

## **An Assessment of the Opportunity Component of Entrepreneurship Policy in the Youth, Women, and Uwezo Funds in Kenya**

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### **Abstract**

Following the recognition of self-employment in small enterprises as a partial solution to unemployment in Kenya, a number of government funds aimed at generating sustainable employment creating growth firms (otherwise called gazelles in economic jargon) have been established. They include Youth Enterprise Development Fund (YEDF), Women Enterprise Fund, and Uwezo Fund. However, the unemployment levels still remain high, and this could be a clear indication that these institutions have had very little or no effect on the unemployment situation in Kenya. The major concern then is whether the funds are founded on an entrepreneurship policy. This study sought to assess the opportunity component of entrepreneurship policy in the funds and adopted an exploratory case study research design. Out of the eight items on opportunity component under consideration, the funds scored 58.375% which is slightly above average. The study concluded that there are policy objectives and measures in the funds that are geared towards addressing the opportunity component of entrepreneurship policy. As a result, there may be higher chances of survival given the right support but the motivation and skills components need to be addressed too.

**Keywords:** Entrepreneurship, Policy, Foundations, Opportunity

**Introduction**

Entrepreneurship is strongly linked to small and medium sized enterprises (SMEs), which are the main driving force of the developed market economies. In most of developed countries, percentage of SMEs in total number of enterprises is higher than 95%, while 60% of available workforce is employed in those firms (Schmiemann, 2008). For example, in European Union, SMEs account for 99.8% of all enterprises, out of which the vast majority of enterprises are micro enterprises (they comprise 91.8% of all enterprises). SMEs provide jobs to 67.1% of all employees and participate with 57.6% of total value added (Schmiemann, 2008; European Commission, 2002). Importance of entrepreneurship and SMEs development for long-term economic growth is obvious. A 2004 OECD conference revealed that SMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries; account for over 60% of GDP and over 70% of total employment in low-income countries and contribute over 95% of total employment and about 70% of GDP in middle-income countries (OECD, 2004).

Entrepreneurship has emerged as a bona fide focus of public policy, particularly with respect to economic growth and employment creation. The view that entrepreneurship is increasingly viewed to be the engine of economic growth and employment creation spans a broad spectrum of not only national but also regional and local contexts (Carree and Thurik, 2003). Public policy has looked to entrepreneurship to spawn economic growth and foster new jobs. Cities, regions, states and entire countries have turned to entrepreneurship to generate economic development. However, not all government policies on entrepreneurship qualify to be referred to as entrepreneurship policies. From their study of 10 economies, Lundstrom & Stevenson (2001) proposed that entrepreneurship policy is defined as policy measures taken to stimulate entrepreneurship, that are aimed at the pre-start, start-up and post-start-up phases of the entrepreneurial process, and designed and delivered to address the areas of motivation, opportunity and skills, with the primary objective of encouraging more people in the population to consider entrepreneurship as an option, to move into the nascent stage of taking steps to get started and to proceed into the infancy and early stages of a business. In other words, the motivation, opportunity, and skills components are key to any policy being referred to as an entrepreneurship policy.

Reacting to the submissions by Lundstrom and Stevenson (2001); Bwisa (2011) observed that the three components are the major reasons why some countries or regions more enterprising than others. Bwisa (2011) built his argument on the work of as the Global Entrepreneurship Monitor (GEM), a research initiative by Babson College (USA) and London Business School in studying the complex relationship between entrepreneurship and economic growth. He identified entrepreneurial opportunity and entrepreneurial capacity as the factors that are crucial in making a country entrepreneurial. Bwisa (2011) further defined an entrepreneurial opportunity as a market opportunity; a begging demand waiting to be fulfilled, while entrepreneurial capacity is defined as the motivation and skill to take advantage of opportunity and start a business. He argues that entrepreneurship occurs at the intersection of an individual's perception of an opportunity and the motivation and skill to pursue that opportunity.

Bwisa (2011) appears to be making a distinction between the supply side and the demand side of entrepreneurship as entrepreneurial opportunity is on the demand side, while entrepreneurial capacity is on the supply side of entrepreneurship. This is in agreement with

Stevenson and Lundstrom (2002) who observed that the key elements of the supply side are the demographic composition of the population, the capabilities of individuals and their attitudes towards entrepreneurship (preferences); while the demand side represents the opportunities for entrepreneurship. They further observed that major sources of entrepreneurial opportunities are found in emerging technologies, the changing industrial structure and the increasing differentiation of consumer demand.

In addition, Bwisa (2013) submitted that existing knowledge about what is critical in influencing the entrepreneurial actions of individuals suggests that there will be higher levels of entrepreneurial activity in economies where people are aware of entrepreneurship as a feasible and viable option and willing to explore it (Motivation); have access to opportunities to gain the knowledge, skills and ability to be able to pursue it (Skills); and can gain ready access to the startup supports they need, such as information and ideas, counselling and advisory services, business contacts, capital and encouragement, in an enabling regulatory and policy environment (Opportunity). He further observes that it is possible for a region to be rich in perceived opportunity but impoverished in terms of actual entrepreneurship activity because few people are motivated and trained to take advantage of the opportunities. He concludes that entrepreneurship generally involves the entrepreneur's unique awareness of opportunities, the ability to acquire the resources needed, and the organizational ability to recombine homogeneous inputs into heterogeneous outputs.

To enhance entrepreneurship development, a country or region must address the three pillars of entrepreneurial policy cited by Lundstrom and Stevenson (2005) and Bwisa (2011). These are motivation, skills and opportunities. To address the issue of motivation, a county needs to promote entrepreneurship culture, reduce stigma of failure and recognize role models. This creates entrepreneurship social value and desire for people to make entrepreneurship a career. Demand for entrepreneurship skills is created. In order to address the issue of skills, the county should ensure introduction of entrepreneurship education at all levels. To enhance an eye for opportunity and the ability to turn the opportunities into profitable ventures, a county needs to reduce barriers to entry through the regulatory system; provision of start-up financing; provision of business start-up support i.e. incubators, mentoring, markets, one-stop shops, networks etc.

