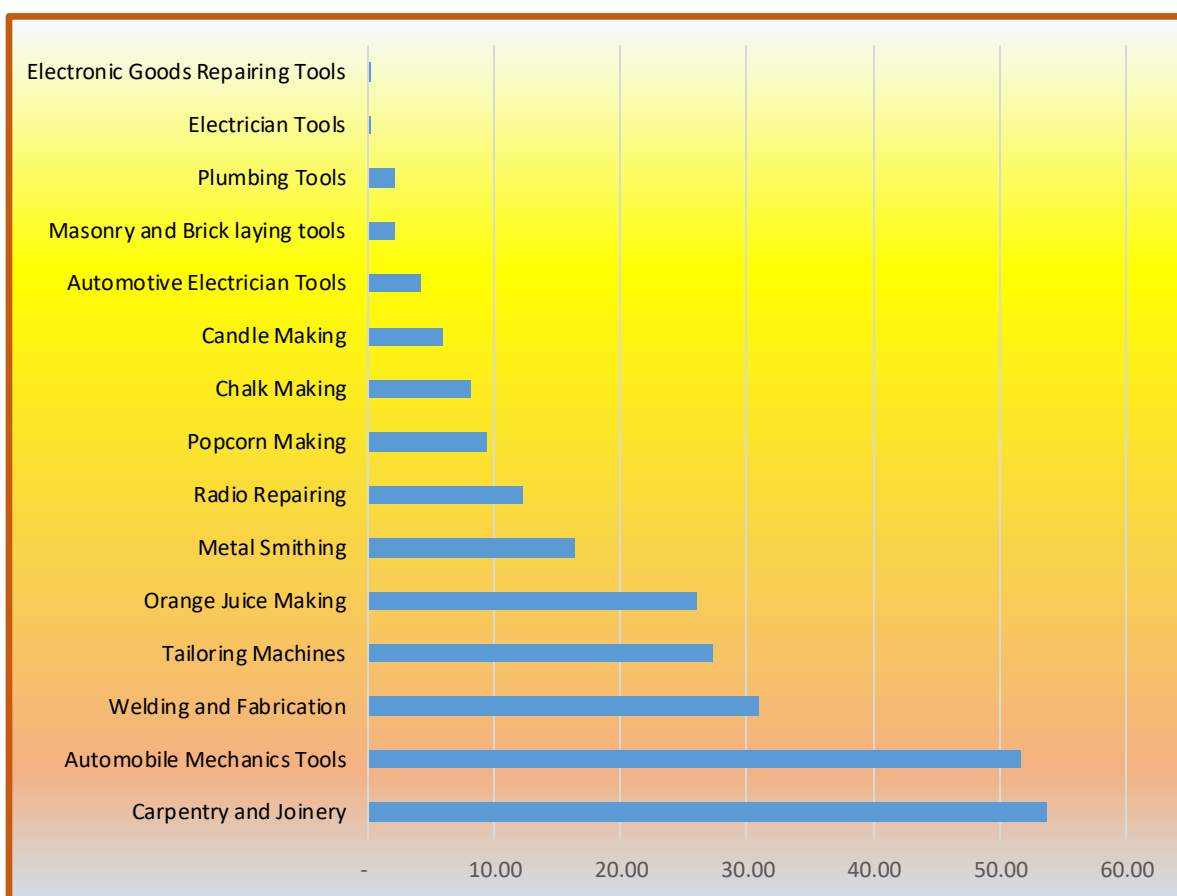
| Type of business | Opening stock (QTY) | Cost + clear + tpt costs | Total value of opening stock | Closing stock 26.01.16 | Total value of closing costs | Issued to beneficiaries (QTY) | Cost of equip Issued (MK) |
|----------------------------------|---------------------|--------------------------|------------------------------|------------------------|------------------------------|-------------------------------|---------------------------|
| Electrician Tools | 200 | 58,788.00 | 11,757,600.00 | 144 | 8,465,472.00 | 56 | 3,292,128.00 |
| Electronic Goods Repairing Tools | 200 | 144,900.00 | 28,980,000.00 | 196 | 28,400,400.00 | 4 | 579,600.00 |
| Carpentry and Joinery | 150 | 152,145.00 | 22,821,750.00 | 1 | 152,145.00 | 149 | 22,669,605.00 |
| Masonry and Brick laying tools | 150 | 155,250.00 | 23,287,500.00 | 117 | 18,164,250.00 | 33 | 5,123,250.00 |
| Tailoring Machines | 150 | 160,839.00 | 24,125,850.00 | 5 | 804,195.00 | 145 | 23,321,655.00 |
| Plumbing Tools | 150 | 248,400.00 | 37,260,000.00 | 134 | 33,285,600.00 | 16 | 3,974,400.00 |
| Metal Smithing | 150 | 290,628.00 | 43,594,200.00 | 135 | 39,234,780.00 | 15 | 4,359,420.00 |
| Candle Making | 40 | 331,200.00 | 13,248,000.00 | 23 | 7,617,600.00 | 17 | 5,630,400.00 |
| Automotive Electrician Tools | 150 | 403,650.00 | 60,547,500.00 | 143 | 57,721,950.00 | 7 | 2,825,550.00 |
| Popcorn Making | 45 | 496,800.00 | 22,356,000.00 | 15 | 7,452,000.00 | 30 | 14,904,000.00 |
| Radio Repairing | 150 | 651,429.00 | 97,714,350.00 | 148 | 96,411,492.00 | 2 | 1,302,858.00 |
| Chalk Making | 40 | 652,050.00 | 26,082,000.00 | 28 | 18,257,400.00 | 12 | 7,824,600.00 |
| Welding and Fabrication | 150 | 873,540.00 | 131,031,000.00 | 66 | 57,653,640.00 | 84 | 73,377,360.00 |
| Automobile Mechanics Tools | 150 | 972,900.00 | 145,935,000.00 | 142 | 138,151,800.00 | 8 | 7,783,200.00 |
| Orange Juice Making | 50 | 991,530.00 | 49,576,500.00 | 21 | 20,822,130.00 | 29 | 28,754,370.00 |
| | | | 738,317,250.00 | | 532,594,854.00 | | 205,722,396.00 |

Source: MARDEF Warehouse Stock Record



These stock details represent an overall ware house stock issues rate of 28% which left 72% of overall stock value still idle in warehouse as at January, 2015. Detailed stock issues rates for individual equipment item are indicated in figure 4.5.

Figure 4.4: Closing Stock for equipment valued from MK 100,000.00 to MK 900,000.00



Source: MoYSD – YEDEF Equipment stock record.

From the figure 4.5 it is noted that electrical repairing tools, electrician tools, plumbing tools, mansonary and brick laying tools, automotive electrician tools, candle making machine, chalk making machine, popcorn ma-king machine, radio repairing machine



and metal smithing had less than 20% of warehouse stock value issued. The only equipment which had more stock issues were automobile mechanic tools and carpentry and joinery tools with over 50% of stock value.

Having more equipment lying idle in warehouses was attributed to:

- i. Less demand for the equipment as they were not matching with the needs of their respective enterprise ventures.
- ii. Most of the equipment that had values more than MK2, 000,000.00 demanded additional working capital for purchase of raw materials and payment for running costs of production. In addition, 90% of such equipment was already prohibitive in terms of its value as far as the maximum YEDEF loan threshold limit was concerned.
- iii. Most of the equipment with values less than MK 2,000,000.00 did not have trained and skilled beneficiaries readily available for them hence the low demand of the equipment.

The gross total amount of cash tied up in idle equipment stocks in warehouses as at January 2015 was MK 1,293,679,282.00. In addition, there were cumulative costs of warehouse rentals of up to MK 69,000,000.00 from January 2010 to December 2015³³. Furthermore, stocks of bakery plant valued at MK 145,170,004.00 became obsolete as its machinery sets were found to be incompatible with one another and also because they stayed idle for a long period of time in the warehouse.

MEDF Management Comment

The matter has been noted. Government directed MEDF to handover all remaining YEDF Equipment to Ministry of Labour, Youth and Manpower Development for the Community Colleges Program. The Ministry of Finance shall disburse cash to the equivalent of equipment value under the “SWAP” Arrangement in order to capitalize MEDF Limited.

³³ Interview minutes with Senior MARDEF Officials.



4.1.3.5 Monitoring and Evaluation of YEDEF

MARDEF board was supposed to shoulder the role and responsibility of monitoring and evaluation of YEDEF loan fund with assistance from the secretariat office, district executive committees and area development committees.³⁴

Interviews with the secretariat senior officials established that the board of MARDEF did not monitor and evaluate YEDEF loan funds.

A review of MARDEF board minutes revealed that MARDEF management was briefing the board on the operations of YEDEF loan and the board was giving direction to the management on how to deal with the issues on the ground.

Interviews with MARDEF Secretariat established that inability to conduct the monitoring and evaluation by MARDEF board was attributed to lack of operational funding from the Ministry of Finance.

Lack of monitoring led to inefficiencies in YEDEF loan management that could have been identified and addressed immediately for example political interference, excess YEDEF equipment in warehouse and difficulties in loan recovery.

MEDF Management Comment

The matter has been noted. The Board approved the establishment of a Monitoring and Evaluation Unit in 2014 and Specialists have since been recruited.

³⁴ YEDEF operational guideline – 2010.



