

Uganda

Evaluation of risk tolerance informs youth unemployment strategy

This PEP research project led to:

- The findings being used as an evidence base for policy decisions relating to the Ugandan Government's Youth Unemployment Strategy
- Several team members being promoted to policy advisory roles at government ministries

Background

Recognizing the high level of unemployment for people aged 18 to 30, the Ugandan government initiated a number of interventions to promote youth entrepreneurship.

The interventions included launching the Youth Venture Capital Fund (commonly known as the "Youth Fund") in the 2011-2012 financial year. The fund provides credit to projects proposed by young entrepreneurs as well as mentoring via participating financial institutions.

Uptake of the fund has generally been low with certain categories of youth, and particularly those with adequate business skills training, remaining hesitant to access this resource. This has led to a high default rate, which creates problems for operating the initiative as a revolving fund.

A team of local researchers in Uganda received PEP training and support to conduct a randomized control trial. The team investigated how entrepreneurial risk tolerance determines credit demand and borrowing decisions among young entrepreneurs.



Key research findings...

The results of this study indicate that the level of credit demand is closely linked to personal entrepreneurial risk tolerance, which can be modified through credit counseling.

Youth who had attended credit counseling were inclined to request significantly lower amounts of credit, compared to those who did not receive credit counseling.

Those who attended the credit counseling clinics understood the need to ensure resources were used responsibly. They exhibited a better understanding of financial management and the risks associated with borrowing funds without a clear business plan.

They were also more likely to explore alternative funding sources such as supplier credit, grants, and loans from family and friends. In some cases, they looked beyond their formal sources of business credit, choosing to use their own equity or savings.

...and conclusions

The results suggest that providing financial risk education as a complement to credit provision for youth can reduce the default rate while also reducing unemployment levels, as the Youth Venture Capital Fund is intended to do.

One way to support this would be to incorporate credit counseling, financial management and soft-skill training (planning, communication, negotiation, risk management, etc.) into all vocational courses and into all entrepreneurship programs that target and aim to empower youth.

Building and promoting new expertise in Uganda

Developing new skills through PEP training

To be able to produce high quality research and findings, the research team completed PEP-supported training in cutting-edge experimental research methods. These included randomized control trials (RCT), random sampling methods and statistical methods for estimating impacts. Juliet Ssekandi, the team leader, and Zeridah Zigiti, a team member, received this training when they participated in the 2013 PEP Annual Conference in South Africa.

Given the complexity of the team's experimental approach, their PEP mentor visited the team to help them set up the experiment. Technical training sessions and support from their mentor allowed the team to develop their expertise in experimental methodologies throughout the research process. The team members then shared their experience with colleagues in their respective institutions, thereby contributing to the long-term capacity building impact of this study.

The Ugandan government also used the team's research to showcase one of the first attempts to apply randomized evaluation to public policy in the country.



The experiment

The research team set up a randomized control trial involving 555 people aged 18 to 35 who owned a business at the time of the study. From the group, participants were chosen at random to attend specialized two-day business clinics.

The researchers administered two surveys to everyone in the evaluation sample. The first (baseline) survey was administered before the intervention, and the final survey three to four months after the intervention.

To measure entrepreneurial risk tolerance, all 555 individuals participated in a laboratory experiment where they were asked to choose between 10 progressive combinations of safe and risky investment options. The potential payoff and the uncertainty of returns on investment increased as the participant progressed.

“The technical expertise I developed with PEP training led to my role supporting policy evaluation design for the Directorate of Monitoring and Evaluation within the Office of the Prime Minister”

- Benjamin Kachero

A significant career-promoting experience

The team's research work led to multiple invitations to share their methodology and findings at the international level. These opportunities included invitations to present at the 2014 Youth Employment in Sub-Saharan Africa conference organized by the IDRC in Senegal, and the 2016 African Growth and Development Policy impact evaluation workshop organized by IFPRI in the USA.

As a result of team's consultation activities, which led to a high level of exposure for the researchers and their specialized expertise, each member greatly benefited in terms of their career with promotions and appointments to influential roles, such as senior government economists. Several members were also selected to conduct further studies using the methodologies they had developed during the PEP research.

Thanks to the success and high quality of their PEP research, one team member received further funding from EASST to conduct a collaborative study to evaluate the Makerere University-based Innovation Systems Clusters Program for Uganda in collaboration with researchers at the University of California, Berkeley.

The team leader was invited to participate as a panelist in the 2017 PEP Policy Forum. She contributed to an open dialogue with other researchers and policy actors on the theme of “evidence-based policy options to promote youth and female entrepreneurship”.

In addition to funding, all PEP-supported research project teams benefit from intensive training activities (at the onset of the project), access to resources (recommended readings, training materials, software tools, etc.), a unique international peer-review experience, and mentoring and technical support from PEP mentors (world leading experts in relevant research methodologies) throughout the project lifecycle. Find out more: www.pep-net.org/support-program

Engaging with key policymakers, advisors and stakeholders

National strategies to better address youth unemployment

February 2013 Initial consultation meetings between research team and government ministries.



