

Löwe, Alexandra; Njambi-Szlapka, Susan; Phiona, Sanyu

## Research Report

# Youth associations and cooperatives: Getting young people into work

ODI Report

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*Suggested Citation:* Löwe, Alexandra; Njambi-Szlapka, Susan; Phiona, Sanyu (2019) : Youth associations and cooperatives: Getting young people into work, ODI Report, Overseas Development Institute (ODI), London

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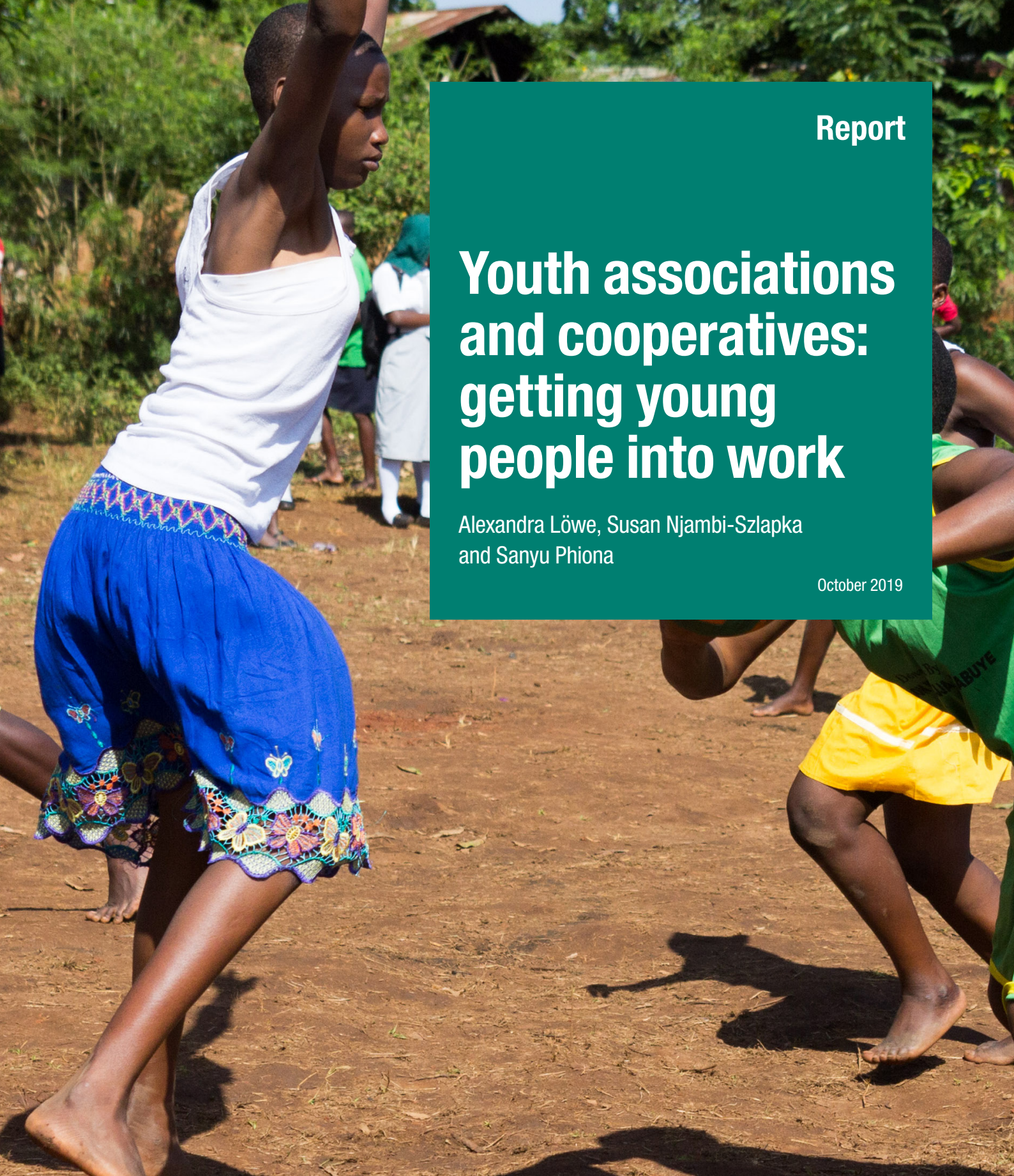
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Report

# Youth associations and cooperatives: getting young people into work

Alexandra Löwe, Susan Njambi-Szlapka and Sanyu Phiona

October 2019



Youth  
Forward



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Cover photo: Ugandan girls play netball. Photo credit: Adam Jan Figel/Shutterstock.com

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# Acknowledgements

The authors would like to thank all interviewees for their time and insight, without which this research would not have been possible. In particular, we would like to thank the YETA team for their time, help and expertise in making the fieldwork possible. In addition, we thank Development Research and Training, in particular Peace Nganwa, for providing assistance and comments on an earlier version. We are grateful for the peer review comments received from Rebecca Ssanyu (Development Research and Training), Phyllis Papadavid (Overseas Development Institute) and Jane Namuddu (Ministry of Gender, Labour and Social Development, Uganda). We thank YETA and the Mastercard Foundation for comments provided on a draft version of the report. We also thank Melanie Pinet and Louise Shaxson for their feedback on earlier drafts, Sarah Turner and Amanda Jones for project management and Aaron Bailey-Athias, Hannah Caddick, John Maher, Garth Stewart and Emma Carter for publication, editorial and design support. All views and opinions expressed in this paper are those of the authors, who took the final decision on content, and do not necessarily represent the position or policy of the Mastercard Foundation or its partners.

## About Youth Forward

The Youth Forward Initiative is a partnership led by the Mastercard Foundation, the Overseas Development Institute, Global Communities, Solidaridad, NCBA-CLUSA and GOAL. Its focus is to link young people to quality employment or to starting their own businesses in the agriculture and construction sectors in Ghana and Uganda. The Youth Forward Learning Partnership works across the initiative to develop an evidence-informed understanding of the needs of young people in Ghana and Uganda and how the programme can best meet those needs. The Learning Partnership is led by the Overseas Development Institute in the UK, in partnership with Development Research and Training in Uganda and Participatory Development Associates in Ghana.

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## Dedication

This report is dedicated to the 18 members of the YETA team who tragically lost their lives in a fatal bus accident in December 2018 at Kapchorwa.

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# Acronyms

<b>FSP</b>	financial service provider
<b>MADFA</b>	Masindi District Farmers Association
<b>MFI</b>	microfinance institution
<b>SACCO</b>	Savings and Credit Cooperative
<b>UGX</b>	Ugandan shilling
<b>VSLA</b>	village savings and loans association
<b>YA</b>	youth association
<b>YETA</b>	Youth Empowerment Through Agriculture

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# Executive summary

The Youth Empowerment Through Agriculture (YETA) programme, in partnership with the Mastercard Foundation, addresses the employment challenges faced by young people in mid-Western and Northern Uganda through the support and formation of youth associations. This report seeks to understand how these associations can address the challenges typically faced by underemployed or unemployed youth and to capture the lessons learned by the programme.

The overarching question discussed here is how collective action can help address the challenges that young people cannot overcome individually. Young people occupy a unique position by virtue of being in transition from childhood to adulthood. This means that they can no longer rely on their parents to support them, but nor do they have the social, economic and political resources associated with adulthood. There is a long history of collective action in rural communities with the aim of providing excluded groups with the networks necessary to access such resources. However, their application to youth employment challenges and the specific forms of exclusion experienced by young people is comparatively new. This report seeks to understand their operation in such contexts. It also looks in depth at the ways in which collective action can help to address young people's exclusion from financial services and how they can build realistic and actionable aspirations.

## The group model

Collective action can take various forms, but in this report we focus on the model used by YETA,

namely youth associations and cooperatives. These are made up of members who voluntarily unite to address common problems, such as access to services and resources, as well as inputs, training and land, with the aim of increasing the association's and individual members' incomes. Each group is mentored for six months by a successful member of their community, who had experience with agricultural production and entrepreneurship. YETA reached 27,130 young people through this model between 2015 and 2019.

Young people are frequently not given full adult responsibilities by their communities, nor are they trusted by key service providers. They are often decried as lazy, economically inactive or as a risky investment. Establishing a formal or semi-formal group can help to reduce prejudices against young people and increase these institutions' trust in their ability to manage funds and resources.

In theory, youth associations can help individual members convert their social capital into human or financial capital. In practice this means that association members can pool their resources, including capital and negotiating power, to purchase services or to negotiate jointly. They might also join forces to access financial services from banks or government funds that are not available to individuals. The benefits of collaboration are particularly pronounced for young people who, by virtue of their transition from youth to adulthood, have not yet established themselves within their communities, and so are more limited in their access to communal and individual resources than their adult counterparts. Groups can help circumvent these productivity-limiting challenges, and so set young people on a more productive trajectory for their working lives.



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## Key findings and recommendations

### 1. Youth associations are an effective means for addressing youth unemployment and poverty

Youth associations were able to help young people to overcome significant structural and psychological barriers. Importantly, young people reported greater motivation, which enabled them to perform the more arduous tasks involved in unmechanised agriculture, such as clearing land for production. Youth members also reported receiving greater respect and credibility from older and more established members of their community. For instance, they were able to negotiate with elders to access land they had not been able to access as individuals, so increasing their earning power. This greater earning power, coupled with improved access to finance, resulted in individuals accessing more land, either through purchase or hire.

Other benefits included the following:

- Youth saw the benefits of planning ahead and investing. Working in a group to raise funds, which allowed them to achieve first investment successes very rapidly, demonstrated the importance and potential of working towards a goal. Many young people stated that they had no experience of this type of investment and had not previously understood its benefits.
- YETA's training demonstrated the value of extension services and, more broadly, education. Young people therefore sought out these opportunities more frequently, as witnessed by an increase in uptake of formal education opportunities. Among male participants, rates of primary school completion increased from 51% to 56%, while for women they increased from 41% to 43%. Their participation in training also contributed to greater trust within the community, with government officials more likely to lend to YETA groups than to other groups.
- By joining forces to pool their produce and buy inputs collectively, youth associations were able to negotiate better prices for their crops. For example, one cooperative signed a sorghum production contract that reduced the price of seeds by 15% and increased

output prices for members by 18%. These factors contributed to an average income increase of 75% for participants (or an increase of 194% for the median).

### 2. The distribution of benefits is unequal among members of youth associations

Groups, however, are not a panacea and faced a number of challenges, the most significant of which is the unequal distribution of benefits among members. The extent to which a member benefited from their association depended on what they were able to contribute, in labour or capital. As a result, poorer members tended to benefit much less than their peers who had access to greater resources via their parents, such as land, livestock and capital, and who were able to invest more time.

Often one of the greatest constraints on income is access to land, and this constraint should be considered during programme design. Programmes should support those young people who do not have access to land by, for example, providing subsidised finance to rent land or making arrangements with village leaders with surplus land.

### 3. A dedicated mentor is essential to group success

Conflict arose to some degree in all groups, particularly around the issue of free-riding, theft of group resources or the success of the group enterprise. The extent to which the group was affected by these issues was largely determined by how engaged and skilled their mentor was.

### 4. All groups should have a female mentor

Young women face greater constraints than their male peers. They have fewer resources at their disposal, may require the permission of husbands or fathers, and often have greater familial responsibilities. This means that female mentors are more important, but also that groups tend to choose male mentors with access to greater resources. To circumvent this, youth associations

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should be encouraged to choose both a male and a female mentor.

Where female mentors cannot be found, youth programmes should have dedicated female advisors to provide assistance to female participants.

Furthermore, greater peer-to-peer learning should be encouraged among female members.

## **5. Group size should be limited to 30 or 35 members**

Striking a balance between the desire to expand so that more youth could benefit from the association and keeping numbers to a manageable size is important in ensuring a group's success. As a general rule, groups that exceeded 30 to 35 members struggled to maintain their cohesion. The success of a group was also subject to wider economic forces, notably the prices of crops on the market for those who chose farming as their main business.

## **6. Access to finance is a significant but not insurmountable challenge**

The primary constraint on young people's agricultural enterprises was found to be their limited capital and therefore their lack of access to financial services. As a solution to these challenges, YETA encouraged youth associations to form village savings and loans associations (VSLAs). These helped young people to access financial services in a number of ways:

- Young people increased their access to savings and loans through their VSLA membership: they increased their savings by 31% on average, while those who saved weekly saw an increase in savings of 54%. The number of programme participants who applied for loan increased from 4% to 8% with 98% of the applicants receiving a loan.
- As a result of their access to savings and loans, members increased their business capital and were able to invest in land and other inputs such as seed, fertiliser and food processing equipment. Most importantly, increased savings and access to loans meant youth could rent bigger pieces of land and thus plant and harvest more to increase their income.

- YETA put young people in touch with financial service providers (FSPs) like Postbank and encouraged them to open bank accounts. As a result, 218 youth associations and 1,544 individuals opened bank accounts. Postbank and YETA have also collaboratively designed loan products that meet the needs of youth, including a mobile phone service for saving and loans.
- The experience gained from their VSLAs also allowed YETA groups to access government funds, such as the Youth Livelihood Programme, as government officials gained confidence in the groups' capacity to manage group loans.

## **7. Clear rules are necessary for dealing with defaulters**

All groups will be faced with a number of significant challenges, including members defaulting on their loan repayments, absenteeism or members dropping out for a variety of reasons. Groups need to discuss these possibilities at the outset and to build consensus on how they should be dealt with before they arise.

