



## Case Study Report

*Employment*



# WORK IN PROGRESS

## Productive employment and transformation in Uganda

**Bruce Byiers, Laura Rodríguez Takeuchi and Anna Rosengren with Dr Moses Muhwezi, Dickson Turyareeba, Joyce Abaliwano, Bernard Wabukala and Ramathan Ggoobi**

**Overseas Development Institute**

203 Blackfriars Road  
London SE1 8NJ

Cover image: Workers in Kampala, Uganda.

Photo: © Arne Hoel / World Bank.

The Institute is limited by guarantee  
Registered in England and Wales  
Registration no. 661818  
Charity no. 228248

**Contact us**

[developmentprogress.org](http://developmentprogress.org)  
[developmentprogress@odi.org.uk](mailto:developmentprogress@odi.org.uk)  
T: +44 (0)20 7922 0300

**Sign up for our e-newsletter**

[developmentprogress.org/sign-our-newsletter](http://developmentprogress.org/sign-our-newsletter)

**Follow us on Twitter**

[twitter.com/dev\\_progress](https://twitter.com/dev_progress)

**Disclaimer**

The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI.

© Overseas Development Institute 2015.

Readers are encouraged to quote or reproduce material for non-commercial use. For online use, please link to the original resource on the Development Progress website. As copyright holder, ODI requests due acknowledgement and a copy of the publication.

---

# Contents

---

Acknowledgments	7
Abbreviations and acronyms	7
Abstract	8
1. Introduction	9
1.1 Why explore employment in Uganda?	9
1.2 About this case study report	10
2. What progress has been achieved?	12
2.1 Employment quality	12
2.2 Access to employment	18
2.3 Employment creation	21
3. What are the factors driving change?	24
3.1 Macroeconomic stability, market liberalisation and investment promotion	24
3.2 Export and trade policy	28
3.3 Social protection, human capital and poverty reduction	29
3.4 Promoting entrepreneurship and financial inclusion	32
4. What are the challenges?	38
4.1 Limited employment creation in high productivity sectors	38
4.2 Demographic pressures on employment demand and employment quality	39
4.3. Putting the spotlight on employment and not just on growth	40
5. What lessons can we learn?	43
References	45
Appendix	49

---

---

# List of tables, figures and boxes

## Tables

<b>Table 1:</b> Sectoral composition of primary employment, 1992/93 and 2009/1	<b>14</b>
<b>Table 2:</b> Reason for shifting (internal migration, past five years)	<b>31</b>
<b>Table 3:</b> Literacy rates, 1991, 2002, 2006 and 2010	<b>34</b>

## Figures

<b>Figure 1:</b> GDP per capita growth rates for Uganda and sub-Saharan Africa, 1990-2013	<b>14</b>
<b>Figure 2:</b> Trends in the shares of economic sectors, value added in total GDP	<b>14</b>
<b>Figure 3:</b> Trends in labour productivity (1991-2012)	<b>15</b>
<b>Figure 4:</b> Trends in labour productivity (output per worker) by sector (2002-2009)	<b>15</b>
<b>Figure 5:</b> Trends in average labour productivity, regional comparison (1991-2012)	<b>16</b>
<b>Figure 6:</b> Productivity growth rates in 21 African countries	<b>17</b>
<b>Figure 7:</b> Trends in wage employment (wage and salaried workers as a share (%) of total employment). Uganda and regional comparison	<b>17</b>
<b>Figure 8:</b> Trends in proportions of working poor	<b>17</b>
<b>Figure 9:</b> Livelihood portfolios of rural households in Uganda	<b>18</b>
<b>Figure 10:</b> Trends in youth unemployment (1991-2013)	<b>19</b>
<b>Figure 11:</b> Poverty head-count (%) according to national poverty line	<b>19</b>
<b>Figure 12:</b> Income distribution (1992-2012)	<b>20</b>
<b>Figure 13:</b> Trends in income distribution by Uganda region (2005-2012)	<b>20</b>
<b>Figure 14:</b> Trends in wage employment among rural and urban households	<b>20</b>
<b>Figure 15:</b> Trends in Uganda's total labour force (1990-2012)	<b>21</b>
<b>Figure 16:</b> Trends in the population growth and the growth in total employment and labour force (1992-2012)	<b>21</b>
<b>Figure 17:</b> Trends in employment to population ratio (1991-2012)	<b>21</b>
<b>Figure 18:</b> Uganda and East African country trends in total unemployment (1991-2012)	<b>22</b>

<b>Figure 19:</b> Planned investments (US\$) and expected employment outcomes 1991-2013	<b>26</b>
<b>Figure 20:</b> FDI inflows by sector, 1993-2013	<b>27</b>
<b>Figure 21:</b> Financial inclusion by selected African countries, 2009-2012, %	<b>36</b>

## Boxes

<b>Box 1:</b> Key definitions	<b>11</b>
<b>Box 2:</b> Migration, poverty and employment	<b>31</b>
<b>Box 3:</b> BTVET and entrepreneurship	<b>35</b>



Sugar cane truck and bicycle at Kampala-Jinja road. Photo: © Laura Rodríguez Takeuchi.

---

## Acknowledgments

This case study report was authored by Bruce Byiers of the European Centre for Development Policy Management (ECDPM), Laura Rodriguez Takeuchi of the Overseas Development Institute (ODI) and Anna Rosengren (ECDPM Alumna and independent consultant). Some sections of the report draw on contributions from Dr Moses Muhwezi, Dickson Turyareeba, Joyce Abaliwano, Bernard Wabukala and Ramathan Ggoobi from Makerere University Business School (MUBS).

The authors would like to acknowledge, with gratitude, the detailed comments on drafts from external peer reviewers: Pedro Martins (United Nations Economic Commission for Africa) and Alex Warren-Rodriguez. Extensive comments in previous drafts were also provided

by ODI colleagues Katy Harris, Tom Berliner, Amanda Lenhardt, Annalisa Prizzon, Susan Nicolai and Andrew Rogerson as well as from Francesca Guadagno (ECDPM). Sophy Kershaw provided editing support. Layout and production were coordinated by Nile Davies and Chris Little. The authors would also like to thank the 24 interviewees who gave their time and expertise to inform this study.

The case study report was funded by the Bill & Melinda Gates Foundation as part of ‘Development Progress’, a four-year research project that aims to better understand, measure and communicate what has worked in development and why. Its findings and conclusions are those of the authors and do not necessarily reflect the positions or policies of the Bill & Melinda Gates Foundation.

---

## Abbreviations and acronyms

<b>ART</b>	Antiretroviral therapy	<b>NDP</b>	National Development Plan
<b>BoU</b>	Bank of Uganda	<b>NRM</b>	National Resistance Movement
<b>BTVET</b>	Business, Technical and Vocational Education and Training	<b>NSSF</b>	National Social Security Fund
<b>CMB</b>	Coffee Marketing Board	<b>NUSAF</b>	Northern Uganda Social Action Fund
<b>COMESA</b>	Common Market for Eastern and Southern Africa	<b>PAF</b>	Poverty Action Fund
<b>EAC</b>	East African Community	<b>PEAP</b>	Poverty Eradication Action Plan
<b>HIPC</b>	Heavily Indebted Poor Countries Initiative	<b>SAGE</b>	Social Assistance Grants for Empowerment
<b>KILM</b>	Key Indicators of the Labour Market	<b>UPE</b>	Universal Primary Education
<b>MGLSD</b>	Ministry of Gender, Labour and Social Development	<b>UBOS</b>	Uganda Bureau of Statistics
<b>MFPED</b>	Ministry of Finance, Planning and Economic Development	<b>UNHS</b>	Uganda National Household Survey
<b>MDG</b>	Millennium Development Goals	<b>WDI</b>	World Development Indicators

# Abstract

Since the 1990s Uganda, a small, landlocked country, has experienced the initial phases of economic transformation, accompanied by important employment progress. The country has seen a significant expansion in the share of wage employment, particularly during the 2000s, with private, non-agricultural wage employment experiencing one of the fastest growth rates in Africa. Overall labour productivity has more than doubled from 1990 to 2010. This study aims to explain this progress. Rural households, representing the majority of the population, are still primarily engaged in agriculture but increasingly have been able to diversify activities, access new markets and thereby increase their productivity and incomes, illustrating that economic transformation can start at the household level,

with non-farm enterprises representing an intermediate step on the path to productive formal employment. While progress is partly due to a low post-conflict starting point, policies to promote macroeconomic stability have also been important, helping to increase private investment and export diversification. Public investment in health, education and entrepreneurship has also transformed the labour force, with implications for both urban and rural employment outcomes. Given the current demographic pressures from a rapidly growing, mainly young, educated and increasingly urban population, achieving broader economic development with more and better employment will require Uganda to sustain and build on its recent progress.



Photo: © William Vest-Lillesøe / DRC.

---

# 1. Introduction

Since the 1990s Uganda, a landlocked country in East Africa, has experienced the early stages of economic transformation – a change towards higher productivity sectors and jobs – accompanied by important employment progress. While the literature on structural transformation suggests that quality jobs are usually created mainly in the manufacturing sector, employment progress in Uganda has happened in a context of limited growth in manufacturing. Employment in other sectors, particularly services and construction, as well as non-agricultural household enterprises, were key in driving this progress.

This report looks at the factors that supported this progress, including macroeconomic policies and private investment, underlining the importance of education and skills to support the accumulation of human capital as well as labour market policies and social protection for vulnerable workers. Policies and programmes also need to make the link between the supply and demand of labour.

As well as examining employment progress in terms of demand and supply, this study examines employment in terms of job creation (increasing the *quantity* of employment opportunities created); progress in increasing the *quality* of the jobs being generated in the economy (in terms of productivity, remuneration levels, job security, regularity, and social security); and progress in improving equitable *access* to employment opportunities (for women, youth and other potentially excluded groups). None of these three aspects is measurable by one indicator, obliging researchers to look at (sometimes unreliable) data on sectoral employment shares, overall employment, unemployment rates, labour productivity, and disparities across different population groups and regions in a country. It is also hard to establish the causality of policies on employment progress.

This study aims to draw lessons from employment progress in Uganda over the past 25 years. The case study is part of *Development Progress*, a library of case studies that aim to provide evidence for what has worked and why in developing countries over the past two decades. As such, there is a deliberate attempt to highlight the nature of progress and the policies that have contributed to it. While no progress story is complete and challenges often remain, exploring what has increased employment opportunities can help support further progress. The study focuses on the effects of policies supporting better employment opportunities in terms of quantity, quality and access, and on their relations to economic transformation.

Two main research questions drive this case study:

- What progress has been achieved in generating more and better employment in Uganda over the past 25 years?
- What factors, including policies, financing and demographic trends and structural transformation, have driven this progress in employment quantity, quality and access in Uganda?

## 1.1 Why explore employment in Uganda?

While Uganda may not immediately stand out as an example of major employment success story, this still very poor country has made important progress, starting from a very low base. At the time of independence in 1962, the economy was predominantly agricultural, with most people relying on subsistence farming or smallholder-based agricultural exports (cotton and coffee). This remained virtually unchanged until the 1990s when the changes described in this paper began. Since then, the Ugandan economy has experienced economic diversification and the creation of new industries and employment outside agriculture, mostly in the service sector. Economic growth has been above the African average almost continuously, while private, non-agricultural wage employment has experienced one of the fastest growth rates in Africa, accompanied by a doubling of labour productivity in the past two decades. Real wages have also grown considerably while the share of working poor has declined.

Consequently, poverty has shown dramatic reductions since the 1990s. Uganda surpassed MDG1, more than halving the poverty rate in the country from 56% in 1992 to below 25% in 2009, according to both national (MFPED, 2013) and international (World Bank, 2014) poverty data.<sup>1</sup> The poverty gap has also fallen, implying that individuals below the poverty line are less poor today than in the past (MFPED, 2013).

While progress partly relates to a low starting point and post-conflict catch-up, policy reforms have also played an important role. These can be considered in three phases. From the late 1980s until the 2000s, a period of ‘stabilisation’, policies to promote macroeconomic stability helped spur rapid economic growth, while investment and promotion of the private sector, as well as diversification of exports, helped expand employment opportunities. From 1997 to 2010, government policy focused on poverty reduction, increasing public investments in health, education and entrepreneurship promotion that transformed the labour force, with benefits for both urban

---

<sup>1</sup> Poverty reduction has been a volatile process, with little change in the early 1990s, pro-poor growth and much many of the increases in consumption by the poor occurring in the second half of that decade. There was even a slight reverse in the first years of the 2000s (Kappel et al., 2005).

---

and rural labour. Finally, since the approval of Uganda's first National Development Plan in 2010, development policy efforts have focused on economic transformation. These three reform phases had a clear positive impact on economic growth, poverty reduction and employment outcomes, yet prior to 2010 there was little explicit focus on job creation, with employment considered a secondary effect of economic reforms and growth.<sup>2</sup>

The focus on employment across a range of recent policy documents is therefore very important, further underlining the relevance of this study. Building on previous efforts such as the Uganda Employment Act, 2006, and the National Youth Policy of 2001, the 2011 National Employment Policy Plan aims to promote *'Productive and decent employment for all women and men in conditions of freedom, equity, security and human dignity'* (MGLSD, 2011: 24).<sup>3</sup> While the employment policy has been criticised for slow implementation and for being poorly anchored amongst relevant stakeholders, this renewed policy focus nonetheless highlights the importance of understanding better the impact of past policies on employment.<sup>4</sup>

Despite progress then, Uganda also illustrates the challenges experienced by many sub-Saharan African countries, namely the difficulty in transitioning from subsistence agriculture to more productive activities in an inclusive way. There is still need for investment in infrastructure, for policies to facilitate firm survival and expansion, and to consolidate public finances. Moreover, rapid population growth suggests that responding to the current demographic pressures and supporting access to employment opportunities for young people remains a priority. Recent progress trends must be maintained and stepped up to transform micro-gains into a shift towards a modern, high-productivity economy.

## 1.2 About this case study report

The research team for this case study comprises researchers based in Europe and Uganda, who have analysed available primary and secondary data and literature. The team also undertook interviews in Uganda in September 2014.<sup>5</sup>

Labour-market data in developing countries suffers from limitations that complicate detailed labour-market analysis over time and across countries. The analyses in Section 2 are based on data compiled from the national statistics office, the Uganda Bureau of Statistics (UBOS). This is mainly documented through the tri-annual Uganda National Households Surveys (UNHS) and the Uganda Demographic Household Surveys (UDHS). Specific labour force surveys, manpower surveys and firm censuses have taken place sporadically in Uganda, but they are insufficient for the long timeframe that this paper covers. UNHS therefore remains the main source of labour-market information in Uganda.

That said, there are shortfalls in the UNHS data. Labour force participation, a basic employment indicator, can be underestimated if screening questions are not used or secondary activities are omitted, as Fox and Pimhidzai (2013) illustrate with Ugandan data from the UNHS. This needs to be taken into account when reading and understanding employment data for Uganda. Further, while changes have been made by the National Statistical Office to give a more accurate picture of employment in Uganda, these can alter the time-trend analysis of employment figures.<sup>6</sup>

Where national data from UBOS is unavailable, World Development Indicators (World Bank, 2014) are used, which in turn are often based on the International Labour Organization's (ILO) Key Indicators of the Labour Market (KILM). Additionally, a review of research and policy reports complements some of the data gaps. We have tried to use data that conforms to international standards and definitions and to highlight where significant differences exist. Key definitions used throughout this chapter are presented in Box 1.

The report is organised as follows: Section 2 presents the main changes in Ugandan employment outcomes since 1990, focusing on trends in employment creation and the expansion of the industrial sector. Section 3 analyses the main factors in Uganda's progress on employment. Section 4 looks at the remaining challenges, while Section 5 draws some conclusions and sets out policy lessons that might be drawn from Uganda's experience over the past two decades.

---

2 As a part of this policy neglect, there is also a worrying paucity of research, evaluations and assessments undertaken to identify and establish the types of reforms and policies that have impacted, negatively or positively, on employment creation.

3 Overviews of the policies can be found at the Ministry of Gender, Labour and Social Development <http://www.mglsd.go.ug/>.

4 The purpose of the plan is to guide relevant stakeholders on the creation and availability of high-quality employment. Priority areas are (i) employment-intensive growth, (ii) labour-market information, (iii) labour productivity, skills development and training, (iv) agriculture and rural employment, (v) improving informal sector, micro and small-scale enterprise, (vi) private-sector growth and employment, (vii) improving labour administration and labour standards, (viii) externalisation of labour, (ix) employment of vulnerable groups and promotion of gender equality, (x) youth employment (MGLSD, 2011).

5 Interviewees included independent experts, academics specialised in employment policy and jobs in Uganda, donors active in the country, officials working in the Ministry of Gender, Labour and Social Development (MGLSD) and in the Ministry of Finance, Planning and Economic Development (MFPED), and representatives of local and international non-governmental organisations (NGOs) as well as private-sector representatives in Uganda.