4.2 Training of youth and athletes in vocational, technical and entrepreneurship skills

The Ministry had planned to train 12, 000 young people in vocational, technical, business management and entrepreneurship skills by 2014³⁵ thus, 3600, 4,200 and 4200 for 2011/12, 2012/13, and 2013/14 financial years respectively.

The audit observed the following:

4.2.1 Inability to meet target.

4.2.1.1 Inability by the ministry to meet set targets on vocational, technical and entrepreneurship skills trainings.

The audit established that the ministry had failed to meet the set targets for training of youth in various vocational, technical and entrepreneurship skills. Details for targets achieved in the years 2011/12 and 2012/13 financial years were not provided by the ministry officials. However, A review of the 2013/14 APA progress report revealed that out of the 4,200 youths planned to be trained, 1,107 were trained which represented an achievement of 26.35% . Table 4.9 presents details of the set targets and progress on YEE programme trainings by the MoYSD in the year 2013/14.

Table 4.9: Annual Targets and Progress on Yee Trainings For 2013/2014

| OUTPUT | ANNAUL OUTPUT TARGET | ANNAULACTUAL PROGRESS | %AGE OF ANNAUL OUTPUT TARGET VS ACTUAL PROG |
|---|----------------------|-----------------------|---|
| Youth trained in vocational livelihood and technical skills | 2,400 | 592 | 24.67 |
| Youth trained in entrepreneurial and development skills | 1,800 | 515 | 28.61 |
| Total | 4,200 | 1,107 | 26.35 |

Source: MoYSD – APA Progress Report

³⁵ Refer to appendix 1 - MoYSD's Strategic plan for (2009/10 -2014/15)



Inability to meet set targets was attributed to the following factors:

a) Inadequate funding for training youths in vocational, technical and entrepreneurship.

To successfully train one student in vocational, technical and entrepreneurship skills it takes an average of MK 95,000.00 per student in 6 months³⁶. This meant that for the ministry to reduce unemployment which was at 23% amongst the youth population of 15-34 age brackets³⁷ it needed a heavy investment of financial resources of up to MK 266,000,000.00 for trainings excluding startup tools in 2013/2014 financial year only.

In 2013/14 out of MK 33, 500, 000.00 budget for training youths in vocational, technical and entrepreneurship skills, the ministry was funded MK 10, 309, 149.00 which represented 31% of the budget and 4% of the initial needed amount for trainings in 2013/2014. As a result the ministry was unable to train the youth as per the set target.

Basing on Technical Entrepreneurship and Vocational Trainings (TEVET) estimates for training one student in vocational, technical and entrepreneurship skills, with the budget allocation of MK33,500,000.00 and actual funding of MK 10,309,149.00, the ministry's would have trained 352 and 108 youths respectively.

Table 4.10 presents details of the budgeted figures for the ministry to cater for vocational, technical and entrepreneurship skills in 2013/14 financial year.

³⁶ National Economic Empowerment Policy (2012) Tevet estimates of vocational and technical trainings.

³⁷ Malawi Labour Force Survey Key Findings Report – 2013 by the National Statistical Office.



Table 4.10: Annual allocation and actual funding for output targets and progress made.

| OUTPUT | ANNUAL ALLOCATION (MK) | ANNUAL ACTUAL FUNDING (MK) | PERCENTAGE OF ANNUAL ALLOCATION AGAINST ACTUAL FUNDING |
|--|------------------------|----------------------------|--|
| Youth trained in vocational livelihood and technical skills | 18,500,000.00 | 3,394,149.00 | 18.35 |
| Youth trained in entrepreneurial and development skills | 15,000,000.00 | 6,915,000.00 | 46.1 |
| TOTAL | 33,500,000.00 | 10,309,149.00 | 31.0 |
| Average Cost of training as estimated by TEVET | 95,000 | 95,000 | |
| Number of Youths that would actually be trained basing on TEVET estimate | 352 | 108 | |

Source: MoYSD – APA report 2013/2014

b) Low staffing levels,

The ministry implements its youth economic empowerment programmes through youth outreach services in the department of youth. Out of the 166 established positions (2009) for youth outreach services 58 were filled as at January 2016,³⁸ representing a high vacancy rate of 66%. Further analysis of the establishment warrant revealed that none of the 5 senior assistant youth officer's positions, were filled; 8 out of 14 assistant youth officers' positions were filled; 8 out of 14 youth officer's positions were filled. This represents 100%, 38% and 43% vacancy rates respectively. This analysis reveals that an average of 46% of the technical staff and 71% of the technical staff in the youth outreach services was vacant. For details of staffing levels refer to table 4.11.

³⁸ MoYSD establishment warrant and Staff return.



Table 4.11: Staffing for the youth department and youth outreach services

| Posts | | | | Establish ed posts | Filled posts | Vaca nt Posts |
|---|-----------|-----------|--------|--------------------|--------------|---------------|
| Youth Department Headquarter Staff | | | | | | |
| Director of Youth | | | | 1 | 1 | 0 |
| Deputy Director of Youth | | | | 2 | 2 | 0 |
| Chief Youth Officer (Economic Empowerment | | | | 1 | 1 | 0 |
| Chief Youth Officer (Guidance and Counselling) | | | | 1 | 0 | 1 |
| Principle Officer (economic Empowerment) | | | | 1 | 1 | 0 |
| Principle Officer (Guidance and Counselling) | | | | 1 | 1 | 0 |
| Principle Officer (Youth Participation) | | | | 1 | 1 | 0 |
| Ground Labour | | | | 5 | 4 | 1 |
| Youth Outreach Services | | | | | | |
| Posts | Blantyr e | Lilong we | Mzuz u | Establish ed posts | Filled posts | Vaca nt Posts |
| Principal Youth Officer | 1 | 1 | 1 | 3 | 3 | 0 |
| Youth Officer | 5 | 4 | 4 | 13 | 8 | 5 |
| Senior Assistant Youth Officer | 2 | 2 | 1 | 5 | 0 | 5 |
| Assistant Youth Officer | 7 | 6 | 1 | 14 | 8 | 6 |
| Assistant Accountant | 1 | 1 | 6 | 8 | 0 | 8 |
| Assistant Human Resources Management Officer | 1 | 1 | 1 | 3 | 0 | 3 |
| Senior Accounts Assistant | 1 | 0 | 0 | 1 | 0 | 1 |
| Clerical Officer | 8 | 4 | 3 | 15 | 3 | 12 |
| Copy Typist | 8 | 9 | 9 | 26 | 7 | 19 |
| Accounts Assistant | 2 | 1 | 0 | 3 | 1 | 2 |
| PBX Operator | 1 | 1 | 1 | 3 | 2 | 1 |
| Motor Vehicle Driver | 3 | 8 | 0 | 11 | 8 | 3 |
| Security Guard | 11 | 10 | 10 | 31 | 10 | 21 |
| Messenger | 9 | 9 | 9 | 27 | 6 | 21 |
| Cook | 1 | 0 | 0 | 1 | 1 | 0 |
| Ground Labour | 2 | 0 | 0 | 2 | 0 | 2 |
| Subtotals | 63 | 57 | 46 | 166 | 57 | 109 |
| TOTALS | 63 | 57 | 46 | 179 | 68 | 111 |
| | | | | | Vacancy Rate | 66% |

Source: MoYSD Establishment warrant and staff return



The high vacancy rate caused work overload in the youth outreach services and the district youth offices, with the increasing demand for youth development activities due to the growing population of the youth over the past years, thereby compromising with the quality of work by the DYOs.

Inability by the ministry to meet the set targets hindered the bonafide youth benefiting from YEE related trainings.

The high vacancy rate caused work overload in the youth outreach services and the district youth offices, with the increasing demand for youth development activities due to the growing population of the youth over the past years, thereby compromising with the quality of work by the DYOs.

Management Comment

No comment was made on this finding by the management.

4.2.1.2 Inability by Neno IYD centre to meet targets to train youths in agribusiness skills.

Neno IYDC had annual target of 100 youths to be trained in the year 2013/14. A review of the Neno IYD Centre manager's presentation paper for the Sofa workshop, made on 14th November 2013, revealed that the center had an intake of 120 youths from four Traditional Authorities around Neno District for the second cohort. Contrary to the figure of 120, interview with the center manager revealed that 30 youths were recruited for the second cohort out of which 4 youth were successfully trained and were active in agribusiness as at January 2016. This represented 13% of the set target.

Inability to meet targets to train youths in agribusiness skills at centre was attributed to inadequate sensitization on the prerequisites of the trainings offered by the centre to the beneficiaries.

Inability by the centre to meet the set targets hindered the bonafide youth benefiting from YEE related trainings in Neno district.

Management Comment: *No comment was made on this finding by the management.*



4.2.2 High dropout and low enrolment rates at Neno IYD Centre.

The centre's capacity of annual enrolment for day release students is 120 from surrounding communities in Neno and 80 borders selected from all the districts in the country³⁹).

A review of reports for the centre revealed the following:

4.2.2.1. High dropout rates at Neno IYD Centre.

In 2012 Neno IYD centre had only managed to graduate 25 youths out of the initial annual intake of 120,⁴⁰ representing 79% dropout rate. High dropout rate at Neno IYD Centre contributed to failure by the centre to meet set targets. The high dropout rate was attributed to the following reasons:

- There were high expectations by trainees that they would be receiving allowances despite the skills being provided to them for free.
- The youth were frustrated due to an expectation gap on the courses to be offered by the centre other than agribusiness trainings. The expectation gap was as a result of inadequate sensitization of communities around the centre about the requisite conditions for the trainings.