## **8. Establishing formal credit cooperatives requires significant programme support**

At the time of our fieldwork, a small number of VSLAs had joined together to form formally registered Savings and Credit Cooperatives (SACCOs), which allowed groups and individuals to access bigger loans and more sophisticated financial services. However, we found that the few groups that had formed SACCOs faced challenges with the registration process and required further training in how to run and manage their SACCO.

Formal cooperatives and SACCOs take longer to establish and their larger memberships make them more difficult to formalise and sustain. As a result, they require a greater deal of support from an outside source. These higher levels of support need to be considered in youth employment programme design.

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## 9. Collective action can contribute to higher aspirations

Forming effective aspirations is an important enabler for young people's productivity. Effective aspirations exist where the gap between a young person's current living situation and their imagined future is neither too big to be unrealistic nor too small to incentivise foregoing current benefits in favour of investment in the future. The YETA group model influenced its members to form effective aspirations through

several channels, including the demonstration effect (where youth directly experience what they can achieve as a group) and the skills learned in the YETA training including visioning and planning. Respondents reported having higher aspirations than had been the case before they joined their groups, including longer-term investment in their own or their families' education, expanding their businesses and moving into more complex areas, such as food processing. Some took on leadership positions in their community.

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# 1 Introduction

Uganda has a young population and a growing economy: more than 75% of its population is under 30 and its economic growth rate reached 6% in 2018 (World Bank, 2019). However, Uganda's young people do not seem to be benefitting from this growth and the youth unemployment rate increased from 13.3% in 2013 to 18.6% in 2015 (ILO, 2017). The majority of young people who are employed or self-employed (57.2%) work in agriculture, a sector that contributes only 26% of GDP. As a result, young people in Uganda, particularly in rural areas, often find themselves in informal or self-employment and in a low-productivity sector (ibid.). Additionally, regional inequalities have widened, with poverty rates decreasing much more rapidly in the Central and Western regions than in Northern Uganda (Rwabizambuga et al., 2015).

It is these formidable challenges that the YETA programme, in partnership with the Mastercard Foundation, has been seeking to address between 2015 and 2020. As the programme name implies, it did this by increasing youth employment and productivity in the agricultural sector. The programme worked with rural young people to transform their livelihoods through collective action, agricultural training and access to finance. In the course of the programme, various group models are being applied to the specific challenges of youth unemployment and rural livelihoods in Northern Uganda. This report seeks to capture the lessons from these efforts, with the aim of making them available to a broader audience of practitioners, funders and other interested parties.

Specifically, this report aims to record the lessons learned through the YETA programme and to understand how group-based approaches can help address the young people's challenges, particularly those that they are unable to overcome

on their own. Young people occupy a unique position by virtue of being in transition from childhood to adulthood, meaning that they do not have the social, economic or political resources associated with adulthood. Collective action in rural communities has a long history of providing excluded groups with the assistance necessary to access such resources. However, their application to youth employment challenges in rural areas is comparatively new and this report seeks to understand their operation in such contexts.

Given the broad nature of this topic, we developed three sub-questions in collaboration with YETA staff and the Mastercard Foundation:

1. How does collective action allow young people to transform their social capital into other resources and opportunities? What benefits do young people derive from forming associations and what challenges do they encounter?
2. How can youth associations facilitate access to finance for young people who are underserved by formal financial institutions? Can VSLAs fill some of these financial service gaps?
3. Does being involved in a youth association influence young people's aspiration? Does it foster aspirations that are both realistic and more challenging?

The first question, therefore, seeks to provide an overview of how groups benefit young people who struggle to access the resources available within the community. The other two questions delve in more depth into two sub-topics that may be of particular interest to those working with young people, namely the questions of aspiration and access to finance.

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### **Box 1 A note on terminology**

Many different types of association can be used to harness social capital and the benefits of collective action, so it is worth clarifying the terms used in this report.

**Youth association.** YETA participants were trained on the potential of associations, how different models may work and the (dis)advantages of each. However, the programme did not prescribe specific articles of association or by-laws to its participants. Each association went through a process of negotiation so that its members could determine how they wanted to work together, resulting in some diversity, and then registered their association with local government. We use the term here to refer to any group of 30 to 35 young people aged 15 to 24 who had come together to assist each other and to improve their livelihoods through agricultural activities. For most groups, this also involved a savings and loans component.

**Cooperative.** In Uganda cooperatives must be registered with the Ministry of Trade, Industries and Cooperatives. This requires forming an association, providing its accounts and by-laws, and a recommendation from the District Commercial Officer. As this is a lengthy process, many of the YETA associations had not reached this formal status, even though they generally aspired to do so. The activities and stated aims of a cooperative, however, do not necessarily differ significantly from an association.

**Group-based model.** To do justice to the differences that exist between and within cooperatives and associations, we use the term ‘group-based model’ to refer to either arrangement that seeks to promote the economic status and well-being of young people.

## **1.1 Report outline**

This report begins by briefly describing our research methodology, before providing an outline of the YETA model. The aim there is to provide the necessary context for readers not familiar with the programme. This report does not detail the challenges faced by young people in Northern Uganda’s agriculture sector, which are discussed in a separate paper for the Youth Forward initiative (Löwe and Phiona, 2017). The description of the YETA model is followed by the first substantive section on youth associations and cooperatives.

It begins with the theoretical insights on collective action and social capital, before examining how these played out for young participants in YETA’s programme. This is followed by a section that addresses the report’s access to finance questions, beginning with a review of the literature before discussing the empirical data. Finally, the section on aspirations follows a similar outline. This takes a brief look at how aspirations are formed, before discussing how YETA participants’ aspirations developed. Finally, we bring together the insights from these three sections in our conclusion and recommendations section.

## 2 Methodology

The aim of this report was to understand how YETA's group-based model has helped address youth unemployment and underemployment in mid-Western and Northern Uganda. To answer this question, the authors conducted research in Kiryandongo and Kole and held interviews with YETA participants, key informants and programme staff in April 2019. Over the course of two weeks, focus group discussions were held to elicit the experience of youth association members. Findings from these focus group discussions provided data on each of the three research themes. As focus group discussions do not generally allow for data to be gathered on specific aspects of a group's business or on the details of how the group has chosen to manage its association, individual interviews with youth leaders and participants were used to inform these additional details.

To complement the experiences, stories and themes raised by young people, we held semi-structured interviews with community leaders, local government officials, parent mentors who were involved in the programme, and FSPs (Postbank and Masindi District Farmers Association (MADFA)) to triangulate findings. This meant that the research team had a list of questions to ask each interviewee or focus group, but that discussions were not confined to these questions or ideas alone. Instead, interviewees were encouraged to discuss the topics that were of greatest relevance to their experience of participating in the YETA programme.

Interviewees were chosen for the perspective they were able to give on youth employment and associations. Young people were able to provide insights into how the programme had benefitted them as well as reflect on why some groups or



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individual members had been less successful. Parent mentors on the other hand provided information on the struggles their groups faced and how the YETA programme helped them overcome these. Finally, local leaders were able to reflect on wider issues surrounding youth unemployment in the region and how YETA complemented other interventions, including government youth and agriculture programmes and the work of other non-governmental organisations, where applicable. YETA programme staff helped us to represent a wide range of participants. This included post-conflict populations, male and female participants, groups that were doing well and groups that were struggling.

There were 13 focus groups: 11 were held with youth associations and two with cooperatives. We also interviewed 24 key informants, including local leaders, model youth and national government representatives. (For further details on the groups

and individuals interviewed see Annex 1.) While YETA works in four districts, the research team chose Kiryandongo and Kole, as these districts were deemed the most diverse in terms of agricultural production, refugee populations and access to opportunities, so that the research findings would cover the breadth of experience of the YETA programme. Finally, we reviewed YETA's own reports and the Overseas Development Institute's baseline and follow-up data on YETA participants to complement the qualitative findings.

Prior to data collection and throughout the report drafting process, the authors reviewed the literature most pertinent to the research questions and incorporated any insights from the literature into the report. Initial versions of the report were shared with internal and external peer reviewers and, after their comments had been incorporated, it was shared with the Mastercard Foundation for comments before the report was finalised.

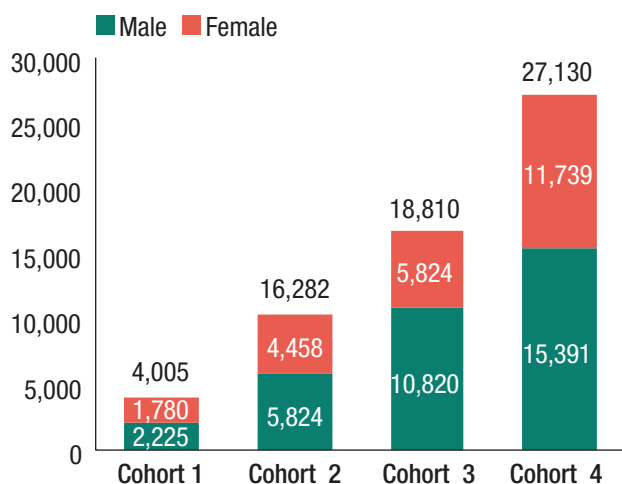
# 3 The Youth Empowerment Through Agriculture model

YETA is a programme that began in 2015 and will close in 2020, in partnership with the Mastercard Foundation. Its aim was to address mid-Western and Northern Uganda’s high rural youth unemployment rate and to empower youth through agriculture using its ‘Learn, Engage, Build’ model on and off the farm. YETA addressed the challenges faced by youth in agriculture – such as low levels of productivity, limited access to resources and low skill levels – by facilitating the creation of a network of youth associations and, ultimately, cooperatives. Young people told us that before participating in the YETA programme most had worked on small pieces of land provided by their parents or communities, without the necessary skills or finance to farm productively. As a result, they earned little and were frequently

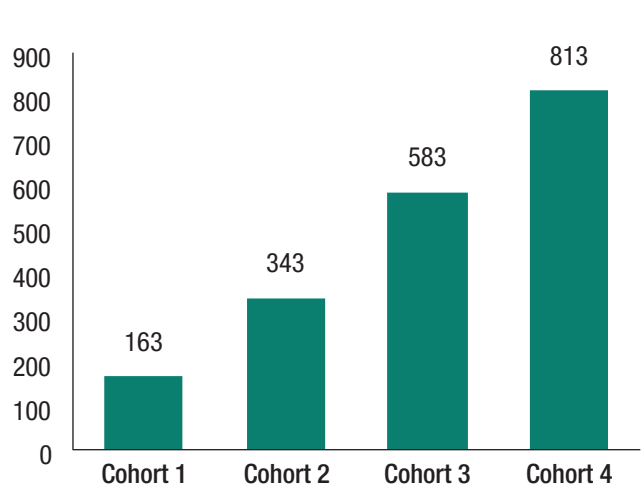
expected to contribute the little they earned to their parents’ household, leaving them little disposable income to invest.

Over the lifetime of the programme, YETA engaged 27,130 out-of-school youth aged between 15 and 24 years old (exceeding its target of 26,250) and assisted them either to form new youth associations or to strengthen their existing associations (see Figures 1 and 2).<sup>1</sup> The 27,130 people were trained in four separate cohorts, beginning in April 2016, May 2017, August 2017 and March 2018 (cohort 1, 2, 3 and 4 respectively). Groups were trained over an initial period of six months on numeracy and financial literacy, governance and life-skills training as well as technical training on agricultural best practices, entrepreneurship, business and management.

**Figure 1 Number of young people mobilised**



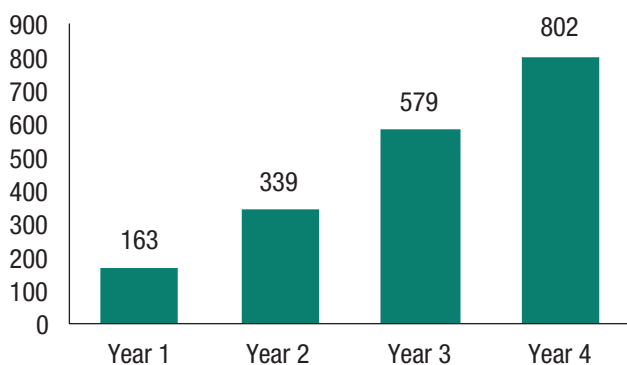
**Figure 2 Number of YAs established or strengthened**



<sup>1</sup> N.B. At the time of our fieldwork in April 2019, YETA had completed the training of all four cohorts. Mentorship and support activities will continue until February 2020, when the remaining activities will be wound down.



**Figure 3 Number of YAs with functioning VSLAs**



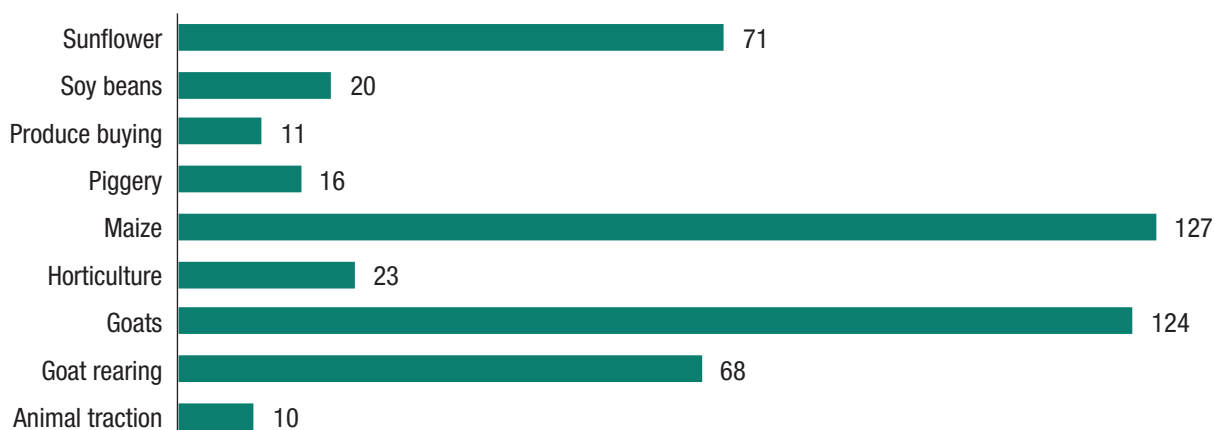
This was followed by six months of mentorship, peer-to-peer learning and knowledge transfers from the private sector. Groups selected their own mentors, typically members of their community who had successful farms or, in a few cases, agribusinesses. The mentorship component was twofold: young people were mentored by model youth, who were successful peers. In addition, each group chose a mentor to advise on and guide group activities from among the successful adults in their community.