6 The most important of these is perhaps the 2013 change in the unemployment definition adopted by UBOS. Volunteer and subsistence work were then excluded from the employment definition (although they still constitute forms of work), which can partly explain the reduction in the official numbers of people in employment since then, although this is at the end of the period under analysis of this report.

## Box 1: Key definitions

Throughout this report, extensive reference is made of employment trends, data and statistics. This box provides an overview of the key definitions used in this study. These mainly concern definitions used by UBOS in conducting the country's main household surveys.

**Work:** comprises any activity performed by persons of any sex and age to produce goods or to provide services for use by others or for own use. It includes own-use production work, employment work, unpaid trainee work, volunteer work and other forms of work. It excludes activities that do not involve producing goods or services (e.g. begging and stealing), self-care (e.g. personal grooming and hygiene) and activities that cannot be performed by another person on one's own behalf (e.g. sleeping, learning and activities for own recreation).

**Working-age population:** population aged 14-64.

**Economic activity:** covers all market production and certain types of non-market production including production and processing of primary products for own consumption, own-account construction (owner-occupied dwellings) and other production of fixed assets for own use.

**Labour force:** currently active population aged 14-64 who were 'employed' or 'unemployed' during the past seven days (from when data was collected). The Labour Force refers to the current supply of labour for the production of goods and services in exchange for pay or profit (UBOS, 2014).

**Unemployment rate:** share of the labour force (16-64) that is without work but available for or actively seeking employment.

**Under-employment:** includes persons who work less than 40 hours per week but are willing and available to work additional hours within the past seven days; persons whose educational attainments were higher than the educational level required by their current main jobs; and persons in paid employment whose earnings are less than two-thirds of the monthly earnings of full-time employment.

**Labour force participation rate:** ratio of all economically active persons aged 14-64 years to the total number of persons aged 14-64 years.

**Employment:** encompassing all those of working age who were engaged in any activity to produce goods or provide services for pay or profit. This refers to work done as part of a transaction in exchange for remuneration payable in the form of wages or salaries for time worked or work done, or in the form of profits derived from the goods and services produced through market transactions. In collecting employment/unemployment data, UBOS counts a person who worked for at least one hour in the reference week, which is one week, as employed.

**Employment to population ratio:** the proportion of the target population that is employed.

**Self-employed:** includes employers and independent own-account workers; however, employers comprise less than 1% of the self-employed.

**Own-account workers:** a person who operates his or her own economic enterprise, or engages independently in a profession or trade, and hires no employees.

**The informal sector:** has the following two components according to UBOS characterisation: employees working in establishments that employ fewer than five employees; and employers, own-account and unpaid household workers who are not registered for either income tax or value-added tax.

**Labour productivity:** measures the amount of Gross Domestic Product (GDP) growth per unit of labour, thus it is an indication of the economic growth potential of a country. It is calculated as the ratio between a volume measure of output (GDP or Gross Value Added, GVA) and a measure of input use – this can be total number of hours worked or total employment: we use the latter.

**Wage employment:** those for which the source of earning is paid employment, as opposed to earnings from subsistence, commercial or non-agricultural enterprises and transfers.

**Working poor:** individuals forming part of the persons in employment but whose incomes fell below the poverty line.

**Time-related under-employment:** a situation where the actual hours worked are insufficient in relation to an alternative employment situation in which the person is willing and available to engage.

**Structural transformation:** refers to the process of economic diversification. This involves the creation of new industries and the movement of large shares of resources, including labour, between different sectors or economic areas (McMillan and Rodrik, 2011).

---

# 2. What progress has been achieved?

## 'If the trend stays I'm hopeful' – Youth civil society organisation representative

This section summarises the main indicators and trends in employment progress since the early 1990s in terms of the quantity of employment creation as well as employment quality and access to employment. Employment progress in Uganda mostly relates to employment quality due to gains in wage employment, growing productivity and rising wages but also to some degree for those carrying out informal, non-farm rural activity. As such, identified progress goes beyond the traditional indicators to include changes in informal work that are less frequently captured by official statistics. However, the gains from progress have not been spread evenly, highlighting the ongoing challenges to create a larger number of jobs and to promote inclusiveness.

### 2.1 Employment quality

The ILO defines decent work as opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men (ILO, 2007). While not all of these aspects are measurable, and some relate more to quality of jobs and relationships in the workplace, from a country-level perspective in this report we proxy job quality using four indicators: labour productivity, proportion of wage and salaried workers, the average wage evolution, and proportion of the working poor.

#### 2.1.1 Early-stage structural change?

Uganda's per capita income grew at an average rate of 3.5% over the period 1990 to 1999, rising from US\$197

(constant 2005 US\$) to US\$269, almost continuously surpassing the average for sub-Saharan Africa for the whole period (UNCTAD, 2001), illustrated in Figure 1 (overleaf). Even if the rest of the continent is now catching up, the following decade saw equally if not more impressive growth rates, with a GDP per capita average growth of 4.1% between 2001 and 2008, peaking in 2008 with a growth rate of 5.1% (World Bank, 2014).

Between 2008 and 2012 the financial crisis and regional instability due to the Kenyan post-election crises caused an economic slowdown, but growth rates have started to recover since then (Matovu et al., 2011; Oling et al., 2014). Forecasts for 2014 see GDP per capita rising by 3.2% and 3.7% in 2015 (Oling et al., 2014). As a result, and even though Uganda is still one of the poorest countries in the world, ranking 164 out of 187 countries in the Human Development Index (HDI), the poverty headcount has fallen substantially, from 60% in 1992 to 23% in 2009/10.

Economic growth has been accompanied by diversification away from agriculture; value added by agriculture fell from 56% to less than a quarter of GDP between 1990 and 2011. At the same time, the service sector share in GDP rose from 32% in 1990 to 47% in 2011 (Figure 2, overleaf) and replaced agriculture as the dominant sector in GDP in 1997, driven primarily by developments in banking, telecommunication and transport services (Bategeka, 2013). At the same time, while the value added by the manufacturing sector has remained the smallest contributor to total GDP, other sub-sectors of industry have increased, primarily driven by growth in construction. This sub-sector has played a vital role in Uganda's recent economic recovery, with growth rates rising from -0.6% in early 2012 to 11.9% in 2013 (World Bank, 2013).<sup>7</sup>

As can be seen in Table 1 (overleaf), this structural change has been accompanied by sectoral shifts in employment, albeit at a slower rate. While agriculture is still the largest employer, its declining share in GDP has been accompanied by a fall in the share of employment, from 82% in 1992/93 to 70% in 2009/10

---

<sup>7</sup> The rebasing of the Ugandan GDP from a 2002 to a 2009/10 base slightly alters the sectoral contributions outlined in Figure 2 (overleaf). The change in the GDP base undertaken in December 2014 resulted in updated figures that raised GDP for the fiscal year 2013/14 by 13.1%, from 63.905 billion shillings (US\$24.7bn) in the 2002 based calculations to 68.407 billion shillings (US\$26.9bn) in the 2009 based calculations (Mold and Muhwaya, 2014). This had only a marginal impact on the contributions of agriculture and services, but the contribution of the manufacturing sector was 2% higher (from 8.0% to 10.0%) in the new 2009-based calculations. Nevertheless, this remained the smallest sector (Mold and Muhwaya, 2014).

(Fox and Pimhidzai, 2011), offset by increases in services employment as well as manufacturing (from a very low base).<sup>8</sup>

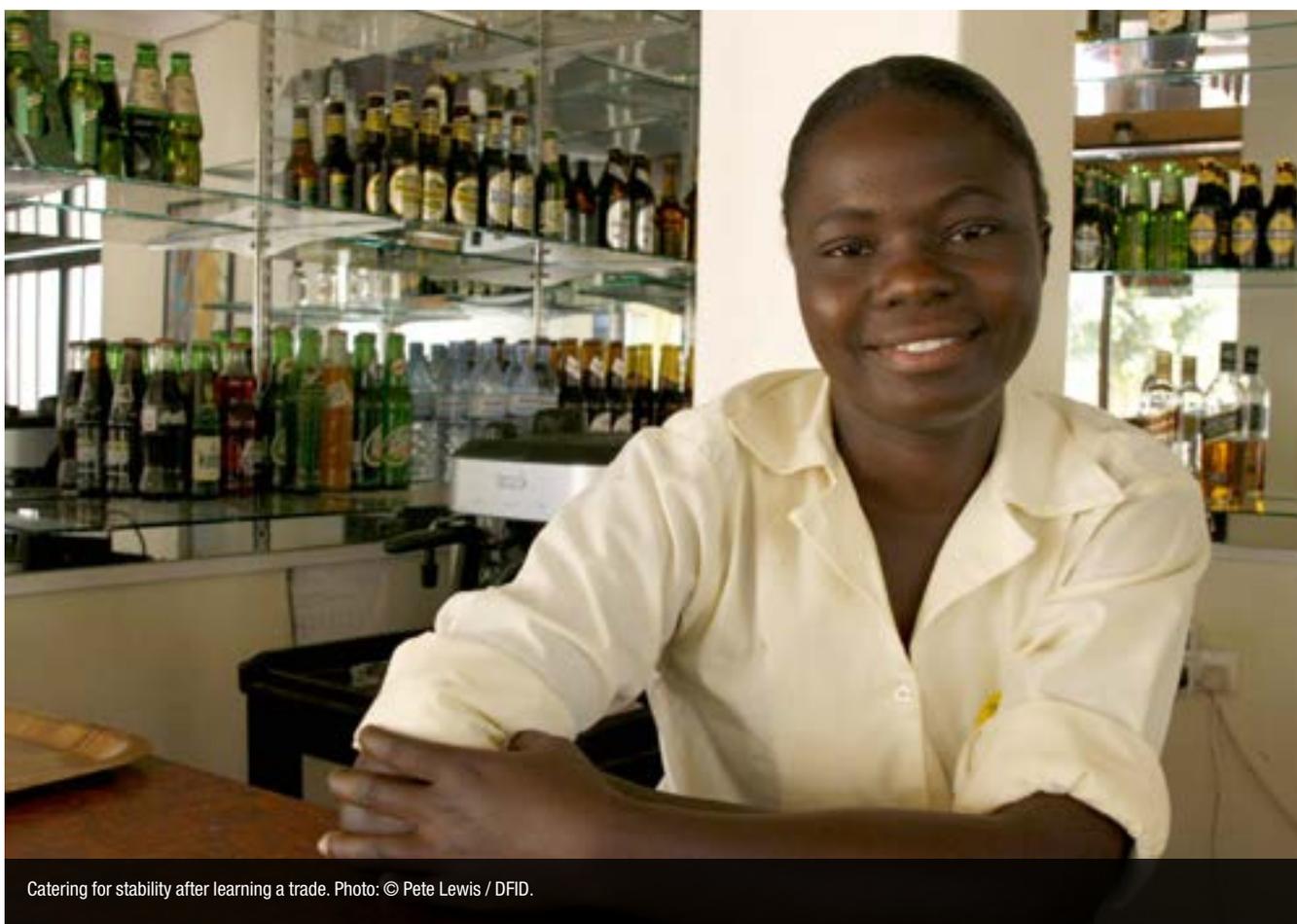
### 2.1.2 Structural change with rising labour productivity

These changes in economic structure and employment have been accompanied by a doubling in labour productivity in the past two decades.<sup>9</sup> According to ILO estimates, output per worker rose from US\$1,393 in 1990 (in constant purchasing power parity or PPP) to US\$2,965 in 2010 (ILO, 2013), with average annual growth of 6.6% over the period. Since the mid-1990s, and partly recovering ground lost during the instability and conflict of the 1980s, Uganda's productivity levels have been catching up with

Kenya, traditionally the top performer in East Africa. Despite this high productivity growth, productivity is still lower than for low-income countries, which rose from US\$1,888 in 1991 to US\$3,183 in 2010 and in sub-Saharan African countries from US\$2,892 to US\$3,903 in the same years (World Bank, 2014).

Figure 3 (overleaf) shows this trend over the period 1991-2012. Over the same period, GDP grew by 7% while the total labour force grew at 3%, consistent with this rise in productivity and the structural change.<sup>10</sup>

While rising overall labour productivity can stem from productivity gains within sectors, as well as shifts in labour from low- to higher-productivity sectors, Bbale (2013) finds that productivity shifts *between* sectors have been



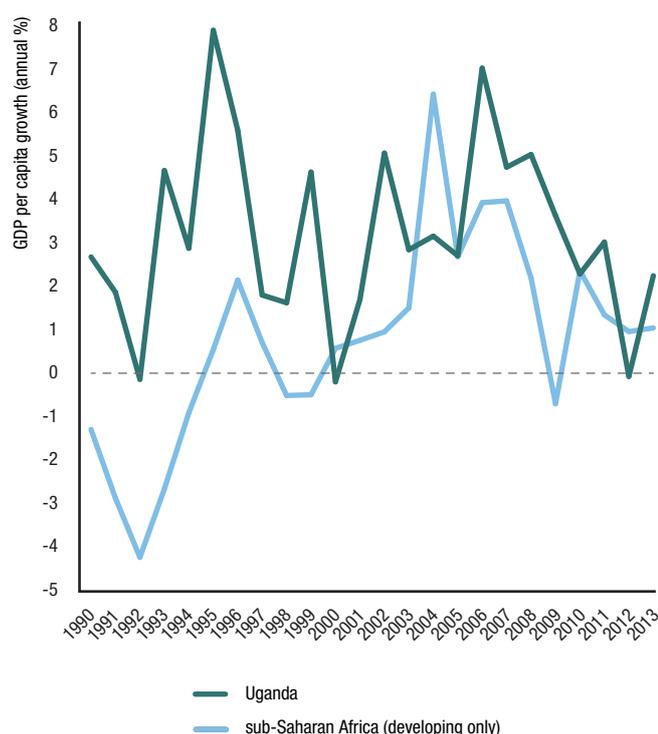
Catering for stability after learning a trade. Photo: © Pete Lewis / DFID.

8 Numbers based on the Integrated Household Survey (HIS), 1992/93, Ugandan National Household Survey (UNHS), 2002/03, UNHS, 2005/06 and UNHS, 2009/10 and adjusting for inconsistencies in the comparability of labour force data over time (e.g. by building from main-employment status questions and household-enterprise modules using similar recall periods).

9 Labour productivity describes the amount of output that is generated per worker. While it is a measure of economic performance, it can contribute to understanding how labour-market performance affects living standards: in the long run it is the productivity of labour that determines the rise in per capita income (ILO, 2013). Labour productivity is calculated as the ratio between a volume measure of output (GDP or GVA) and a measure of labour input (total number of hours worked or total employment). While the most appropriate measure of labour input would be based on total number of hours worked – a simple head-count of employed persons can hide changes in average hours worked, caused by the evolution of part-time work or the effect of variations in overtime, absence from work or shifts in normal hours – this data tends to be more difficult to access and quality and reliability issues are common.

10 Total factor productivity (TFP) has increased rather rapidly and is estimated to have contributed significantly to Uganda's rather spectacular GDP growth. Bevan (as cited in Ssemogerere, 2005) projects that the contribution of TFP to total output growth increased from 1% in the late 1980s to around 3% in the 1990s.

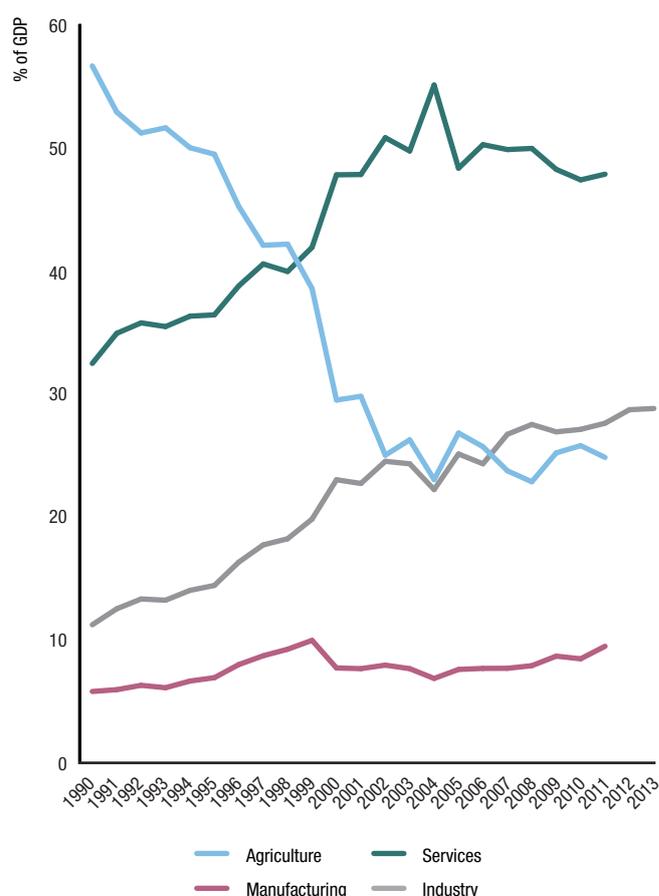
**Figure 1: GDP per capita growth rates for Uganda and sub-Saharan Africa, 1990-2013**



Source: World Bank WDI (2014).

more important in Uganda when deconstructing Uganda's growth between 2006 and 2011. As Figure 4 shows, productivity growth has been highest in the industrial sector since 2003, likely attributable to high rents and capital-intensive sub-sectors such as electricity generation and mining. While both agriculture and the service sector have experienced sluggish productivity growth, these sectors employ the bulk of the working population; that workers are moving from agriculture to services implies a switch to activities with higher productivity, all contributing to overall productivity growth.