High dropout rate at Neno IYDC which is the only integrated youth development centre under the MOYSD, had a negative impact on youth empowerment in twofold. Firstly, financial and human resources allocated for implementation of programs at the centre were not fully utilized as not all the targeted number of youths graduated at the centre. Secondly, as the number of graduates from the centre reduced, economic disempowerment increased, thereby contributing to high youth unemployment levels in Malawi.

³⁹ Report on Joint Monitoring visit to NENO - 2012

⁴⁰ Neno Joint Monitoring Report - 2012



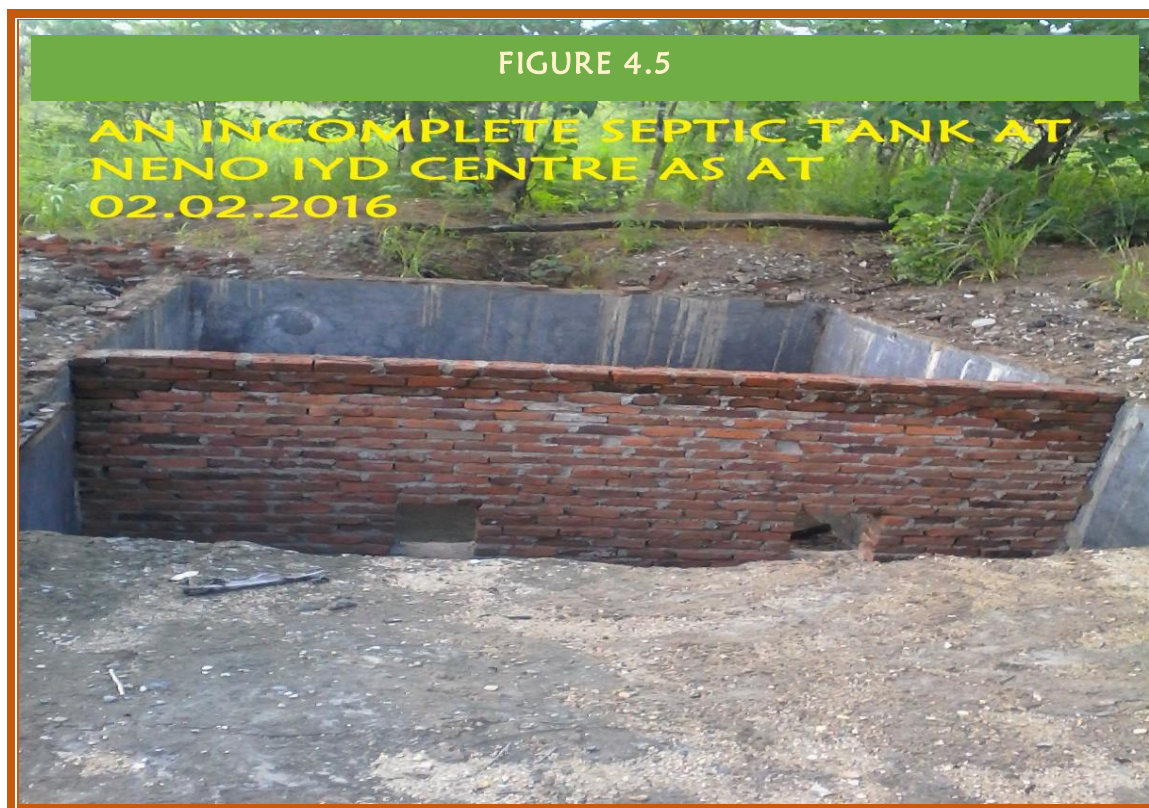
Management Comment

No comment was made on this finding by the management.

4.2.2.2 Low enrolment rate at Neno IYD Centre,

In 2012/2013 and 2013/2014, enrolment of the centre was 35 and 30 out of the initial annual enrolment capacity of 120 for day release students, representing 29% and 25% respectively.

The low enrolment rate was due to lack of sensitisation about the centre's curriculum to the communities in Neno district. In addition the low enrolment rate was also attributed to failure by the contractor to complete the construction of septic tank for the boarding facilities within the contract's time frame, thereby failing the centre to use the hostels, cafeteria and toilets. Figure 4.6 shows an incomplete septic tank as at 2nd February 2016.



Source: MoYSD (NENO IYD Centre)

Lack of sensitization and delayed completion of the construction works had negatively affected the enrolment of students to Centre's full capacity for both the first and second cohort. This hindered the bonafide youth in Neno district benefiting from agri-business trainings.

Management Comment

No comment was made on this finding by the management.

4.2.3 Low district coverage for YEE related trainings.

A review of annual economic reports for 2012, 2013 and 2014 established that out of 28 districts, there were 13 districts which benefited from trainings in vocational and technical skills and only 1 district benefited from agribusiness trainings representing



43% and 4% respectively. Details for the types of trainings and districts where they have been implemented are presented in Appendix 2.

Furthermore, Interviews with the DYOs from the sampled districts revealed that youths who benefited from vocational, technical and entrepreneurship skills trainings were a total of 21 and 1,013 in 2012/13 and 2013/14 respectively. This represents 1% and 36% of annual targets of 2,400 for each year respectively. Table 4.12 illustrates this.

Management Comment

No comment was made on this finding by the management.



Table 4.12: Number of youth trained in sampled districts.

| | | 2012/2013 | | | 2013/2014 | | |
|---|---|--|---|--|--|--|--|
| DISTRICT | RURAL/URBAN | NUMBE R OF BENEFIC IARIES IN AGRIBU SINESS SKILLS | NUMBE R OF BENEFICI ARIES IN BUSINES S MANAG EMENT SKILLS | NO. OF BENEFICIARIES IN VOCATIONAL AND TECHINICAL SKILLS | NUMBER OF BENEFICI ARIES IN AGRIBUSI NESS SKILLS | NUMBER OF BENEFICI ARIES IN BUSINESS MANAGE MENT SKILLS | NO. OF BENEFICIARIE S IN VOCATIONAL AND TECHNICAL SKILLS |
| LILONGWE | LL URBAN | - | - | - | - | - | 70 |
| | LL RURAL | - | - | - | - | - | 420 |
| NENO | NENO | 21 | - | - | - | - | - |
| BLANTYRE | BLANTYRE RULRAL | - | - | - | - | - | - |
| | BLANTYRE URBAN | - | - | - | - | - | - |
| BALAKA | BALAKA - YOUTH NGO'S | - | - | - | - | - | 155 |
| | BALAKA - ORT FUNDED YEE TRAININGS | - | - | - | - | 20 | - |
| MACHINGA | MACHINGA - YOUTH NGOS | - | - | - | - | - | 57 |
| | MACHINGA - ORT YEE FUNDED TRAININGS | - | - | - | - | 20 | - |
| DEDZA | DEDZA - YOUTH NGOS | - | - | - | - | - | 97 |
| | DEDZA - ORT YEE FUNDED TRAININGS | - | - | - | 35 | - | - |
| MZUZU | MZUZU - ORT FUNDED TRAININGS | - | - | - | - | - | 10 |
| NKHATA BAY | NKHATA BAY - NGO FUNDED YEE TRAININGS | - | - | - | - | - | 94 |
| | NKHATA BAY - DONOR FUNDED YEE TRAININGS | - | - | - | - | - | 35 |
| SUB - TOTAL PER TYPE OF TRAINING | | 21 | - | - | 35 | 40 | 938 |
| ANNUAL TOTALS | | 21 | | | 1013 | | |
| OVERALL TOTAL FOR THE PERIOD UNDER REVIEW | | | | | | | 1034 |

Source: Ministry of Youth and Sports Development (sampled districts)



Low district coverage for YEE related trainings was attributed to inadequate funding as explained in 4.1.1(i) and this prevented the targeted youth from being economically empowered through the trainings.

Management Comment

No comment was made on this finding by the management.

4.2.4 Presentation of conflicting information.

A review of annual economic reports for the years 2012, 2013 and 2014; Annual Performance Agreements between the MoYSD and the Office of the president and cabinet (OPC) for the period 2013/14 and statistical data from sampled districts revealed that the ministry presented conflicting information in relation to the number of youth trained in vocational, technical, business management and entrepreneurship skills during the period under review.

Annual economic report for 2012 revealed that no vocational and technical skills trainings were conducted by the ministry. At national level, 7,435 youths were equipped with various vocational and entrepreneurial skills and provided with start-up tools in 2013. In 2014, 300 youths were trained in Agri-business through Neno Integrated Youth Development Centre (IYDC) and 4000 at national level in various vocational and entrepreneurial skills⁴¹.

Neno IYDC report showed that there were only 25 young people who had successfully acquired skills related to agribusiness⁴². This figure was contrary to the figure 21 which was gathered from Neno District Youth Office and the 300 that was presented in the 2014 Annual Economic Report.

⁴¹ Annual Economic Report of 2012, 2013 and 2014.

⁴² Report on joint monitoring visit to Neno Youth Development Centre, February 2012, Bullet 5, Paragraph 1.