There was also a focus on increasing access to financial services, both formal and informal. Once the youth groups were formed, YETA encouraged them to add a savings and loan component to their group's work. They received training in VSLA methodology including membership, electing committee members, leadership roles, agreeing on their VSLA rules and share-out procedures. YETA also provided groups with a VSLA starter kit, which included a savings box, padlocks and stationery. Groups were encouraged to register their VSLA, to facilitate linkages with formal financial institutions and to

support the proper management of funds. As can be seen from Figure 3, the vast majority of youth associations also formed their own VSLA. These interventions were meant to do more than simply help young people to diversify their livelihood strategies: they also strove to improve the psychosocial well-being and confidence of youth association members by demonstrating that change and improved livelihoods were achievable goals for young people. Once formed, YETA encouraged youth associations to select group enterprise activities, choose a mentor to support their group and form a VSLA so that participants could also save for their individual goals and group enterprises. Where possible, these VSLAs were linked with banks to expand their access to finance and to create a new customer-base for banks. Finally, YETA sought to enable youth associations to access external resources – including information, government services and concessionary loans provided by government and private sector actors, including formal FSPs.

YETA encouraged groups to choose their group enterprise based on the needs and value-chain assessments carried out by the programme. The recommended value chains were crop production (sunflower, soy beans, maize and horticulture), livestock (pigs, poultry, goats, and animals for traction) and produce trading. The popularity of the different enterprises varied with location and weather patterns. In cohorts 3 and 4, for example, goat rearing proved particularly popular as erratic weather patterns had rendered crops less profitable in many areas. The profile of group activities chosen by cohort one is provided in Figure 4.

**Figure 4 Types of businesses started by YAs**



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# 4 Associations and cooperatives

## 4.1 The group-based approach to community development

The group-based approach to community development has taken many forms, ranging from relatively informal community groups to fully fledged and institutionalised cooperatives and national associations (Barooah et al., 2019). Given the nature of YETA's work, the focus here is on young farmers' groups and associations, as well as fledgling cooperatives. Such groups comprise members who have come together voluntarily to organise the production and marketing of their crops or livestock with the aim of improving their income. Groups may also choose to provide the services to members that they would otherwise struggle to access, such as education and training, insurance, and common property resource management (Stockbridge et al., 2003).

Groups and associations of this kind are more common in rural areas than urban areas, due to the relative paucity of services in rural areas and, more importantly, the nature of agricultural markets. Farmers usually buy their inputs and sell their produce in so-called 'spot markets', meaning that these products are bought and sold without contracts or prior agreements on quality, with price being the only determining factor in a sale. In such instances, farmers find themselves subject to the vagaries of the market, with limited bargaining power in the absence of an organisation (Minot, 2007).

## 4.2 What are the theoretical benefits of associations?

Theoretically, farmers' organisations allow communities to use their social capital to increase

their access to services, which in turn allows them to grow their individual or joint enterprises (Woolcock and Narayan, 2000). Social capital is defined as the 'features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit' (Putnam, 1995: 67). There are two types of social capital, namely bonding and bridging capital. Bonding capital means that farmers and rural communities can use their personal networks, peers and extended families to access resources that would otherwise have been outside of their reach (ibid.). This can take the form of mobilising local resources into a critical mass, as is the case in a farmers' organisation that comprises a VSLA component. In other instances, it allows farmers to access economies of scale, for example by purchasing inputs in bulk or decreasing transport costs for accessing markets and reducing transaction costs (Stockbridge et al., 2003). As a result, associations can create more wealth than its members would be able to generate individually, with the additional benefit of retaining that wealth for its members.

Bonding capital – the social capital that takes the form of relationships with peers, family and friends – is of particular significance to young people, who do not have access to the resources necessary to build their livelihoods as individuals. By combining their resources, they may be able to generate enough income for the group or individuals to acquire the means to support a livelihood, such as land or tools. Simultaneously, young people typically struggle with the perception of older adults that they are irresponsible and do not have the experience necessary to manage resources. Not only do groups allow for the acquisition of experience,

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but they also demonstrate to the rest of the community the ability of young people to self-organise.

Once members have formed groups and are accessing the benefits of collective action, the second type of social capital – bridging capital – becomes more important (Majee and Hoyt, 2011). This is the capital that allows groups to form networks with other groups, with the aim of obtaining ever greater human, social and financial capital. As Majee and Hoyt write, ‘It is the bonding of small networks into a coherent unit that creates an opportunity for group members to gain access to bridging social capital that is not available to them as individuals or as small isolated networks’ (Majee and Hoyt, 2011: 57). An example of this is when a youth association seeks links with a savings cooperative and can therefore access more financial resources than through group savings alone.

In addition to providing access to resources and allowing members to leverage the power of collective action, rural associations provide a number of other benefits. First, associations build local human capital through experience and training, something that is particularly important to young people who have not benefitted from formal schooling. As members of an association work together, they acquire organisational, accounting and negotiating skills that are transferable to other economic activities, which may be organised individually or as a group (Zeuli and Radel, 2005). Where associations are supported by non-governmental organisations or government bodies, they may also have access to business and skills training that would not be accessible to individuals. Given the philosophy that underpins many associations – that of voluntary, open collaboration for the good of the community – this learning has a greater propensity to spread throughout communities and networks than training aimed at individuals (ICA, 1995).

Of the less tangible benefits of such associations, their commitment to fairness and equality is also worth mentioning (ICA, n.d.). This allows communities to develop sustainable businesses that foster socially responsible and environmentally sustainable approaches to development.

### 4.3 Challenges of group-based development approaches

Farmer and youth associations face a number of challenges, the most significant of which derive from the fact that they are member-run and owned, while membership usually remains open to any interested individuals.

The first and most significant challenge for youth associations is that their members may not have the skills necessary to manage something as complex as a producer organisation (Stockbridge et al., 2003). While these challenges are not unique to youth associations, they are likely to be more pronounced, as young people often have fewer years of formal education and, by definition, less experience of agriculture and entrepreneurial activity. For young people motivation may also prove a problem where they have no direct or even indirect experience of the benefits of collaboration.

Setting up and managing a youth association involves organising members around a coherent set of principles, agreeing on the primary aims of the association and ensuring that members’ most pressing needs are met. As these tasks require considerable leadership skills, they may overburden its youthful leadership. Similarly, members need to have the skills necessary to hold the leadership to account. They must, for example, be able to verify the accounts and the by-laws according to which the organisation operates. Though external assistance and training can go a long way to overcoming some of these challenges, it also has the potential to threaten the independence of the organisation and democratic member control. In other instances, such interventions may undermine the sustainability of the group, particularly where local norms and customs are not respected and the curriculum does not allow for a locally appropriate organisational culture to emerge (Stockbridge et al., 2003).

Second, the organisational skills of association leaders are often tested by the first steps in collective action: negotiating and deciding the rules by which an organisation will operate. In particular, preventing free-riding is a double-edged sword. On the one hand associations need to have the instruments necessary to discipline members and prevent free-riding. On the other,

rules that are too stringent may prevent some from joining. There is likely to be a tension between the severity of punishment desired by members, depending on how likely they are to transgress against the group's rules. This means that individuals who expect not to default on their loans will sometimes push for harsher rules than those who are less confident of their ability to earn sufficient profits. Not infrequently this results in a division within the group along socioeconomic lines, with wealthier and poorer members holding different opinions. Finally, where the rules are complex and so difficult to monitor and enforce, they can overwhelm the association's leadership.

Third, membership associations may not always serve the poorest members of a community, who, evidence suggests, often do not have the resources – particularly time and

income – to become involved (Zeuli and Radel, 2005). This is especially so where an organisation requires financial contributions or a contribution to communal labour activities. In addition, the poorest members may find it harder to meet any minimum production requirements or to achieve the quality standards set by the group. It is then a decision for the group to make as to whether they will bear the cost of such members or exclude them (*ibid.*). Youth associations often target the poorest members of society who have not yet begun to earn money or to develop their political voice in a community, and hence can struggle to earn even the small contributions needed for participation.

There are a number of factors that make overcoming some of the challenges typically faced by rural organisations more likely. These are outlined in Table 1.

**Table 1 What makes for a successful association?**

<b>Homogeneity of membership</b>	Collective action is simplified if membership is homogenous (age, gender, wealth, occupation) as shared preferences are more likely.
<b>Size</b>	Size of the association and the skills of its leadership need to match the scale of the chosen services.
<b>Choice of services</b>	Services provided need to fulfil the needs of the membership and leadership capacity.
<b>Self-reliance and autonomy</b>	Being able to generate resources internally and independently affords greater autonomy and so increases likelihood of sustainability.
<b>Resource mobilisation</b>	The association can mobilise sufficient financial resources to achieve its goals.
<b>Skills and education</b>	Members have a minimum skill level, allowing some to lead and others to hold that leadership accountable.
<b>Participation</b>	The association needs to provide sufficient benefits to ensure members are motivated to participate.
<b>Organisational structure and governance</b>	Organisation's structure must match chosen tasks and enable accountability to the membership.
<b>Legislation</b>	Leadership and membership must be kept accountable but the association should keep regulation to a minimum to avoid making participation cumbersome.
<b>Focus</b>	Resources should be used carefully to achieve the stated aims of the organisation.

Adapted from Stockbridge et al. (2003).

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## 4.4 Successes of the YETA group model

### 4.4.1 The economic benefits of 'bonding' social capital

Before YETA training I didn't know anything about business but after the training my business perspective changed. I started selling a cooking oil, posho, tomatoes. Now I want to add other business ventures.

(Female YETA participant)

YETA's young people benefitted from mobilising their bonding capital. Most importantly, they were able to make progress towards building their livelihoods having been previously excluded from productive work and its benefits. Collaboration allowed young people to overcome the psychological, physical and economic barriers to improved livelihoods. Psychologically, they found greater motivation; physically, they were able to take on larger projects, such as clearing more land; and economically they could access resources that were beyond their individual reach by participating in a savings group and accessing its loans facility. The psychological benefits were particularly marked, as for many this represented the first experience of earning a living. These are discussed in further detail in Chapter 6.

The YETA team worked with young people to minimise the initial hurdles of starting a group, including the time invested in recruiting new members, developing the rules of association and believing that creating an association could bring tangible benefits. In addition, after receiving training on associations, most groups had the full and ongoing support of a mentor who was able

to take on some of the costs – in terms of time and skills – required for sustaining a group.

Bonding capital also brought economic benefits to participating young people, primarily through access to two interlinked resources: land and finance. Young people were able to access additional land, either through negotiations with elders in their community or by saving as a group and hiring land. In the former case, this was usually the result of the group's standing in their community or their mentor's influence. This is borne out by the follow-up data on youth who participated in the first cohort of the programme, who were able to increase their access to land: while only 36% owned land and 27% rented land when they enrolled, this increased to 46% and 35% respectively (ODI, 2018).

Both access to land and finance are binding constraints on productivity for rural young people in Uganda: access to land allows individuals and groups to increase their productivity and hence savings, which allows for more land to be purchased or rented in turn. Similarly, access to finance meant that groups could rent or buy more land to increase their production and, in turn, income. The fact that subsistence consumption (i.e. the percentage of production consumed within the producing household) fell from 84% at baseline to just 28% at follow-up while income from crop production increased by 69% suggests that young people were able to significantly increase their output (ODI, 2018). These interlinked constraints are discussed further in the access to finance section.

Overall, participation in the YETA programme allowed young people to increase their income, which increased for participants by 75% on average, with women experiencing a larger increase of 102%. The details of income increases are given in Table 2.

**Table 2 Annual income in Ugandan shillings – average and significance levels**

Variable of interest	Gender	Baseline	Follow-up	Change (%)	Significance level
Total yearly income	All	388,617	679,738	75	***
	Male	440,129	705,873	60	***
	Female	321,399	649,167	102	***
Crop farming income	All	264,529	447,194	69	***
	Male	283,069	432,720	53	***
	Female	240,337	464,103	93	***
Livestock income	All	57,428	79,066	38	*
	Male	67,253	64,036	-5	Not significant
	Female	42,505	95,586	125	***
Employment income	All	236,205	352,607	49	***
	Male	281,817	422,161	50	**
	Female	152,385	241,522	58	**

Note: Where \* is significant at 10%, \*\* is significant at 5%, and \*\*\* is significant at 1%.

Source: YETA participant and follow-up data (ODI, 2018).

#### 4.4.2 Access to training, extension services and information

As YETA aimed to reach youth who were not able to attend school, the training provided by the programme was the main source of learning for youth association members. Our informants cited training on group enterprises, group management, diversification and agricultural production as the most useful. The combination of training on group formation and mentorship seems to have been sufficient for the majority of groups to enjoy adequate leadership and, equally importantly, for members to hold their leaders accountable. This was evidenced by the discussions on conflict with groups and individual young people: they were aware of the roles of their leaders, the procedures and rules they had chosen for themselves and how to enforce these. In addition, when they related stories of conflict they discussed how these were resolved following the group's rules or how they had involved mentors or elders to assist with resolution as necessary.