**Figure 2: Trends in the shares of economic sectors, value added in total GDP**



Source: World Bank WDI (2014).

While this doubling in labour productivity is impressive, much of this relates to its low starting point. In 2004 Uganda's value added per worker was rated the lowest among the neighbouring sub-Saharan Africa (SSA) countries (Ssemogerere, 2005; World Bank and UMACIS, 2004).<sup>11</sup> Comparing regional figures, Figure 5 (overleaf)

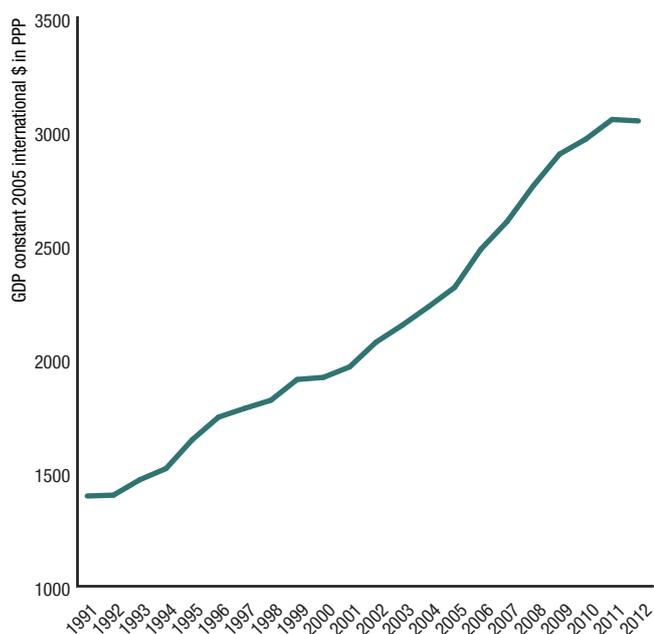
**Table 1: Sectoral composition of primary employment, 1992/93 and 2009/1**

	Year			
	1992/93	2002/03	2005/06	2009/10
Labour force	100.0	100.0	100.0	100.0
Agriculture	82.6	70.2	74.9	70.0
Industry	4.5	7.2	5.4	8.0
Services	12.9	22.6	19.7	22.0

Source: Fox and Pimhidzai, 2011.

<sup>11</sup> According to the World Bank and UMACIS 2004 figures, total added value per worker in US\$ for an average firm: Uganda US\$1,083; Tanzania US\$2,016; Zambia US\$2,680 and; Kenya US\$3,457 (World Bank and UMACIS, 2004).

**Figure 3: Trends in labour productivity (1991-2012)**



Source: ILO (2013).

illustrates how Kenyan productivity has remained highest in the region for the period covering 1990-2010, even with Uganda's fast productivity growth.<sup>12</sup>

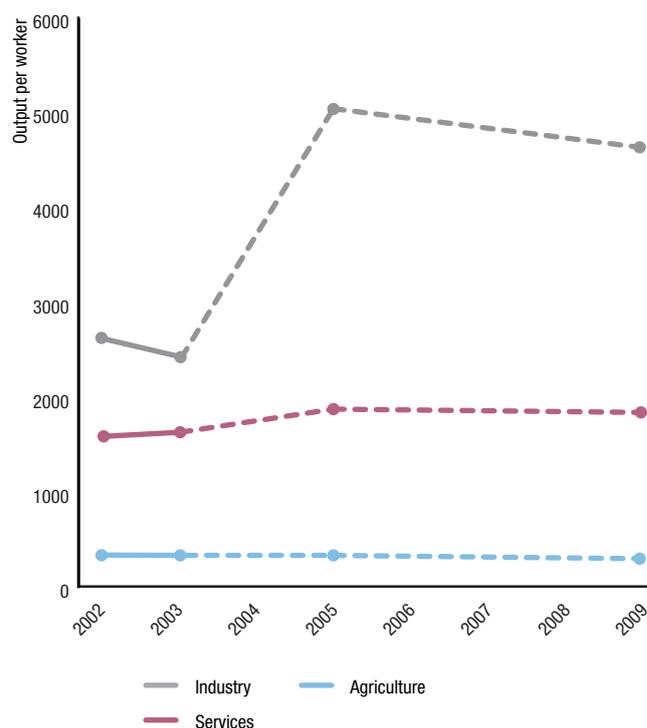
Although below regional levels, Uganda's strong growth in labour productivity is also reflected in the *2014 Africa Transformation Report: Growth with Depth*, which ranks Uganda first for productivity among 21 African countries (Figure 6, overleaf).<sup>13</sup> Using a measure of productivity that combines manufacturing value added per worker (in 2005 US\$) and agricultural productivity in terms of cereal yields (kg per hectare), this places Uganda far ahead of Kenya, Tanzania and Zambia (ACET, 2014).<sup>14</sup>

### 2.1.3 Rising wage employment

Accompanying the sectoral shifts and rising productivity, Uganda has seen an expansion in wage employment, particularly during the 2000s. The creation of wage employment is an important measure of employment progress since paid employment tends to be associated with higher incomes and more stability – so job *quality*.

Total wage employment in Uganda increased from 14.5% of the labour force in 2003 to 23.6% in 2009 (ILO, 2013), surpassing the population growth rate over

**Figure 4: Trends in labour productivity (output per worker) by sector (2002-2009)**



Source: Output per worker calculated with value added data from World Bank WDI (2014) and employment data from KILM (2013).

the past 15 years. Similarly, private non-agricultural wage employment increased by 12% per year between 2002/03 and 2005/6, the second fastest growth rate in Africa, surpassed only by Ghana (World Bank, 2010 in Fox and Pimhidzai, 2011). Figure 7 (overleaf) highlights the degree of progress in Uganda both in terms of its share of wage employment and its growth trend using UNHS and World Bank data available. Comparison with other countries in the region for which data is available appears in Figure 7.

### 2.1.4 Rising real wages

While rising productivity is good for economic growth and increasing wage employment helps workers in principle, this must translate into increased earnings for the individual to feel the benefit. Wage payments are therefore an important indicator of quality of employment.

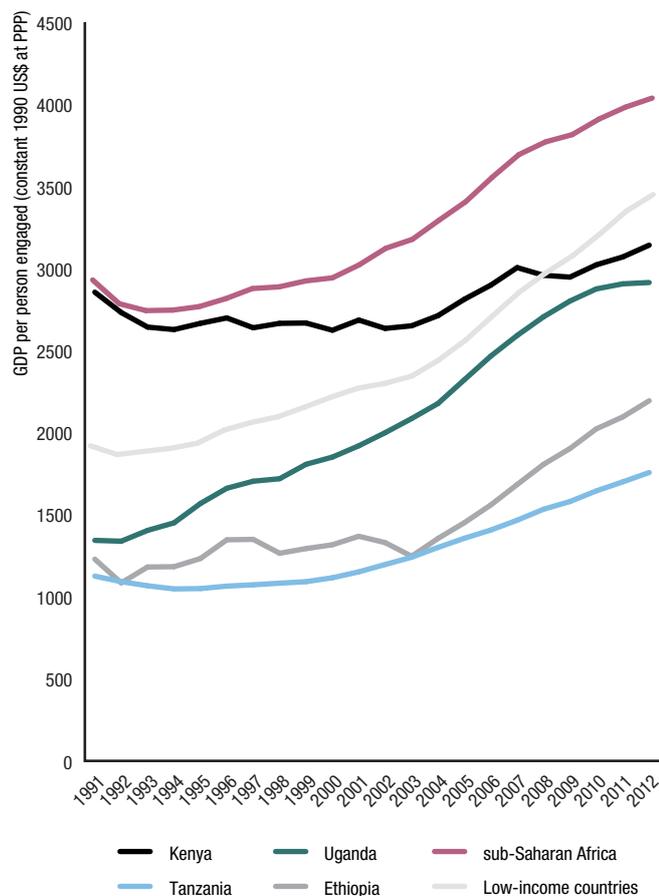
While ILO data (2013) suggests that real wages (adjusted for inflation) grew by 8% from 2004 to 2007, data from the UNHS 2012/13 suggests median

12 Because output is not only a function of employment but also of other inputs (i.e. capital and technology), this measure of average labour productivity is likely to favour countries that are more capital-intensive or more industrialised, such that even if more output is from the use of capital equipment, our measure inflates the output per employed person. Indeed in East Africa, Kenya is the most industrialised country, and probably this is why the average output per employed person appears to be highest. Nevertheless it is still plausible to conclude that labour productivity has been highest in Kenya, holding the contribution of other factors of production in total output constant.

13 The low productivity in Kenya is explained by stagnating agricultural productivity.

14 This high ranking is likely to be driven by a limited number of large manufacturing firms established in Uganda that show a very high value added per worker (ACET, 2014), despite the industry lagging at large.

**Figure 5: Trends in average labour productivity, regional comparison (1991-2012)**



Source: ILO (2013) and regional aggregates from World Bank (2014).

wages (nominal) of those in wage employment rose from UGX36,200 in 2005 to UGX110,000 in 2012.<sup>15</sup> Unsurprisingly, median wages differ by level of education attainment, between rural and urban employment and by gender (UBOS, 2014).

Looking at incomes for individuals living in households below the official poverty line, Figure 8 shows a downward trend of working poor as a share of total employment since 2002 (UBOS, 2014). The share of working poor in total employment has decreased from 66% in 1992 to 35% in 2010 for the US\$1.25 poverty line, and from 88% to 63% for the \$2 a day measure (ILO, 2013). This is a further indicator of progress in quality of employment, and overall poverty has also fallen substantially (from 60% in 1992 to 23% in 2009/10). According to national data, the level of working poor has

continuously declined, from 21% in 2009/10 to 19% in 2012/13 (UBOS, 2014).<sup>16</sup>

The share of more vulnerable and insecure forms of employment such as own account and contributing family workers is still high but has declined modestly from 86% in 2002 to 81% in 2005 (ILO, 2013). Time-related under-employment declined considerably from 16.9% in 2002 to 3.5% in 2009, although informal activity remains high. In 2009 58% of Uganda's workforce was working in the informal sector (ILO, 2013). The 2009/2010 UNHS showed that 13% of informal-sector workers were paid employees, 23% were unpaid helpers and 63% were working proprietors (mainly subsistence farmers). The statistics also show that female workers dominated the informal sector.

### 2.1.5 Agriculture and livelihood diversification

Increasing wage employment is likely to reflect the structural change shown above, with labour gradually moving away from an informal subsistence employment in agriculture to paid employment in the non-agricultural sector. Between 1999/00 and 2002/03, the years with the strongest poverty-reduction record, people moved out of sectors with relatively high poverty incidence, particularly agriculture, into transport, trade and services, while poverty reduction was stronger in households with diversified activities (Kappel et al., 2005). The share of the population living in subsistence-agriculture households showed a dramatic decline after 2000, going down from 32% to 24.5% in only 2-3 years.<sup>17</sup>

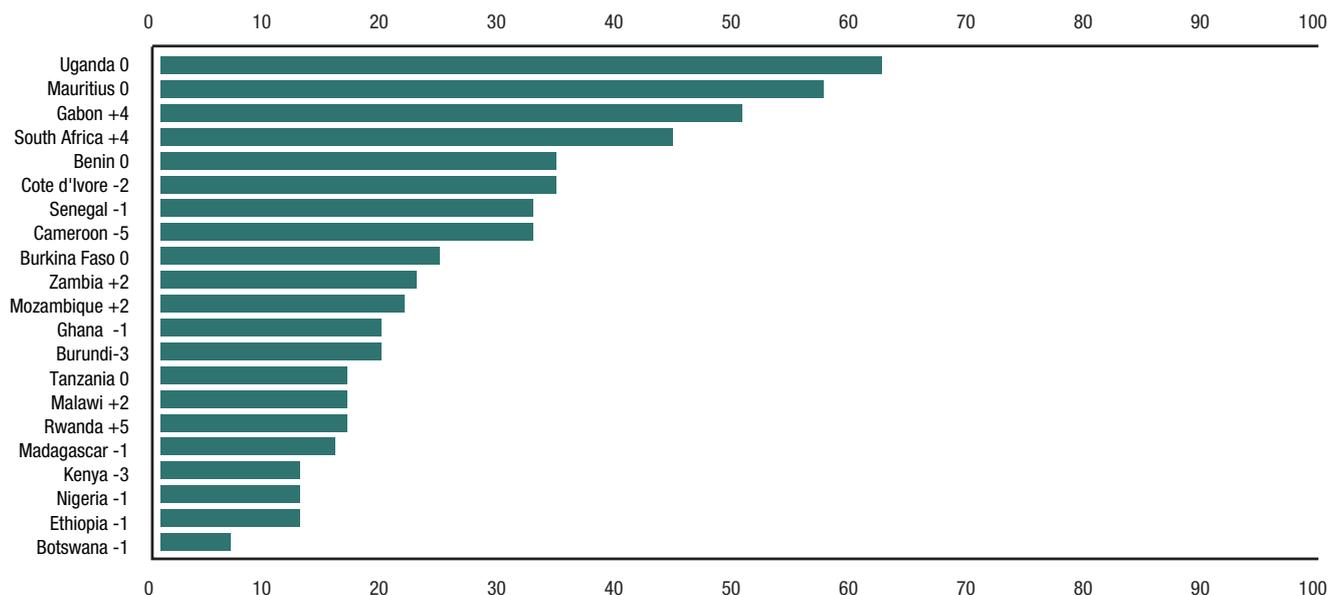
This decline is associated with internal migration, first from rural areas to small towns and then from towns to cities (Dorosh and Thurlow, 2014), but is mainly attributed to households switching into non-agricultural activities (Kappel et al., 2005). Since 1992, Ugandan farmers have diversified their output, with increasing commercialisation and rising productivity. Fox and Pimhidzai (2011) point to a 'transformation within the agricultural sector, from "traditional subsistence" to new, higher-value export crops, the use of livestock, and modern marketing channels' (Fox and Pimhidzai, 2011: 15). In the early 1990s coffee accounted for approximately 90% of all exports, but in 2008 that figure was down to below one-third of total exports, replaced by new export products such as fish, cotton and processed food. While the use of modern seeds remains low, livestock production has increased and diversified, resulting in increased local production of milk, eggs and chicken for both local and regional consumption (Fox and Pimhidzai, 2011).

15 Real wage evolution would be a much better indicator, but the available data from UNHS is in nominal terms. The rise persists even when nominal wages are deflated by inflation levels between the two periods. The consumer price index (CPI) over the period averaged 10% per year according to UBOS data.

16 ILO data on working poverty (KILM) shows a similar trend to the national data but a higher level. This could be caused by the use of the international US\$1.25 poverty line rather than the national poverty line used in the UNHS.