The 2013/2014 APA progress report for the ministry revealed that a total of 1,107 young people were equipped with technical and vocational skills in the country contrary to the 4,000 that was presented in the 2014 Annual Economic Report.

Apart from Neno IYDC report as at February 2012 and an Annual Performance Agreement (APA) between the MOYSD and the OPC, progress report for 2013/2014 financial year, no supporting statistical evidence for the numbers presented in the annual economic reports were made available to the auditors for verification.

Presentation of conflicting information was attributed to the ministry's failure to track record of trained beneficiaries from the district youth offices for consolidation and reconciliation of annual reports.

This limited the ministry from establishing the degree of performance of district offices in terms of YEE related trainings. This further led to limitations in decision making on which areas need improvement of YEE trainings.

Management Comment

No comment was made on this finding by the management.

4.2.5 Needs Assessments for youth economic empowerment programs

The ministry was supposed to conduct needs assessment for youth led enterprises in 2013/2014.⁴³

The audit established that no needs assessment exercise was conducted as per plan. The ministry based its decisions on implementation of YEE programmes on the 2009 needs assessment report which was outdated.

A review of 2013/14 APA report on the ministry annual budget established that no financial resources were provided for implementation of needs assessments.

⁴³ Ministry's Strategic Plan 2013-2017



Failure by the ministry to conduct the needs assessment has prevented the ministry from being updated with the changing needs of the unemployed youth in the country.

Management Comment

No comment was made on this finding by the management.

4.2.6 Improvement of livelihoods of trainings and startup tools youth beneficiaries.

The ministry was supposed to improve the livelihoods of youths who benefited from vocational and entrepreneurship skills and were provided with start-up tools.⁴⁴

Interviews with DYO and a review of annual reports from the sampled districts showed that 1,034 youths were trained in vocational, technical and entrepreneurship skills. In addition, interviews with 18 beneficiaries from sampled districts revealed that not all beneficiaries that had been trained were provided with start-up tools. As a result, beneficiaries were just staying idle. On the other hand, the impact of YEE trainings is not significant as the targeted youths are less compared to the number of unemployed youths in the district.⁴⁵ For instance, 267,900, out of the 300,000 youths in Machinga district were unemployed and eligible to benefit from YEE programmes, representing 89.3%⁴⁶. Review of the District Youth office reports revealed that 77 youths were trained in vocational technical and entrepreneurship skills in 2013 and none of them had received start-up tools as at January 2016.

Interviews with Neno DYO revealed that 60% of the graduates from Neno IYD Centre have had their social economic status improved. 12 out of 21 graduates were successfully running their own businesses.

Failure by the ministry to achieve this outcome target has been due to inadequate funding for purchase of startup tools for potential beneficiaries. Inability of the

⁴⁴ Ministry's Strategic Plan (2009/2010 to 2014/2015) Annexures Page 3.

⁴⁵ Interview with DYOs.

⁴⁶ Population and Housing census (youth and children) - 2008



ministry to provide trained beneficiaries with start-up tools has also failed an effort of improving the youth livelihood.

Management Comment

No comment was made on this finding by the management.

4.3 Attachment of young entrepreneurs to successful entrepreneurs

The ministry was supposed to attach 4,000 youth entrepreneurs to successful entrepreneurs by 2014.⁴⁷ This target was set in order to equip practical business management entrepreneurship skills to the targeted young people.

A review of annual economic reports and APA reports revealed that the ministry did not meet this particular set target. Interviews with the DYO for Nkhatabay established that 15 youths were attached to local artisans in the district in 2013/2014 financial year. This meant that throughout the period under review, the ministry had only achieved less than 1% of the target in the sampled districts. Figure 4.7 shows the target and actual achievement on this target.

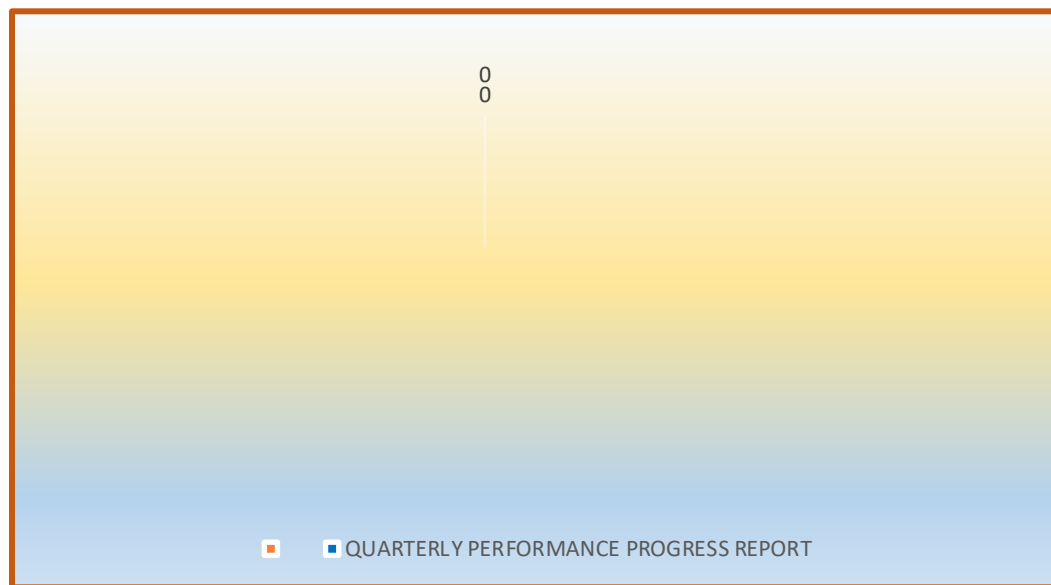
⁴⁷ Ministry's Strategic Plan – 2009/2010 to 2013/2014



Management Comment

No comment was made on this finding by the management.

Figure 4.6: MoYSD's achievement on attaching Young Entrepreneurs to Successful Entrepreneurs



The low achievement on this target was as a result of less financial resources allocated to that particular activity by the ministry. A review of the APA progress report for 2013/14 and MoYSD's budget estimates for the period under review established that there was no funds provided for attaching the youth to successful entrepreneurs.

Inability to achieve the target had negative impact as the targeted youth population had not been reached out with the service hence denying them a chance to have their livelihoods improved. This had eventually failed to address the social economic problem of high unemployment levels in the country during the period under review.⁴⁸

Management Comment

No comment was made on this finding by the management.

⁴⁸ Malawi Labour Force Survey Key Findings Report – 2013 by the National Statistical Office. Youth unemployment rate was at 23%.



4.4 Monitoring and Evaluation of Youth Economic Empowerment Programs.

The MoYSD's planning section was supposed to monitor and evaluate the implementation of YEE programmes on quarterly basis. Thus, the MoYSD was supposed to conduct 12 monitoring visits during the period under review. Monitoring and evaluation framework was supposed to be aligned to YOSMIS so as to identify causes for delays or implementation failures and propose relevant measures to remove any barriers to successful implementation⁴⁹.

A review of APA reports, MoYSD's Annual Activity Reports, Annual Economic Reports and interviews with senior MoYSD officials revealed that the MoYSD did not monitor and evaluate YEE programmes during the period under review. The monitoring and evaluation reports from the planning section were not made available for audit by the MoYSD apart from 4 reports on field visit made by the director of youth. In addition YOSMIS⁵⁰ was not running as initially planned.

Inability to monitor and evaluate YEE programmes was due to the fact that funds for the activity were not provided for in the MoYSD's financial budget allocations.

Lack of monitoring and evaluation had led the MoYSD not to identify causes for implementation anomalies and proposal for relevant measures to remove any barriers to successful implementation.

For instance, a review of 2013/2014 detailed budget documents revealed that the National Youth Services (NYS) Program was allocated with MK 70,000,000.00 for implementation of YEE programmes. Further analysis of expenditure documents for the

⁴⁹ Ministry's Strategic Plan, 2009/2010 to 2014/2015.

⁵⁰ Youth and Sports information system which is aligned to monitoring and evaluation framework



same allocated funds, established that the fund was not used for YEE programmes under NYS but was instead used for a study tour whose report does not exist.

Management Comment

Monitoring and evaluation of youth programmes is an important tool that helps to inform the direction and content of youth programming. The Ministry has often times relied on youth volunteers in youth clubs to provide data but the quality from such sources is not reliable because they choose what to report on and what not to report. Since most of the functions were devolved to Local Authorities at District Councils therefore it is upon the District Youth Officers to promote collaboration and coordination of youth activities with stakeholders to compile and submit reports to assist in evaluating the impact of youth programmes.



CHAPTER 5: CONCLUSIONS

The following conclusions were drawn from the audit findings:

5.1 General Conclusion

The audit conclude that principles of economy, efficiency and effectiveness in relation to the implementation of YEE programs in the MOYSD were not followed.

The impact on the livelihood of the youth has not been significant due to both external and internal factors which include, political interference and low prioritization in the allocation of both human and financial resources for implementation, monitoring and evaluation of YEE programmes.

The MoYSD did not implement YEE programmes as spelt in 2009/10 - 2014/15 strategic plans. There were Issues of noncompliance that affected the effective implementation of the programmes. These are for instance, non-adherence to YEDEF operational guidelines and inability to implement YEE programmes in accordance to the stipulated conditionalities.