Despite the Youth Enterprise Development Fund and Women Enterprise Fund being in existence for close to a decade, there is no study that has sought to establish whether they were founded on an entrepreneurship policy. Various studies have been carried out on the factors affecting the success of these institutions. Some of the common reasons for failure that have been cited include fund awareness, involvement, perceptions, accessibility and allocation efficiency (Langat et al., 2012; Kanyari & Namusonge, 2013), where the researchers argue that if these issues were addressed, the funds would be more effective. Another study on factors affecting the success of youth enterprises funded by the YEDF concluded that skills in entrepreneurship, business planning and financial management must elaborately be imparted before any funds are disbursed by the board (Kimando et al., 2012)

However, whereas institutions, and the policies that shape them, are crucial to entrepreneurial activity, researchers have seldom focused on the policy that created these funds. This study investigated the policy that created the youth, women, and Uwezo funds

with a major aim of assessing the opportunity component of entrepreneurship policy in the funds.

### **Objective of the Study**

The objective of this study was to assess the opportunity component of entrepreneurship policy in the youth, women and Uwezo funds in Kenya.

### **Review of Literature**

Opportunity as applied in the context of entrepreneurship policy refers to the opportunity for new enterprises to exist and for entrepreneurs to succeed through their own efforts (Global Entrepreneurship Program, 2011). Opportunity is one of the components of the integrated entrepreneurship policy approach as cited by (Lundstrom and Stevenson, 2005). They further operationalized opportunity in terms of the support environment for entrepreneurship - the availability of information, advice, capital, contacts, technical support and business ideas, as well as the ease of access to these resources. It also encompasses the regulatory environment and processes of government administration. They argue that in order to create more opportunity conditions, governments can reduce or eliminate obstacles in the regulatory, administrative, legislative and fiscal systems that may act as inhibitors to business entry. They can also reduce the penalties associated with bankruptcy, and the resulting "stigma of failure". In addition, labour market and social security policies and systems may impose hidden barriers or "quiet disincentives" to the self-employment versus paid employment decision; these must also be examined. They summarized these measures as the opportunity structure comprising of three major areas: reduction of administrative burden, access to business support services, and access to capital.

Lundstrom and Stevenson (2005) submit that in order to address the area of opportunities, SME policy has more traditionally focused on certain measures such as: reduction of administrative burden, access to business support (including networking) and access to capital. Specific attention however, must be paid to the extent to which access in these opportunities areas is targeted to meet the needs of nascent entrepreneurs (pre-start-up), start-up entrepreneurs and entrepreneurs in the early stages of business survival and development (post-start period up to 42 months), i.e., reducing start-up barriers, increasing start-up support services and improving access to start-up loans and seed capital (Bwisa, 2011). This will bring out a clear cut difference between an SME and Entrepreneurship policy.

To ensure reduction of administrative burden Lundström and Stevenson (2001) argues that the policy framework should seek to reduce barriers to business entry caused by bureaucratic, lengthy and costly procedures and social security systems and labour market policies which trap people in their paid employment. In other words, Baum, Locke, and Smith (2001) clarify that they should attempt to reduce or eliminate the 'quiet disincentives' which subtly discourage potential entrepreneurs from taking the first step into business. Thus, there should be provisions within the policy framework to reduce red-tape/paper burden, reduce compliance costs, and ensure that there are one-stop shops to provide regulatory information.

The OECD and the European Union have been advocating in favour of actions to reduce or modify regulations that directly or indirectly discourage the creation and expansion of smaller

enterprises or that create obstacles to the formation of new and innovative enterprises (OECD, 1998, 1999; European Commission, 1998, 2002) The European Union continues to call for the adoption of proactive initiatives to facilitate the creation of new enterprises (i.e., single locations for registration purposes, single registration documents, single business identification numbers, and sharing of data between public authorities involved in business registration).

Lundstrom and Stevenson (2005) observe that there are a number of possible areas where a national/central government can make adjustments in its administrative, regulatory and legislative systems to facilitate entrepreneurial activity. Certain actions can be taken to reduce the time and cost of registering businesses, while others will improve the opportunities entrepreneurs have to start and grow businesses (e.g., more open competition policies, tax breaks). Policy options in these areas could influence people's motivation to start a business as well as create better opportunity conditions.

In order to address the area of access to business support, the policy framework should aim at: improving range of information and advisory services, improving quality of service, meeting needs of people at different stages of development, meeting needs of target groups and tailoring intervention approaches (Lundström and Stevenson, 2001). According to the European Commission, business support services aim to assist enterprises or entrepreneurs to successfully develop their business activity and to respond effectively to the challenges of their business, social and physical environment (European Commission, 2002). The Commission further explains that these services would typically be available to any actual or potential entrepreneur that wanted to make use of them and would involve the provision of information, advice or forms of training that stop short of formal programmes, as well as facilitate financing.

The provision of quality business support to entrepreneurs in nascent and start-up phases is becoming a very important policy issue as governments seek ways to create more dynamic start-up markets (Ma & Tan, 2006). According to Lundstrom and Stevenson (2005), the overall rationale for paying attention to this is that individuals who, alone or in teams, are trying to start a business often lack know-how regarding the steps to take. The researchers observed that they will often seek advice from people in their personal networks who may or may not be better informed than they are. They further observed that although it appears that the majority of new starters do not avail themselves of government assistance, some governments are keen to increase the take-up rate of advisory services because of the impact professional advice can have on both start-up and survival rates. According to a UK study, about 50 percent of start-up entrepreneurs seek professional external advice, but the ones who do build sales faster and are 20 percent more likely to survive than those who do not (Baumol, 2002).

On access to capital, Lundstrom and Stevenson (2005) observe that mechanisms should be in place to ensure that funds are available to individuals who are willing to start an enterprise. Lack of access to financing is viewed as one of the most significant barriers to the start-up and growth of small businesses. Because of the lack of access to financing, entrepreneurs are impeded in their efforts to start, expand, modernize and grow their businesses. This stunted

growth prevents small firms from increasing employment and productivity and diminishes their capacity to contribute fully to overall economic growth in the economy.