The initial successes of applying their training meant that association members were aware of the benefits that could be gained from extension services and had the confidence to approach providers. This meant that participants were able to access government services, whether these

were extension or health services. Many youth associations were also able to access government loans as a result of their YETA training (see section 5.2.3).

#### 4.4.3 Bridging capital

One of the theoretical advantages of group models is that they can provide greater access to markets for agricultural communities, either through bonding capital or, as is more often the case, through bridging capital when several associations or cooperatives combine their social capital to access markets further afield. Given the complexities involved in bringing associations together to access markets, it was not surprising that many young people did not identify this as one of the most important benefits of membership in a youth association. One of the challenges in this next step is that it requires formal registration with the government ministry responsible for cooperatives, which can be a confusing, lengthy and resource-intensive process that discourages some groups.

Nevertheless, reduced input prices and improved marketing channels, which saw young farmers achieving higher crop prices, were important benefits for a number of well-established groups. This finding is unsurprising

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given that negotiating higher prices with traders, for example, means acquiring crops in very large quantities or being able to store it throughout the season. Where youth associations have come together to form a cooperative, they have been able to negotiate significant benefits for their members. One example of this is Ayer United Youth Savings and Credit Cooperative Society Limited, which has signed a contract for sorghum production with Ednak, negotiating a 15% reduction on the price of sorghum seeds and an 18% increase in output prices for its members. See Box 3 for further details on Ayer United Youth SACCO. Another group, Mutunda Waribangwa Produce Farmers' Cooperative Society, registered with the Nyamahasa Area Cooperative who would buy and pool their produce for commission.

## 4.5 Challenges of the youth association model

### 4.5.1 Unequal distribution of benefits

As expected from the theoretical models on cooperatives and farmers' associations, not all young people benefitted equally from participation in their association, particularly the VSLA component. Participating fully in a youth association requires some financial contribution to the group enterprise and often participation in the savings association. Group enterprises also depended on members contributing physical labour. While young people did not report that they were unable to participate in an association because of the labour requirements, some were discouraged by how little they were able to save compared to some of their peers. The youth associations we visited had chosen not to mandate a minimum savings amount each week in order to be as inclusive as possible, but some youth complained that they struggled to save small amounts every week, and that these would not be enough to start a business and so they felt discouraged.

According to our respondents, women frequently benefitted less as they were less likely to be able to save enough to invest in productive enterprises; the most common reasons for this were that they prioritised expenditures related to their children's education and health. This could

be further aggravated by young women migrating to marry and so dropping out of their group. It is worth noting, however, that despite the problems recounted by female participants and group leaders that 45.7% of savers were female and that increases in female incomes as a result of the YETA programme are similar to those of men (see Table 2). It is possible that this is due to the additional efforts made by young women, their mentors and YETA staff to ensure that they benefit from the programme opportunities.

### 4.5.2 Group size and organisational capacity

Given that most young people involved in YETA's associations had no prior experience of working collectively, the organisational capacity of these newly formed associations was limited. This was the case even when the group had an exceptionally engaged mentor who was able to compensate for some of the membership and leadership's lack of experience. The experience of YETA associations has been that a membership of no more than 30 to 35 is ideal for a group of young people beginning the process of leveraging their social capital and becoming more entrepreneurial in their economic activities. A larger membership increased the amount of training time required, needed more skilled leadership, and reduced bonds between individual membership. For these reasons, larger groups did not work. Smaller groups, on the other hand, managed to strike a balance between improving livelihoods and ensuring that organisational capacity matches the group's size.

Some groups were clearly tempted to expand their membership further once the association had achieved its first successes and was delivering regular and significant benefits to its members. However, given that new members would be young and therefore, most likely, without previous experiences of collective action, this generally did not work. A solution to this problem was to form more youth associations and to bring these together under the umbrella of a cooperative. These proved much more successful as closer ties could be established between leaders, rather than among a growing membership. However, this takes a considerable amount of time to develop and only a few cooperatives had been established by April 2019.



Youth in Dokolo enjoy a netball game during YETA sports gala. Photo credit: Bosco Otulo/YETA.

### 4.5.3 Collective action and the importance of mentorship

Youth associations were not spared the problems typically encountered by efforts to collaborate, particularly around negotiating rules for collaboration, dealing with free-riders and unmotivated members. While associations were well supported to develop their rules, either by YETA staff or a mentor, these issues did not prevent a significant challenge. Yet, once groups were established and member transgressions needed to be dealt with, conflict emerged in a number of cases. Where the group had a reliable and available mentor, these could be mitigated, but in their absence this did on occasion result in a member leaving. For example, members occasionally had unrealistic expectations of their group, believing that the group would continue to receive external resources from which they would benefit, such as transport or sitting fees.

Most commonly conflict arose when groups could not agree on a joint enterprise or when a member had defaulted on their loan payments. In one instance, a group had experienced the

theft of group assets, resulting in conflict until the culprit was apprehended and an agreement was reached about how to cover the cost of the losses. YETA has learned that in these instances the advice and mediation of a mentor was absolutely essential. Training for mentors emphasised listening skills and conflict resolution, so that most types of conflict can be avoided or resolved.

Whether groups worked together with little conflict or not depended in large part on their choice of mentor. Groups with knowledgeable, available, and generous mentors fared much better than those that had been less fortunate in their choice of mentor. Most often this was due to the fact that the mentor was too busy to provide advice and support. On one occasion, young people reported that a very successful mentor had taken on too many groups and was not able to provide the necessary support to some of his newer groups, leading to conflict and confusion in the group concerned.

Linked to collective action and the YETA model, groups faced several other challenges. While each group's situation was unique, based on



a complex range of factors from the personalities involved to external circumstances beyond the group's control, the choice of group enterprise was perhaps the most significant in determining an association's success. Some groups that had chosen to produce crops did less well, if the crop experienced a great deal of price volatility, compared to those that had opted for livestock husbandry, animal traction or the provision of services to other farmers. In both the case of service provision and animal-rearing, demand and supply remained fairly constant, which meant that prices did too, and business success was easier to achieve. Well-established youth associations can protect members from price volatility, through facilitating access to markets or through storage

facilities. However, youth associations that had not yet matured sufficiently to fulfil such a role, continued to face problems of price volatility.

This was particularly severe for the newest organisations of cohort 4 in Kiryandongo, where a bumper harvest resulted in prices dropping, wiping out profits. These challenges can be overcome, through linkages with Area Cooperative Enterprises that have sufficient purchasing power such as Nyamahasa Area Cooperative, contracts with the private sector such as MADFA and assistance from District Commercial Officers. However, in some cases, particularly where mentors were not on hand to provide support, members lost faith in their association and dropped out.



Youth at a VSLA. Photo credit: Bosco Otulo/YETA.

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# 5 How can cooperatives and associations improve access to finance?

## 5.1 What prevents youth from accessing finance?

Young people in Northern Uganda are typically excluded from accessing financial services for reasons to do with barriers both on the supply and demand sides. Demand-side barriers prevent farmers, and in particular young farmers, from opening bank accounts. Frequently they are discouraged by legal requirements, such as proof of residency and identity, in addition to the costs associated with opening a bank account as well as the high interest rates for loans from banks. In Uganda, it is common for banks to charge fees for deposits and withdrawals and to require customers to maintain a minimum balance in their account at all times. For those living in rural areas, travel costs and the time it takes to reach their branch are significant deterrents. The fact that banks do not tailor their products to the financial needs of youth, poorer people or those whose income is seasonal creates the impression that bank accounts are only for the wealthy.

On the supply side, banks are not incentivised to create products for poor, rural clients. Legal requirements mean that they must fulfil ‘know your client’ regulations (customer identification, verification and due diligence), which excludes clients who do not have the necessary

documents. This adds to the already significant costs of providing services to young people, which include the fact that they typically make smaller deposits, less frequently. Any outreach work is expensive and banks are concerned that they might find it difficult to recoup these expenditures. Perhaps most importantly, banks consider youth as risky clients, further reducing their willingness to invest in expanding their services for rural youth.

These barriers are not unique to young people in Northern Uganda but are common to young people in similar contexts. Box 2 summarises the most common barriers to financial services. These barriers on the supply and demand sides exist within a wider ecosystem that can help or hinder access to finance. The more pertinent ecosystem factors, as outlined in the Figure 5, are:

- Direct factors related to the accessibility of different loans and savings products through various channels.
- Indirect factors related to young people’s ability to earn regularly and earn enough to be able to save. When young people are earning income and saving with their group they are also more likely to access other providers of financial services in the ecosystem such as banks.

## Box 2 Barriers to financial services

### Demand-side barriers:

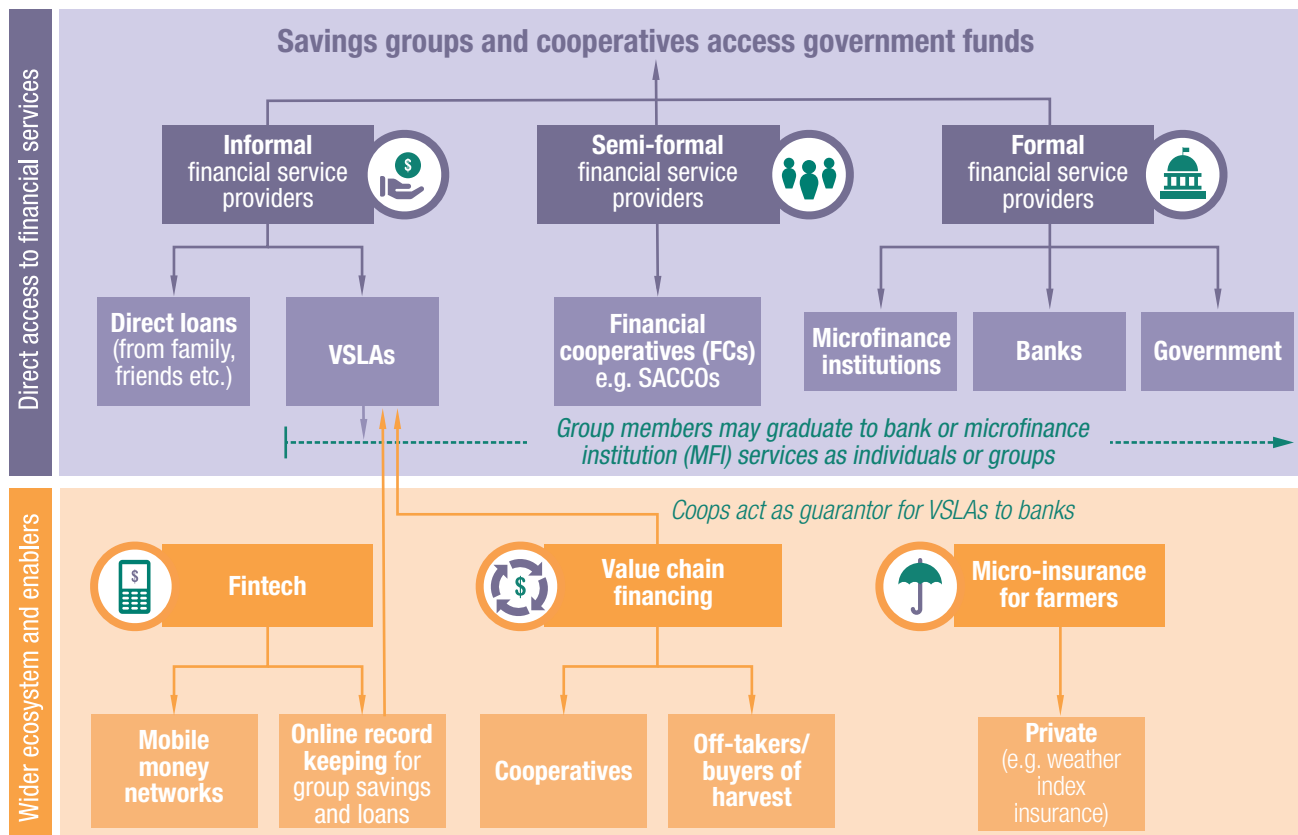
- Legal requirements (proof of residency, collateral, ID, age, etc.)
- Costs associated with bank accounts (e.g. minimum balance, high interest rates)
- Products not suited to young people’s short-term goals and seasonal income fluctuations
- Perception: banks are for adults and rich people
- Inadequate protection measures against unscrupulous practices and risky behaviour
- Limited knowledge/experience
- Distance to bank, especially in rural areas
- Low levels of interest and trust
- Rural–urban migration

### Supply-side barriers:

- Legal requirements: banks must enforce regulations (‘know your client’ requirements)
- Costs of serving youth: smaller, less frequent transactions; low levels of financial literacy among youth
- Costs of outreach, including mobilising parents, schools and community leaders, financial literacy training and designing youth-specific products
- Perception: lending to youth is risky; youth lack disposable income

Adapted from CYFI (2016); IFAD (2015).

Figure 5 Ecosystem of access to finance



### 5.1.1 Youth associations and cooperatives: a solution to youth access to finance?

Savings groups and financial cooperatives have been promoted as a way to provide youth with access to informal financial services by generating capital from members. In Uganda, savings groups are the most common savings method for young people, despite the perception that banks are safer (see Figures 6 and 7).

The most common type of savings group is the VSLA approach, where members meet on a regular basis to save small amounts of a money into a common fund for the duration of a saving cycle, typically between 9 and 12 months. Members can borrow from the fund, usually at an interest rate of 5% to 10% and, at the end of the cycle, the savings are shared out between members with accumulated interest. Many groups also have an interest-free emergency fund (Athmer and Bosch, 2013).