17 Defined as households with a ratio of home-produced food to household food consumption of more than 0.7.

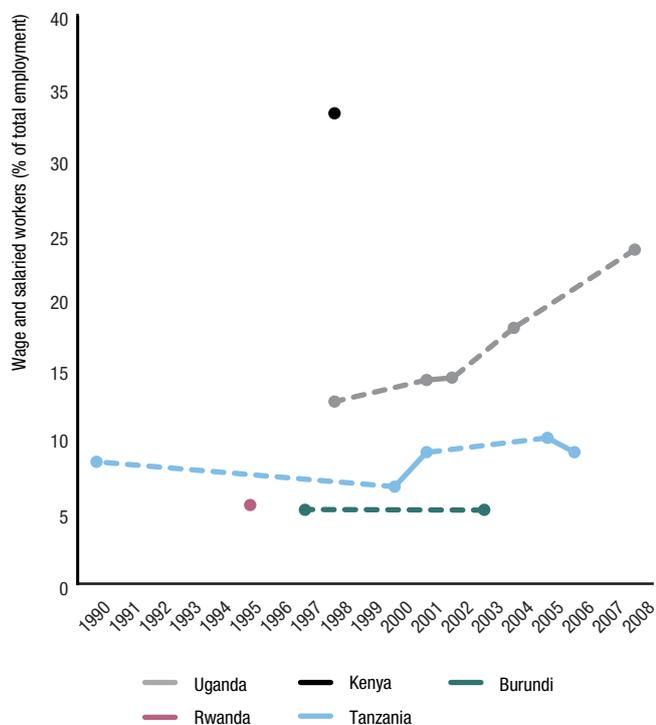
**Figure 6: Productivity growth rates in 21 African countries**



Source: ACET (2014)

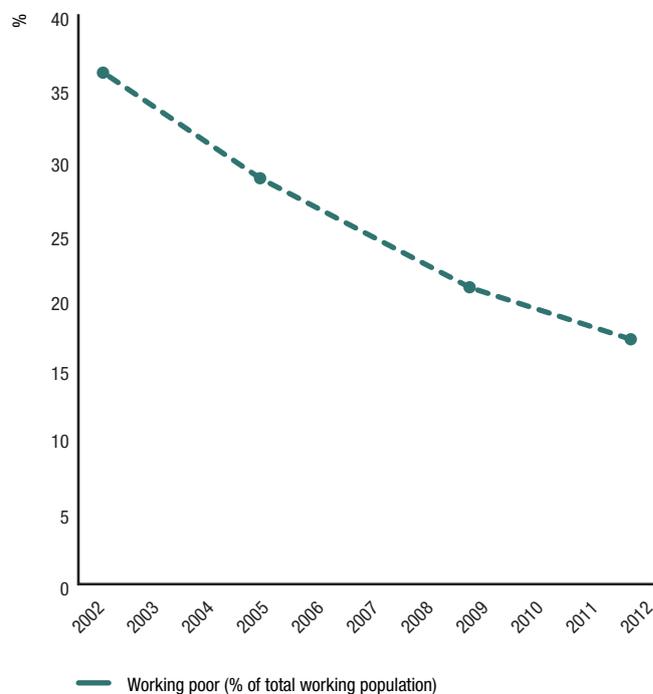
Note: The numbers next to the bars show the change in rank between 2000 and 2010.

**Figure 7: Trends in wage employment (wage and salaried workers as a share (%) of total employment). Uganda and regional comparison**



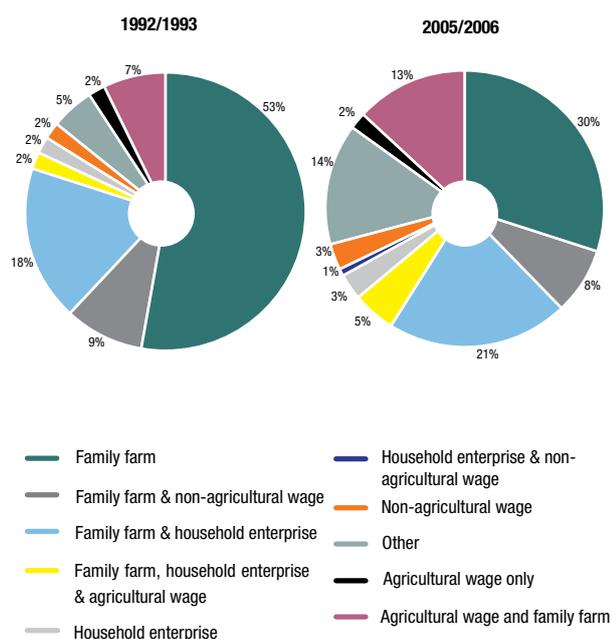
Source: World Bank WDI (2014) and UNHS 1999/2000 (Uganda).

**Figure 8: Trends in proportions of working poor**



Source: UBOS statistical abstracts

**Figure 9: Livelihood portfolios of rural households in Uganda**



Source: Fox and Pimhidzai (2011).

Note: Calculations based on the IHS 1992/93 and UNHS 2005/06

In addition to these dynamics, the proportion of households with a private non-agricultural income increased almost 100% while non-farm enterprises increased by 50% between 1992/93 and 2005/06 (Fox and Pimhidzai, 2011).<sup>18</sup> Since these activities tend to complement the primary agricultural occupation rather than replace it, these developments do not appear in official employment data such as that presented above (Fox and Pimhidzai, 2011).<sup>19</sup> Figure 9 illustrates how rural household portfolios have changed as a part of the diversification of farmers' output, something which may represent a form of further economic transformation at household level.

This range of progress factors, from structural transformation to rising productivity, increasing wage employment and increasing incomes from household non-farm self-employment diversification, all suggest that Uganda is making progress in both the formal and the informal sector, a crucial finding for an economy with such a large share of informal activity.

## 2.2 Access to employment

While progress in indicators reflecting the *quality* of employment is important, the level of *access* to employment opportunities, particularly by gender, age and across geographical areas, is also important. In

Uganda, women are still predominantly engaged in agriculture, although they have been moving increasingly to other sectors. Youth unemployment remains low, but young people have been somewhat excluded from formal employment. While this suggests that the progress described above has not been widely shared, the decline in self-employment amongst the adult labour force (14-64 years) from 81.2% in 2005/06 to 76.4% in 2009/10 (UNHS 2009/10) suggests progress in this area.

### 2.2.1 Female employment trends

Household surveys indicate that paid employment is dominated by men, with women reporting slightly higher self-employment rates. The proportion of females (aged 15+) engaged in the agricultural sector is higher than that of men, at 77% of total female population compared to 67% for men (UBOS, 2014). However, the share of women in non-agricultural wage employment between 2005 and 2009 rose from 37% to 43.7%. This indicates that part of the structural change and diversification of household incomes out of agriculture has also been experienced by the female working population, even if female workers dominated the informal sector (UNHS, 2009/10), a trend that persists when looking at various surveys from 2005/06 until 2011/12.

For both men and women, the employment to population ratio has been rising over the period 1997 to 2009, although male participation in employment increased at a slightly higher rate, from 58.7% to 75.5%, while that of women increased from 60.9% to 75.4% (national estimates in WDI, 2014). This suggests growing female inclusion, although there is a continuing gap with male employment outcomes.

### 2.2.2 Trends in youth unemployment

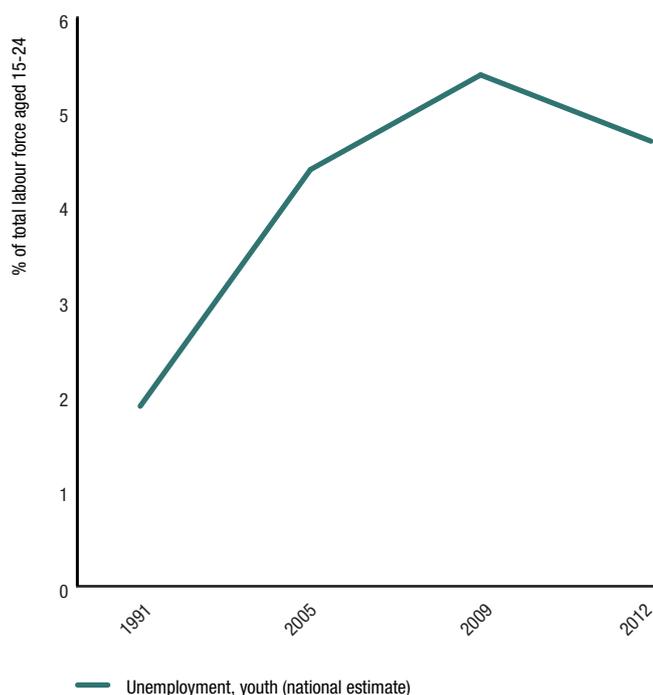
It is estimated that 60% of the unemployed in African countries are young people, with youth unemployment rates double those of adult unemployment in most countries (AfDB, 2012). Although youth unemployment in Uganda is low in absolute terms, it is systematically higher than the national average rate for all adults. Official statistics on youth unemployment in Uganda in 2013 put it at 4.7%. Although this figure is still relatively low, it more than doubled from 1.9% in 1991 and reached its peak at 5.4% in 2009, shown in Figure 10.

These trends are not unique to Uganda. In SSA low-income countries, youth unemployment figures also tend to be low, approximately 3%, except for graduates with higher education who often have higher rates of unemployment but represent only about 3-4% of the labour force (Filmer and Fox, 2014). However, the observed increase in self-employment, as well as the rates

<sup>18</sup> One driving factor may be the shortage of productive land per household, which could explain why rural non-farm enterprises (as a subset of total non-farm enterprises) increased from 24% to 40% between 1992/93 and 2009/10.

<sup>19</sup> Supporting evidence for this argument has been found also by Kappel et al., 2005; Lawson et al., 2003; and Ssewanyana et al., 2014.

**Figure 10: Trends in youth unemployment (1991-2013)**



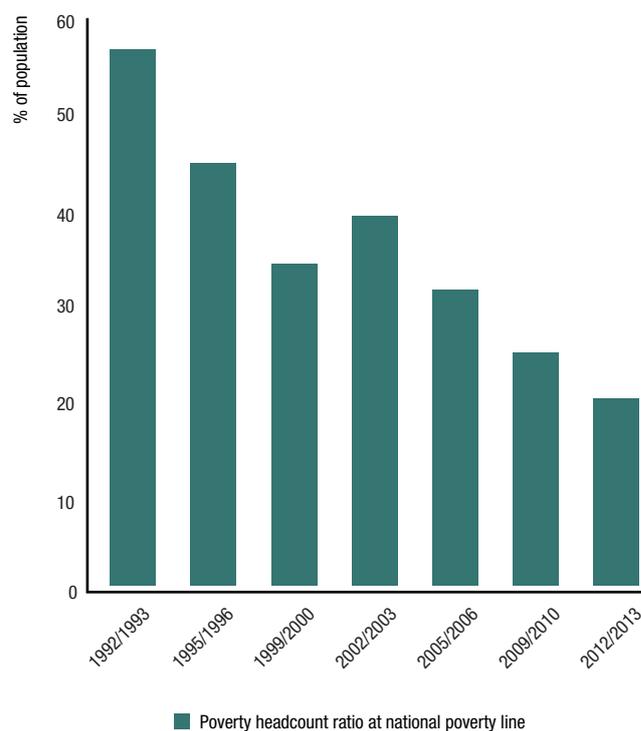
Source: World Bank (2014) (national estimate).

of youth under-employment (estimated at about 13% in 2005/06 in Uganda) are indications of limited participation of youths in professional and technical occupations and in paid employment (Bbale, 2014); as far as formal employment progress is concerned, youths have been somewhat excluded.

### 2.2.3 Income distribution and inequality

The income distribution across individuals indicates how widely the gains in real wages and broader economic or social developments are shared across the population. While the share of the Ugandan population living in subsistence-agriculture households<sup>20</sup> declined after 2000, from 32% to 24.5% in only 2-3 years (Kappel et al., 2005), poverty among remaining subsistence households increased and contributed to the short-term observed rise in poverty from 33.8% in 2000 to 38.8% in 2002 (WDI, 2014). This implies that poverty outcomes could have been a lot worse had people stayed in agriculture (Kappel et al., 2005). The short-term rise in overall poverty levels is also likely to be due to a temporary dip in coffee prices (Kappler et al., 2005). Despite this, by 2005 the national poverty head-count was back down to 31.1% (as shown in Figure 11). Over the larger period of time, from 1996 to

**Figure 11: Poverty head-count (%) according to national poverty line**



Source: WDI (2014) based on UNHS, various years.

2009 the poverty line has dropped from 44.4% to 24.5% (World Bank, 2014).

Figure 12 (overleaf) depicts the resulting trend in income distribution in Uganda, showing declining inequality in the early 1990s followed by an unsteady increase from 1995 onwards.<sup>21</sup> Looking across the whole period, the graph suggests that inequality has marginally increased in Uganda, driven by inequality growth in urban areas (UBOS, 2014), with the capital, Kampala, and a few other urban industrial centres such as Jinja pulling the economic activity of the country.

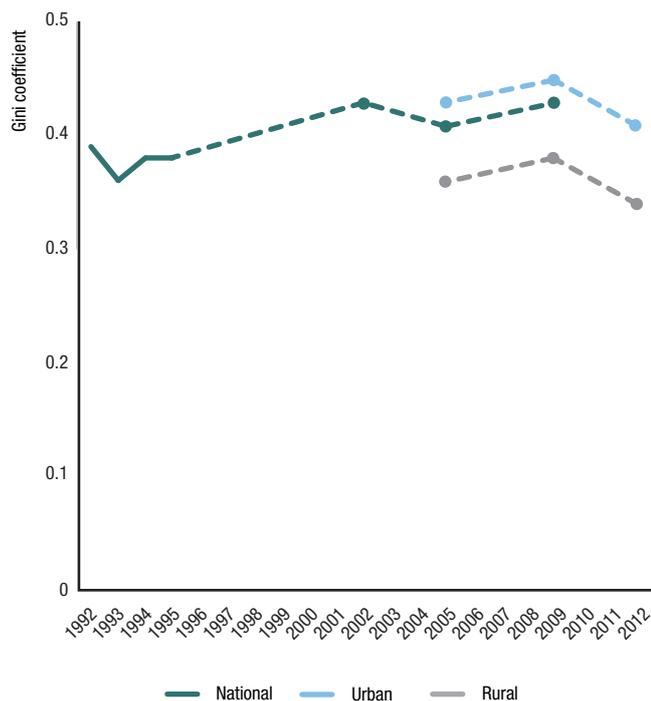
There is also a clear regional division. The central region (to which Kampala belongs) is the economic pole, with the north and east tending to lag behind. Those are also the areas where the security situation still complicates progress in overall well-being. Within regions,<sup>22</sup> the only one showing growing income inequality since 2005 is the northern region (Figure 13, overleaf). The other three regions show declining income-inequality levels, although both central and eastern regions depict an inverted V shape, indicating a less stable trend. Partly because of these regional differences, there is evidence that, despite

20 Defined as households with a ratio of home-produced food to household food consumption of more than 0.7.

21 Higher values indicate greater inequality.

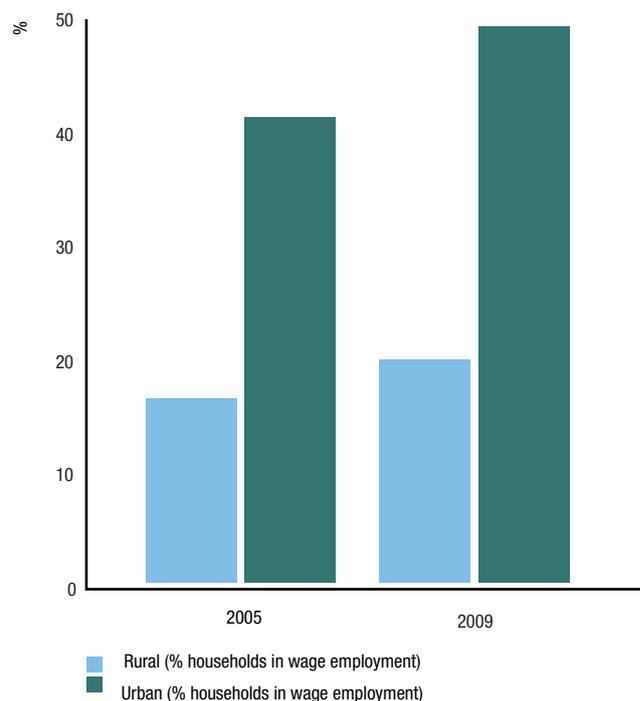
22 Regional inequality data is only available from the UNHS from 2005 onwards.

**Figure 12: Income distribution (1992-2012)**



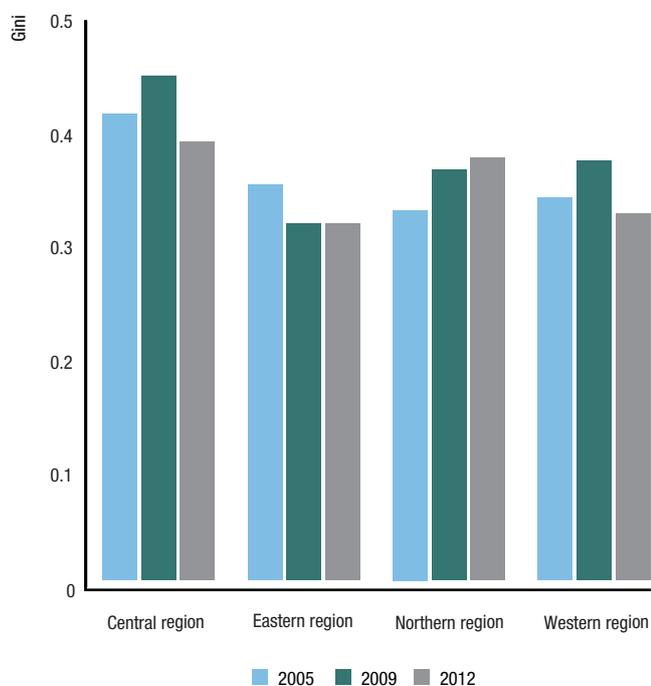
Source: UNHS, various years.

**Figure 14: Trends in wage employment among rural and urban households**



Source: UNHS, 2005 and 2009.