According to Lundström and Stevenson (2001), governments focus on the SME financing issue because they are trying to fill "gaps". The task is then one of determining what the gaps are and how best to fill them. They identified five major reasons for making interventions in the SME financing arena, all based on "market failure" arguments: Loans to small firms pose higher transaction costs for traditional lenders and thus reduce the competitive ability of new and small firms to secure debt financing; Small firms pose a higher lending risk because of perceived higher failure rates; New and young firms are less likely to meet the collateral security requirements of traditional lenders and less able to demonstrate through a proven track record that their businesses will generate sufficient profits to repay the loan and service the debt; New technology-oriented and early-stage firms pose a high risk because of the uncertainty of their commercial viability, making it difficult for them to attract financing; Entrepreneurs are subject to information asymmetries and thus disadvantaged in terms of access to information about sources of financing and financing options compared to large firms.

Lundström and Stevenson (2005), further argue that government intervention seeks to address these failures by introducing measures to: (1) reduce the transaction costs of lending to small businesses (simplifying loan approval processes, using online loan applications); (2) reduce the risk banks take in lending to small businesses (guarantees, loan loss reserves); (3) improve access to financing in cases where innovative entrepreneurs are unable to attract traditional financing (risk-sharing measures); (4) increase the flow of equity capital (incentives for informal investors and venture capitalists); and (5) reduce the asymmetry of information for SMEs (initiatives to bridge the communication gap between financiers and entrepreneurs and to improve the flow of information about financing options/sources).

In addition, Minniti (2008) argue that while a large amount of government resources is being allocated to address SME financing gaps, not much is often known about the actual impact of these efforts or the extent to which it is solving the problem. She observes that neither is it clear how much the problem is one of lack of availability versus lack of access; in other words, financing may be available, but small firm owners may lack the know-how and ability to secure it. Reacting to this, Bwisa (2011) submit that the focus of entrepreneurship policies should be on measures to stimulate an increase in business start-up and early-stage growth activity. Thus, particular attention must be paid to start-up and seed financing. When governments shift their focus to entrepreneurship policy, in fact, one of the first questions they have to ask is: how much of the available SME financing is finding its way into start-up firms? (Lundstrom & Stevenson, 2005).

From the forgoing submissions, the researcher identified eight items on the opportunity structure, which became the basis of the research. These are: a stated policy objective to address the opportunity structure; initiative to reduce/relax administrative burden for newlystarted enterprises; "first" or "one stop shops" or web portals in place to provide new entrepreneurs with business start-up information, assistance and advice; development of mentor programmes for new entrepreneurs and growth firms; partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes; partnership with

other organizations in business incubation; efforts to redirect more of the available supply of capital to individual entrepreneurs and new firms; and funding of special seed programmes and pre-commercialization of promising new technology firms.

### Methodology

The research took a qualitative approach and adopted an exploratory multiple case studies research design. The target population for this study included the chief executives and senior managers in YEDF, WEF, and Uwezo Fund. The researcher also visited the Ministry of Industry, Trade and Cooperatives, the Micro and Small Enterprises Authority, as well as the Kenya Institute of Curriculum Development. This study adopted a purposive sampling technique approach where only those involved in the strategic decision making of organizations were selected. Primary data was collected using personal interview method which requires a person known as the interviewer asking questions generally in a face-to-face contact to the other person or persons. Data were also collected through content-analysis which consisted of analyzing the contents of documentary materials such as Sessional Papers, publications from the government, websites, books, magazines and newspapers. The study used qualitative data analysis techniques and is presented in frequency tables.

### Results

The opportunity component of entrepreneurship policies comprises of three major areas according to Stevenson and Lundstrom (2002). These are reducing the administrative burden, increasing the level of support for nascent, new and early stage entrepreneurs, and enhancing access to finance for new and early stage entrepreneurs. This section therefore presents the findings on the second research question: "What is the opportunity component of entrepreneurship policies in the funds?" The results are presented in the following sections.

#### A Stated Policy Objective to Address the Opportunity Structure

Bwisa (2011) observes that people must be motivated to explore entrepreneurship as an option, be able to acquire the knowledge, skills and ability to be able to pursue it, and be surrounded by the appropriate opportunity structure to be successful in their attempts to start and grow businesses. The study sought to establish whether the funds had a stated objective to address the opportunity structure (reduction of administrative burden, business support, and Start-up financing). The findings are presented on table 1

Table 1

*A stated objective to address the opportunity structure*

<b>A stated objective to address the opportunity structure</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	8	100	-	-
Women Enterprise Fund	5	100	-	-
Uwezo Fund	7	100	-	-

Table 1 shows that 100% the respondents reported that YEDF had stated objectives to address the opportunity structure (reduction of administrative burden, business support, and Start-up financing). This finding is confirmed by the mandates of the fund as stipulated in Legal Notice No. 167. The mandates of the fund include: Providing loans to existing micro-finance institutions (MFIs), registered nongovernmental organizations (NGOs) involved in micro financing, and savings and credit co-operative organizations (SACCOs) for on-lending to youth enterprises; Attracting and facilitating investment in micro, small and medium enterprises oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises; Supporting youth oriented micro, small and medium enterprises to develop linkages with large enterprises and facilitating marketing of products and services of youth enterprises both in the domestic and the international markets; Entrepreneurship training, coaching and mentorship; Facilitating employment of youth in the international labour market. However, it is worth noting that their mandates do not include reduction of the administrative burden.