The effectiveness of the implemented YEE programmes (YEDEF loan fund and YEE related training) was negatively impacted by the inability to meet the loan recovery targets and youth training targets respectively

Further the audit concluded that there were some inefficiencies relating to the implementation of YEE programmes which included low and delayed YEDEF loan recoveries, low district coverage in YEE related trainings, high drop-out rates and low enrollment rates in agribusiness trainings

Economically, the audit concluded that there was more cash tied up in YEDEF loan equipment which was lying idle in MARDEF warehouses and which were procured without needs assessment.



5.2 Specific conclusions

5.2.1 Establishment, improvement and sustainability of Youth Development Fund

Despite successfully establishing the youth development fund its sustainability was negatively affected due to political interference in the mobilization and selection of beneficiaries and loan recoveries. Due to lack of working capital beneficiaries who accessed YEDEF equipment ended up having the equipment idle and selling them without generating income that would have contributed positively to improvement and sustainability of the youth development fund through increased loan recoveries.

There was low recovery rate of YEDEF loan at both national and district level culminating into failure to meet the MoYSD's set target. Furthermore, loan recoveries took longer than the required timeframe. Consequently, this negatively affected the improvement and sustainability of the youth development fund.

Procurement of YEDEF equipment for loan disbursement was not based on the youth needs assessment as specified by the MoYSD. In addition the values of the procured equipment fell outside the set YEDEF guidelines maximum loan threshold which could not suit the youth enterprise capital base. The MoYSD also incurred high cost of handling and warehousing for idle YEDEF equipment that came about due to low stock movement which negatively contributed to improvement and sustainability of the youth development fund.

5.2.2 Training of youth and athletes in vocational, technical and entrepreneurship skills

The MoYSD did not have proper record of YEE related trainings thereby presenting conflicting information in its various reports. Set targets for training youths in vocational, technical and entrepreneurship skills were not met as per MoYSD's plans. There was less district coverage in terms of implementation of YEE related trainings. No needs assessment were conducted by the MoYSD to ensure that implemented YEE programmes met the needs of the youth. No significant livelihood improvement has



been made on YEE related trainings beneficiaries by the MoYSD because of lack of start-up tools and capital.

5.2.3 Attachment of youth entrepreneurs to successful entrepreneurs

Youth entrepreneurs were not attached to successful entrepreneurs by the MoYSD as per the initial plan. This denied the targeted youths of chances to gain practical business management and entrepreneurial skills.

5.2.4 Monitoring and Evaluation of Youth Economic Empowerment Programs.

The MoYSD did not monitor and evaluate the implementation of YEE programmes. This prevented the MoYSD from taking corrective actions on areas that needed improvement to ensure success of the programmes.



CHAPTER 6: RECOMMENDATIONS

The following recommendations were made to the Ministry of Labour Youth and Manpower Development (MLYMD) and Malawi Enterprise Development Fund (MEDEF) basing on the findings and conclusions from the previous chapters.

6.1 Improvement and sustainability of Youth Development Fund

- MLYMD should find ways of letting MARDEF to independently conduct its duties to avoid political interference.
- MARDEF should ensure that loans disbursement is in compliance with set YEDEF operational guidelines to curb political interference.
- MARDEF should engage political masters who facilitated access of loans to their subordinates in political structures to shoulder the responsibility of pushing for recovery of outstanding balances.
- MARDEF should ensure that before disbursing equipment loan the supporting start-up capital is made readily available.
- Since the existing equipment that is the warehouses have been handled over to community colleges, the MLYMD should ensure that in the next procurement of YEDEF equipment, needs assessment specifications should be followed.
- MARDEF board should ensure that monitoring and evaluation of YEDEF loan fund is done.
- MARDEF should consider making a follow ups on YEDEF equipment which was disbursed to ensure full loan recovery is done. Where loan recovery is not possible MARDEF should consider redeeming the equipment which are staying idle with the beneficiaries.



6.2 Training of youths in vocational, technical and entrepreneurship skills

- The MLYMD should ensure its staff are properly keeping corresponding YEEP records for audit trail.
- The MLYMD should realistically set targets and budgets for trainings in vocational, technical and entrepreneurship skills.
- The MLYMD should consider lobbying funds for YEEP in order to assist in the implementation of YEEP and reach a wide coverage.
- The MLYMD should consider allocating adequate staff in youth outreach services to ensure successful implementation of YEE programs.
- In order to reduce high dropout rates at Neno IYDC and the expectations gap, the MLYMD through the Neno IYDC manager should sensitise the public on the requisites of the trainings that are offered.
- The MLYMD should ensure that contractors should complete the construction of the infrastructure at the Neno IYDC so as to have the centre operating at its full capacity.
- For the YEE related training programmes to have an impact on the livelihoods of the youths the MLYMD should ensure that start-up tools are provided to beneficiaries.

6.3 Attachment of youth entrepreneurs to successful entrepreneurs

- The MLYMD should apply effort in finding affordable or free local artisans to attach the youth to let them gain management entrepreneurship skills.
- The ministry should allocate funding or should mobilise for more resources for procurement of start-up tools for the attached youths in order to add value to the program.



6.4 Monitoring and Evaluation

- The MLYMD should consider monitoring as a key element in the budget so that it should be prioritised during all stages of YEEP implementation.



APPENDICES:

Appendix 1: Strategic Plan Implementation Matrix for the MOYSD

| | | | | |
|--------------------|--|--|---------------------------------|--|
| STRATEGIC OUTCOME | | 1. Improved youth and athlete's livelihoods | | |
| TARGET | | 1.1 28000/5000 young people economically empowered by 2014 | | |
| OUTPUT DESCRIPTION | | OUTPUT TARGETS (PER FINANCIAL YEAR) | | |
| | | 2011/2012 | 2012/2013 | 2013/2014 |
| Output 1 | Youths equipped with vocational and technical skills | 1200 youth trained | 1400 youth trained | 1400 youth trained |
| Output 2 | Youth equipped with Business management and entrepreneurship skills | 1200 youth trained | 1400 youth trained | 1400 youth trained |
| Output 3 | Beneficiaries provided with startup tools | 1200 youths provided with tools | 1400 youths provided with tools | 1400 youths provided with tools |
| Output 4 | Youth entrepreneurs attached to successful entrepreneurs | 1400 attached | 1600 attached | 1000 attached |
| TARGET | | 1.2 One Youth development fund established by 2014 | | |
| OUTPUT DESCRIPTION | | OUTPUT TARGETS (PER FINANCIAL YEAR) | | |
| | | 2011/2012 | 2012/2013 | 2013/2014 |
| Output 1 | Youth development fund implemented | Development Fund implemented | Development Fund implemented | Review of the Development Fund Scheme done |
| TARGET | 1.5 Four (4) National Youth Development and Sports Academies established by 2014 | | | |



| OUTPUT DESCRIPTION | | OUTPUT TARGETS (PER FINANCIAL YEAR) | | |
|--------------------|--|---|--|--|
| | | 2011/2012 | 2012/2013 | 2013/2014 |
| Output 1 | National Youth Development and Sports academies established | 1 | 1 | 1 |
| TARGET | | 5.7 75% of staff trained by 2014 | | |
| | | OUTPUT TARGETS (PER FINANCIAL YEAR) | | |
| | | 2011/2012 | 2012/2013 | 2013/2014 |
| Output 1 | Training programme (long term, short term and upgrading) developed and implemented | | | |
| Output 2 | Career path developed and implemented | Career path developed | Career path developed | Career path developed |
| TARGET | | 5.8 Frequency of Supervision and monitoring visits by 2014 | | |
| | | OUTPUT TARGETS (PER FINANCIAL YEAR) | | |
| | | 2011/2012 | 2012/2013 | 2013/2014 |
| Output 1 | Monitoring visits conducted | 4 Monitoring visits conducted | 4 Monitoring visits conducted | 4 Monitoring visits conducted |
| Output 4 | Planning and review meetings conducted | 4 Joint planning and Review meetings conducted | 4 Joint planning and Review meetings conducted | 4 Joint planning and Review meetings conducted |
| TARGET | | 5.9 90 % of established position filled by 2014 | | |
| | | OUTPUT TARGETS (PER FINANCIAL YEAR) | | |
| | | 2011/2012 | 2012/2013 | 2013/2014 |
| Output 1 | Posts filled with qualified personnel | 75% vacant positions filled | 90% vacant positions filled | |
| Output 2 | Staff morale issues addressed | HR Strategy developed | Strategy implemented | |

Source: Ministry of Youth and Manpower Development (Interview with the Chief Youth Officer)