**Figure 13: Trends in income distribution by Uganda region (2005-2012)**



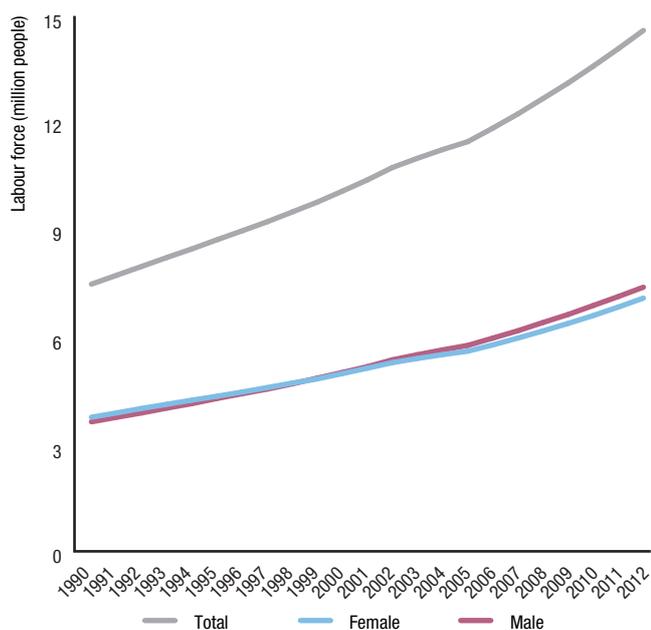
Source: UNHS, 2005, 2009 and 2012.

impressive poverty reduction overall, the poorest of the poor are yet to be included in Uganda’s economic growth and social protection policies (Ssewanyana, 2009; CPAN, 2013; Lwanga-Ntale, 2013).

The emergence of new economic opportunities – particularly more productive wage jobs – has potentially contributed to rising inequality insofar as those jobs have been concentrated around ‘growth poles’ in just a few districts of the country, particularly in the central region (MFPED, 2013).

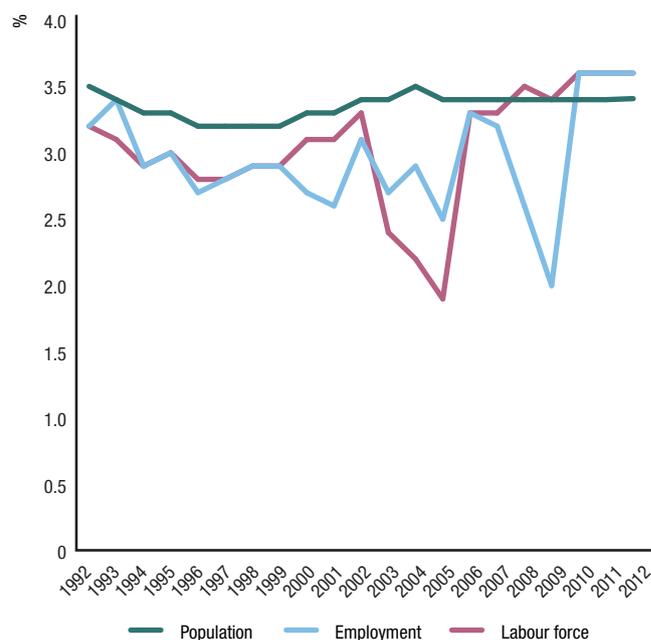
These regional disparities also reflect the way the poverty-growth nexus differs between rural and urban areas. Mean consumption in urban areas was much stronger than in rural areas, with 7.8% annual growth in the former compared to 4.8% in the latter (Kappel et al., 2005). This is again closely related to labour outcomes, with Figure 14 showing the pattern of wage employment among urban and rural households. While both reflect the average national increase in wage employment, the growth of urban wage employment clearly overshadows that of rural households. This is not surprising, given the concentration of economic activity, especially manufacturing and industry in urban centres.

**Figure 15: Trends in Uganda's total labour force (1990-2012)**



Source: World Bank (2014).

**Figure 16: Trends in the population growth and the growth in total employment and labour force (1992-2012)**



Source: World Bank (2014).

### 2.3 Employment creation

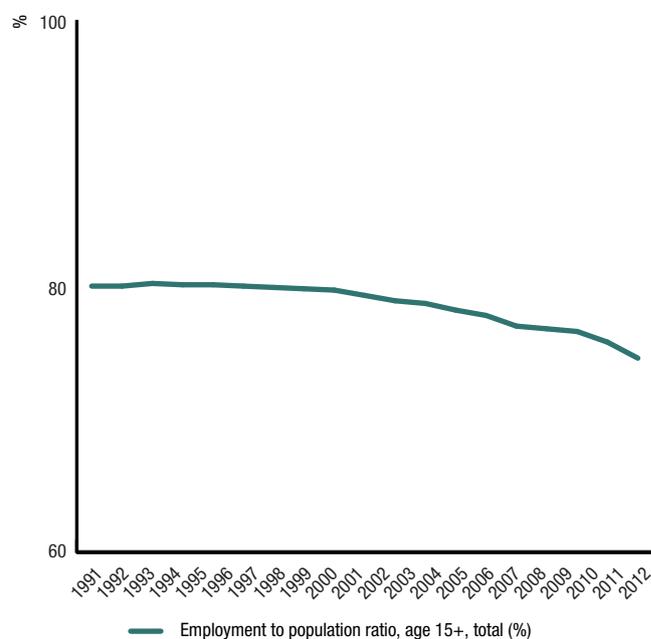
The above discussion suggests that while Uganda has experienced considerable employment progress in terms of rising labour productivity, wage employment and real wages, the benefits of this have not been widely shared. The challenge of widening employment access relates to the broader challenge of creating jobs.

While employment grew by an average 2.96% per annum between 1992 and 2013, this is marginally below population growth of 3% over the same period, and below labour force growth of 3.1% over the period 1991-2012 (with almost equal proportions of men and women) (World Bank WDI).<sup>23</sup> The total labour force in Uganda increased from approximately 7.5 million in 1990 to around 10.1 million in 2000, and almost doubled to 14.5 million by 2012, as illustrated in Figure 15.

Apart from 2003-2005, when employment growth surpassed labour force growth, and 2009, when employment growth declined drastically, labour force and employment-growth rates have followed rather similar patterns (Figure 16), with employment growth surpassing population growth in 2010.

This 2009 drop in employment growth was due to a combination of the after-effects of the Kenyan election crisis in 2008, a fall in demand for Ugandan exports, and reduced

**Figure 17: Trends in employment to population ratio (1991-2012)**



Source: World Bank (2014).

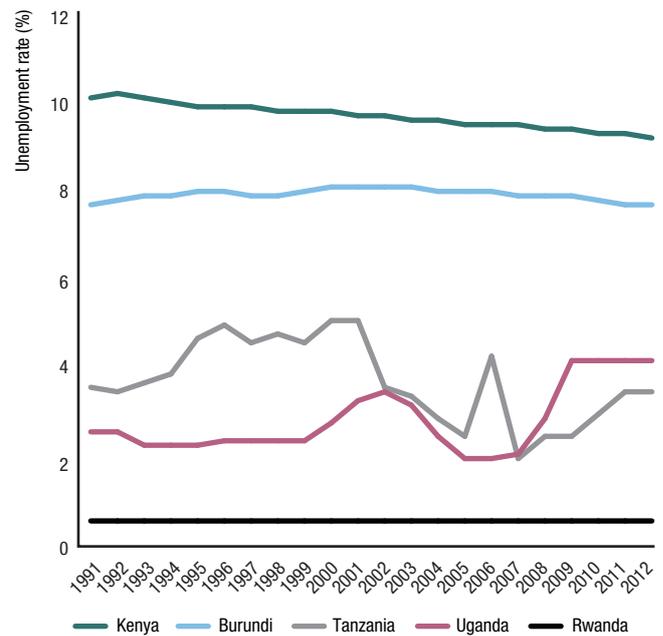
23 Although high population growth is not uncommon in sub-Saharan Africa, Uganda has one of the highest population growth rates in the world, only surpassed by Afghanistan, Yemen, Niger, and the Occupied Palestinian Territory (UNICEF, 2012).

capital inflows due to the global financial crisis, while at the same time Uganda experienced unusually prolonged droughts. The ratio of employment to population remained relatively stable between 1991 and 1999, but declined between 1998 and 2009, when population growth increased to an average of 3.4% (Figure 17, previous page).

Although unemployment figures in developing countries are notoriously difficult to interpret given the lack of social protection that would allow open unemployment, the above patterns are nonetheless reflected in Ugandan unemployment rates over the period 1991 to 2013. As depicted in Figure 18, unemployment rates were relatively stable in the 1990s at around 2.8%, with greater fluctuations from 2000 onwards. After an all-time low in 2005 at 2%, unemployment rose again significantly in 2009 to 4.2% and has remained there until 2013, according to data reported in the WDI (World Bank, 2014). On the other hand, time-related under-employment reduced by 8 percentage points between 2005/07 and 2009/10, from 12% to 4% (UBOS, 2010). The latest household survey (UNHS, 2012/13) shows a marked increase in unemployment to 9.4%, although this may also be due to a change in its definition.<sup>24</sup>

While low unemployment and some job creation would be good indications of progress in employment, these figures show that progress in employment creation (*quantity*) has been relatively limited when more traditionally defined, even when compared to the region, where World Bank data shows Tanzania and Rwanda as having higher total employment rates. This then represents a key challenge for the future.

**Figure 18: Uganda and East African country trends in total unemployment (1991-2012)**



Source: World Bank WDI (2014) (modelled ILO estimate).

<sup>24</sup> Unemployment statistics from the World Bank tally with those of UBOS, except for 2012 because of a change of definition of unemployment and hence its measure by the Ugandan statistical office. For consistency in our trend analysis, we used the World Bank statistics for the period 1991-2012.

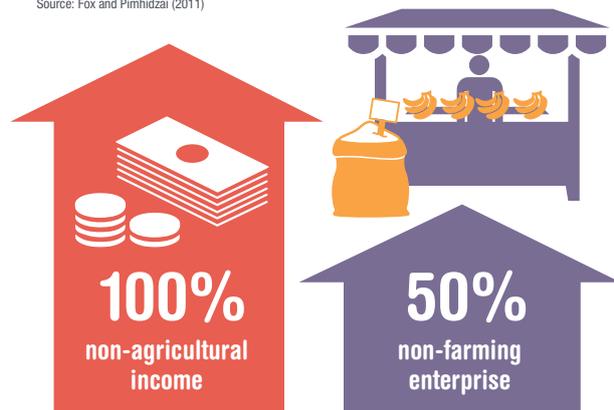
## UGANDA HAS BEGUN TO MOVE AWAY FROM A RELIANCE ON INFORMAL EMPLOYMENT IN AGRICULTURE TO MORE DIVERSIFIED INCOMES



## PROGRESS ON EMPLOYMENT

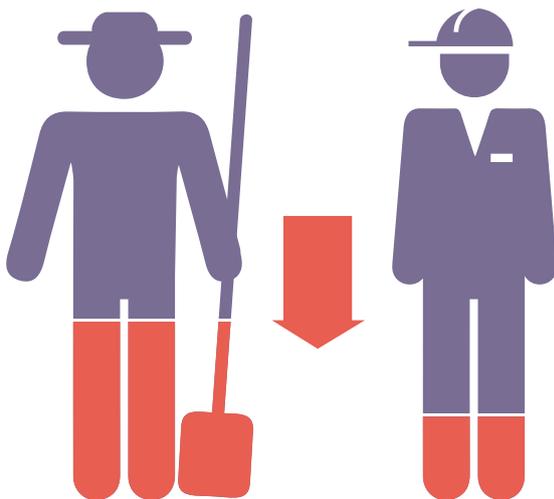
The proportion of households with a private non-agricultural income doubled while non-farm enterprises increased by 50% between 1992/93 and 2005/06

Source: Fox and Pimhidzal (2011)



## THE IMPACT PROGRESS HAS MADE

Employment prospects have lifted people out of poverty

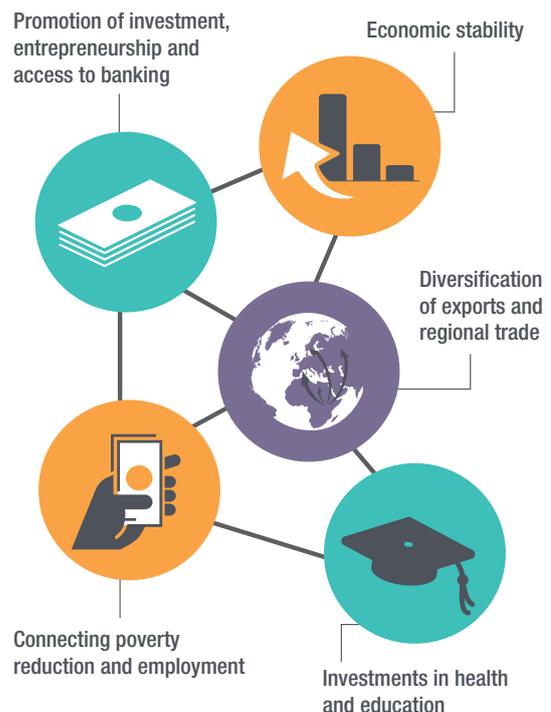


In **2002**, **36%** of the total working population were working poor. By **2011**, this had decreased to **17%**.

Source: UBOS statistical abstracts

## HOW PROGRESS HAS HAPPENED

Five key factors have played a central role in driving progress in Uganda



---

# 3. What are the factors driving change?

## ‘Liberalise and the private sector will provide the jobs. That was the view’ – Government representative

A fundamental part of Ugandan employment progress is circumstantial: the Ugandan economy was in deep economic and political crisis in the period preceding the 1990s, after decades of instability following independence in 1962. Milton Obote’s coup in 1966 was followed by Idi Amin’s coup in 1971, subsequent economic collapse, war with Tanzania in 1979, a second period of rule under Obote, and short-lived military rule under Tito Okello, before Yoweri Museveni came into power in 1986 in another military coup. Between 1986 and 1989, the country experienced annual inflation levels averaging at around 150% (Wanyera and Davis, 2012) while recurring budget deficits prompted excessive government borrowing from the Central Bank. Inflation spiked between 1991 and 1992, ultimately persuading the government to change its course of action (Wanyera and Davis, 2012).

Employment progress since 1990 therefore emerges from three overlapping phases of policy.

- From the late 1980s until the 2000s there was a period of ‘stabilisation’ and tightening fiscal control, with market-liberalisation reforms, macroeconomic stabilisation, investment, and promotion of foreign direct investment (FDI), as well as promotion of the private sector more broadly.
- From 1997 to 2010, there was an emphasis in poverty reduction, with increasing attention to public investment in health and education. This had implications for both urban and rural employment outcomes by raising human capital and therefore productivity in both the formal and informal, and the entrepreneurial, sectors. These reforms are likely to have facilitated household-level diversification from agriculture into secondary non-agricultural activities.

- Since 2010 the policy focus has been economic transformation, with the National Development Plan (NDP) from 2010 onwards beginning to highlight employment as a policy goal.

While these three reforms phases have had a clear positive impact on economic growth, poverty reduction and employment outcomes, the employment progress seen above essentially emerged as a secondary effect of these policies.

### 3.1 Macroeconomic stability, market liberalisation and investment promotion

From 1990, the country implemented ‘one of the most ambitious programmes of economic liberalisation on the African continent’ (Collier and Reinikka, 2001: 1), laying some of the foundations for initiating economic transformation and employment progress. There was a clear policy shift from interventionist policies towards a liberal capitalist economy (Whitworth and Williams, 2010). Starting with the merging in 1992 of the Ministry of Finance and the Ministry of Planning and Economic Development, this wave of reforms in the 1990s is characterised as an era of technocratic, macroeconomic management, with the new ‘super ministry’ charged with tightening fiscal policy and implementing a range of ‘Washington Consensus’ economic reforms (Whitworth and Williamson, 2010).<sup>25</sup>

Reforms included liberalisation of the foreign exchange system, trade, price and marketing systems, rehabilitating the economic, social and institutional infrastructure, and improving the incentive structure and business climate to promote saving and investments (Matovu et al., 2011). Extensive tax reforms were also undertaken, with the establishment of the Uganda Revenue Authority as a semi-autonomous body in 1991 charged with improving revenue collection (Van Waeyenberge; Bargawi, 2011).<sup>26</sup> These reforms were accompanied by the Privatisation and Parastatal Enterprise (PE) reform.

---

25 Tax revenue averaged only 5.8% of GDP between 1985 and 1990, a low number even by African standards, and foreign aid financed around 50% of expenditure, mainly in the form of highly unpredictable project funds (Whitworth and Williamson, 2010).

26 Throughout the past two decades, the primary focus of Ugandan fiscal policy has been fiscal consolidation and contraction. The fiscal balance has been reduced gradually from double-digit deficits in the early 2000s to a projected rate of just above -3% of GDP by 2014/15. From 2001/2002, government expenditure gradually declined till the mid-2000s, where it stagnated at a level of around 20% of GDP. Simultaneously, major efforts have been put in place to enhance tax revenues by 1 percentage point annually. This goal has yet to be reached, but revenues have indeed increased and are currently at 12% of GDP.