The study also revealed that 100% of the respondents in the WEF reported that the fund had stated objectives to address the opportunity structure (reduction of administrative burden, business support, and Start-up financing). This finding is confirmed by objectives of the fund as stipulated in the Legal Notice No. 147. The objectives of the fund include: providing loans to MFIs, NGOs, and SACCOs for lending to women owned enterprises; capacity building of women entrepreneurs and their organizations; facilitating linkages with large enterprises; investment in MSMEs oriented infrastructure; and marketing of products and services in domestic and international markets. Just like the YEDF, it is clear that an objective addressing reduction of administrative barrier is conspicuously missing among the fund's objectives.

In addition, the study revealed that 100% of the respondents in the Uwezo fund reported that the fund had stated objectives to address the opportunity structure (reduction of administrative burden, business support, and Start-up financing). This finding is confirmed by objectives and purpose for which the fund was created as stipulated in the Legal Notice No. 21: The Public Finance Management (Uwezo Fund). The objectives of the fund are: To expand access to finances in promotion of youth and women businesses and enterprises at the constituency level for economic growth towards the realization of the goals of Vision 2030; to generate gainful self-employment for the youth and women; and to model an alternative framework in funding community driven development. It is also worth noting that an objective on reduction of the administrative burden and access to business support is missing among the Uwezo fund objectives.

Although it is clear from the findings that the funds has some of the objectives addressing the opportunity structure, the study is yet to ascertain the level of comprehensiveness of these objectives and how far they go in addressing the opportunity structure. Audretsch and Thurik (2007) observe that focus has to be placed not only on the economic opportunity factors, such as access to money and information on government programs, but on social opportunity factors, such as cultural support for entrepreneurs and opportunities to gain knowledge and skills. Further, Lundstrom and Stevenson (2005) presented possible interaction effects of high and low levels of Motivation, Opportunity and Skills. They observed that in a scenario where the motivation and skills are high but the opportunity level is low, people are likely to start businesses but without access to a supportive environment will start on a small scale with

their own resources and know-how; more likely to stay small. There could also be barriers to entry. Critical success factor will be the level of an entrepreneur's determination and capability.

### **Initiative to Reduce/relax Administrative Burden for Newly-started Firms**

Regulation encumbers citizens and businesses with costs that are connected with the following actions: finding which regulations are needed for compliance, understanding regulation and finding ways to comply with it, and complying with regulation (Lau, 2007). Administrative burdens are costs incurred by businesses for collecting information for their action or production so as to meet legal obligations. The study sought to establish there were any initiatives by the funds to reduce/relax the administrative burden for newly-started firms. The findings are presented on table 2

Table 2

#### *Initiative to Reduce or relax Administrative Burden for New Firms*

<b>Initiative to Reduce or relax</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
<b>Administrative Burden for New Firms</b>				
Youth Enterprise Development Fund	2	25	6	75
Women Enterprise Fund	3	60	2	40
Uwezo Fund	-	-	7	100

Table 2 shows that 25% of the respondents in YEDF reported that there were initiatives to reduce or relax the administrative burden for newly-started enterprises. Such efforts were reported to include a negotiation between the fund and county governments in counties where the fund has build stalls or working space. It was reported that the occupants of the YEDF spaces have certain fees waived as well as the requirement for a fire certificate for enterprises that deal with cooked food. In addition, the fund had started an initiative with KEBs (Kenya Bureau of Standards), seeking to have KEBs bring down the application fee for the beneficiaries of the fund. Partnerships are also being sought with the chamber of commerce as well as the EPC (Export Promotion Council) with regard to the marketing of the beneficiaries' products. The rest of the respondents were not aware of such initiatives. On the other hand 75% of the respondents reported that there were no initiatives to reduce or relax the administrative burden for newly-started firms. Some of these respondents argued that YEDF was not connected to the policy formulation regarding administrative issues of starting a business. However, it was reported that during trainings, the fund sensitizes the youths regarding all the licensing requirements and certificates needed for start-ups as well as where to obtain them and encourage them to apply.

In the WEF, 60% of the respondents reported that there were initiatives to reduce or relax the administrative burden for newly-started enterprises. A case in example was an initiative by the fund where they were offering training in areas like yoghurt making among others in partnership with other organizations such as Jomo Kenyatta University of Agriculture and Technology (JKUAT), KEBs, EPC, ILO, and Hand in Hand East Africa. It was reported that those

who go through the training are assisted all the way to putting the product to the market with any required fees being taken care of by the financing obtained from the fund. They assist such beneficiaries through the business registration process as well as getting the KEBs certification. On the other hand, 40% of the respondents in WEF reported that there were no initiatives to reduce or relax the administrative burden for newly-started enterprises. Such argued that all SMEs should follow all the legal and regulatory requirements especially regarding tax burdens and quality standards. In their opinion, this was a way of maintaining fair competition.

In the Uwezo Fund, 100% of the respondents reported that there were no initiatives to reduce or relax the administrative burden for newly-started enterprises. It was reported that what the fund does is just to link the beneficiaries to institutions like KEBs and guide them on what is required to get the KEBs certification. In other words, the fund is promoting partnerships with regulatory bodies such as KEBs and KRA but has not agreed on any exemptions. It was also reported that they encourage the beneficiaries with the fact that business registration is decentralized to the counties and process is quickly handled in the 'Huduma Centres' which are spread all over the country. They also sensitize the beneficiaries on e-licensing as well as the itax programmes.

These findings are a clear reflection of the fact that the funds lacked an objective addressing the reduction of administrative burden aspect of the opportunity structure. However, Ntaliani et al (2012) observe that SMEs' administrative burdens are closely related with their efforts to find information on particular public services. A great part of this information regards the informational phase, namely things that an SME should know before executing a particular public service. For instance, the informational phase concerns the SME's eligibility to perform a service; the Public Authorities (PAs) that are responsible for it; and what kind of documents the SME should adduce so as to apply for it. The process of searching for and retrieving this knowledge, either performed by the SME or by an expert (e.g. accountant, lawyer) on the SME's behalf, costs in terms of time and money. It is however clear from the findings that the funds are playing a major role is disseminating this information.

