STUDY SUMMARY

Northern Uganda Social Action Fund – Youth Opportunities Program

Youth unemployment is a persistent problem in the developing world, particularly in post-conflict settings, posing both economic and security issues. In growing, stable economies such as Uganda, what holds back youth from reaching their potential? One theory suggests that youth unemployment is due primarily to the lack of sufficient capital to support entrepreneurship. If this is true, cash transfers or cheap credit could lead to a burst of self-employment. Evidence from other areas, such as studies on microcredit, suggests that alleviating these constraints with loans has little effect on earnings. In Northern Uganda, which is returning to peace after twenty years of war, the government's Youth Opportunities Program offered cash transfers to groups of youth to increase employment and reduce conflict. Follow-up surveys two and four years later found a shift from agricultural work towards skilled trades and strong increases in income. Women in particular benefited from the cash transfers, with incomes of those in the program 84% higher than women who were not. There were no differences, however, in social outcomes such as community participation, aggression, and social cohesion.

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COUNTRY
Uganda

PARTNERS
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PROGRAM AREAS
Peace and Recovery, Social Protection

TOPICS
Cash Transfers, Training & Mentoring, Ultra Poor, Vocational Training, Youth

TIMELINE
2008-2013

Policy Issue

In developing countries, high unemployment - particularly among youth - is a pressing concern. Jobs, particularly higher-skilled labor and productive small enterprise, provide incomes and reduce poverty. For governments, transitioning from an economy based on small-scale agriculture to one based on entrepreneurship and production is critical for long-term growth. Employment is also seen as important for building social stability and political engagement in communities uprooted by long-term conflict.

One form of intervention offers cash in the hopes that youth will invest it in the training and assets to learn a trade or form a business. In the development community, anxiety persists over whether this is an effective approach: will youth with little or no financial or business training be able to direct the money towards successful long-term entrepreneurship? Previous research also raises questions about the ability of women in particular to invest aid into increasing lifetime earnings, given occupational constraints and pressure to share windfalls.[1]

Uganda's largest employment program sought to test if an intervention as simple as giving cash could help accomplish the country's long-term economic and social goals for its youth.

Evaluation Context

Twenty years of insurgency, instability and conflict led to high rates of poverty and unemployment in northern Uganda, but by 2005 a measure of peace and stability had returned to the region. The centerpiece of the post-conflict recovery plan was a decentralized development program, the Northern Uganda Social Action Fund (NUSAF). In 2006, to stimulate employment growth through self-employment, the government launched a new NUSAF component: the Youth Opportunities Program (YOP), which provided cash transfers to groups of young adults with the goal of encouraging trade-based self-employment.

Details of the Intervention

The YOP intervention had two official aims: to raise youth incomes and employment and to improve community reconciliation and reduce conflict. The program, targeted at youth from ages 16 to 35, required young adults from the same town or village to organize into groups and submit a proposal for a cash transfer to pay for: (i) fees at a local technical or vocational training institute of their choosing, and (ii) tools and materials for practicing a craft.

The average applicant group had 22 members. Group cash transfers averaged nearly UGX 12.8 million (US$7,108), and varied by both group size and group request. The average transfer size per member was UGX 673,026 (US$374) – more than 20 times the average monthly income of the youth at the time of the baseline survey.

Due to vast oversubscription, the 535 eligible groups were selected at random, using a lottery, to either receive the YOP program or be part of the comparison group. A baseline survey was conducted with 2601 individuals in 2008, and 87 percent were successfully followed and interviewed in the endline surveys two and four years later.

Results and Policy Lessons

Overall, the program seemed to have strong economic effects. Four years later, beneficiaries of the YOP program had 41% higher income and were 65% more likely to practice a skilled trade, such as carpentry, metalworking, tailoring, or hairstyling. Hours worked were 17% higher, nearly entirely accounted for by these new professions – while most still farmed part-time, hours spent in agriculture were not different. They were also 40% more likely to keep records, register their business, and pay taxes.

Within the sample, gains were highest for those who had the highest initial credit constraints, those with fewest initial assets and access to loans. The effects were particularly strong for women. Women who received the cash grants four years later had 84% higher incomes than women who did not, while men were earning 31% more than their counterparts in the comparison group. This gender difference may reflect particular capital constraints faced by women.

While employment programs including this one are often implemented by governments with the aim of reducing social instability or promoting cohesion, the data show no evidence for impacts in these domains. After four years there were no measurable differences in cohesion, aggression, or community and political participation between participants in the YOP program and those in the comparison group.

Overall, the data show that the poor used the money effectively; investing in training and tools needed to start businesses and experienced a significant growth in income, even after four years. Even though impacts in social domains were negligible, the economic outcomes show the potential of alleviating capital constraints for spurring economic growth among the poor.

See the full paper here, a policy note for the World Bank here, and Chris Blattman's blog

discussion here.

Sources

1. Fafchamps, M., McKenzie, D., Quinn, S., Woodruff, C., 2011. When is capital enough to get female microenterprises growing? Evidence from a randomized experiment in Ghana. Unpublished working paper.