While these reforms contributed to state revenues, overseas development assistance (ODA) was the main source of funding in Uganda in the 1990s, and remains important now despite recent decline. While implementing these reforms in the early 1990s, the government started to press donors to grant debt relief and switch towards programme aid (budget support) (Whitworth and Williamson 2010). The shift in aid modality contributed to building local capacity, and the debt relief under the Multilateral Debt Fund Grants between 1995 and 1998, and then the Heavily Indebted Poor Countries (HIPC) initiative in 1998 and 2000, enabled a large amount of resources to be channelled to the social sectors, which fostered improvements in human capital and productivity.

Although there is limited evidence of the direct and indirect effects of trade-liberalisation policies on employment levels, liberalisation of the coffee market and a coffee-price boom not only had visible impacts on rural households incomes in the 1990s, but reportedly attracted large numbers of farmers into coffee production (Bussolo et al., 2008). Kappel et al. (2005) also find that coffee-growing districts contributed more to poverty reduction than non-coffee-growing districts, suggesting that coffee-market liberalisation has had an important impact on agricultural diversification, rural employment and labour productivity.

Evidence is also scarce on the overall employment effect of the privatisation programme. Although it is thought to have had some negative employment effects initially due to staff streamlining, the impact on fiscal revenues and the business climate seems likely to have benefited job creation in the long run (Nyirinkindi and Opago, 2010).

Uganda's 1991 Investment Code aimed to instil a competitive investment climate in order to attract foreign and domestic investments by fully or partially exempting large investments from corporate income tax, dividend tax for three to six years, and import duties and sales taxes on plant and machinery (Cawley and Zake, 2010).<sup>27</sup> The Uganda Investment Authority (UIA) was established to implement the Investment Code and to promote and facilitate investments in Uganda. UIA is now considered a one-stop shop employing technical officers from across the relevant governmental bodies with expertise in areas

such as taxation, immigration, land rights and business registration (UBOS, UIA and BOU, 2012b), with interest in FDI rising, as illustrated in Figure 19 (overleaf).

Despite these efforts to promote private-sector investment, the Ugandan private sector still struggled to compete in regional and international markets and therefore to expand and create jobs. Critical factors hindering competitiveness included structural issues such as inadequate infrastructure (especially transport, communication, water and energy), as well as the high costs and low availability of physical resources such as land and raw materials. To remedy the situation, the government launched the Medium-Term Competitiveness Strategy (MTCS) 2000-2005, with considerable involvement from the organised private sector, in particular the Private Sector Foundation Uganda (PSFU) and the Uganda Manufacturing Association (UMA). The objective of the MTCS was to attract further investments while also allowing existing private firms to increase their production capacity and create job opportunities.<sup>28</sup> The MTCS primarily contributed to export increases in the main agricultural commodities (cotton, tobacco, tea) but also in non-traditional export goods such as cut flowers, fresh vegetables and vanilla (MTTI and UNIDO, 2007).

In attempting to stimulate investment, one important reform was the call for and eventual return of the Asian community to repossess the properties that had been expropriated by Idi Amin in 1972 (mainly larger firms producing sugar, tea, tobacco, textiles and beer). This had a great impact on the Ugandan economy, in particular in urban areas in cities such as Kampala and Jinja (Nyirinkindi and Opagi, 2010). According to the Indian government, around 22,000 Indians lived in Kampala in 2013 (however only 15,000 of these hold an Indian passport) and employ thousands of Ugandans, thus contributing major tax revenues to the host country. Moreover, in the past two decades, the Indian community is claimed to have invested over US\$1 billion in Uganda, primarily in manufacturing, agro-processing, trade, tourism, banking, sugar, real estate and information technology (Government of India, 2013).<sup>29</sup>

---

## **‘Economic planning is moving from a state-led economy to a private-sector economy... the government cannot afford to neglect the private sector anymore’ – Private-sector association representative**

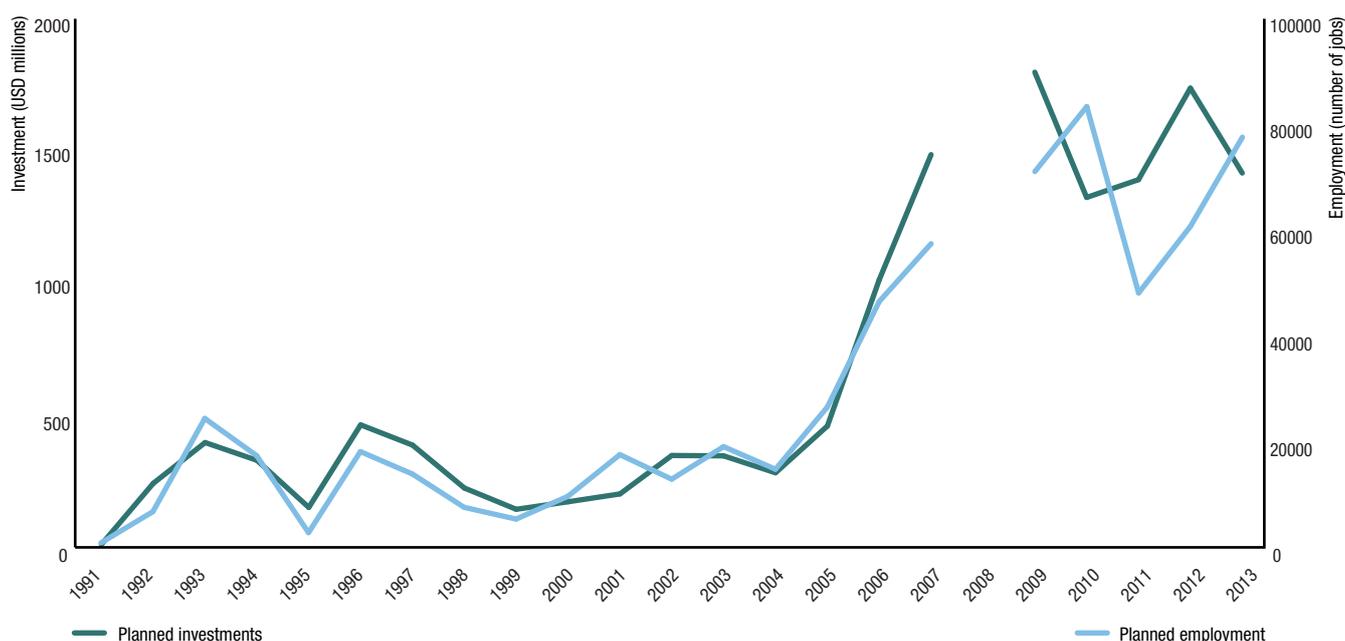
---

27 In order to benefit from the exemptions, domestic firms had to invest at least US\$50,000 and foreign investors US\$300,000.

28 Five priority areas were identified within the MTCS: (i) reforms in infrastructure provisions, (ii) strengthening the financial sector, (iii) improved financial services for micro and small enterprises, (iv) institutional framework for investment and export promotion, and (v) skills development and training (MTTI and UNIDO, 2007).

29 Given that total investment inflow to Uganda in 2011 was US\$900 million, the Indian investments have been significant. It should be noted though that according to representatives of the MFPED, investments from India (and China) are believed to have a lower employment effect compared to investments from elsewhere. This has not been confirmed by the Uganda Investment Authority (UIA).

**Figure 19: Planned investments (US\$) and expected employment outcomes 1991-2013**



Source: UIA Data Bank.

As a result, from 2000 onwards net formal job creation was driven by the establishment of new firms: of the total number of enterprises operating in Uganda in 2013, about 70% were established since 2000, together employing 74% of the total formal workforce. In fact, 60% of all formal businesses were established in the past five years. Since employment creation in younger firms exceeds employment losses in shrinking or exit firms, the total growth in jobs increased from around 9% per annum in early 2000 to around 13% by 2013 (World Bank, 2013). Further, several private-sector representatives interviewed for this study insisted that the private sector also offers the best conditions, although this also depends on how ‘replaceable’ their workers are: high-skilled private wage earners are offered the best insurance and the highest wages, while more ‘replaceable’ private wage employees are often worse-off compared to public sector workers.

Part of this private sector expansion was driven by FDI. Figure 19 illustrates the longer-run trend in planned<sup>30</sup> FDI and associated employment outcomes over the period from 1993 to 2011. Figure 20 shows FDI figures from 1993 onwards and by sector only until 2002. Although there are different figures available, there seems to be a consensus that the take-off of FDI inflow to Uganda occurred somewhere around the mid-1990s, with renewed vigour from 2004 onwards, and the trends in the planned and

realised investments seem to match.<sup>31</sup> Between 2005 and 2012, total FDI inflows to the East African Community (EAC) region increased from US\$1.3 billion to US\$3.8 billion, with Uganda managing to attract most of the regional FDI, doubling its inflow from US\$894 million in 2011 to US\$1.721 billion in 2012 (EAC, 2013).

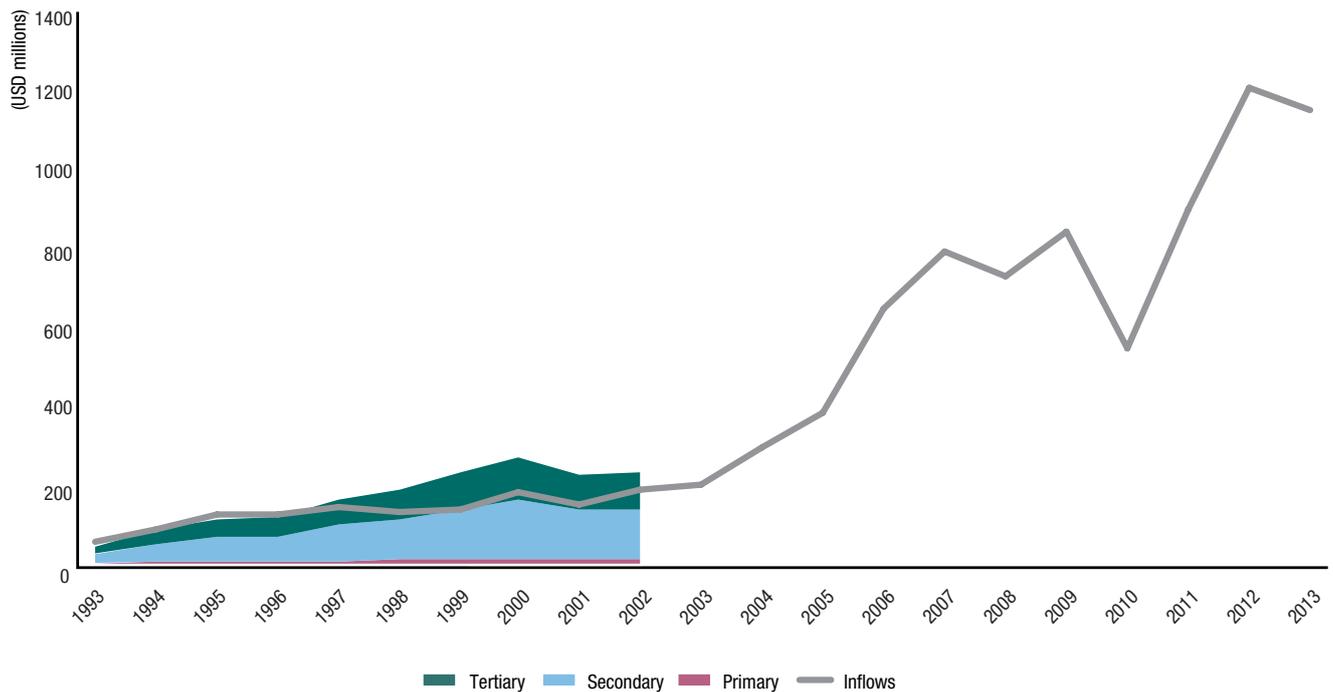
FDI in the 1990s was generally import-substituting, primarily oriented towards the domestic market and the manufacturing sector (Obwona, 1998). The bulk of investments in the 2000 were targeted primarily towards finance, insurances and business services; manufacturing; and wholesale, retail, catering, accommodation and tourism (Hisali, 2011) (Appendix A1), suggesting a large role for the service sectors, while gas and natural resources have played a role in attracting FDI since 2005 (EAC, 2013).

These increasing FDI flows have clearly affected employment through the investments themselves but also through a multiplier effect – it is estimated that two workers are indirectly employed for each direct employment opportunity created (UBOS, 2011). Local and foreign investments are therefore estimated to have created 149,000 jobs in 2010, with local investment accounting for about 53% and FDI for 47% of those (Riddervold, 2011). With its growing FDI and linkage effects to local businesses, the communications sector has provided a large number of both formal and informal jobs, from

30 Based on investment proposals that approved by UIA. May differ from realised investment.

31 According to the UN and the International Chamber of Commerce (ICC) (2001), FDI rates averaged US\$9 million between 1987 and 1993, while an International Monetary Fund (IMF) research paper provides considerably higher figures of US\$23 million between 1989 and 1994 (Basu and Srinivasan, 2002). UNCTAD data in Figure 19 shows an increase in FDI from US\$54.6 million in 1993 to US\$202 million in 2002 (UNCTAD, 2010), while a survey of firms conducted by the bank of Uganda shows somewhat larger figures of US\$43.5 million and US\$230.7 million for the same years (UNCTAD, 2008).

**Figure 20: FDI inflows by sector, 1993-2013**



Source: UNCTAD, 2008 (based on BOU, *Private Capital Flows Survey 2001 Report*) and UNCTAD, 2014.

below 1,000 direct jobs in 1999 to over 6,000 in 2005 and from close to 200,000 to over 250,000 total jobs (indirect and direct) over the same period (Tusubira et al., 2007), partially explaining the growth in the service sector discussed in Section 2. Competition in the market combined with an increase in outsourcing activities enhanced the numbers of jobs available, while low-capital business opportunities such as internet cafes and mobile phones have provided opportunities for self-employment (Tusubira et al., 2007).

The inflow of FDI has not only contributed to making the service sector the main source of growth, as described above, it has also become the sector where wage employment growth has increased most rapidly over the past two decades – in 2010/11 the service sector accounted for 92% of all new wage employment opportunities (World Bank, 2013), to a large extent explaining the increase in formal wage employment presented in Chapter 2, which escalated after 2005, the same year that FDI levels took off.

Finally, from early 2000 onwards, the Ugandan government also invested in the creation of large industrial parks aimed at increasing private investment and employment opportunities, with support from private

investors and international donors (Wacha, 2013).<sup>32</sup> They currently facilitate four large industrial parks – Luzira, Bweyogerere, Mbala and Kampala Industrial Business Park (KIBP) Namanve – out of which all but Mbala are either open or in their implementation phase. In 2009 the government launched an initiative to establish at least 22 industrial parks, all aimed at attracting investment in order to boost employment through a focus on value addition and value-chain integration of Ugandan-produced raw materials (Wacha, 2013)<sup>33</sup>.

Nevertheless, while policies to encourage investment have ostensibly played an important role in boosting services employment in particular, criticism has been voiced in the Ugandan media over the slow progress of the industrial parks, and the real employment impact remains to be seen (Kalungi, 2013; Wambi, 2010). According to a representative from the MFPED, the industrial parks have failed to attract sufficient private investments, and the investments that have taken place have commonly been linked to public figures and poorly controlled for quality and sustainability. The same representative claims that this is partly due to insufficient quality control and follow-ups by the UIA.

32 UIA is involved in the development of these large industrial parks, in particular by buying and managing the large acres of land where investors later can lease plots of land (UBOS, UIA, BOU, 2012b).

33 Combined, these parks are expected to create between 500 and 1,000 direct jobs and up to 25,000 indirect jobs. Foreign investors who want to acquire land in KIBP need to fulfil certain criteria including their potential to create jobs and produce for exports, environmental impacts, level and sector of planned investment and expected revenue generation to the tax base (UIA, 2010). KIBP is the largest and most modernised park, and in its first phase it is expected to create more than 30,000 jobs.

---

### 3.2 Export and trade policy

As discussed in Section 2, increasing diversification of activities, particularly through exports, has opened employment opportunities in new and more productive areas. Despite the growth of the service sector, Uganda is exporting a limited amount of services. Instead the country is increasingly exporting a range of tradeable goods in areas connected to agricultural production, which could facilitate a rapid integration into the regional and global markets (World Bank, 2013). This highlights the importance of small-scale tradeable goods in terms of economic growth and employment transformation.