Appendix 2: Summary of Reviewed Yedef Files on Compliance to Guidelines

| DISRICT | BUSINESS PLANS | | | | WITHIN AGE BRACKET | | | | ENDORSED BY TA | | | |
|-----------|----------------|------------|-----------|------------|--------------------|------------|------------|------------|----------------|------------|-----------|------------|
| | NO | YES | NOT GIVEN | TOTAL | no | yes | not given | TOTAL | NO | YES | NOT GIVEN | TOTAL |
| BALAKA | 29 | 32 | 0 | 61 | 18 | 38 | 2 | 58 | 9 | 47 | 0 | 56 |
| BLANTYRE | 65 | 19 | 0 | 84 | 32 | 35 | 20 | 87 | 41 | 46 | 0 | 87 |
| DEDZA | 14 | 53 | 0 | 67 | 0 | 53 | 14 | 67 | 9 | 58 | 0 | 67 |
| LILONGWE | 45 | 49 | 0 | 94 | 32 | 58 | 4 | 94 | 23 | 71 | 0 | 94 |
| MACHINGA | 46 | 10 | 0 | 56 | 10 | 5 | 41 | 56 | 31 | 25 | 0 | 56 |
| MZUZU | 4 | 16 | 0 | 20 | 2 | 18 | 0 | 20 | 2 | 18 | 0 | 20 |
| NENO | 6 | 17 | 0 | 23 | 10 | 8 | 5 | 23 | 11 | 12 | 0 | 23 |
| NKHATABAY | 31 | 25 | 0 | 56 | 12 | 26 | 18 | 56 | 26 | 30 | 0 | 56 |
| | 240 | 221 | | 461 | 116 | 241 | 104 | 461 | 152 | 307 | 0 | 459 |



Appendix 3: Districts where YEE programmes were implemented.

| DISTRICT | PROGRAMME |
|---------------|--|
| Chitipa | Trainings in Vocational, Technical and Enterprise Skills |
| Dedza | Trainings in Vocational, Technical and Enterprise Skills |
| Salima | Trainings in Vocational, Technical and Enterprise Skills |
| Thyolo | Trainings in Vocational, Technical and Enterprise Skills |
| Chikwawa | Trainings in Vocational, Technical and Enterprise Skills |
| Nsanje | Trainings in Vocational, Technical and Enterprise Skills |
| Mwanza | Trainings in Vocational, Technical and Enterprise Skills |
| Balaka | Trainings in Vocational, Technical and Enterprise Skills |
| Ntcheu | Trainings in Vocational, Technical and Enterprise Skills |
| Mchinji | Trainings in Vocational, Technical and Enterprise Skills |
| Nkhotakota | Trainings in Vocational, Technical and Enterprise Skills |
| Neno | Trainings in Vocational, Technical and Enterprise Skills |
| All districts | YEDEF Loans Loan Scheme |

Source: Ministry of Youth and Manpower Development (Interview with the Chief Youth Officer)



Appendix 4: YEDEF Equipment Closing Stocks

AS AT 26.01.2015

| TYPE OF BUSINE | OPENING STOCK (QTY) | ADJUSTED TO INCLUDE CLEARING AND TRANSPORT COSTS (MK) | TOTAL VALUE OF THE –EQUIPMEN | CLOSING STOCK QTY as at 26.01.2015 | TOTAL VALUE OF CLOSING COSTS | ISSUED TO BENEFICIARIES (QTY) | COST OF EQUIP ISSUED TO BENEFICIARIES (MK) |
|------------------------------|---------------------|---|------------------------------|------------------------------------|------------------------------|-------------------------------|--|
| Carpentry and Joinery | 150 | 152,145.00 | 22,821,750.00 | 1 | 152,145.00 | 149 | 22,669,605.00 |
| Automobile Mechanics Tools | 150 | 972,900.00 | 145,935,000.00 | 142 | 138,151,800.00 | 8 | 7,783,200.00 |
| Automotive Electrician Tools | 150 | 403,650.00 | 60,547,500.00 | 143 | 57,721,950.00 | 7 | 2,825,550.00 |
| Vehicle body Repair | 150 | 1,413,810.00 | 212,071,500.00 | 134 | 189,450,540.00 | 16 | 22,620,960.00 |
| Welding and Fabrication | 150 | 873,540.00 | 131,031,000.00 | 66 | 57,653,640.00 | 84 | 73,377,360.00 |
| Tailoring Machine | 150 | 160,839.00 | 24,125,850.00 | 5 | 804,195.00 | 145 | 23,321,655.00 |
| Orange Juice Making | 50 | 991,530.00 | 49,576,500.00 | 21 | 20,822,130.00 | 29 | 28,754,370.00 |
| Bakery Plant | 20 | 8,539,412.00 | 170,788,240.00 | 19 | 162,248,828.00 | 1 | 8,539,412.00 |
| Metal Smithing | 150 | 290,628.00 | 43,594,200.00 | 135 | 39,234,780.00 | 15 | 4,359,420.00 |
| Radio Repairing | 150 | 651,429.00 | 97,714,350.00 | 148 | 96,411,492.00 | 2 | 1,302,858.00 |



| | | | | | | | |
|----------------------------------|-----|---------------|-------------------------|-----|-------------------------|----|-----------------------|
| Paper Making | 10 | 18,216,000.00 | 182,160,000.00 | 10 | 182,160,000.00 | 0 | - |
| Popcorn Making | 45 | 496,800.00 | 22,356,000.00 | 15 | 7,452,000.00 | 30 | 14,904,000.00 |
| Chalk Making | 40 | 652,050.00 | 26,082,000.00 | 28 | 18,257,400.00 | 12 | 7,824,600.00 |
| Candle Making | 40 | 331,200.00 | 13,248,000.00 | 23 | 7,617,600.00 | 17 | 5,630,400.00 |
| Steel Fabrication | 35 | 4,968,000.00 | 173,880,000.00 | 22 | 109,296,000.00 | 13 | 64,584,000.00 |
| Briquette Making | 5 | 22,987,971.00 | 114,939,855.00 | 4 | 91,951,884.00 | 1 | 22,987,971.00 |
| Handloom and Warping | 10 | 5,382,000.00 | 53,820,000.00 | 8 | 43,056,000.00 | 2 | 10,764,000.00 |
| Masonry and Brick laying tools | 150 | 155,250.00 | 23,287,500.00 | 117 | 18,164,250.00 | 33 | 5,123,250.00 |
| Plumbing Tools | 150 | 248,400.00 | 37,260,000.00 | 134 | 33,285,600.00 | 16 | 3,974,400.00 |
| Electrician Tools | 200 | 58,788.00 | 11,757,600.00 | 144 | 8,465,472.00 | 56 | 3,292,128.00 |
| Electronic Goods Repairing Tools | 200 | 144,900.00 | 28,980,000.00 | 196 | 28,400,400.00 | 4 | 579,600.00 |
| TOTAL VALUE | | | 1,645,976,845.00 | | 1,310,758,106.00 | | 335,218,739.00 |



Appendix 5: List of documents reviewed and their purposes

| DOCUMENT | PURPOSE |
|--|--|
| 1. Annual Economic Reports for the period from 2011/2012 to 2013/2014 financial years | To obtain evidence on the ministries YEE programmes achievement in a particular financial year |
| 2. Annual Performance Agreement between the MOYSD and the OPC 213/2014 | To obtain evidence on the ministries YEE programmes achievement in 2013/2014 financial year |
| 3. Malawi Coverage Exercise Report – 2010 | To obtain statistics pertaining to coverage of youth activities |
| 4. MEDEF study tour report to Kenya – 2012 | To obtain audit criteria and evidence on the management of YEDEF loan fund |
| 5. MOYSD strategic plan 2010-2015 | To obtain audit criteria on implementation of YEE programmes by the department of Youth in the MoYSD |
| 6. National Youth Policy – 2013 | To obtain audit criteria on implementation of YEE programmes by the department of Youth in the MoYSD |
| 7. National Economic Empowerment Policy – 2004 | To obtain audit criteria on implementation of economic empowerment programmes in the country |
| 8. NYCOM Act of 1974 | To obtain audit criteria on implementation of YEE programmes by the department of Youth and NYCOM in the MoYSD |
| 9. Population and Housing Census 2008 | To obtain statistical information about the youth in Malawi |



| | |
|--|--|
| 10. Integrated Household Survey 2011 | To obtain statistical information about the youth in Malawi |
| 11. Situation analysis by MOYSD 2009 | To obtain statistics pertaining to youth activities in Malawi |
| 12. YEDEF guidelines – 2010 | To obtain audit criteria on implemented YEE programmes |
| 13. Activity based budget documents from 2012/2012 to 2013/2014 financial years | To obtain audit criteria on YEDEF management |
| 14. Output based budget documents from 2012/2012 to 2013/2014 financial years | To obtain audit criteria and findings on YEE programmes |
| 15. Internal audit report as at 2012 | To obtain audit criteria and findings on YEE programmes |
| 16. Internal audit report as at 2014 | To obtain audit evidence on the management of Neno IYD centre |
| 17. Neno joint monitoring visit report | To obtain audit evidence on the management of Neno IYD centre |
| 18. Ministry of Youth and Sports (Department of Youth Enterprise Development) Report 4 March 2014, | To obtain audit evidence on YEDEF loan fund management |
| 19. Ministerial Statement to Parliament on YEDEF <i>June 2012</i> | To obtain audit evidence on YEDEF loan fund management |
| 20. MARDEF Questionnaire YEDEF List of loans by status (<i>MARDEF</i>) | To obtain audit evidence on the management of YEDEF |
| 21. YEDEF stock issues from 04.03.2011 to 17.12. 2015 (<i>MARDEF</i>) | To obtain audit evidence on the stock status of YEDEF loan equipment |
| 22. Memorandum to the Minister of youth and sports (Status Report on the Youth | To obtain audit evidence on YEDEF loan fund management |



| | |
|---|--|
| <p>Enterprise Development Fund 23.05.2012),</p> <p>23. Balance of stock in the warehouses record as at 26.01.2015 (Min of Youth</p> <p>24. MADEF loan records for sampled districts</p> <p>25. Establishment warrant</p> <p>26. Staff return</p> <p>27. District development plan</p> <p>28. Vision 2020</p> <p>29. Sustainable development goals</p> <p>30. Malawi Growth Development Strategy</p> <p>31. Back to office report on field visits</p> <p>32. Minutes of meetings</p> <p>33. Millennium development goals</p> <p>34. Integrated household survey</p> | <p>To obtain audit evidence the status of YEDEF loan equipment stocks</p> <p>To obtain audit evidence on YEDEF loan disbursement and recoveries</p> <p>To obtain audit criteria on the MoYSD's authorised positions</p> <p>To obtain audit evidence on the MoYSD's filled positions</p> <p>To obtain audit criteria and evidence on planning for YEE programmes at district council level</p> <p>To obtain audit criteria on equitable distribution of resources</p> <p>To obtain audit criteria on YEE programmes in the country</p> <p>To obtain criteria on the YEE programmes in the country</p> <p>To obtain evidence on the status of YEE programmes in visited places</p> <p>To obtain criteria on the management of YEDEF loan fund</p> <p>To obtain evidence of the progress for YEE programmes</p> <p>To obtain statistical evidence of YEE programmes in Malawi</p> |
|---|--|