March 2014 Implementation of the intervention in collaboration with MGLSD, Centenary Bank and UNICEF-Uganda.



May 2014 Evaluation Sub-committee says research findings will help inform Youth Unemployment Strategy decisions.



December 2016 Team organizes national policy conference in Kampala.

From the earliest design stages of the research process, the team consulted with and involved multiple governmental and policy institutions. They consulted representatives of the Office of the Prime Minister, the Ministry of Finance, Planning and Economic Development (MOFPED), the Ministry of Gender, Labour and Social Development (MGLSD), the Ministry of Education and Sports (MES), and the Uganda Investment Authority. This allowed the team to review existing mechanisms aiming to address youth unemployment and identify how research could respond to policy needs.

The team was invited by the National Evaluation Sub-committee (ESC) to present regular progress briefs. Following these presentations, it was indicated that the team's **research findings will contribute, as an evidence base, to inform policy decisions related to the government's Youth Unemployment Strategy.** Furthermore, the team was invited to present their progress to the Evaluation Fraternity and Uganda policymakers during National Evaluation Week in 2014.

To conduct the study, the team collaborated with the Centenary Bank, to provide mentoring on the loan application process, and UNICEF-Uganda, to be able to contact participants through the U-Report social mobilization platform. By involving key stakeholders from the outset, the team was able to disseminate their findings widely.

Through its mobilization role, UNICEF-Uganda showed great interest in supporting the study and increasing its visibility at the national level by giving research participants the opportunity to share their experience at the 2014 U-Report National Conference. A representative of the UNICEF Civic Engagement Team also said the study would be strategically relevant to the emerging dialogue on youth

partnerships for the 2015-2020 UNICEF Uganda Country Programme.

In December 2016, the team organized a national policy conference in Kampala to discuss their findings and policy recommendations. They hosted the conference in collaboration with the Uganda National Evaluation Association and with support from PEP. Participants included senior policymakers, managers and technical staff from the Government of Uganda, as well as representatives of non-government organizations, evaluation experts, and researchers.

The conference allowed the team to reach a key audience with particular influence over credit counseling regulations and policy in Uganda. The event also enjoyed significant media coverage with Uganda's national broadcaster and a national newspaper reporting from the conference. Three other national television networks also covered the event.

Following the conference, representatives of the MGLSD and MOFPED requested that the research team present their findings and policy recommendations to the senior management of the Ministries.

Local research team

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PEP publications

Working paper 2016-22
Policy brief 151



From research to real life

Embracing new technology to support young entrepreneurs

“Finding a large sample of people willing to take part in an experiment is always a challenge.

Being able to contact young entrepreneurs via U-Report made a huge difference to our research,” said team leader Juliet Ssekandi, “Our collaboration with UNICEF and the Ministry of Gender, Labour and Social Development was key in making this happen.”

Using a U-Report poll, the team identified a large sample of young entrepreneurs who were interested in participating in the business clinics for the study.

From a database of almost 250,000 youth who had voluntarily enrolled on the U-Report social mobilization program, the team sent a recruitment

SMS message to subscribers in the five districts of Uganda that had the highest enrollment numbers and access to the Youth Venture Capital Fund (YVCF).

Subscribers received an introductory SMS saying that the Ministry of Gender, Labour and Social Development would be holding clinics to raise awareness of the YVCF. Those interested were then invited to reply stating their interest via SMS.

Following the SMS exchange, the research team arranged phone interviews to validate eligibility and invite participants to the business clinics. 600 participants from the five districts were invited and 555 attended.

“Being able to contact our target population for the study using the U-Report platform meant that we were able to easily authenticate the information needed to undertake the study.” said team member Sam Galiwango.

Local youth entrepreneurs also appreciated the initiative. “The idea of being offered training on business and credit management before the consideration of fund acquisition in the YVCF was a very good one. The business clinic was very useful in explaining how to better access and use credit to grow my business,” said Sam Lubwama, 30, businessman.

At the 2014 National U-report Conference, Spencer Ivan from Mbarara said: “I learnt how to generate business ideas, raise capital, and handle risks and uncertainties in my business. All these were a result of attending a business clinic. I am now a self-employed and my entrepreneurial skills are developing day by day.”

What is U-Report?

In 2011, UNICEF launched the U-Report program in Uganda as an opportunity for young people to express their views and communicate with decision makers. Now Uganda has more than 375,000 U-Reporters.

U-Report is a social mobilization platform allowing government and non-government stakeholders to engage youth in discussions on topical issues concerning their communities. It works on basic mobile phones using SMS and is also available via Twitter. The U-Report platform allows youth to receive and respond to questionnaire messages for free.