The most significant factor affecting agricultural employment in the 1990s was the 1991 coffee liberalisation reform. Before then the Coffee Marketing Board (CMB) had been granted a total monopoly over coffee exports by the 1969 Coffee Act. In the 1980s coffee export represented 70-80% of total exports and contributed 25-50% of the government revenues. Producer prices were kept artificially low to reduce the requirement of crop financing; this could have negatively affected inflation levels and the budget balance and also significantly reduced producers' incentives. As part of the World Bank-supported liberalisation schemes, CMB's monopoly was replaced by the Uganda Coffee Development Authority, established with the mandate to monitor and provide advice on coffee production and export policies. The private sector became the main trader of coffee in the mid-1990s, supported by policy reforms such as the lifting of the coffee export tax, introduction of import tariffs, abolition of mandatory floor export prices and the relaxation of the legal requirement that all coffee should be transported by train (Whitworth and Williamson, 2010). The turn to more high-value export products, and thus higher income per hour worked, is likely to have assisted farmers willing to engage in non-farm-side activities, and thus forms part of the informal structural transformation story.

In the 2000s, Uganda managed to increase and diversify its exports away from the heavy reliance on coffee. The diversification stemmed from a dual process where non-traditional exports (such as fish, maize, cut flowers, processed food and gold) emerged at the same

time as exports of traditional goods, including coffee, declined. Since Uganda is a landlocked country with high transportation costs, the production and trade of non-traditional products with a high value-to-weight ratio, which relied on domestically produced inputs, provided a competitive advantage compared to many traditional goods (World Bank, 2007). A reduction of international prices in 2001-2004 combined with the emergence of a coffee wilt disease decreased coffee exports, even though it remains one of the key export goods (World Bank, 2007; Café Africa, 2015).

As part of the reforms carried out to stimulate private-sector investment, the Medium-Term Competitive Strategy for the Private Sector (MTCS) was accompanied by the Strategic Export Programme (STRATEX), the Strategic Export Intervention Programme (SEIP) and the Programme for Modernization of Agriculture (PMA). The PMA aimed to promote commercial agriculture and to diminish key agricultural constraints to agro-production.<sup>34</sup>

Another transition in the export market is the increased focus shift from non-tradeable to tradeable goods. In the 2000s, demand for employment increased significantly more in firms that produced tradeable goods compared to firms producing non-tradeable goods (World Bank, 2013). Between 2001 and 2010, 38% of total new jobs were created by small enterprises producing tradeable goods in the areas of agriculture, fishing, mining, food processing and manufacturing. According to the World Bank, the capacity of producers of small tradeable goods to create employment is particularly beneficial since they often have higher labour-productivity levels compared to the small-scale service sector, for example. Moreover, since their ability to grow and create jobs is not limited by the size of the local markets, they can potentially provide a significant number of employment opportunities if they continue to expand (World Bank, 2013). By 2010/11 micro enterprises (those with fewer than five employees) dominated the formal labour market, providing 60% of the total jobs, followed by small firms (between five and 20 employees) with 18% of formal jobs. Larger firms only accounted for about 12% of total jobs (World Bank, 2013).

Another benefit provided through the expansion of tradeable production is the enhanced integration into

**‘Many of our parents are unemployed. They wake up in the morning and do not have anything to do. They watch television (in local bars). Some roam around, while others just sit there. Sometimes it’s the mother who is unemployed, other times it’s the father or both’ – Luzira, a child from Kampala (Uganda Participatory Poverty Assessment Report) (MFPED, 2000)**

---

<sup>34</sup> It was also part of the poverty-eradication efforts and addressed issues such as infrastructure constraints, technology generation and dissemination, formation of farmers' organisations, removal of financial, human resources and information constraints, land-tenure policy, mitigation of the effects of HIV/AIDS, environmental degradation, and the promotion of on-farm and off-farm storage (Matovu et al., 2011).

regional and global markets. While regional export of services still remains limited, Uganda is increasingly exporting tradeable goods, for instance metal to Sudan and the Democratic Republic of Congo, grain mill to Kenya, and processed foods to the global market (World Bank, 2013). Regional trade agreements are being negotiated under the two regional blocs of whom the country is a member, the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) (UBOS, UIA, BOU, 2012a).<sup>35</sup> Intra-regional trade within the EAC has grown rapidly and more than doubled between 2006 and 2010 from US\$1.6 billion to US\$3.8 billion. The share of intra-regional exports to total exports increased from 14% to over 20% in the same period (EAC, 2013), leading to a rapid increase in employment opportunities.

Regional trade corridors are becoming increasingly important for employment creation. Although the fastest increase in job growth is recorded in Kampala City, the areas around the trade corridors to Kenya and Rwanda are recording increasing economic activity. Employment creation in the northern region has furthermore benefited from the resumption of trade with Sudan and the Democratic Republic of Congo (World Bank, 2013). In interviews with both public and private representatives, the importance of regional trade was regularly referred to as one of the main opportunities for further employment growth.

### 3.3 Social protection, human capital and poverty reduction

Policies aimed at poverty reduction had a high place in Uganda's policy agenda from the 1990s until about 2009.<sup>36</sup> The Poverty Eradication Action Plan (PEAP) (1997) and the poverty-reduction target<sup>37</sup> attached to it were key in guiding this drive, while debt relief under the Multilateral Debt Fund Grants (1995 to 1998) and the HIPC initiative (in 1998 and 2000), and the switch towards programme aid (budget support), enabled a large amount of resources to be channelled towards poverty reduction and the social sectors. These created the conditions for lifting parts of the country out of poverty while supporting the diversification of household activities.

Although poverty eradication was the main stated goal, growth was still the key national priority, and both objectives were jointly articulated, with employment implicitly linking the two together. Poverty-reduction policies

were designed to act mediated by employment: moves away from subsistence agriculture, increased productive capacity and more productive employment have an impact on poverty reduction by raising the incomes of poor people.

Many policies aimed at poverty reduction had an impact on labour markets by expanding the economic activities available and raising levels of human capital and productivity. Even during the PEAP years, macroeconomic stability, economic growth, market forces and the ability of people to take advantage of the economic opportunities through (self-)employment were seen as the main drivers of poverty reduction. Rather than directly targeting the poor, movement out of poverty was envisioned to be demanded, which required facilitation through improvements of infrastructure for increased production (Mette Kjaer and Muhumuza, 2009; Lwanga-Ntale, 2013).

**‘(The Poverty Action Fund aimed to) provide an enabling environment for the poor in the private sector’ – Government official**

The creation of the Ministry of Gender, Labour and Social Development (MGLSD) in 1998 marked the beginning of several government-led social protection programmes to provide support for employment and income shocks. Formal social assistance programmes and cash grants such as the recent Social Assistance Grants for Empowerment (SAGE) – which covers 2,930,960 older people (ILO, 2014) – have been relatively scarce and small over the past 25 years.<sup>38</sup> However evidence is emerging about their contribution to a gradual shift towards more resilient livelihoods and increased productivity through supporting access to financial services, increased investment in livestock, acquisition of productive assets (seeds and farm inputs), hiring of agricultural capital (e.g. ox-ploughs) or casual labourers when individuals have access to land but are too weak to engage effectively in agricultural labour (Watson and Bukuluki, 2011; Okillan and Wandera, 2012; and Ibrahim and Namuddu, 2014, all in Namuddu et al., 2014).

Apart from such limited experiences, social protection has for the most part focused on those able to work. For instance, active labour-market policies such as a 15% tax

35 The 1999 Treaty for the Establishment of the EAC, Article 104, states a clear provision for the free movement of goods, labour, services, persons and capital (Kanyangoga, 2010) and, since 2005, a customs union. The COMESA region implemented a free-trade area (FTA) in 2000, and in 2014 Uganda pledged to join and ratify the FTA agreement (Odhiambo, 2014).

36 In general terms, the poverty-reduction discourse evolved from the late 1980s until the mid-1990s narrative around the ‘trickle-down of growth’, to the mid 1990s support of investments on the social sectors (mainly health and education) to a third shift, around 2006, to focus on the removal of the barriers for economic development through the private sector, particularly in agricultural production, agro-business and infrastructure, although with a stronger role given to the state and to government intervention in supporting such investments (Mette Kjaer and Muhumuza, 2009).

37 To reduce poverty from 44% in 1997 to 10% in 2017.

38 For example, the National Programme for Orphans and Vulnerable Children only covers about 23% of the target population (Onapa, 2010) and SAGE's senior citizen's grant is estimated to reach only 3.3% of the eligible 65+ population (ILO, 2014).

deduction to companies employing 10 or more persons with disabilities (until 2013 under the Persons with Disabilities Act of 2006) have been in place in Uganda to promote employment of people living with disabilities. Other policies in the form of Public Works Programmes were used to generate direct employment opportunities in areas where these were limited, such as the conflict-affected northern region. For example, the Northern Uganda Social Action Fund (NUSAF) created in 2003 provides grants to develop infrastructure, income support or livestock, and, since 2006, for activities outside of the farming sector, with employment temporarily created and provided for local people with a positive impact on incomes for beneficiaries.<sup>39</sup> Other social protection programmes with a public works component include the Restoration of Agricultural Livelihoods in Northern Uganda (RALNUC) and the Development Assistance to Refugee Hosting Areas (DAR), both using labour-intensive works paid largely through vouchers (Wylde et al., 2012). The latter aimed at increasing agricultural production, while the former placed more emphasis on helping internally displaced persons (IDPs) returning to their own land.

In sum, small-scale active labour market policies, in the form of public works programmes supported by donors, have provided temporary employment opportunities for vulnerable populations in the most deprived regions of Uganda, but otherwise have not been used much. Those with restricted employment possibilities – the inactive poor – were relegated to social assistance programmes as an attempt to support their escape from poverty (Lwanga-Ntale, 2013). Their impact, in terms of aggregate labour-market outcomes, is difficult to quantify, given the temporary nature of the programmes and the lack of comprehensive evaluation studies. Further, the aim of such programmes is often to counteract a temporary shock and provide short-term employment and a transfer to poor households during critical times (Subbarao, 2003), rather than to generate long-term employment opportunities.

Government allocations for the social sectors increased considerably with support from international donors and measures to protect pro-poor expenditures in the budget, mainly through the Poverty Action Fund (PAF) introduced in 1998/99. In particular, expenditure in the areas of education and health (excluding donor projects) rose from

18% of the budget in 1997 to 35% in 2005<sup>40</sup> (Piron and Norton, 2004 in Hickey, 2013; Kappel et al., 2005). Since then, there has been a decline in these budget allocations, for example education fell again to about 15% of the budget in 2009, although there was a increase of 9% in real terms between 1999 and 2009 (UNESCO, 2011) and there was a decline in ODA for HIV/AIDS programmes. Still the human capital investments in basic health and education that were prioritised in Uganda up to the mid-2000s (especially during the PEAP period) contributed to productivity improvements at the household level, and facilitated the movements to non-farm activities and labour participation.

Investing in education is among the top three most cost-effective ways to achieve poverty reduction in Uganda (Fan et al., 2007). Evidence of the impact of education on productivity and poverty reduction can be seen through the returns to education, a measure of the impact of additional education on earnings. Appleton (2001) estimates that in 1992 primary education raised earnings by about 6.5% in both self- and wage employment, secondary by about 9% and university by 13% (only for wage employment). With more recent data (UNHS, 2005/06 and 2009/10), Kavuma (2014) finds similar but slightly lower returns to primary education (5% for wage employment and 4% for self-employment) and secondary (close to 8% for wage employment and 9% for self-employment). Growth in living standards and poverty reduction during the 1990s was fastest for more educated households (Appleton, 2001). Importantly for the results in Section 2, more education has also been linked to positive returns within the non-farm self-employment sector.

The type of education and job are also important. Kavuma (2014) finds that in the informal sector, the marginal returns for technical education, called Business, Technical and Vocational Education and Training (BTNET) in Uganda, are higher than the marginal returns for an extra year in university. Similarly Appleton (2001) reports higher returns for secondary than for university education in informal activities. Both higher and technical education can lead to higher pay/earnings linked to increased productivity, but in the formal sector a university degree also acts as a signal for employers (of possession of some 'desired' characteristics), which is not needed for self-employment.<sup>41</sup>

39 According to the NUSAF II program data, the income of targeted households more than doubled the stipulated target of rising incomes by 30%, increasing to about UGX255,000 (from a starting point of UGX 93,401), despite the fact that NUSAF only provides around one month of employment and therefore only around one-third of the value of other social transfers such as Uganda's Social Assistance Grants for Empowerment (SAGE) (Wylde et al., 2012). This comparison depends on differences in wage rates and the duration of employment.

40 Expenditure had slowly started to rise before 1997, for example recurrent expenditure in education tripled between 1991 and 1995 and in health it increased 2.5 times (Reinikka, 2001). Health experienced a particularly sharp rise in 2001, with the prioritisation of primary healthcare.

41 Traditionally in Africa the higher returns to tertiary education are often related to better earnings through public sector employment (Teal, 2010). Declining tertiary education returns could be related to the contraction of public sector employment as those with higher education have found it increasingly difficult to find work in higher-paid occupations (Teal, 2010). In Uganda, while the private sector has long been the main sector of employment, open unemployment has increased, possibly related to this contraction and civil service reform. Nevertheless, unemployment still remains low and is usually confined to relatively well-off young people in urban areas who are willing to wait for a better opportunity (MFPED, 2013).

## Box 2: Migration, poverty and employment

Internal migration also had an impact on employment and poverty reduction. Internal migration is currently estimated at around 6% of the population, mainly in the Central Region, which includes Kampala (IOM, 2013). While the number of people internally displaced by the conflict – a major cause of migration – decreased after a peak in 2005, the search for employment continued to push internal migration (ibid.). In fact, data from the 1992/93 and 2005/06 UNHS indicate that along with family reasons (including marriage), employment has been consistently the most important reason to migrate (Table 2). Although it was not pursued as an active government policy, labour migration has been a key component of the diversification of economic activities.

Urban growth and migration from rural to urban areas can be a powerful engine of growth and transformation of the employment structure (Filmer and Fox, 2014; Dorosh and Thurlow, 2014); people's movements to urban areas are at the same time a consequence of increased productivity in the rural areas and are associated with a change in the employment activities they undertake. Various household-level analyses, and the evidence of increased household-level productivity presented in Section 2, suggest that this has been the case in Uganda (i.e. Fox and Pimhidzai, 2011; Kappel et al., 2005; Lawson et al., 2003; Ssewanyana et al., 2014). Faster urban growth and a large agro-processing industry have also generated backward linkages to agriculture, for example through demand for agricultural goods to be used as raw inputs in food-processing industries. This has the potential thereby to reduce the rural-urban divide (Dorosh and Thurlow, 2014) and to increase non-agricultural employment opportunities if urban growth is accompanied with increases in agricultural productivity (Dorosh and Thurlow, 2014).

International migration also has effects on employment. In many countries, employment abroad acts as a temporary relief for local unemployment. In Uganda however, international labour migration has been relatively small (although data is scarce), rising only recently. According to the IOM (2013), the number of Ugandans residing abroad increased from 248,393 in 1990 to 628,845 in 2013, though it is not possible to know how many of them migrated for employment reasons.

Moreover, the profile of internal and external migrants has differed. International labour migration traditionally consisted of high-skilled professionals to Kenya (a top destination for Ugandans), other East African countries\* and some developed countries. In addition to the exodus during the Idi Amin period, the search for higher salaries was identified as a main cause for skilled migration (Mulumba and Olema, 2009). This has been reflected in shortages of certain types of skilled workers in Uganda, particularly in the health sector (Awases et al., 2004) although some evidence points to the fact that the return to stability in the country, alongside government attempts to attract its professionals back home since 1989, have succeeded, and the high-skilled exodus decreased in the 1990s, possibly contributing to increased labour productivity in the country.\*\*

As opportunities are established in regional markets, overall labour migration could increase further. That said, the opportunities for free movement for workers, goods, services and capital, offered under the EAC Common Market Protocol (CMP), are yet to be exploited fully, especially since some countries still impose tight regulations that limit the flow of labour migrants.

\* For example, 54% of non-resident entries are nationals of Kenya and Rwanda, and 55% of departures of Ugandan residents and non-residents are to Kenya and Rwanda (IOM, 2013).

\*\* Moreover, in a more recent comparative study of six African countries, Ugandan health professionals were the least likely to express a desire to migrate (Awases et al., 2004).

**Table 2: Reason for shifting (internal migration, past five years)**

Reason for shifting	1992/93 (% of total)	2005/06 (% of total)
Employment – looking for job/income	29.2	28.3
Marriage	6.0	15.3
Education	2.9	8.9
Refugee settlement	0.5	NA
Search for land	5.9	NA
Other family matters – join family	34.3	14.5
Drought/war/calamity – insecurity	10.9	25.8
Others	10.3	7.3

Note: response categories differ between the 1992/93 and the 2005/06 surveys. They have been matched, as far as possible for comparison.

Source: UBOS (1994) and UBOS (2006).

Education also increases the chance of participating in non-farm self-employment by 11 percentage points (from 22% to 33%) between 1992/93 and 1999/2000 (Appleton, 2001), thus also helping to explain some of the shift from agriculture and diversification into non-farm enterprises. Other studies show that education was linked with a higher probability to start a non-farm trade enterprise in Uganda, even when controlling for household asset ownership and other household and community characteristics (Deininger and Okidi, 2001), and with over 100% higher earnings in household enterprises (Filmer and Fox, 2014).