Savings groups allow members to smooth consumption and to plan for expenses such as school fees, health or asset building. Their informal nature means they are easy to access and have no minimum age or documentation requirements or restrictions on deposits. In an

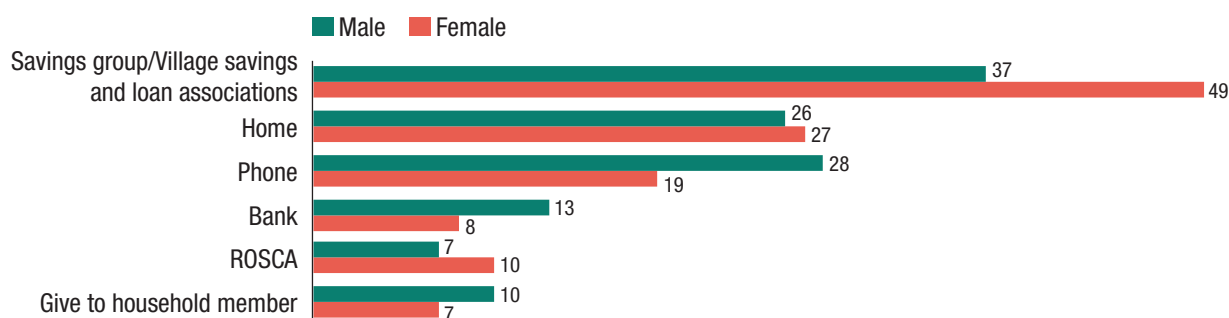
ideal situation, this allows individuals to gradually increase their purchasing power and ability to invest (Gash and Odell, 2013; Markel and Panetta, 2014).

VSLAs can come together to form SACCOs, which are legally registered entities, but with the same underlying principles of providing easy-to-use and cheap financial services to its members. SACCOs are regulated by formal external bodies which, in the case of developing countries, tend to be government ministries (Kendall, 2010). Yet, savings groups (and to some extent financial cooperatives) are not appropriate for addressing long-term business capital needs and investment. Some youth find that the lump sums from saving or loans are insufficient to start or sustain a business (Flink et al., 2018). As the demand for bigger and longer-term loans increases, access to formal financial institutions at a low interest rates becomes essential.

### 5.1.2 The evidence base on the impact of savings groups and cooperatives

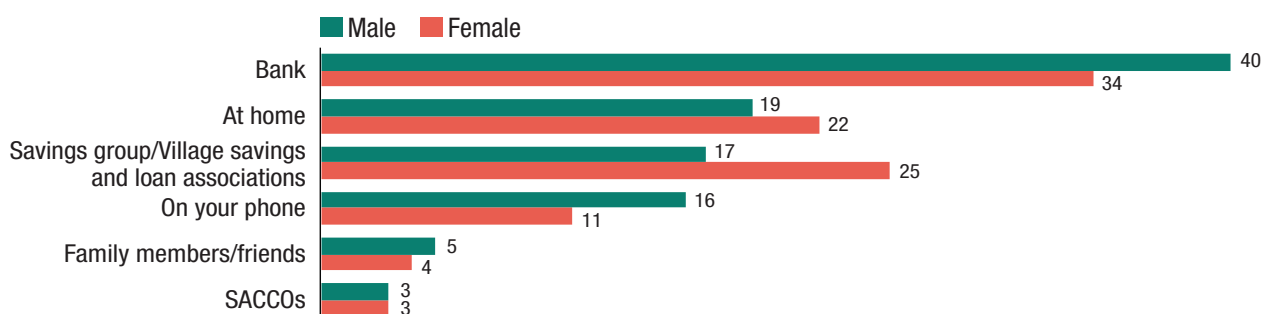
Research shows that savings groups have a positive impact on individual and household-level outcomes, including increases in savings,

**Figure 6 Savings mechanisms used by gender (%)**



Source: FSD Uganda, 2018.

**Figure 7 Perceptions regarding safest saving mechanism by gender (%)**



Source: FSD Uganda, 2018.

income, use of credit, asset ownership and business expansion. In addition, they help to smooth consumption and improve linkages to formal FSPs (Gash, 2017; Steinert et al., 2018).

As with savings groups, membership in cooperatives is associated with improved productivity and increased production yield as well as increased adoption of input and technology, but there are mixed results on income (Bolton, 2017). However, researchers find mixed results on the impact of cooperatives on income, expenditure and poverty reduction, with more educated, older, land-owning members benefitting more than others (Verhofstadt and Maerten 2014; Shumeta and D’Haese, 2018). The International Monetary Fund found that members of SACCOs who graduate to commercial banks get larger, cheaper and longer-term loans, which can help them boost their entrepreneurship and grow their small businesses (Agarwal et al., 2018).

The evidence on agricultural cooperatives and youth is mixed: while young people in Kenya, Rwanda and Uganda were motivated to join agricultural cooperatives in order to access knowledge, training, and financial services, they are often excluded from non-youth cooperatives as older adults perceive them as irresponsible and not economically active (Flink et al., 2018). While youth were able to access more loans at lower interest rates through youth cooperatives, they also found that these loans were too small to start their own business and provided, at best, enough capital to purchase inputs such as fertilisers (ibid.).

## 5.2 Use of the group model to improve access to finance

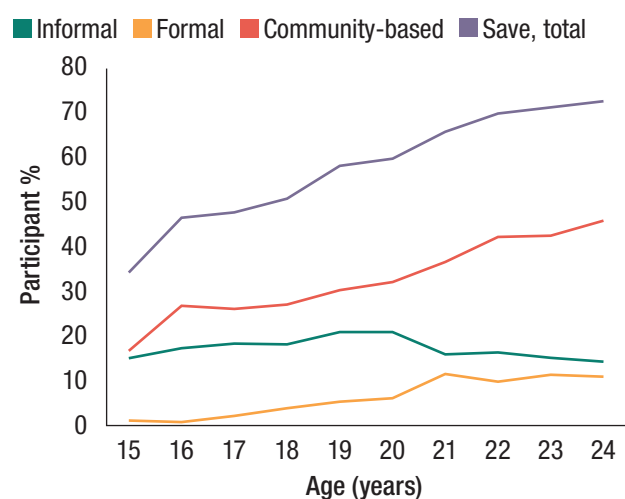
This section summarises emerging findings on how the YETA group-model approach supported youth access to financial services, what worked, and where the programme encountered challenges. As the YETA-supported SACCOs were just being established at the time of our fieldwork, much of this section focuses

on VSLAs. After outlining how youth in the YETA programme access financial services, we proceed to discuss the VSLA model, its benefits and challenges, and finally the emerging findings on the YETA-supported SACCOs and producer cooperative experiences.

### 5.2.1 How YETA youth access financial services

Youth association members access financial services through several channels, including VSLAs, SACCOs, family resources, banks and government funding, such as the Youth Livelihood Programme.<sup>2</sup> However, young people use VSLAs for savings and loans more frequently than other institutions and their use increases with age (see Figures 8 and 9). On the other hand, young people were making bigger deposits with formal institutions at baseline. According to the literature, young people also continue to make bigger deposits with formal FSPs even after joining VSLAs (CYFI, 2016).

**Figure 8** Types of savings institution used by YETA cohort 1

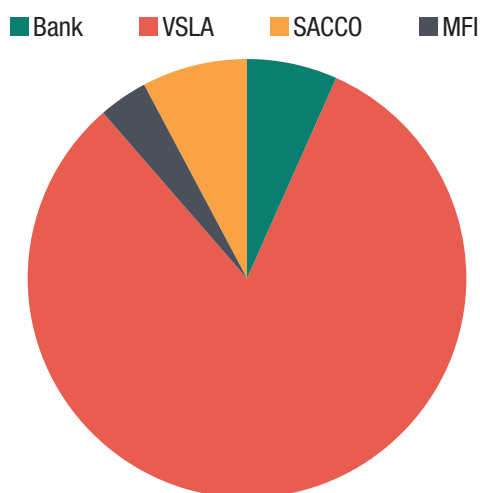


\* Community-based refers to VSLAs while informal refers to saving at home alone. Formal refers to banks and microfinance institutions (MFIs).

Source: Bridonneau and Maré (2015, 2016).

2 The Youth Livelihood Programme targets unemployed young people in Uganda aged 18 to 30 and provides vocational training for self-employment, entrepreneurship, as well as loans.

**Figure 9 Types of loan institution used among YETA cohort 1**



Source: Bridonneau and Marc (2015, 2016).

### 5.2.2 Successes of YETA's VSLA model

#### Increased savings and loans

For the first YETA cohort, weekly savings increase for the average participant between enrolling and a year after they have completed the YETA programme. The total number of participants who were able to save increased by 31% and those who saved weekly saw that amount increase from approximately 58,000 to 90,000 Ugandan shillings (UGX), an increase of 54%. Similarly, the number of programme participants who applied for a loan went up from 4% to 8%, with a success rate of between 96% and 98%. The majority of these loan applications were to VSLAs; however, some young people were also able to access formal institutions for larger loans and deposits. YETA did not collect data on the average size of loans from VSLAs; however, we know that the maximum any individual could borrow was typically two to three times the savings they held with their group.

#### Increased productive investment and improved investment culture

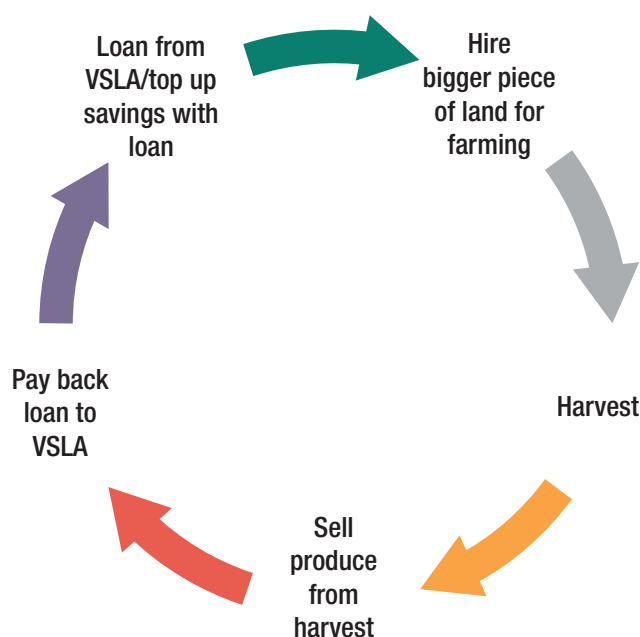
These savings and loans were most commonly used for productive investments, in particular business capital and to rent or purchase land. These businesses included tailoring, poultry keeping, goat rearing, ox-ploughing, food processing and piggery. In addition, young people purchased improved seeds, fertiliser, herbicides

and other productive inputs to increase yields, productivity and incomes. Other reported uses were related to human development and welfare.

Acquiring land was essential to allow young people to move beyond subsistence farming. Where they were able to buy or rent land, this created a virtuous circle whereby the sale of produce allowed young people to repay their debts, borrow again and invest in more land. In this context, livestock acquisition by young people served either as an insurance mechanism, for example against crop failure, or to save for other purchases. This relationship between access to finance and land is depicted in Figure 10, illustrating YETA's Productive Investment Cycle.

Due to the fact that land is often accessed through families and communities, the interconnectedness of land and finance introduces intergenerational dynamics. Young people whose families have little or no access to land are less able to access land than those whose families have more land. Thus there is a passing down of poverty that can potentially increase intergenerational conflict. This also has gender implications as the passing down of land ownership often disadvantages women. As a result, women have less land access, which means they harvest less, sell less and earn less. This in turn means they can borrow less from their VSLAs and benefit less overall from the VSLAs than their male counterparts.

**Figure 10 YETA's productive investment cycle**



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Women's ability to overcome these challenges was significantly linked to the assistance they received by a mentor: where a mentor was available to advocate on their behalf, they were often able to access land through their community leadership or by renting.

YETA discovered that correctly timing the share-out of savings was essential to fostering an investment culture: when the share-out occurred directly before the festive season in December, young people did not use their annual pay-out for productive purposes. Changing the share-out date had a dramatic impact, with savings going primarily to productive investments.

Government officials recommended that VSLAs not share out all their savings at the end of the year, so that the group could continue to provide loans. When we asked VSLA members whether they would consider adopting this model, members expressed that they feared they would lose members as the share-out was a key motivator for young people to stay with the group. Therefore, they will continue to share out all their savings.

### Changes in youth financial inclusion behaviour and perceptions

According to youth, government officials and parent mentors, a number of changes in behaviour can be attributed to participation in a YETA VSLA:

- **Change in spending behaviour**, including a decrease in spending on drinking and betting in favour of longer-term financial planning.
- **Taking on more financial responsibility at home**, e.g. supporting their parents or paying school fees (for themselves or their siblings). VSLAs often also provided welfare funds for emergencies, such as access health services.
- **Change in aspirations**, including saving towards goals such as becoming a tailor, going back to school or buying a plot on which to build a house to rent out.

### 5.2.3 Linkages with formal financial service providers

Savings groups and SACCOs are increasingly being linked to formal FSPs such as commercial banks, microfinance institutions (MFIs) or microinsurance providers, in order to access microinsurance, electronic payments, improved credit history, and safer storage of funds (CYFI, 2016). Considerable challenges remain, however, including lack of banks in remote areas, unfavourable credit conditions for the poor and lack of refinancing opportunities for pro-poor loans (Allen and Panetta, 2010). This means most rural groups continue to face the challenge of physical access to banks. Groups reduce the transaction costs and risks for banks as they do not need to deal with individuals or to provide financial literacy training.

