PolicyBRIEFING

ISSUE 161 • DECEMBER 2018

How Should Uganda's National Youth Policy Be Redesigned?

In Uganda 25.5 per cent of the young population are either unemployed or underemployed. The agricultural sector is the country's economic backbone with capacity to provide jobs for young people. Uganda's National Youth Policy (NYP) launched in 2001 to support young people in developing businesses through its Youth Livelihood Fund. However, the Fund has faced challenges and in 2017 was suspended, with youth unemployment remaining a pressing problem. Drawing on a study of Ugandan young people supported by the NYP and working in the maize industry, this *IDS Policy Briefing* identifies what went wrong and makes recommendations to support Uganda's young entrepreneurs into the future.

Uganda's youth unemployment problem

Unemployment in Uganda is high and young people aged 18–30 are disproportionally affected. Alongside high rates of youth unemployment, underemployment (i.e. high-skilled workers in low-paying jobs or working part time) is also a problem. More than 400,000 young people enter the diminishing labour market each year and for every job that is available there are about 50 people to fill it. Against this backdrop, many Ugandan young people are agitating for jobs, demanding a change of government to tackle the issue.

Unlocking the potential of agricultural value chains

With 83.2 per cent of Uganda's population living in rural areas, agriculture is the main source of livelihood for many young people. The agricultural sector contributes more than 20 per cent of gross domestic product (GDP) and commercial food crops – maize in particular – have the potential to generate jobs for young people, if they can engage in value-adding activities. Annual maize production in Uganda has more than doubled in the last decade and the crop is grown throughout the country. With large quantities of Ugandan maize being exported across Africa, there is high potential for commercialisation.

Overview of Uganda's National Youth Policy

The Ugandan government adopted the NYP in 2001 to address youth unemployment. It aimed to bridge the gap between young people and businesses in the agricultural sector. The NYP's Youth Livelihood Fund (YLF) was created to provide funding and other support to small enterprises led by youth. It aimed not only to support small business development, but also to create jobs. Youth applied to the Fund by forming small groups, known as Youth Interest Groups (YIGs). Successful applicants were given loans which were to be used to set up a business, make a profit, and then be repaid. The hope was that these businesses would become a sustainable source of income.

The Government of Uganda allocated UGX 265 billion (US$71.42 million) to the YLF for the period 2014–18. Yet by 2017, it had disbursed only 24 per cent of this approved budget, and in January 2017 the Fund was suspended. Nonetheless, it was claimed that the YLF had created approximately 114,471 jobs for youth over the preceding three years, with 43 per cent of these in the agricultural sector.

Why did the National Youth Policy fail?

The suspension of the YLF in 2017 provided an opportunity to review the NYP's successes and failures. A study of 177 Ugandan young people enrolled in the NYP and working in the maize industry used a survey, focus groups, and interviews to identify a number of problems:

- Many youth had inadequate business entrepreneurship support for their fledgling businesses to flourish. The business proposals that YIGs submitted to the Fund were often of poor quality. All focus group participants had failed to budget for inflation or loan interest in their forecasts, assuming loans would be repaid within the first year. Almost half of participants (48 per cent) did not submit the required annual financial report. The majority of youth felt the guidance they were given was inadequate.

- Many youth did not perceive their enterprises as 'business projects' – instead using their loans as a subsidy to support their income-generating activities. Many failed to include basic cost-of-living expenses in their budgets and lived off project funds during the first year, rather than investing in their new businesses. The YIGs were large but many of the micro-loans were very small – once divided between members, only US$152 per recipient on average.
- The timescale for repayment of loans was too short. After just one year, youth were charged interest on the funds they borrowed and were expected to begin repayments. Many found this timescale unrealistic for establishing a sustainable, profit-making business and repayments ran far behind expectation.
- Although the maize value chain presents a range of opportunities, many rural young people concentrated on lower-skilled farming activities, at the start of the value chain. Participants reported a lack of technical information and training (e.g. on seedling varieties, climate change impacts, and storage options).
- Urban youth demonstrated more knowledge of distribution channels of maize bi-products, but lacked the connections with processors and exporters that would open up opportunities along the value chain.

Policy recommendations

As the Government of Uganda reviews the NYP and urgently considers its future policies to address youth unemployment, it must:

1. **Improve the design and implementation of the YLF.** This includes extending the timescale for loan repayments to allow enterprises to be properly established and start making a profit. For example, the NYP should allow two years for projects to be established during which no loan interest is charged, and a further three for repayments. The NYP must allow young people to apply to the Fund in smaller groups. It should also award larger funds to each recipient in order to cover cost-of-living expenses in addition to business investment costs.
2. **Engage directly with existing agricultural businesses to improve the training offered to participants.** The advice provided should be accurate, relevant, and tailored to the specific needs of those in their programme and the sectors in which they are working. Technical information for young people across different locations and with different levels of knowledge and experience is key if youth are to move their businesses along the value chain. In addition, entrepreneurial skills training must include ongoing guidance on business planning and budget management.
3. **Create links between the young people enrolled in its programmes and the private sector.** Networking and mentoring with successful businesses will create opportunities for youth to develop their enterprises, whether through opening doors to potential customers, matching jobs to the right people, or identifying gaps in the market where value can be added.

Further reading

Makumbi, R. (2018) 'Uganda's National Youth Policy and Job Creation for Youth', *IDS Bulletin* 49.5: 45–54

UBOS (2015) *2015 Statistical Abstract*, Kampala: Uganda Bureau of Statistics

White, B. (2012) 'Agriculture and the Generation Problem: Rural Youth, Employment and the Future of Farming', *IDS Bulletin* 43.6: 9–19

Credits

This *IDS Policy Briefing* was written by **Rita Bayiga Makumbi** and edited by **Beth Richard** and **Sarah Nelson**. It was produced as part of the Matasa Fellows Network, funded by Mastercard Foundation.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or Mastercard Foundation's official policies.

Readers are encouraged to quote and reproduce material from the *IDS Policy Briefing* series. In return, IDS requests due acknowledgement and quotes to be referenced as above.

© Institute of Development Studies, 2018
ISSN 1479-974X

Institute of Development Studies

mastercard foundation

IDS Policy Briefings are published by the Institute of Development Studies and aim to provide high quality analysis and practical recommendations for policymakers on important development issues.
To subscribe: **www.ids.ac.uk/idspolicybriefings**

Institute of Development Studies, Brighton BN1 9RE UK
T +44 (0) 1273 606261 **F** + 44 (0) 1273 621202 **E** ids@ids.ac.uk **W** **www.ids.ac.uk**
twitter.com/IDS_UK #idspolicy facebook.com/idsuk