Source: MOYSD and MARDEF Offices



Appendix 6: Interviews List for Main Study

| REGION | PLACE | INTERVIEWEE | NUMBER OF INTERVIEWEES | Sub Total / Region |
|--------|---------------------------|--|------------------------|--------------------|
| HQ | LILONGWE NYCOM OFFICES | CEO & MONITORING & EVALUATION OFFICER | 2 | |
| | LILONGWE - MINISTRY HQ. | CYO, DIRECTOR OF YOUTH, CHRMO, ECONOMIST, NENO PROJECT COORDINATOR | 5 | |
| | LILONGWE MARDEF OFFICES | COMPANY SECRETARY AND CHIEF EXECUTIVE OFFICER | 2 | 9 |
| Centre | LILONGWE DISTRICT OFFICES | 2 DYO's (rural & urban) | 2 | |
| | LILONGWE MARDEF OFFICES | DISTRICT SUPERVISOR | 1 | |
| | DEDZA | DYO, MARDEF AND 4 BENEFICIARIES | 6 | 9 |
| South | NENO | DYO, MARDEF AND CENTRE MANAGER AND BENEFICIARY | 4 | |
| | BLANTYRE | 2 DYO's (rural & urban), MARDEF SUPERVISOR AND 2 BENEFICIARIES | 5 | 9 |
| East | BALAKA | DYO, MARDEF AND 2 BENEFICIARIES | 4 | |
| | MACHINGA | 3 | 3 | 7 |
| North | MZUZU | DYO, MARDEF AND 2 BENEFICIARIES | 4 | |
| | NKHATA BAY | DYO, AND 1 BENEFICIARY | 2 | 6 |
| TOTAL | | | 40 | 40 |

Source: Field Work – Sampled Districts



Appendix 7: Sampled Yedef Beneficiaries From 3 Districts

NENO

| Customer Name | Prindpal Disbursed | Opened Date | Amount Paid | Overdue Balance | Maturin g | As at | Period Taken as at Jan 2016 (months) |
|-----------------------|--------------------|-------------|-------------|-----------------|-----------|----------|--------------------------------------|
| Linda Gadama | 500,000.00 | 04/03/11 | - | 500,000.00 | 1/7/2012 | 04/01/16 | 61 |
| Samson Phiri | 600,000.00 | 04/03/11 | - | 600,000.00 | 1/8/2012 | 04/01/16 | 61 |
| Nampapa Ndizotheka | 300,000.00 | 30/06/11 | - | 300,000.00 | 3/6/2012 | 04/01/16 | 58 |
| Mango Youth Club | 300,000.00 | 30/06/11 | - | 300,000.00 | 3/6/2012 | 04/01/16 | 58 |
| Tilipo Business Group | 800,000.00 | 30/06/2011 | - | 800,000.00 | 3/9/2012 | 04/01/16 | 58 |
| Dziwani Banda | 300,000.00 | 04/03/11 | 14,056.23 | 285,943.77 | 4/3/2012 | 04/01/16 | 61 |
| Benard Chirwa | 400,000.00 | 04/03/11 | - | 400,000.00 | 4/3/2012 | 04/01/16 | 61 |
| Cydrick Nankhumwa | 400,000.00 | 04/03/11 | - | 400,000.00 | 4/3/2012 | 04/01/16 | 61 |
| Bester Saopa | 700,000.00 | 04/03/11 | 54,321.14 | 645,678.86 | 4/6/2012 | 04/01/16 | 61 |
| Linda Gadama | 500,000.00 | 04/03/11 | - | 500,000.00 | 4/6/2012 | 04/01/16 | 61 |

MACHINGA

| Customer Name | Prindpal Disbursed | Opened Date | Amount Paid | Overdue Balance | Maturin g | As at | Period Taken as at Jan 2016 (months) |
|------------------------|--------------------|-------------|-------------|-----------------|-----------|----------|--------------------------------------|
| AMAKHULU | 300,000.00 | 15/3/2011 | 4,626.00 | 295,374.00 | 1/2/2012 | 04/01/16 | 61 |
| TIWONAN E | 200,000.00 | 15/3/2011 | 148,028.20 | 51,971.80 | 1/2/2012 | 04/01/16 | 61 |
| YOUTH BROTHERS INVEST. | 200,000.00 | 04/03/11 | - | 200,000.00 | 1/2/2012 | 04/01/16 | 61 |
| MADZI NDI MOYO | 700,000.00 | 04/03/11 | - | 700,000.00 | 1/2/2012 | 04/01/16 | 61 |
| TIYANJAN E | 350,000.00 | 04/03/11 | 100,633.57 | 249,366.43 | 1/4/2012 | 04/01/16 | 61 |



| MWAIWAT HU | 430,000.00 | 04/03/11 | 110,753.68 | 319,246.32 | 1/4/2012 | 04/01/16 | 61 |
|---------------------------|--------------------|-------------|-------------|-----------------|-----------|----------|--------------------------------------|
| CHIYAMIKO CLUB | 500,000.00 | 04/03/11 | - | 500,000.00 | 1/4/2012 | 04/01/16 | 61 |
| NKACHU | 500,000.00 | 04/03/11 | 61,747.65 | 438,252.35 | 1/4/2012 | 04/01/16 | 61 |
| NKAKU WISTARD | 220,000.00 | 04/03/11 | 168,906.25 | 51,093.75 | 1/5/2012 | 04/01/16 | 61 |
| TALIMBA | 440,000.00 | 04/03/11 | - | 440,000.00 | 1/5/2012 | 04/01/16 | 61 |
| MZIMBA | | | | | | | |
| Customer Name | Prindpal Disbursed | Opened Date | Amount Paid | Overdue Balance | Maturin g | As at | Period Taken as at Jan 2016 (months) |
| Nkhumano Youth Club | 500000 | 31/01/2012 | 89000 | 411000 | 1/2/2013 | 04/01/16 | 59 |
| Dalitso YEDEF | 250000 | 01/08/12 | 40000 | 210000 | 1/7/2013 | 04/01/16 | 52 |
| Kutemwa Club 09092310 | 100000 | 01/10/12 | 2000 | 98000 | 1/10/2013 | 04/01/16 | 51 |
| Navuwu Club 08077776 | 23000 | 01/10/12 | 2000 | 21000 | 1/10/2013 | 04/01/16 | 51 |
| Tiwonane Club 09092302 | 72300 | 01/10/12 | 13674.72 | 58625.28 | 1/10/2013 | 04/01/16 | 51 |
| Wiza | 500000 | 04/03/11 | 439280.42 | 60719.58 | 2/1/2013 | 04/01/16 | 61 |
| Mamba | 350000 | 04/03/11 | 240941.71 | 109058.29 | 2/1/2013 | 04/01/16 | 61 |
| Emtiyani Youth | 350000 | 04/03/11 | 210542.83 | 139457.17 | 2/1/2013 | 04/01/16 | 61 |
| Tafikapo | 350000 | 14-06-2011 | 311284 | 38716 | 2/2/2013 | 04/01/16 | 58 |
| -Chiuta Watonse | 500000 | 01/07/11 | 217557.02 | 282442.98 | 2/2/2013 | 04/01/16 | 64 |
| NKHATABAY DISTRICT | | | | | | | |
| Customer Name | Prindpal Disbursed | Opened Date | Amount Paid | Overdue Balance | Maturin g | As at | Period Taken as at Jan 2016 (months) |
| Mirako | 200,000.00 | 20-10-2011 | 130,477.09 | 69,522.91 | 2/2/2013 | 04/01/16 | 61 |
| Kuunika Club 07064482 | 435 | 01/07/11 | 423.73 | 11.27 | 2/2/2013 | 04/01/16 | 64 |



| | | | | | | | |
|-------------------------|------------|----------|------------|------------|----------|----------------|-----------|
| Takondwa Group | 300,000.00 | 01/07/11 | 194,663.03 | 105,336.97 | 2/2/2013 | 04/01/16 | 64 |
| Shaloni Makalani | 200,000.00 | 01/07/11 | 192,841.57 | 7,158.43 | 2/2/2013 | 04/01/16 | 64 |
| Dankhanyo Club 09102710 | 88,800.00 | 01/07/11 | 28,785.45 | 60,014.55 | 2/2/2013 | 04/01/16 | 64 |
| Our Future | 350,000.00 | 01/08/11 | 211,602.21 | 138,397.79 | 2/2/2013 | 04/01/16 | 64 |
| Tinaliyani | 350,000.00 | 01/08/11 | 178,113.13 | 171,886.87 | 2/3/2013 | 04/01/16 | 64 |
| Chigwirizano Chiponde | 350,000.00 | 04/03/11 | - | 350,000.00 | 2/3/2013 | 04/01/16 | 61 |
| Tiyanjane Ulisa | 350,000.00 | 04/03/11 | 86,748.59 | 263,251.41 | 2/2/2013 | 04/01/16 | 61 |
| Temwanani Fishing | 500,000.00 | 04/03/11 | 376,645.19 | 123,354.81 | 2/3/2013 | 04/01/16 | 61 |
| | | | | | | Average | 60 |