YETA brought young people and FSPs together at 'linkage meetings', where Postbank, Centenary Bank and the Development Finance Company of Uganda (DFCU) Bank presented their financial services to youth associations, including mobile banking technology.<sup>3</sup> In most groups, we found that either individuals or the group had opened bank accounts as a result of these meetings. To date, YETA has supported 1,544 individuals and 218 associations to open an account.<sup>4</sup> In both instances the VSLA played a key role in making banking services accessible.

YETA and Postbank collaboratively designed loan products for VSLAs, which some groups have already benefitted from. Products designed by YETA and Postbank were also created to help youth access banking services more easily. For instance:

- Youth are able to use simple phones from their villages, cutting down costs of transport for youth to reach bank branches. Through this initiative the youth in the VSLAs have been able to withdraw and save money from their simple phones.

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3 YETA presentation at the bi-annual learning meeting in October 2017.

4 Source: YETA reports.

- YETA and Postbank also worked together to introduce mobile phone banking. VSLAs and youth members will be able to access additional financial services through mobile money and agency banking.
- VSLAs were provided by Postbank with smartphones that used unstructured supplementary service data mobile banking app linked to their VSLA account. Postbank also ran training sessions on mobile banking, which qualified youth associations to use the new mobile banking app. This app allows youth to access banking services digitally, using their simple phones to increase accessibility.

Mobile phone banking offers a range of benefits – one free withdrawal per week, individual accounts for VSLA members, balance inquiry and withdrawals. The application is user friendly, requiring only a special code for the VSLA and phone numbers of the account's signatories to access banking services. Results show that youth save an average of 11,000 UGX (US\$3) on transport costs to and from the bank branch, and an average of only 500 UGX (US\$0.31) of airtime to use the application. Despite these benefits, emerging literature on linking VSLAs with banks has its challenges including network downtime, fraud, absence of client recourse and lack of liquidity among village agents (Abrams et al., 2017). YETA VSLAs who were linked to Postbank echoed some of these challenges such as poor network service and network downtime. They also added that they were paying fees charged by the telecommunications providers to the group for using the app.

When asked why they chose to bank with Postbank, most youth responded that it offered better rates than other providers. Postbank, on the other hand, felt that this was a long-term investment strategy to gain additional customers by communicating the benefits of banking to the unbanked.

#### **Participation in national government programmes**

Finally, YETA youth associations reported increased access to government funds, notably the Youth Livelihood Programme, which provides loans to youth groups. Other government

programmes accessed by YETA groups were the Northern Uganda Social Action Fund, Operation Wealth Creation and Uganda Women's Empowerment Program. In total, YETA groups have accessed approximately US\$135,000 from these programmes.

According to government officials, YETA groups were more likely to benefit from these programmes as government officials recognised them as better trained and organised, with good repayment track records. Officials also pointed to the need for continued training after the end of the YETA programme, which government would not be able to provide once the YETA programme comes to an end.

## **5.3 Operational challenges to sustainability of rural VSLAs**

### **5.3.1 Lack of income**

One of the biggest challenges reported by the YETA savings groups was the lack of regular or sufficient income to allow youth to save weekly. This challenge was particularly acute for the groups that had chosen an enterprise that was not profitable. Within groups, it was even more pronounced among women as they were earning less due to household duties and were therefore saving less, which in turn means they invested less than their male counterparts. The groups that relied on their maize harvest struggled to generate enough income to save due to poor harvests and price fluctuations. For individuals, the ability to save also determines whether and how much a member can borrow. Sometimes this resulted in disagreements within the group when members complained that their loans were inadequate for their business needs and they wanted to access larger loans. This is in line with the literature, which suggests that the benefits of savings groups are determined by wealth, meaning that the poorest members benefit less (Flynn and Sumberg, 2018).

The link between access to land and finance, combined with the fact that income levels significantly influence who benefits from VSLAs, has potentially significant gender implications. As members' income is linked to their access to land, those with access to more land will benefit more from their VSLA than those with less.



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Given cultural norms and conventions around land ownership, women are likely to have less access to land and so, generally, earn less. Even when they can save enough to rent land, young women reported that in the competition to acquire land, landowners often favoured male applicants. Thus, women's difficulties in accessing land are a key constraint to them benefitting from VSLAs.

### **5.3.2 Defaulting on loans**

Groups used different ways to prevent and manage defaulters, including: (1) capping the amount members could borrow based on the savings accumulated; (2) requiring a guarantor; and (3) collateral requirements. For the majority of VSLAs, these mechanisms worked well, without unnecessarily deterring those wanting to borrow. When a member defaulted, mentors played a crucial role in helping VSLA groups to avoid conflict or discouragement and to return to their regular activities.

### **5.3.3 Physical distance to banks**

Finally, for those groups and members who were linked to a bank, banking at physical branches required time and effort, and transport costs were often high. Groups also faced the challenge of coordinating the presence of their three signatories for any withdrawals at the branch. While distance to banks is frequently referenced in the literature, the logistical challenge of bringing all the signatories together at a bank branch is not.

### **5.3.4 Mobility and retention**

As young people often migrate for work, marriage or education, the perception of savings groups as permanent and long-term institution remains challenging (Panetta and Markel, 2014). This was a commonly mentioned challenge for YETA VSLAs, many of which found the loss

of members destabilising and the recruitment of new members onerous. Groups that had predetermined their rules for how they would deal with the departure of members fared better, as did those with a supportive mentor.

### **5.3.5 Gender**

Women face additional challenges, as they had to balance their household duties with work, and meetings are sometimes held in places that were not safe or accessible for women. Among the YETA groups, some females mentioned that they would organise meetings at times of day when the female members were more likely to be able to attend. They also invited the husbands of the women to attend share-out meetings when the women could not attend. There were some groups where the membership of the group was dominated by women, and women were more present during the meetings.

## **5.4 YETA SACCOs and producer cooperative associations**

Some YETA-supported VSLAs joined together to form a SACCO in order to provide greater access to loans and savings opportunities. YETA associations have also formed several producer cooperatives to increase access to markets – which can help youth expand their businesses – as well as to generate greater savings for the loan cycle (see Figure 10).

One of the biggest challenges for SACCOs and cooperatives was the lengthy process of registration with the government. Furthermore, SACCO members expressed that they needed training on how to run and manage a SACCO, and YETA started providing these trainings where necessary at the time of our fieldwork in April 2019.

Box 3 outlines the progress made by young people to establish Ayer United Youth SACCO in order to improve access to finance for its members.

### Box 3 Example of loan requirements for Ayer United Youth SACCO

Ayer United Youth SACCO was set up to help members gain access to loans, banking services and payment of school fees. The SACCO prioritises loans to members for renting land for developing their enterprises. The SACCO aims to strike the balance between providing loans that are flexible and easily accessible and ensuring that loans are repaid. Their loan requirements include:

- application fee of 10,000 UGX and file fee of 2,500 UGX
- photocopy of national ID and a passport-size photograph
- two guarantors
- letter from the local council chairperson
- 10% of loan amount as a deposit with the SACCOs
- security/collateral: house, land, bicycle, cow or goat.

Although the SACCO was only registered in November 2018 and launched in March 2019, it has been successful in generating operating capital of 5,560,000 UGX (US\$1,513), which was drawn from membership and share fees. It has also attracted 680 members from 26 youth associations in Kole District. Although it had only been operating for three months, in April 2019 143 members had paid off their shares while 101 had paid half their shares. It has also begun providing loans to registered and unregistered members for periods of five months (at interest rates of 5% and 7% respectively).

While Ayer United Youth SACCO is primarily concerned with providing credit to its members, it has also been successful in signing a contract with East African Seed Company and other private sector actors to earn commission from the sale of seed to its members.



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# 6 How can collective action contribute to higher aspirations?

Increasingly, young people's aspirations have become the focus of attention for policy-makers and researchers as a possible explanatory factor for why they struggle to emerge from poverty. Some have argued that growing up in poverty limits individuals' ability to aspire where they have not also been exposed to different ways of life and the idea that these were accessible for people such as themselves. Essentially, this suggests that poverty creates a psychological trap that makes it all the harder for young people to escape poverty and to make the most of the (albeit limited) opportunities available to them (Boateng and Löwe, 2018).

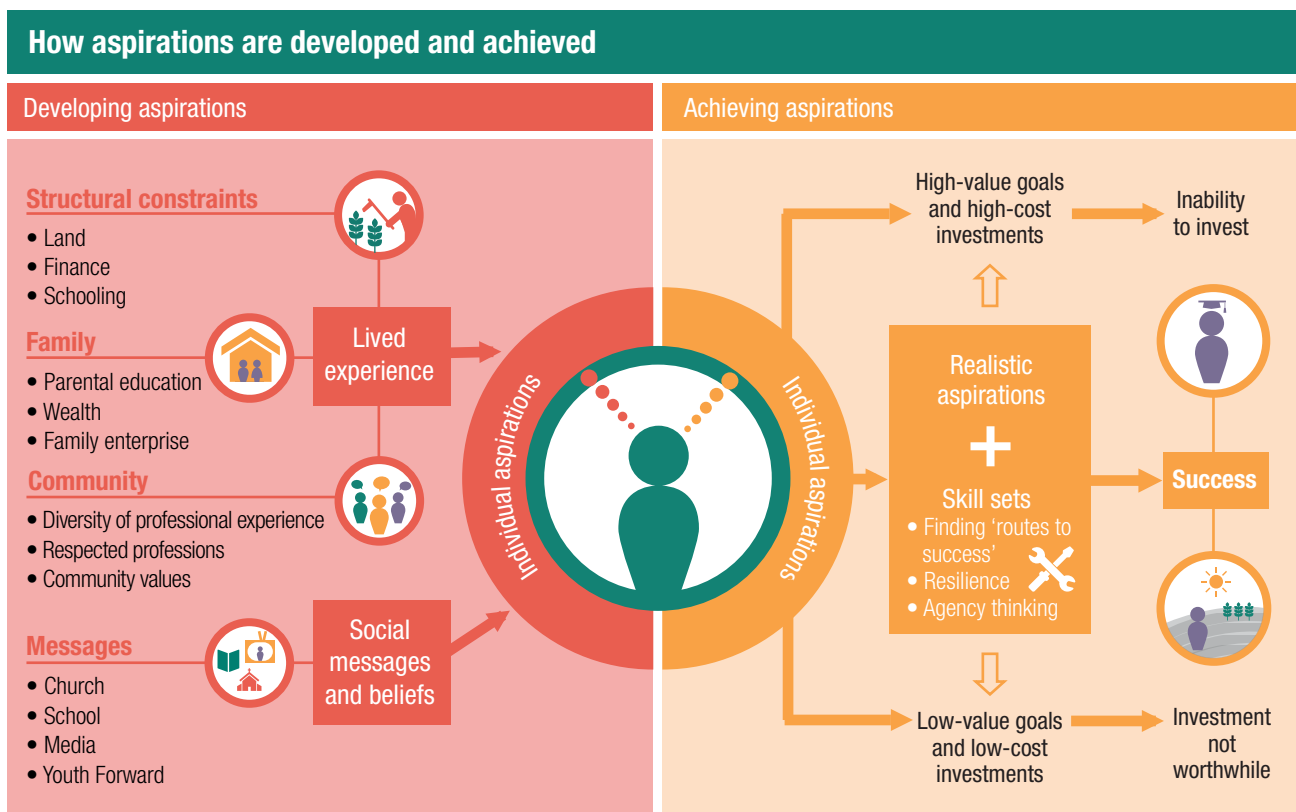
The ability to aspire, therefore, is a type of social capital that is developed by a child or young person in dialogue with their surroundings. This type of social capital is learned and developed so early in life that it becomes seen as the natural order rather than a chosen behaviour. These internalised ideas include views on the type of work and professional aspirations that are appropriate for oneself and one's peers (Ray, 2006; Wohn et al., 2013).

Thus, aspirations determine young people's understanding of what types of work are appropriate for them and limit the living standards to which they aspire (Genicot and Ray, 2017). Parental figures are, naturally, particularly important both for shaping aspirations and for influencing how young people go about achieving

their own and externally imposed goals. However, as young people reach adolescence, their peers become increasingly important for shaping their conceptions of what is possible, as they provide a yardstick against which to measure achievement. Peers can help broaden young people's professional or social aspirations, but only where the broader social context encourages interactions between people of different socioeconomic classes (Ray, 2006).

Children and young people are also exposed to messages around aspirations from further afield, which may be very different to their lived experiences. These often take the form of meritocratic discourses that suggest that virtually anything can be achieved with the correct attitude and hard work. However, the exact path to achieving these higher goals is usually not explained to young people; even the focus of hard work needs to be carefully directed if it is to overcome the structural barriers that keep people in poverty. As a result, some commentators have argued that this kind of messaging is a form of symbolic violence, inflicted on society's least powerful by shifting responsibility for their own achievements (or lack thereof) and failures onto individuals. This obscures the structural barriers that keep many people in poverty (Zipin et al., 2015). The formation of aspirations is represented in Figure 11 and is discussed in more detail in Boateng and Löwe (2018).

**Figure 11 The formation of aspirations**



Note: based on theories of habitus, aspirations and hope discussed in Calhoun et al. (1993), Snyder (2002) and Ray (2006).

## 6.1 Can youth associations help develop aspirations?

The question here is how bonding social capital may be used to compensate for a shortage in aspirational social capital. From the theoretical literature on aspirations, we know that the formation of aspirations is often complicated by the divergent messages that young people receive: on the one hand, young people may aspire to a living standard comparable to their parents' but be exposed at school, in religious institutions or through social media to the message that these aspirations are inadequate (Boateng and Löwe, 2018). These all advocate further education, higher living standards and, frequently, white-collar jobs as worthwhile aspirations. In such a situation, young people are left with aspirations that they have no realistic means of achieving – ineffective aspirations.