Audretsch and Thurik (2010) highlighted various projects and initiatives from various countries, aimed at measuring and reducing administrative burdens. Such examples include: the "Measurement Project" in the UK for measuring the administrative burdens of businesses in complying with tax regulation; the "Bureaucracy Reduction and Better Regulation" program in Germany for reducing the administrative burdens of SMEs by 25% by the end of 2011. In addition, Ennis (2008) observe that there is a need to support women and youth in bureaucratic aspects of starting a business. This would include ensuring that their business is registered on time; this is so especially for innovators of opportunity who have to contend with a lot of paper work and if they cannot go this route, end up making their business informal and thereby making it hard to secure credit among other related support.

### **'First' or 'One Stop Shops' or Web Portals in Place to Provide New Entrepreneurs with Business Start-up Information, Assistance and Advice**

The provision of quality business support to entrepreneurs in nascent and start-up phases is becoming a very important policy issue as governments seek ways to create more dynamic start-up markets. It constitutes part of the entrepreneur's "opportunity structure" in the

framework of entrepreneurship policy measures. The study sought to establish the efforts by the funds to put in place 'first' or 'one stop shops' or web portals to provide new entrepreneurs with business start-up information, assistance and advice. The findings are presented on table 3

Table 3

*First' or 'One Stop Shops' or Web Portals to Provide Business Start-up Information, Assistance and Advice*

<b>First' or 'One Stop Shops' or Web Portals to Provide Business Start-up Information, Assistance and Advice</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	8	100	-	-
Women Enterprise Fund	5	100	-	-
Uwezo Fund	7	100	-	-

Table 3 shows that 100% of the respondents in YEDF reported that there were efforts by the fund to put in place 'first' or 'one stop shops' or web portals to provide new entrepreneurs with business start-up information, assistance and advice. This was supported with the fact that their offices are open to all members of the public and they can freely walk in and get information on the start-up process as well as any assistance or advice required. They argued that YEDF has offices in every constituency and there are youth development officers who are mandated with providing information. It was also reported that such information is available on their web-site.

In the WEF, 100% of the respondents reported that the fund had put in place 'first' or 'one stop shops' or web portals to provide new entrepreneurs with business start-up information, assistance and advice. According to the respondents, this was evidenced by the fact that they have regional offices (Coast, Rift Valley, North Eastern, Western, Eastern, Nyanza, and Central regions) where anyone seeking information can easily access. It was also reported that their services are also available at 'Huduma Centres' which are spread all over the country. In addition, the fund interacts with entrepreneurs online through their website and social media.

In the Uwezo Fund, 100% of the respondents reported that the fund had put in place 'first' or 'one stop shops' or web portals to provide new entrepreneurs with business start-up information, assistance and advice. The respondents argued that their website is interactive and people are allowed to post enquiries and receive responses come advice, including start-up information. Although the fund does not have regional offices, it was reported that the fund rides on CDF and YEDF infrastructure on the grassroots. As such, the youth development officers disseminate information about the Uwezo fund.

It is clear from the findings that the respondents believed that the funds were making efforts in ensuring business start-up information; assistance and advice were available to new entrepreneurs. However, a closer scrutiny of their websites revealed that much of the information available has everything to do with the funds, their products, and eligibility criteria. This does not translate to business start-up information, assistance and advice. In addition, the researcher sought to understand the capability of the officers on the ground by seeking to understand their qualification. It was revealed that the qualification is just a diploma in any field. Although it was argued that these officers are taken through in-house training, it is worth noting that a majority lack experience in running a small enterprise and therefore their ability to offer guidance to new entrepreneurs is questionable.

Lundstrom and Stevenson (2005) in the 13 case countries revealed that all of the governments have start-up information on their websites. In addition, almost all operate a "one-stop shop" to provide start-up information and referral services, support a network of enterprises centres mandated to assist new entrepreneurs (as well as existing small firms), and provide some level of support for the start-up of R&D-based spin-offs. This revelation poses a challenge to the funds to go beyond popularizing the funds and assist new entrepreneurs with start-up information as well as assistance and advice.

#### **Facilitation of Mentor Programs for new entrepreneurs and growth firms**

Okwany (2010) observed that many countries in the developed world had launched formal mentoring programs which match experienced entrepreneurs and business leaders with novice entrepreneurs. The objectives of mentor programs are to help entrepreneurs develop their management skills and to achieve firm growth and to improve the viability and growth of small firms. This study sought to establish whether the funds were facilitating mentorship programmes for new entrepreneurs and growth firms. The results are presented on table 4

Table 4

#### *Facilitation of Mentor Programs for new entrepreneurs and growth firms*

<b>Facilitation of Mentor Programs for new entrepreneurs and growth firms</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	8	100	-	-
Women Enterprise Fund	5	100	-	-
Uwezo Fund	7	100	-	-

Table 4 shows that 100% of the respondents in the YEDF reported that the fund was facilitating mentor programs for new entrepreneurs and growth firms although they were keen to observe that the programs are still in the formative stages. Some of the respondents reported that there was a program which encouraged the youths running successful enterprises to spare 10 minutes to speak to other youths especially those in the nascent and start-up stages. Some of the respondents observed that mentor programs are not yet fully operational but they were aware of a program with Amiran for the beneficiaries of Agri-vijana loan product from the fund. It was reported that Amiran sells greenhouses to these youths

and guides them through the whole production process. It was however not clear whether the program was initiated by the fund or by Amiran.

In the WEF, 100% of the respondents reported that the fund had initiated mentor programs for new entrepreneurs and growth firms. According to the respondents, the fund was encouraging members to form business clubs so as to have a forum for exchanging and sharing ideas. One of the notable programs reported by the respondents was the ILO-WEF mentorship program offered to women who had gone through a training program by ILO named 'Get a head'. The five month program was being implemented by ILO-WED in Kisii, Kakamega, Kitui and Embu counties in partnership with WEF and KIE. In this program, the mentors were expected to devote four hours for group mentoring per month and five hours for individual mentoring per month.