Source: MARDEF Loan Database



Appendix 8: Stock Movement Rates

| HIGH VALUED EQUIPMENT | | | | | | | |
|-----------------------|---------------------|---|------------------------------|------------------------------------|------------------------------|-------------------------------|--|
| TYPE OF BUSINESS | OPENING STOCK (QTY) | ADJUSTED TO INCLUDE CLEARING AND TRANSPORT COSTS (MK) | TOTAL VALUE OF OPENING STOCK | CLOSING STOCK QTY as at 26.01.2016 | TOTAL VALUE OF CLOSING COSTS | ISSUED TO BENEFICIARIES (QTY) | COST OF EQUIP ISSUED TO BENEFICIARIES (MK) |
| Vehicle body Repair | 150 | 1,413,810.00 | 212,071,500.00 | 134 | 189,450,540.00 | 16 | 22,620,960.00 |
| Steel Fabrication | 35 | 4,968,000.00 | 173,880,000.00 | 22 | 109,296,000.00 | 13 | 64,584,000.00 |
| Handloom and Warping | 10 | 5,382,000.00 | 53,820,000.00 | 8 | 43,056,000.00 | 2 | 10,764,000.00 |
| Bakery Plant | 20 | 8,539,412.00 | 170,788,240.00 | 17 | 145,170,004.00 | 3 | 25,618,236.00 |
| Paper Making | 10 | 18,216,000.00 | 182,160,000.00 | 10 | 182,160,000.00 | 0 | - |
| Briquette Making | 5 | 22,987,971.00 | 114,939,855.00 | 4 | 91,951,884.00 | 1 | 22,987,971.00 |
| | | 61,507,193.00 | 907,659,595.00 | | 761,084,428.00 | | 146,575,167.00 |
| Stock Movement Rate | | | | | 16% | | |

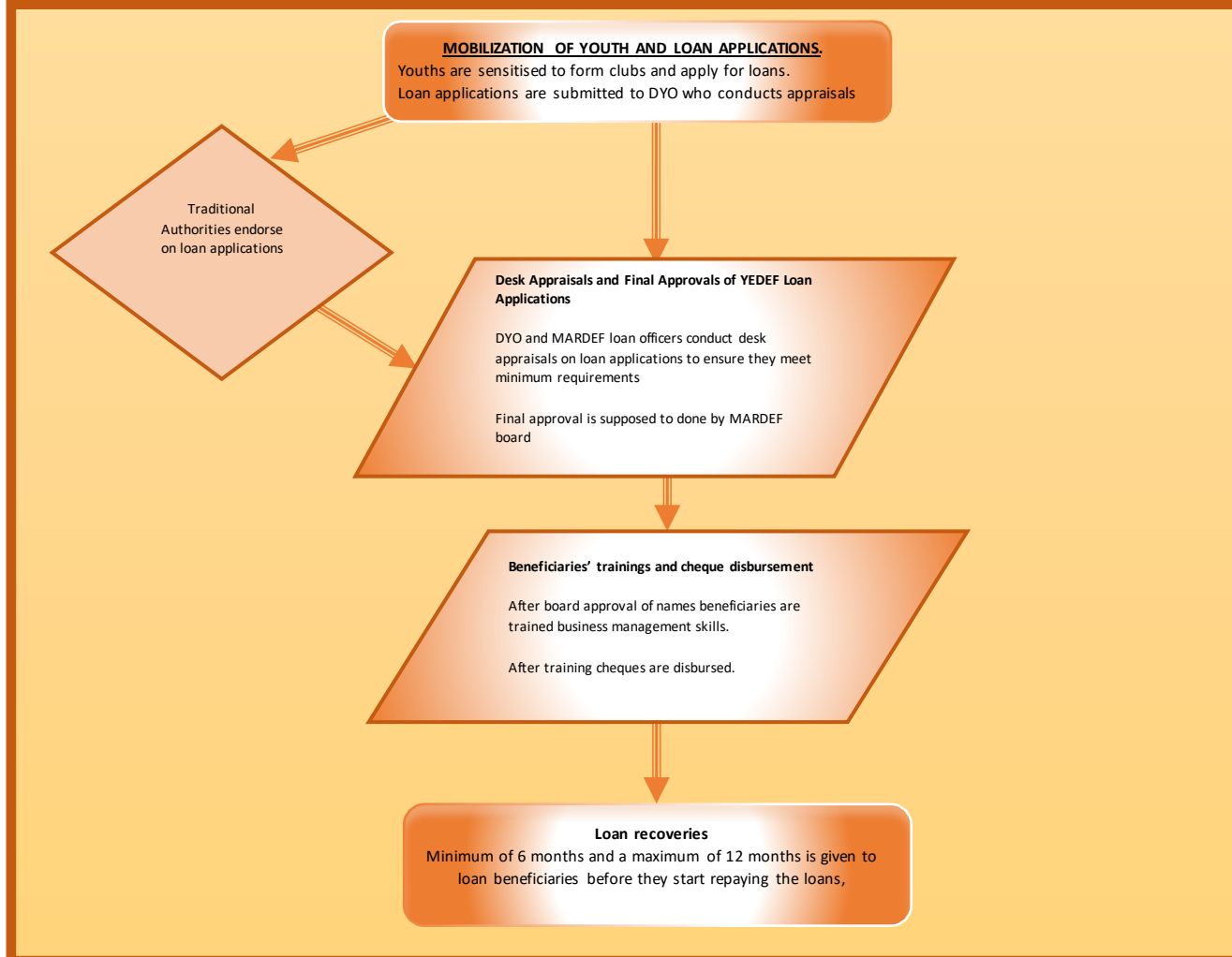


| LOW VALUED EQUIPMENT | | | | | | | |
|----------------------------------|-----|------------|-----------------------|-----|-----------------------|-----|-----------------------|
| Electrician Tools | 200 | 58,788.00 | 11,757,600.00 | 144 | 8,465,472.00 | 56 | 3,292,128.00 |
| Electronic Goods Repairing Tools | 200 | 144,900.00 | 28,980,000.00 | 196 | 28,400,400.00 | 4 | 579,600.00 |
| Carpentry and Joinery | 150 | 152,145.00 | 22,821,750.00 | 1 | 152,145.00 | 149 | 22,669,605.00 |
| Masonry and Brick laying tools | 150 | 155,250.00 | 23,287,500.00 | 117 | 18,164,250.00 | 33 | 5,123,250.00 |
| Tailoring Machines | 150 | 160,839.00 | 24,125,850.00 | 5 | 804,195.00 | 145 | 23,321,655.00 |
| Plumbing Tools | 150 | 248,400.00 | 37,260,000.00 | 134 | 33,285,600.00 | 16 | 3,974,400.00 |
| Metal Smithing | 150 | 290,628.00 | 43,594,200.00 | 135 | 39,234,780.00 | 15 | 4,359,420.00 |
| Candle Making | 40 | 331,200.00 | 13,248,000.00 | 23 | 7,617,600.00 | 17 | 5,630,400.00 |
| Automotive Electrician Tools | 150 | 403,650.00 | 60,547,500.00 | 143 | 57,721,950.00 | 7 | 2,825,550.00 |
| Popcorn Making | 45 | 496,800.00 | 22,356,000.00 | 15 | 7,452,000.00 | 30 | 14,904,000.00 |
| Radio Repairing | 150 | 651,429.00 | 97,714,350.00 | 148 | 96,411,492.00 | 2 | 1,302,858.00 |
| Chalk Making | 40 | 652,050.00 | 26,082,000.00 | 28 | 18,257,400.00 | 12 | 7,824,600.00 |
| Welding and Fabrication | 150 | 873,540.00 | 131,031,000.00 | 66 | 57,653,640.00 | 84 | 73,377,360.00 |
| Automobile Mechanics Tools | 150 | 972,900.00 | 145,935,000.00 | 142 | 138,151,800.00 | 8 | 7,783,200.00 |
| Orange Juice Making | 50 | 991,530.00 | 49,576,500.00 | 21 | 20,822,130.00 | 29 | 28,754,370.00 |
| | | | 738,317,250.00 | | 532,594,854.00 | | 205,722,396.00 |
| Stock Movement Rate | | | | | 28% | | |

Source: MARDEF Warehouse Record



Appendix 9: YEDEF Loan Disbursement Flow Chart



Source: MARDEF – YEDEF Operational Guidelines & Interviews with Loan Officers