So what makes for effective aspirations? Effective aspirations create a gap between a young person's current living standards and lifestyle and

their imagined future that is neither too small to warrant exerting oneself nor so large as to seem unattainable (Ray, 2006). Given the nature of investment expenditures, spending money on aspirations means foregoing present consumption in the hope of an improved future. It is only if goals are affordable and realistic that financial sacrifices are worthwhile to an individual. When these investments pay off, the aspirations gap will be closed and an individual is then in a position to re-evaluate, perhaps choosing to formulate even more ambitious aspirations (ibid.).

The challenge for youth associations, then, is to teach young people to aspire to living standards and lifestyles that provide an inspirational but realistic investment goal, and to foster the belief in young people that bonding capital can provide the means for leveraging the resources needed for investments. It is likely that young people with low aspirations will require some persuasion that it is possible to invest small amounts, consistently, in order to achieve results over the medium or longer term.

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One of the advantages of the group-based approach is that it can demonstrate the cumulative impact of many small investments, while removing the need for patience. Instead of one young person saving for a reasonably long time, investing in a small business, and reaping the benefits some months or even years down the line, a youth association can effectively speed up this demonstration process while involving each young person in the process. A group of 20 to 30 young people can, for example, mobilise in a month the capital that it would take an individual young person many years to accumulate. Within several months, they may well be able to register the first successes as a group.

Such successes may be modest, even in the context of poor young people's livelihoods, but they can serve to begin building effective aspirations. As discussed above, an effective aspiration needs to be a relatively ambitious goal that leads to noticeable improvements – so that it is worth foregoing current consumption expenditure – but feels achievable. Working towards such goals as a group – even though the income generated when divided among group members may be modest – can help young people to learn new aspirations. Not only can it demonstrate what is possible for people such as themselves, it also teaches the necessary steps. It is therefore reasonable to assume that one of the most important aspects of collective action for young people is that it expands their aspirations and demonstrates how this may be done. Essential to ensuring that aspirations expand in this way are tailored training programmes that teach entrepreneurship, basic financial literacy and leadership.

At the same time, a well-supported group provides more than bonding capital for young people. The advice and encouragement provided by mentors can help overcome some of the initial costs, such as conflict and friction within groups, associated with transforming bonding capital into a more formal group arrangement. Perhaps more importantly, it can also bring young people into contact with people who can broaden their aspirations, by virtue of the experience and novel livelihood strategies they bring to the group. An ideal mentor, for aspiration formation, would be someone who had achieved living standards that were beyond

those that young people usually encounter within their communities, but that are relatable, either by virtue of sector or living standards.

## 6.2 Youth associations and the formation of aspirations

With YETA I learned how to save and make smart goals and how to chase the goal.

(Male YETA participant)

Naturally, youth do not speak of their experiences with youth associations in the language of aspirations. Instead they talk about feeling confident or empowered, motivated and energised. Consistently, stories of confidence, empowerment and hope were related as the most important benefits of participating in a youth association. Rather than talking about having learned to aspire, young people said that they learned to spot the opportunities available to them and said that their association had given them the motivation to pursue them. One young man expressed this in the following way: 'Now, wherever I am, I can see where the money is!'

While there were certain advantages to leveraging their joint labour power – for example to clear land – associations created a sense of motivation among participants that allowed them to believe that they could achieve something worthwhile. In other words, they had begun to aspire effectively to goals that required stretching themselves, but that they felt were worth investing in. In some cases, the increase in aspirations, motivation and self-esteem resulted in young people returning to school, or even starting school for the first time. Statements such as 'when I joined YETA I only had the dream to get a good home, but now I want to go back to school and finish my education' were common. For women, in particular, this aspiration extended to their children, and they were more likely to be able to send their children to school.

The follow-up data from the first YETA cohort shows an increase from 51% to 56% in men completing primary school, which is significant. For women, the completion rate increased from 41% to 43%, which is not statistically

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significant. However, there was a statistically significant increase, at the 5% level, for those having completed their O Levels (ODI, 2018).

### 6.2.1 The demonstration effect

As discussed, one of the most important aspects of learning to aspire is to see others – usually peers, parents or members of the community – succeed, and to experience their success as something that can be replicated. Therefore, once youth associations began to register some initial successes, their most important function was to broaden young people’s views on what was possible. Many of our respondents reported that once they had seen what could be done as a group, by themselves and their peers, they felt sufficiently confident to test some of those skills out in their individual enterprises. One male participant framed this as follows:

The group can help me to save to achieve my productive purpose.  
Being in a group is forcing me to save money rather than waste the money on luxurious things like I used to.  
I spend according to how much I earn.  
The group forces you to do what is in your best interest.

The main benefit of the group enterprise, therefore, was not to increase incomes but to allow young people to experience applying their newly acquired skills to the task. While many of the associations had achieved remarkable successes with their group businesses, for example multiplying their assets in the space of a few seasons the income generated when divided between 20 or even 30 individuals did not substantially affect living standards. However, this both allowed group members to develop their aspirations and to apply the same financial, planning and farming skills to their personal projects, which did result in significant increases in income. Follow-up data shows that income increased by 102% on average for women and by 60% for men from YETA’s first cohort of participants (ODI, 2018).

Surprisingly, these individual investments were not limited to the same crops or livestock projects as the group enterprise. It seems that

where young people had developed more effective aspirations, they were able to apply them to other entrepreneurial opportunities. Some said that they had developed their ideas from the creative tensions generated by the choice of group project, where the divergence of opinions within the membership about the best project to pursue generated ideas for individual enterprises. In addition, association members had learned to access information from a wider range of resources, including government officials. Another important source of information was other groups: many leaders and members of associations reported that visits to learn from other groups, whether YETA youth associations or other producer organisations, served to inspire and to provide new ideas.

### 6.2.2 The skills needed to aspire

YETA’s training in foundation skills (including numeracy, literacy and sexual and reproductive health training) are delivered using an Education for Life model, which is a behaviour change process model that supports the development of new aspirations. The model invites participants to explore their life situation as it is and to develop a new vision for where they would like it to be in several years’ time. After this visioning exercise, the focus is on identifying the actions needed to fulfil their visions, including any sacrifices that need to be made. This effectively teaches the planning necessary to realise aspirations. In addition, YETA youth associations held weekly reflection circles that provided a platform through which young people could share their challenges and advise each other. Not only did this build effective aspirations, it also fostered group bonding.

In addition, the skills learned from being members of an association were identified as complementary to these visioning exercises by young people, as they built their confidence and sense of mastery. The most important of these were the transferrable skills, such as numeracy, book-keeping, conflict resolution, cooperation and management.

These were important not only because they could be applied to a wide range of aspirations, but because they allowed young people to project manage their goals. The planning and

decision-making skills that YETA's young people learned in training meant that members were able to take small but achievable actions that brought them closer to their aspirations, including improving their housing, acquiring more land through hire or purchase and, in some cases, returning to school.

### 6.2.3 Aspirations and leadership

Another aspiration voiced by young participants, particularly the leadership of associations, was to serve in community leadership positions. Having honed their leadership skills at a more modest level within their associations, some young people felt that they now had the skills needed to participate in other forms of local leadership. A substantial number of YETA youth were, for example, elected as local leaders over the lifetime of the project. The leadership roles taken up by YETA youth are outlined in Table 3.

It is worth noting that community leaders, mentors and local government officials often cited another benefit of the group model, which young people themselves reported less frequently. This was to do with the respect that they had garnered within their communities. Those that had participated in the YETA programme were considered to be more responsible, less likely to engage in drinking or gambling, and to have a better work ethic by older adults in their community. Reportedly, this had had beneficial impacts on their communities, in some cases including a reduction in conflict and violent behaviour.

It is worth quoting one district official at length, who reported that:

Some youth have graduated – some holding leadership positions in local councils, others prospered in their businesses e.g. one lady buys coffee from local growers and sells it. Every human being has a vision but YETA played a key role in getting youth to make those visions materialise. Some youth have gone back to school. In some groups, we have couples who were informally married but who have now formalised their marriage – so YETA has helped them achieve the next step to adulthood.

### 6.2.4 Before and after participation in youth associations

Both focus group discussions and key informants provided evidence that participating in a youth association helped young people to develop realistic but higher aspirations than their counterparts who were not participating in YETA's groups. But what can we say about how young people's aspirations evolved?

Given the nature of our research, during which we spoke only to young people already participating in YETA programmes, it is not possible to say exactly how aspirations evolved over the course of the project. However, we did ask young people about their aspirations prior to starting YETA and how they differ from their current aspirations. The consensus among participants was that before joining a youth association their aspirations had been frustrated and that they had largely given up on them. They had wanted a better life, including a brick home, a tin roof, a mobile phone, land to farm and perhaps a bicycle or motorbike, but they did not believe that this would be in their reach. Many had resigned themselves to a life of subsistence farming and petty trading.

After joining YETA and undergoing training, the majority saw their aspirations expand. These increases in aspiration may look modest from the outside, but this made them achievable. Young women, in particular, talked about having found the means to increase their income enough to send a child to school, for example by keeping goats. Once this had been achieved, they could then envision a next step in the accumulation process. While the next step differed depending

**Table 3 The leadership roles taken up by YETA youth**

Leadership position	Male	Female	Total
Local government	214	80	294
Health centre management chairperson	1	0	1
Religious leadership committee	7	6	13
Clan leaders and committee members	3	0	3
<b>Total</b>	<b>225</b>	<b>86</b>	<b>311</b>

on personal circumstance and preference, the idea that a new livelihood and living standard could be built incrementally from the base they had already built was common to many. Similarly, young men had come to believe in their ability to build on the income generated, to invest it and to further improve their livelihoods. An aspiration that was frequently voiced was the desire to hire labour, so that their investments would go further, as one of the main constraints on income for youth was labour power.

### 6.2.5 Is farming the sector of last resort?

It is often said that young people in rural areas have no interest in farming because it is dirty, hard and unrewarding, and that they aspire only to work in other sectors. The assumption is frequently made that young people would leave the sector entirely, if they could. However, our data does not bear this out. Instead it suggests that young people do not aspire to leave farming but that they want to break out of subsistence farming. The evidence from this project suggests that the sector of last resort is petty trading.

Follow-up data from YETA cohort 1 provides some evidence for this: crop farming's contribution to income increased from 19% to 30% for participants between baseline and follow-up. The activity that declined most was 'entrepreneurship', which for many meant informal trade (see Figure 12). Over the same period, satisfaction with the quality of work increased substantially (see Figure 13). Additionally, there was a decrease in how much

of their own crop young people consumed within their own households.

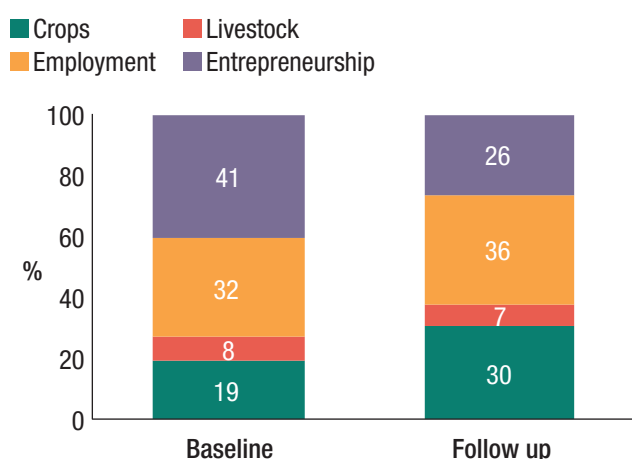
On average, the percentage of produce consumed at home decreased from 84% at baseline to 28% at follow-up. This is statistically significant at the 1% level (ODI, 2018).

### 6.2.6 Gender and aspirations

Young women did aspire to different goals than their male counterparts: they were more concerned with ensuring that their children were able to go to school and eat well. Beyond their immediate concerns, they also expressed a slight preference for non-agricultural trading work, compared to their male counterparts. This may have been to do with their role models and, perhaps, that they had internalised certain male and female roles.

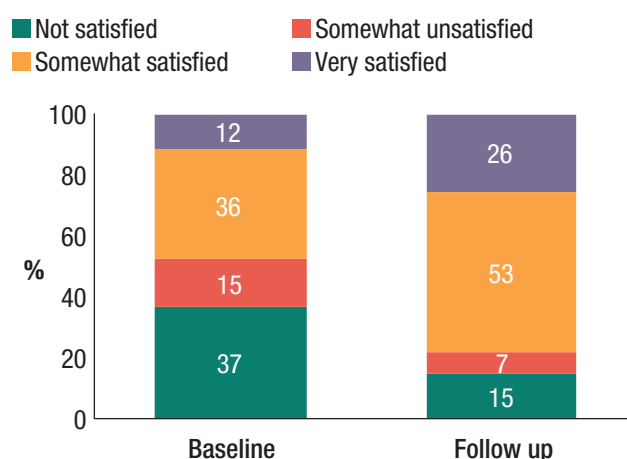
YETA was unable to find many female mentors for its groups, and less than 5% of the programme's mentors were women. This is because women are typically too busy, do not own the land, or are not such prominent members of the community. As YETA encouraged young people to choose their own mentors, they chose people who they perceived to have authority, access to resources that they might pass on to their group, and control over land. These characteristics are not typically associated with women and so groups did not choose female mentors, meaning that young women's exposure to role models was limited. As a result, groups themselves may have unwittingly contributed to the perpetuation of gender norms.

**Figure 12 Contribution to total income, all**



Source: ODI, 2018.