On the other hand, 100% of the respondents in the Uwezo Fund reported that there were mentor programs for new entrepreneurs and growth firms. The respondents observed that mentorship programs were going on in some constituencies being led by selected trainers. Clarification was sought regarding why trainers were conducting the mentor program and it was revealed that mentorship was part of the job for those contracted to offer training before and after financing. The trainers were required to visit funded groups to see how they were doing and correct them if need be. However, some of the respondents pointed out that it was hard to establish whether this was really happening. Peer mentoring was also encouraged where successful groups mentor up-coming groups.

This finding is in agreement with Lundstrom and Stevenson (2005) in their study on prevalence of start-up business support measures in 13 countries. The study revealed that 77% of the governments facilitate the development of mentor programmes for new entrepreneurs and growth firms. This is supported by Ennis (2008) who argued that to enhance market linkages, mentorship programmes for the youth and women are an important step in ensuring the success of their entrepreneurial activities. For examples, through mentorship, youth can be connected to successful business community; successful youth can be connected to the new youth in cooperatives and innovators of opportunity linked with those of necessity.

However, Okwany (2010) argues that more information is needed on how to define, implement, and measure a mentorship program so positive role models can help youth better understand business and financial responsibilities learn business and financial skills, and gain greater self-confidence for taking on more responsibilities. Finding the way to support this holistic approach in a cost effective manner, alone or via partnerships, will improve young people's use of financial products and services, and also the impact these products and services can have.

### **Partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes**

Chigunta (2002) argue that apart from access to finance, entrepreneurs need to know how to develop a business plan, business management, stress management, financial management (budgeting), time management, improving sales, managing and reducing costs, debt recovery techniques, stock control techniques, marketing and recruitment. It is the opinion of this

study that this can be achieved partly through training on the enlisted issues. The study therefore sought to establish whether the funds were in partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes. The findings are shown on table 5

Table 5

*Partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes*

<b>Partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	8	100	-	-
Women Enterprise Fund	5	100	-	-
Uwezo Fund	7	100	-	-

Table 5 shows that 100% of the respondents in the YEDF reported that the fund was in partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes to its beneficiaries. According to the respondents, training on basic book keeping, business management and group dynamics was mandatory for all groups before and after funding. This is mostly done by the youth development officers who are usually in every constituency. The question is however on the effectiveness of the training program given that there is only one officer per constituency serving an average of 200 groups. It was however reported that the fund does collaborate with UNDP as well as KIE (Kenya Industrial Estate) to deliver entrepreneurship training programmes to its beneficiaries. The training program by the fund was reported to cover the following areas of business management: how to avoid business failures; business plan preparation; keeping business records; employees management; quality management & improvement of business products/services; working capital management ( cash , stock & credit); competitive costing of products and services; attracting and retaining customers; taxation issues in business; youth loans and products; business registration; need for ICT adoption in business and; effects of HIV/AIDS in business.

In the WEF, 100% of the respondents reported that the fund was carrying out trainings on entrepreneurship among its members in partnership with private sector organizations and NGOs. According to the respondents, groups must be trained on business management skills as a prerequisite for the loan application. The training was reported to be conducted by WEF officers who include assistant credit managers based in eight operational regions within the former provincial headquarters and 290 volunteers in all constituencies based at the county headquarters. The fund was reported to also be in partnership with other organizations such as Jomo Kenyatta University of Agriculture and Technology, ILO (International Labour Organization and Hand in Hand East Africa in the delivery entrepreneurship training programmes to its beneficiaries. An example cited in this case is the 'Get a head' training program delivered by ILO to WEF beneficiaries. The program is reported to have been conducted in the Nyanza, Western and Eastern regions and was aimed at equipping women

entrepreneurs with necessary knowledge and skills to enable them run successful enterprises and create jobs.

In addition, 100% of the respondents in the Uwezo Fund reported that the fund was in partnership with private sector organizations and NGOs to deliver entrepreneurship training programmes to its beneficiaries. According to the respondents, the mother ministry (Ministry of Public Service) used to hire consultants to train the beneficiaries, however at the moment; training was being conducted by constituency level committees. The ability of these constituency level committees to deliver entrepreneurship training is however a subject for research. The fund was reported to have a training curriculum and members are awarded certificates once they have gone through. The training was reported to cover areas such as: general information about Uwezo fund; providing BDS and mentoring to persons with disability, women, youth and groups; table banking concept and; promoting access to public procurement opportunities in a devolved. It was reported that everyone is invited to the training, not just the groups under Uwezo fund. In addition, the respondents observed that youth development officers from the YEDF were conducting training on a day to day basis.

Lundstrom and Stevenson (2005) in their study on prevalence of start-up business support measures in 13 countries revealed that 77% of the governments partner with private sector organisations and NGOs to delivery entrepreneurship training programmes. In addition, the same percentage does make subsidies available to support the training of new entrepreneurs. Their finding is therefore in agreement with the finding in this study.

However, as earlier pointed out, the effectiveness of the training programs by the funds is a question of future research. In fact, Stevenson and Lundstrom (2002) observed that the quality of business support services is a growing area of policy attention. With an increasing role for business advisers and counsellors, many of whom are employed by government or quasigovernment organizations, and the increasing demand for more individualized solutions to entrepreneurs' needs, the requirement for quality service has come to the fore. The UK was observed to be the most advanced in addressing this issue. Through the UK Department of Trade and Industry service standards have been adopted for business advisers which all officers working in government supported centres must meet. Advisers can take professional training at the National Vocational Qualifications (NVQ) level and the Institute of Business Advisers accredits advisers who meet all professional criteria. The objectives of these programs are to improve the quality of service and provide more standardised and knowledgeable services to SMEs (UK); to strengthen the competencies of people who do small business counselling to provide better quality and more consistent service to clients, especially pre-starters and early stage micro-enterprises.

