

Authors

Christopher Blattman
The University of Chicago

Nathan Fiala
University of Connecticut

Sebastian Martinez
Inter-American Development Bank



Employment Generation in Rural Africa:

**Mid-term Results from an Experimental Evaluation of
the Youth Opportunities Program in Northern Uganda**

Christopher Blattman
Yale University

Nathan Fiala
DIW Berlin

Sebastian Martinez
IADB¹

December 2011

¹ Christopher Blattman (corresponding author): Yale University, Department of Political Science & Economics, 77 Prospect Street, New Haven, CT 06511, (203) 432-3347, christopher.blattman@yale.edu; Nathan Fiala: German Institute for Economic Research, 10100 Berlin, Germany, nfiala@diw.de; Sebastian Martinez: Inter American Development Bank, Office of Strategic Planning and Development Effectiveness, 1300 New York Avenue, NW, Washington DC 20577, (202) 623-3000, smartinez@iadb.org

Employment Generation in Rural Africa: Mid-term Results from an Experimental Evaluation of the Youth Opportunities Program in Northern Uganda

Can cash transfers promote employment and reduce poverty in rural Africa? Will lower youth unemployment and poverty reduce the risk of social instability? We experimentally evaluate one of Uganda's largest development programs, which provided thousands of young people

nearly unconditional, unsupervised cash transfers to pay for vocational training, tools, and business start-up costs. Mid-term results after two years suggest four main findings. First, despite a lack of central monitoring and accountability, most youth invest the transfer in vocational skills and tools. Second, the economic impacts of the transfer are large: hours of non-household employment double and cash earnings increase by nearly 50% relative to the control group. We estimate the transfer yields a real annual return on capital of 35% on average. Third, the evidence suggests that poor access to credit is a major reason youth cannot start these vocations in the absence of aid. Much of the heterogeneity in impacts is unexplained, however, and is unrelated to conventional economic measures of ability, suggesting we have much to learn about the determinants of entrepreneurship. Finally, these economic gains result in modest improvements in social stability. Measures of social cohesion and community support improve mildly, by roughly 5 to 10%, especially among males, most likely because the youth becomes a net giver rather than a net taker in his kin and community network. Most strikingly, we see a 50% fall in interpersonal aggression and disputes among males, but a 50% increase among females. Neither change seems related to economic performance nor does social cohesion - a puzzle to be explored in the next phase of the study. These results suggest that increasing access to credit and capital could stimulate employment growth in rural Africa. In particular, unconditional and unsupervised cash transfers may be a more effective and cost-efficient form of large-scale aid than commonly believed. A second stage of data collection in 2012 will collect longitudinal economic impacts, additional data on political violence and behavior, and explore alternative theoretical mechanisms.

December 01, 2011