**Figure 13 Job satisfaction**



Source: ODI, 2018.



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# 7 Conclusions

Young people face a number of unique challenges by virtue of their age and position within society. Generally, their communities afford them access to fewer resources and limit their political participation; their age means that they have not yet been able to acquire experience and confidence. What are the benefits of youth associations and collective action in such a context?

## 7.1 The benefits of collective action

In terms of the more tangible outcomes, we have seen that youth associations have the potential to help young people to achieve better living standards and to acquire new skills. Young people, on average, increased their income by 75%, with women seeing an increase in their income of 102%. Linked to this, young people increased their access to communal resources, such as land, and many saw their political influence and voice magnified through participation.

Central to the success of YETA's model was building human capital through training and mentoring, as this allowed young people to gain the skills and confidence necessary to change their socioeconomic position. Mentoring allowed young people to compensate for their lower levels of social capital and other resources by accessing that of an influential adult. Frequently, young people related that accessing their mentor's social capital meant that they were afforded more respect and felt more credible when negotiating on behalf of themselves or their association. This in turn helped young people themselves feel that their work mattered, creating a virtuous circle.

Conflict was an integral part of the process of leveraging young people's social capital, but also built confidence and a realistic sense of what could be achieved. Participants experienced conflict within groups over the use of joint resources and how these should be administered

and shared. Most frequently, these could be overcome through group discussions, resulting in an increase in the members' trust in their group and in themselves. More often than not, a mentor's assistance was crucial to resolving these disputes and to demonstrating that conflict could be a force for positive change. Conflict with outsiders, particularly landowners, was usually less fruitful, especially where young people did not see the full benefits of their investments.

Unsurprisingly, youth associations could not assist all young people to the same degree. Frequently the benefits an individual derived from participating in a group are, at least partially, determined by their initial levels of income and access to resources, such as land, and how much they contributed in other ways, such as through labour. Some young people defied the odds and achieved a great deal even without access to land or much by way of income, often as a result of having experienced success within the safe space of a group.

Mentors were central to the success of youth associations, and it is unfortunate that more women mentors could not be found. However, given the patriarchal nature of mid-Western and Northern Uganda, there were very few women who were as wealthy and influential as their male counterparts. Associations depended on their mentor's influence and access to resources and so more often than not chose men to assist them in their endeavours. While this did not deter young women's participation, and many of our young female interviewees stated that they felt supported by their group's mentor, it did not provide them with role models, thereby possibly limiting their aspirations.

The use of bridging capital remains in its infancy for YETA youth, as most of them were still building up the productive uses of their bonding capital. Yet, there is potential for this type of social capital to be leveraged further.

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Some youth associations are beginning to demonstrate this potential by forming SACCOs and producer cooperatives. The true potential of these organisations for helping young farmers will become evident in the coming years.

## 7.2 Access to finance

The most immediate and tangible impacts achieved by the YETA programme were usually as a result of the VSLA component, which proved an effective way to increase access to short-term informal financial services. In the few instances where they had forged links to banks or MFIs, these were also an effective mechanism for opening up access to formal financial services in rural areas. The relevance of these services to young people was borne out by their increased savings: both the amounts that youth were saving and the frequency increased considerably through their contact with YETA. Some young people developed the habit of saving and investing to such an extent that they were able to increase and diversify their income, most notably expanding the amount of land they were cultivating and increasing their livestock ownership. While the VSLAs were young people's preferred method for saving smaller amounts, they seem to use it less for bigger deposits. Arguably this is a measure of the VSLAs success, as those who saved enough began to use formal financial services.

Simultaneously, those who were struggling to make enough income to be able to save with their group were sometimes left behind or discouraged as they could only borrow small amounts. This meant that the poorest group members were less likely to have their business needs met by their groups. Groups found it necessary to limit the size of loans to two or three times the amount saved in order to protect the group's savings from defaulting and to build trust in the VSLA, but this limited its potential for some members. We identified further challenges to youth VSLAs, including young people's mobility, their lack of regular income and the physical distance to bank branches for those who are linked to banks. These findings support the literature on access to finance and group models. However, we also found that

the interconnectedness between young people's access to land and their ability to benefit from their VSLA reflect intergenerational dynamics that are specific to youth associations and are not adequately reflected in the literature.

The experience of managing financial resources also proved valuable to members, who subsequently found it easier to access funding from government, as officials were more likely to trust young people who had been involved in VSLAs and group businesses as trustworthy borrowers. Similarly, banks saw this experience as relevant and were more likely to serve YETA youth. While this increased trust towards young people was in part a result of their membership and activities in the VSLAs, it is also in large part attributable the training VSLAs received, including financial management. These benefits are likely to increase further when groups form SACCOs, which, due to their size and formal status, can increase VSLA bargaining power, act as guarantors in negotiations with banks and provide access to value-chain financing.

There are a few other challenges specific to young people, including higher levels of migration, especially for young women who are expected to move to their husband's village, the lack of land, again specifically for women, the low levels of income among some members, and the physical distance to banks. These dynamics had the potential to decrease youth productivity in general, and especially young women's productivity.

## 7.3 Aspirations

Perhaps the most significant and sustainable impact of YETA's youth associations, however, is the way in which they were able to help young people to aspire better. Given the ways in which poverty is now thought to limit aspirations, paying attention to cultivating effective aspirations in young people is central to creating opportunities for them, or allowing them to create their own. We found that groups could assist young people to escape the psychological trap of assuming that their lives would unfold in much the same way it had for their parents and peers. In other words, bonding capital can be a means for young people to develop another form of social capital, namely

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the ability to aspire. One form of social capital – bonding capital – can compensate for low levels of another – the ability to aspire. One of the greatest challenges for youth associations, therefore, is to teach young people how to aspire effectively, to realistic lifestyles and goals.

One of the problems with teaching aspirations is that it takes time to demonstrate how goals are set, plans made and setbacks overcome. Groups have a unique advantage in this regard: they can help speed up the demonstration process, as collective action and the pooling of resources takes away the need to wait for one individual to accumulate and save enough to demonstrate change. Groups can demonstrate the possibility of a new business venture, for example, without young people having to make great personal sacrifices. In addition, the exposure to a mentor can overcome normal social barriers and provide access to a wider set

of experiences and possibilities, so providing further inspiration.

Young people confirmed this increase in aspirations when they spoke of being able to ‘spot opportunities’ and of their – now realistic – desire to return to school. While aspirations remain modest, as group members achieve their personal goals and achieve these, they reach a new vantage point from which other opportunities seem graspable. So, even where increases in income are modest, at least initially, they can spur a change in mindset and aspirational thinking that has the potential to be transformative. The way in which young people’s aspirations grew beyond what they had seen in the group is indicative of this. This was evident in the ways in which young people applied what they had learned within the group to new enterprises, as well as in the substantial number of YETA youth who took on leadership roles within their communities.

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# 8 Recommendations

A number of recommendations regarding the use of youth associations for employment programmes can be made based on YETA's experience and learning:

- Starting a youth association requires a great deal of organisational skill, and its leadership is young and, therefore, less experienced. Thus, limiting the size of the group and ensuring that members know each other is good practice. Youth associations should consist of no more than 30 young people who come from similar backgrounds.
- To combat the relative inexperience of youth leaders, a dedicated and knowledgeable mentor is essential. Conflict is almost inevitable when members negotiate the tensions between individual and group interests, or they experience setbacks as a result of their group enterprise choice or resource constraints. These issues can be resolved, but young people are likely to require a mentor for reassurance, advice and to prevent despondency.
- Young women face greater constraints than their male peers. They have fewer resources at their disposal, may require the permission of their husbands or fathers, and often have greater familial responsibilities. This means that female mentors are more important and that groups tend to choose male mentors with access to greater resources. To circumvent this, youth associations should be encouraged to choose both a male and a female mentor.
- Where female mentors cannot be found, youth programmes should have dedicated female advisors to provide assistance to female participants. Furthermore, greater peer-to-peer learning should be encouraged among female members.
- One of the greatest benefits of associations is that they allow young people to be a part of a positive investment cycle and to experience success and generate motivation. In many instances, they are a young person's first experience of investment and reaping its benefits. Group enterprises should therefore be geared towards quick successes in youth employment programmes. Once these have been achieved, longer-term goals can be embarked upon.
- Formal cooperatives and SACCOs take longer to establish, and their larger memberships make them more difficult to formalise and sustain. As a result, they will require greater support from an outside source. These requirements for higher levels of support need to be considered in youth employment programme design.
- The poorest members of an association are likely to benefit least from their association's VSLA, as the size of loans depends on how much an individual is able to save. Often, one of the greatest constraints on income is access to land. How young people who do not have access to land can be supported needs to be considered in programme design; this may involve providing subsidised loans to those without access to land, or negotiating with local leaders on their behalf.
- VSLAs face the challenge of creating rules that are sufficiently stringent to prevent defaulting, but sufficiently lenient not to deter young investors. At the same time, clear rules must be in place for dealing with defaulters, to ensure that they are not left with crippling debts that prevent them from making any future investments.
- Linking VSLAs with formal institutions remains a challenge, given that banks consider young people high risk customers unless relationships are carefully built with programme assistance.

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- Young people are particularly reluctant to spend money on travel to banks, as they have little experience of the benefits. One way to improve their access to formal financial services is to ensure that mobile banking services are available.
  - Young people migrate much more frequently than older adults, which can destabilise groups and VSLAs. Those working with young people need to help them plan for such eventualities and to incorporate this thinking into the group's constitution.
  - As young people have little experience of working in groups, it is important that peer-to-peer learning between groups is encouraged so different youth associations and VSLAs can learn from each other. This can also help encourage those groups that are struggling, and increase motivation for greater collaboration and group activities.

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# Annex 1 List of interviews and focus group discussions

**Table A1 List of key informant interviews**

Name	Position	Date	Ministry/District
Joseph William Kitandwe	Commissioner Cooperatives Department of Cooperatives	18 April 2019	Ministry of Trade Industry and Cooperatives
Susan Adong	Principal Assistant Secretary/Chief Administrative Officer	8 April 2019	Kole District
Okello Joseph	District Commercial Officer		
Francis Achobi	District Production Officer		
Peter Odur	Town Clerk – Kole Town Council		
Harriet Alubi	Community Development Officer – Kole Town Council		
Anonymous	Model Youth		
Anonymous	Model Youth		
Janet Adongo	Alito Sub County	10 April 2019	Kole District
Sammuel Odongo	Sub County Chief		
Edith Aliguma	District Vice Chairperson/Secretary Community Development	11 April 2019	Kiryandongo District
Kalyesubula Livingstone	Operation Wealth Creation Coordinator		
Sam Kakumba	District Commercial Officer		
Edward	Sub County Chief Kiryandongo Sub County		
Thomas Odoki	Community Development Officer Kiryandongo Sub County		
Cosmos Zirinda	Umoja Youth Group Model Youth	12 April 2019	Kiryandongo District
Lillian Atyang	Umoja Youth Group Model Youth		
Agnes Akello	Tampi Anyim Youth Group	15 April 2019	Kiryandongo District
Peter Ochen	Obanga Atwero Youth Group		
Dennis Dachan	ACAO		
Otika Joseph	Ag. Sub County/Community Development Officer Mutunda Sub County		
Adubango Micheal	Nyamahasa Area Cooperative Enterprise		
Anonymous	Model Youth Mutunda Sub County		
Anonymous	Model Youth Mutunda Sub County		
Grace Waiswa	Bank Manager PostBank	16 April 2019	Kiryandongo District
Stella Lakareber	Field Officer PostBank		
Manager	MADFA		

**Table A2 Focus group discussions and interviews**

Group Name	Date	District
<b>Youth Savings and Credit Cooperative Association/producer cooperatives</b>		
Ayer United Youth Savings and Credit Cooperative Society Limited	8 April 2019	Kole District
Lelakot Oil Seeds Producer and Marketing Cooperatives	9 April 2019	Kole District
Mutunda Waribangwa Produce Farmers' Cooperative Limited	15 April 2019	Kiryandongo District
<b>Parent mentors for youth associations</b>		
Future Hope Youth Association	9 April 2019	Kole District
Barakere Youth Association		
Paranyim Youth Association		
Oribcing Youth Association		
Rwoti Par Piiwa Youth Association		
Note Aber Youth Association		
NyekoBal Dong Youth Association		
Ocan Dii Wa Youth Association		
Aboloneno Youth Association		
Kalwala Youth For Action	11 April 2019	Kiryandongo District
Masaba Intensive Youth Group		
YAAPU Youth Group		
United Group Bunyama		
Kabarole Youth Group		
Focus Youth Peace Makers		
Upendo Youth Group		
Jesus in the Way Youth Group		
Katulikire Youth Group		
Nyakahima Youth Farmers		
Mungujakisa Youth Group	15 April 2019	Kiryandongo District
Nenanyim Alila Youth Group		
Nyakorach Youth Group		
God Is Able Youth Group		
Alaro Ogwal Owoo Youth Group		
Waryemcan Youth Group		
<b>Youth Association leaders, VSLA leaders and members</b>		
Aboloneno Youth Group	10 April 2019	Kole District
Umoja Youth Group	11 April 2019	Kiryandongo District
Akenda Chan United Youth Group	12 April 2019	Kiryandongo District
Anyim Lac United Youth Group		
Kanaba Youth Group		
Upendo Youth Group		
Kalwala Youth For Action		
Tampi Anyim Youth Group	15 April 2019	Kiryandongo District
Obanga Atwero Youth Group		
Mungujakisa Youth Group		
Nenanyim Alila Youth Group		
Waryemcan Youth Group	16 April 2019	Kiryandongo District







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