### **Partnership with Other Organizations in Business Incubation**

Business incubators provide a complete set of services and a suitable environment to support entrepreneurial skills and to help entrepreneurs in developing their ideas, skills, and knowledge. The incubators provide entrepreneurs with a place where they can obtain operational services at a low cost to reduce start-up and growth costs as well as reduce the risk of failures. This study sought to establish whether the funds were in partnership with any other organizations in business incubation. The findings are shown on table 6

Table 6

*Partnership with Other Organizations in Business Incubation*

<b>Partnership with Other Organizations in Business Incubation</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	2	25	6	75
Women Enterprise Fund	5	100	-	-
Uwezo Fund	-	-	7	100

Table 6 shows that 25% of the respondents in the YEDF reported that the fund was in partnership with other organizations in business incubation, while 75% reported that there were no such partnerships. Those in favour of the proposition reported that they were aware of the fact that the fund was partnering with the Kenyatta University incubation centre as well as KIRDI (Kenya Industrial Research Development Institute). They were however not privy to the details of these partnerships. On the other hand, a majority of the respondents reported that they were not aware of any partnerships the fund had with other organizations in business incubation.

In the WEF, 100% of the respondents reported that the fund was partnering with other organizations in business incubation. A case in example was a partnership with Jomo Kenyatta University of Agriculture and Technology for capacity building in business incubation. The partnership tenure is reported to be of five years starting February 2016. According to the respondents, the partnership entails taking the beneficiaries through training in various areas such as yoghurt making, baking, mushroom farming, tissue culture banana farming among others. The beneficiaries are then assisted all the way through the process of registering a business, getting the various certifications such as KEBs, and putting the products into the market. The fund is reported to finance the beneficiaries throughout this process.

On the other hand, 100% of the respondents in the Uwezo fund reported that the fund did not have any partnerships with other organizations in business incubation. According to the respondents, this could be due to the fact that Uwezo was the newest kid in the block and one of its major areas of emphasis was YAGPO (Youth Access to Government Procurement Opportunities).

Lundstrom and Stevenson (2005) reported that it was increasingly common for governments to fund business incubator programmes, business/technology innovation service centres, science parks, and university technology transfer offices to help new technology-based start-ups gain access to high-quality expert advice, know-how and financing. In fact, in their study

on prevalence of start-up business support measures in 13 countries revealed that 77% of the governments had a national incubator strategy with government funding to subsidise the initial funding of incubators in key regions. They further observed that the major stated objectives for small business incubator strategies are to: reduce small business failure rates, create new jobs, enhance small business and promote entrepreneurship; to nurture entrepreneurs out of enterprises or individuals and speed up industrial upgrade; to diversify the economy, create jobs and build wealth.

In addition, Dahleez (2009) observe that the platform of entrepreneurship and incubation is the most important policy for governments in order to assist SMEs in technology innovation, entrepreneurial information diffusion, and operation fund access. The platform can be constructed by three elements: incubation services, entrepreneurial knowledge and financing support. Business incubation is a dynamic process of business enterprise development for the purpose of nurturing young firms, new products, and technologies. Business Incubators help SMEs access resources of innovation and entrepreneurs, and enhance their abilities in R&D and starting up new business, in order to facilitate more competitive SMEs and promote economic development. Therefore, innovation and entrepreneurship are two core functions of incubators and play pivotal roles in SMEs' value creation.

#### **Efforts to redirect more of the available supply of capital to individual entrepreneurs and new firms**

Lack of access to financing is viewed as one of the most significant barriers to the start-up and growth of small businesses. Because of the lack of access to financing, entrepreneurs are impeded in their efforts to start, expand, modernise and grow their businesses. This stunted growth prevents small firms from increasing employment and productivity and diminishes their capacity to contribute fully to overall economic growth in the economy. The study sought to establish whether the funds were making efforts to redirect more of the available supply of capital to individual entrepreneurs and new firms. Two themes emerged in this case which are supply of capital to new firms and supply of capital to individual entrepreneurs. The results are presented on table 7 and table 8

Table 7

#### *Efforts to redirect supply of capital to new firms*

<b>Efforts to redirect supply of capital to new firms</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	8	100	-	-
Women Enterprise Fund	5	100	-	-
Uwezo Fund	7	100	-	-

Table 8

*Efforts to redirect supply of capital to individual entrepreneurs*

<b>Efforts to redirect supply of capital to individual entrepreneurs</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Youth Enterprise Development Fund	8	100	-	-
Women Enterprise Fund	-	-	5	100
Uwezo Fund	-	-	7	100

Table 7 and 8 shows that 100% of the respondents in the YEDF reported that fund was making efforts to redirect more of the available supply of capital both to individual entrepreneurs and new firms. They reported that funds were available to individuals within youth groups as well those not in any groups. However, a close scrutiny of the loan products revealed that the loan amount available for individuals within youth groups was between Ksh.25,000 (approx. 250 USD) – Ksh.100,000 (approx. 1000 USD) at no interest. Whereas this is good effort, the amount may be too low to run a growth oriented enterprise and may only attract necessity driven entrepreneurs. For individuals without groups, the fund offers a loan of between Ksh.100,000 (1000 USD) and Ksh. 2million (20,000 USD) at 8% interest per annum. Although the interest rate is very friendly compared to the market rates, this loan is only available to running business which must provide financial statements to prove it and not to start-ups.

Although 100% of the respondents from the WEF reported that the fund was making efforts to redirect more of the available supply of capital both to new firms, 100% again reported that the fund was not directing the available funds to individuals as table 24 and 25 shows. In fact it is well documented even on their brochures that WEF does not fund individuals directly. Any member interested must be in a group of at least 10 women, and they must be registered with the department of social services. It was also reported that upon an application, a group can only receive Ksh. 100,000 (1000 USD) in the first cycle, which must be fully paid back before getting to the next cycle. Its until the fourth and final cycle that the group can receive a maximum of Ksh.500,000 (5000 USD). It is important to note that these amounts are distributed among at least 10 women, in other words, only 10% of these amounts trickles down to individual enterprises. Just like this study pointed out on the YEDF, looking at these amounts the beneficiaries must be running micro enterprises and are most like necessity driven entrepreneurs.

