

U.S. Position on Kenya Youth Empowerment Project
May 4, 2010

Youth employment remains one of the significant economic and social challenges for many developing countries, and in particular for Kenya, and is a critical area for donor engagement. We note that the Kenya Youth Empowerment project attempts to help improve youth employment opportunities through the creation of an internship program and a parallel Kazi Kwa Vijana (KKV) program.

The United States welcomes the innovative approach of the internship program to help build youth employability by providing youth with work experience and skills. This is an ambitious agenda and will require not only robust private sector involvement, but also that firms offer opportunities to support the development of useful and marketable skills. As a result, the training provision of the internships will be critical for skill-building.

With respect to the project's approach to the creation of a parallel KKV program, we are more cautious. The United States reviewed this element carefully in light of the serious shortcomings associated with the recent World Bank education loan to Kenya, a social sector loan into which an investigation continues, our concerns about serious problems in the KKV program, and Kenya's history of high-level government corruption. U.S. concerns with respect to KKV stem from local press reporting on the KKV project, interviews with the project beneficiaries, and interviews with government officials who have expressed caution about the effectiveness and reported misuse of its resources. As a result, the United States urges the World Bank to be exceptionally vigilant to ensure it applies lessons learned from past findings of fraud and corruption in previous projects that were arguably less risky and monitor this program extremely carefully. The World Bank should be concerned about its reputational risk in its association with a program that has not only a questionable public reputation, but could also be used for political manipulation.

The United States is pleased that the Bank has offered mitigation measures to address these risks which allow for cautious U.S. support for the project:

- The completion of the financial audit as an effectiveness condition for the KKV component, and the assurances that if short-comings are found, necessary changes will be made. This adjustment will help ensure the Bank fully understands the fraud and corruption risks associated with the KKV before disbursing any Bank resources. Should the financial audit demonstrate significant weaknesses in the KKV, the United States expects the Bank to reprogram these funds. In addition, Management has agreed to: (1) report to the Board on outcome of the audit; (2) describe steps being taken by the Bank and the government to mitigate any weaknesses discovered, and (3) set out the implications for the Bank project.

- The inclusion of robust community accountability elements, including social audits and the engagement of community members in project selection. In addition, the United States is pleased with the assurances that there will be significant youth/civil society participation in the decision making body that oversees the project coordination unit (PCU) in the Prime Minister's

office. The United States also supports the public disclosure of activities funded under the project, updates to communities on project disbursements, and the development of a complaint handling mechanism.

- Assurances that the Office of the Prime Minister has sufficient capacity to implement and oversee this project with the assistance of the project implementation unit, and, should the constitutional referendum dissolve this office, assurances that the project has sufficient flexibility to move the PCU to another ministry.

- The Bank's continued engagement in building the capacity of the Kenya National Audit Office to ensure that it has the ability to fulfill its audit function in the KKV project.