Just like WEF, 100% of the respondents in the Uwezo fund reported that the fund was making efforts to redirect more of the available supply of capital new firms. However, it was clarified that though Uwezo is committed to funding new firms, it does not fund individuals directly as table --- shows. Individuals must have been members of a group that has been in existence for six months and operates a table banking structure or any other group fund structure where members make monthly contributions according to the groups' internal guidelines (evidence of monthly contributions are a requirement). Eligible qualifying amounts for a

group are a minimum of fifty thousand (Ksh.50,000 or 500 USD) and a maximum of five hundred thousand (Ksh.500,000 or 5,000 USD) at any one time. It was also reported that the loans are interest free and all groups are allowed a six months grace period before commencement of repayment of the loan but all loans are payable within two years from the expiry of the grace period.

Although the loan conditions seem very attractive, this study opines that the group approach to funding may discourage opportunity driven entrepreneurs whom Bwisa (2011) argues that are able to create more jobs, need less training and repay credit faster. On the other hand, they are likely to attract necessity driven entrepreneurs whom Bwisa (2011) argues that although they help address issues of class stratification and social and economic inequity in society through employment creation for the marginalized, they require a lot of training is required and also there are fears that it might not address long term economic issues.

Bwisa (2011) argues that measures implemented to address access to finance for start-ups have two primary aims: (1) to fill the start-up financing gap for people who do not meet the "track record" and collateral security criterion of traditional financiers; and (2) to fill the seed capital and mezzanine financing gap for technology-oriented and high growth potential firms. However, this study opines that although the funds have met the first objective, the amounts are again too small and may only groom entrepreneurs of necessity as observed earlier by Bwisa (2011). This finding is in agreement with those of Lundstrom and Stevenson (2005) which revealed that the Finnish government determined that financing is not a problem for existing SMEs but that gaps exist for new start-ups and growth firms that do not have a history of accounts and established market positions. As a result of these findings the Finnish Industrial Investment Fund has refocused its investment activities on special funds for seed and start-up businesses. In addition, studies in Sweden conclude there is a lack of capital for certain phases of business development and that new starters experience more problems attracting capital because they do not have a track record and are difficult to assess (Lundstrom & Stevenson, 2005).

**Funding for special seed programmes to support the start-up and early stage development of innovative techno-starts as well as pre-commercialization of promising technology**

As earlier observed in this study, one of the primary aims for measures implemented to address access to finance for start-ups is to fill the seed capital and mezzanine financing gap for technology-oriented and high growth potential firms. This study sought to establish whether the funds were funding special seed programmes to support the start-up and early stage development of innovative techno-starts as well as pre-commercialization of promising technology

Table 9

*Funding for special seed programmes and pre-commercialization of promising technology*

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<b>Funding for special seed programmes and pre-commercialization of promising technology</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
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Youth Enterprise Development Fund	-	-	8	100
Women Enterprise Fund	-	-	5	100
Uwezo Fund	-	-	7	100

Table 9 shows that 100% of the respondents in YEDF reported that the organization was not funding special seed programmes to support the start-up and early stage development of innovative techno-starts as well as pre-commercialization of promising technology. The respondents reported that funding special seed programmes as well as pre-commercialization for promising technology was not within the mandate of the fund. Some of them argued that other institutions such as KIRDI, KIE and NACOSTE are better placed to fund special seed programmes to support the start-up and early stage development of innovative techno-starts and pre-commercialization of promising technology as this was within their mandate.

In addition 100% of the respondents in WEF reported that the organization was not funding special seed programmes to support the start-up and early stage development of innovative techno-starts and pre-commercialization of promising technology. Just like YEDF, the respondents reported that this was beyond the mandate of the fund. The researcher was reminded that the fund is a flagship project under the social pillar of Kenya Vision 2030 and also champions the realization of the 1<sup>st</sup> and 3<sup>rd</sup> millennium development goals on poverty reduction and gender equality & women empowerment. As such, going to the extent of innovative techno-starts may be asking for too much.

Further, 100% of the respondents in Uwezo Fund reported that the organization was not funding special seed programmes to support the start-up and early stage development of innovative techno-starts and pre-commercialization of promising technology. just like YEDF, and WEF, the respondents explained that the Uwezo Fund is a flagship programme for vision 2030 aimed at enabling women, youth and persons with disability access finances to promote businesses and enterprises at the constituency level, thereby enhancing economic growth towards the realization of the same and the Millennium Development Goals No.1 (eradicate extreme poverty and hunger) and 3 (promote gender equality and empower women). Although the fund is said to be is an avenue for incubating enterprises, catalyzing innovation, promoting industry, creating employment, and growing the economy, the respondents reported that this was more theoretical than practical at the moment. However, they were hopeful that the fund would be able to fund special seed programmes to support the start-up and early stage development of innovative techno-starts and pre-commercialization of promising technology.

This finding however contradicts that of Lundstrom and Stevenson (2005) in their study on the prevalence of start-up and seed financing measures in 13 countries. The study revealed that 100% of the governments had established special seed programmes for the funding of new innovative technology firms. In addition, 92% of the governments had pre-commercialisation funds made available to promising new technology firms (for prototype development, etc.). In addition, a study of the financing gaps in Taiwan concluded that more

funds needed to be directed to start-ups, especially in technology areas (Carree & Thurik, 2003).

### **Conclusion**

The researcher assessed the opportunity component in the funds by looking at eight items adopted from Lundstrom and Stevenson (2005). YEDF scored 4.5 points; WEF scored 6 points; while Uwezo fund scored 3.5 points out of eight on the opportunity component. The average score for the three funds was 4.67 points out of eight which translates to 58.375%. This is slightly above average and a clear indication that the funds are doing better on the opportunity component compared to the other components. In other words, this study concludes that the policy objectives and measures of the funds are geared towards addressing the opportunity component of entrepreneurship policy. However, Lundstrom and Stevenson (2005) observe that in such scenario, few businesses will be started because of lack of cultural support and know-how but there may be higher chances of survival with the right support.

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