Given these positive linkages, an important factor for employment progress has therefore been that after Malawi, Uganda was the second SSA country to abolish school fees and introduce universal primary education (UPE), in 1997. Universal secondary education was introduced in 2007 and various adult literacy programmes were also implemented. Gross enrolment in primary school increased from 3.1 million children in 1996 to 7.6 million in 2003, an increase of 145% (Bategeka and Okurut, 2006); this was a much higher jump compared to other EAC countries that started with similar levels of enrolment and which also introduced UPE (Avenstrup et al., 2004),<sup>42</sup> as the reforms increased the inclusion of poorer children (UNESCO, 2013), girls (Bategeka and Okurut, 2006) and children with disabilities (Bategeka and Okurut, 2006). By 2010, literacy rates for adults reached 73% from a 56% starting point in 1991, the biggest jump occurring between 1991 and 2002 (Table 3, overleaf).

In addition to rising access to education and its impact on labour productivity and work opportunities, health policies to reduce the likelihood and impact of sickness are also important in indirectly improving labour-market outcomes. In their absence, ill health has had a strong effect on labour market participation in Uganda, lowering the likelihood of being in the formal labour market for those who participate, especially for women (Bridges and Lawson, 2010, using the 2002-2003 UNHS).<sup>43</sup> This also affects absenteeism at the firm level. Although improvements in health were sought through general means such as elimination of user fees at hospitals, the role of policies aimed at tackling HIV/AIDS were particularly important.

HIV prevalence decreased rapidly in the 1990s, from 18.5% of the population in the early 1990s to 6.4% in

2004/05, although recently prevalence rates have increased slightly to 7.3% in 2012. While improved access to treatment (antiretroviral treatment went from 44% in 2008 to 62% in 2012) has reduced the number of deaths associated with HIV/AIDS, increased survival and life expectancy may have increased prevalence rates (MFPED, 2013; MFPED and UNDP, 2008) and the reduction in external financing to support programmes could have also had an impact.<sup>44</sup> A 1994 study in selected villages of Kabarole, Tororo and Gulu districts (Topouzis, 1994) showed that HIV/AIDS generates labour shortages in household farms and enterprises due to ill-health or death of family members. Moreover, the coping strategies<sup>45</sup> used to make up for such labour shortages impose a heavy burden for households and may further affect productivity of family enterprises and lead to impoverishment. Thus the sharp reduction in HIV/AIDS in Uganda may have contributed to farm productivity and diversification of economic activities described in Chapter 2.

The drop in HIV/AIDS prevalence is also likely to have impacted the formal economy in the form of reduced absenteeism, death and retirement benefits, medical care, recruitment and training of replacement workers, reduced productivity and supervisor time resulting from HIV/AIDS-related ill-health and/or death of workers, all of which impose costs on firms in Uganda<sup>46</sup>. Moreover, policies aimed at reducing ill health, particularly HIV/AIDS, also translated into further (but unquantified) indirect effect on employment and a stronger economy by increasing aggregate demand.

### 3.4 Promoting entrepreneurship and financial inclusion

Given the limitations of formal education, high population-growth rates and only limited access to formal employment, particularly in the rural areas and small towns, policies to promote entrepreneurship have also been key in supporting self-employment generation. Technical and vocational education and training have also potentially played a role in rising productivity and wage employment, along with schemes to improve financial inclusion.

Although Uganda's tertiary education system is still dominated by traditional, full-time-attendance universities and teacher-training colleges, the structure of

42 78% over eight years in Malawi, 15% over three years in Lesotho, and 14% in one year in Kenya (Avenstrup et al., 2004).

43 Having fallen sick in the previous 30 days and the number of days lost/suffered due to illness/injury.

44 Such external funding, particularly from the US, was crucial in supporting policies to tackle the disease in the 1990s.

45 For instance, extension of the working time of non-HIV-positive family members, including children, reduction in the cultivated land, substitution of cash crops by less labour-intensive crops, delays in planting and weeding, substitution for cheaper and often less nutritious food in order to buy medicines (Topouzis, 1994).

46 For example, a pilot study in two Ugandan firms showed a total cost of between UGX17,167,056 (US\$8,804) and UGX40,796,086 (US\$20,921) (Feeley et al., 2004).



Selling grain in Uganda. Photo: © Laura Rodríguez Takeuchi.

**Table 3: Literacy rates, 1991, 2002, 2006 and 2010**

Year	Adults (15+)			Illiterate population		Youth (15-24)			Illiterate population	
	Literacy rate			Total (000)	% of illiterate who are women	Literacy rate			Total (000)	% of illiterate who are women
1991	56.1	68.2	44.8	4,140	64	69.8	77.2	63.1	1,051	61.7
2002	68.1	78.3	58.9	4,156	65.9	80.8	86	76.2	972	63
2006	71.4	81.4	62.1	4,265	67.5	84.1	87.3	81.1	931	59.9
2010	73.2	82.6	64.6	4,560	67.4	87.4	89.6	85.5	837	58

Source: UNESCO UIS (2013)

the higher education system is evolving and allowing for diversification (AfDB and OECD, 2008), placing higher emphasis on practical skills development.

This shift after 2000 towards strengthening BTJET was targeted at filling a gap in the education system to try to address youth unemployment and improve access to the labour market for young people. The supporting policy environment, including the 2001 policy framework guiding the tertiary education sector, resulted in a flourishing of government BTJET institutions and several private sector initiatives (Box 3).<sup>47</sup>

Entrepreneurship has been incorporated as a key skill in BTJET programmes as some of the major reasons attributed to high youth unemployment are a lack of employable skills, access to resources like land and capital, negative attitudes towards certain types of work, particularly agriculture, and an emphasis on job seeking rather than job creation (Young Leaders Think Tank, 2011). The increase in supply of BTJET post-secondary-education opportunities has been matched with a change in the public perception and attitudes. While the sector was traditionally considered to be a last-resort alternative for school drop-outs or those who could not attend university, these perceptions are changing. The increase in supply is

part of this change, but innovative strategies in the media, for example through a soap opera (*Hand-in-hand*) and radio programmes, have also contributed. The high returns to this type of education may also have played a role in the change in attitudes.

Complementary to these, and despite problems with the government credit schemes (e.g. low recovery rates and high levels of politicisation) and the lack of official evaluations, data suggest that access to credit increased substantially during the 1990s (Deininger and Okidi, 2001). Prior to the launching of the Financial Sector Reform Program in 1993, Uganda had one of the least developed financial systems in Africa. Now, private- and donor-funded microfinance institutions have flourished and informal financial inclusion has broadened. The country is generally seen as having the most vibrant and successful microfinance industry in Africa (Carlton et al., 2001). As such, while in 1992 only 9% of Ugandans had access to credit, in 1999 this rose to 16% (Deininger and Okidi, 2001), and in 2012/13 (UBOS UNHS) 22% of Ugandan households had applied for a loan within the last year, with working capital cited as the main reason for a loan request. Comparative data from the latest Financial Inclusion Survey shows that when including non-bank and informal

**‘Approximately 400,000 young people join the labour market annually. These are a summation of people with little education and graduates trained from different institutions such as government and private universities, technical institutes, vocational schools, agricultural research colleges, paramedical schools, primary teachers’ colleges and national teachers’ colleges’ – Ugandan senior economist**

47 In addition, the Universities and Other Tertiary Institutions Act (2001) aimed to standardise courses offered by tertiary-education providers and establish the governing legal framework; the Education Sector Plan (2004-2015) which changed the vision of BTJET as an alternative to academic education in the last two years of secondary level, rather than an alternative to the early years of secondary education (AfDB and OECD, 2008); the BTJET Act (2008) setting key elements of the development of the Uganda Vocational Qualifications Framework, recognising prior learning (AfDB and OECD, 2008) and introducing a training levy (yet to be implemented) as an avenue to raise more money to finance vocational training; and the Skilling Uganda programme (2012).

---

sources of banking, Uganda has the highest percentage of financial inclusion of comparative SSA countries, including South Africa and Kenya (Figure 21).

Initially, many of the financial inclusion strategies were targeted at the agriculture sector but soon the scope expanded.<sup>48</sup> Entandikwa (*Start-up* or *Initial Capital*), launched in 1996 was the government's first attempt at providing interest-free microcredit directly to poor people in rural areas. Before its closure at the beginning of the 2000s Entandikwa remained the main source of formal credit, and close to half of loans (45%) were used to establish non-agricultural enterprises (Deininger and Okidi, 2001). The idea of helping the poor escape poverty through providing initial capital to support productive activities remained popular. The Bona Bagaggawale (*Prosperity*

*for All*) credit scheme was launched in 2006 with the aim of covering the entire country and addressing the whole value-chain of production, in particular for export products and those with high added value (CPAN, 2013).

Since the introduction of mobile money services in 2008 by Mobile Telephones Network (MTN), the number of registered users rocketed to more than 14 million by the end of 2013, accompanied by a comparatively large rise in access points to serve those users (BoU, 2014). This dramatic increase in credit has clearly had an impact in the transformation of household activities and supported movements out of subsistence agriculture (Fox and Pimhidzai, 2011; Kappel et al., 2005; Lawson et al., 2003; Ssewanyana et al., 2014).

### Box 3: BTVET and entrepreneurship

Training in entrepreneurial skills for self-employment generation has been supported by the government, and donors, some of which played a large role even when the country was concentrated on UPE (Hedger et al., 2010) (e.g. Belgium's support earmarked for post-primary education and BTVET or German support for vocational and technical training). The budget for secondary education and BTVET increased after the change of emphasis away from formal education and UPE in 2006 and the large accompanying reduction in aid earmarked to primary education (Hedger et al., 2010).

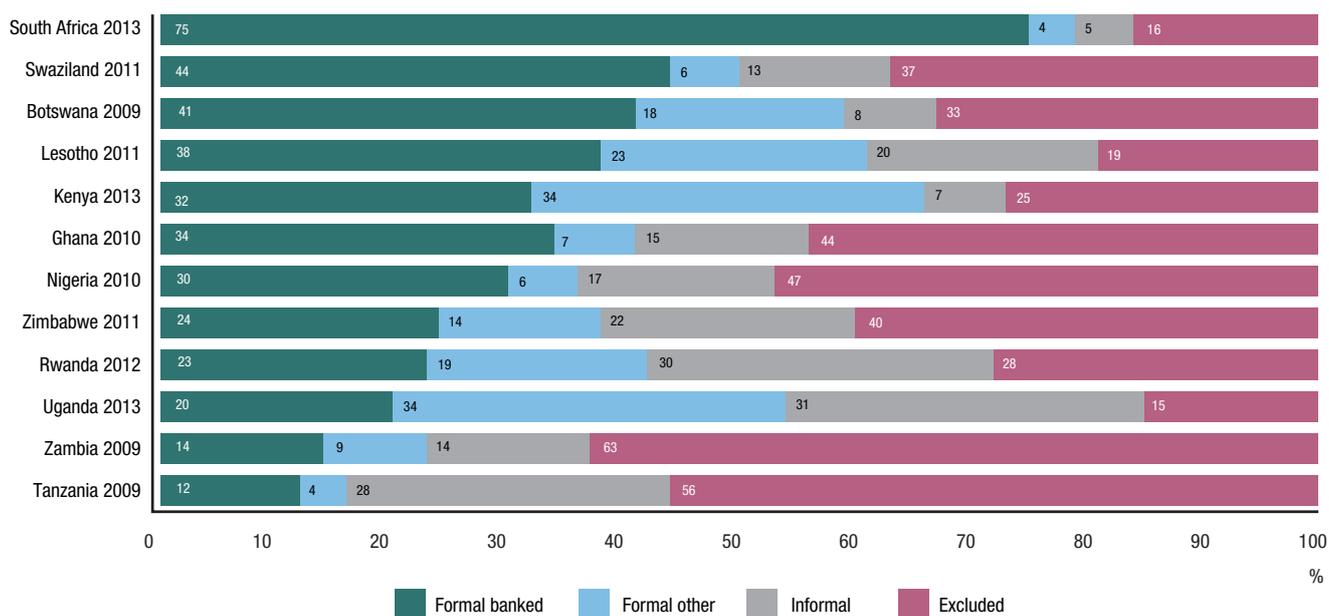
BTVET education is offered at polytechnics, farm schools, technical schools and colleges operating at the secondary and tertiary level, and most providers are private. Total enrolment was estimated at 29,000 students in 2007/08, mainly male (UNESCO, 2011). Several public, private and NGO-led entrepreneurship and skills programmes have been in operation through the period (see Annex 1 for details). These include targeted interventions for school drop-out children, for example, as well as broader entrepreneurship-support interventions delivered in the context of wider social protection programmes (e.g. the Youth Opportunities Programme in NUSAF).

Well-known programmes are delivered through Enterprise Uganda, in operation since 2001 and funded by a consortium of donors (UNDP, Enterprise Africa, UNCTAD, Norway, Sweden and the Government of Uganda). The main programme is a youth entrepreneurial training programme to teach business management skills. According to an Enterprise Uganda official, they have been successful in promoting the development of small and medium-sized enterprises; on average, the start-ups they support have been able to generate three additional jobs. Other private sector associations involved in the delivery of similar programmes are the Uganda Small Scale Industries Association, Uganda Manufacturers Association and Private Sector Foundation (PSF).

---

48 For example through the PMA and the National Agricultural Advisory Services (NAADS) programmes which provide extension services to farmers. An independent evaluation showed a positive impact on access to credit, explained by the encouragement and support to form and operate savings and credit cooperatives (SACCO) at the sub-county level, and linkages to microfinance institutions and commercial banks (Okoboi et al., 2013). That said, there was a limited impact on increasing technology adoption, productivity and output commercialisation.

**Figure 21: Financial inclusion by selected African countries, 2009-2012, %**



Source: Economic Policy Research Center (EPRC) (2013).



Man at a bicycle repair shop in Uganda. Photo: © Brian Wolfe.

---

# 4. What are the challenges?

**‘(Uganda is) far away from inclusive growth. The top levels just think of growth and are not interested in the inclusive part’ – Uganda-based researcher**

Overall, the progress described in Section 2 has mostly been driven by broad, long-running policies aimed at reversing the macroeconomic and political instability of the period from independence up to the late 1980s and establishing the necessary conditions to spur growth and employment creation. Macroeconomic stability, market liberalisation and privatisation aimed at promoting growth more broadly characterised the first decade after 1990, while from the late 1990s, social policies aimed at reducing poverty dominated. While none of these explicitly focused on employment creation, together with small-scale programmes aimed at raising financial inclusion and promoting entrepreneurship they appear to have had an impact on labour productivity and wage employment, thus contributing to the employment progress described above.

To sustain and spur economic growth and generate additional productive employment, a coordinated strategy for industrialisation is perhaps necessary. While ensuring that the initial phases of economic transformation discussed above can be continued in a form that widens access to decent work and prepares individuals to fill those roles, the pressure is further heightened by Uganda’s large and growing young population.

## 4.1 Limited employment creation in high productivity sectors

While the above analysis describes evidence of a shift in economic and employment activities at the macroeconomic and household level in Uganda, ultimately only a small proportion of the labour force has been able to move to higher value activities. The majority of new jobs have been created in low-productivity sub-sectors, such as retail trade and hospitality; employment in formal manufacturing has expanded but remains relatively low, highlighting that recent progress trends need to be maintained to transform micro-gains into a shift to a modern, high-productivity economy. This broader challenge relates to the overall number of jobs being created in strategic (labour-intensive) industries, requiring further attention on how to promote more employment-creating investment.

While it is encouraging to note the movement of workers from low- to high-productivity sectors, the fact that agriculture is still the largest employer, with around 72% of the economically active population employed in the sector according to the latest household surveys (UNHS, 2012/13), indicates that modern sectors have been unable to absorb fully the surplus labour of Uganda’s rural economy. Moreover, the constant decline in its contribution to GDP underlines the challenge of continuing to support rural activities to be more productive. While private investment is key, it is worth highlighting that the agricultural sector has consistently received below 5% of total public expenditure over the past 10 years. The share of approved budget spending in agriculture, fisheries and forestry as part of total expenditures has reduced from 5.7% in 2001/02 to 3.8% in 2008/09 (World Bank, 2010); although allocations have increased to 4.5% in 2011/12 in accordance to the NDP, they still fall short of the commitments in the Maputo declaration (10% of the budget) (Tibaidhukira, 2011).

Expenditure on agricultural research and development followed by investments in feeder roads and in education have the highest return to labour productivity and poverty reduction in Uganda (Fan et al., 2007). Increased public expenditure on agriculture could help promote a more efficient and productive agricultural sector, which in turn would allow farmers more time to spend on side activities characterised by greater diversity and higher added value.

The recent discovery of oil in Uganda, announced in 2006 as the biggest onshore finding in Africa over 20 years, brings potential opportunities for increased investments and enhanced job creation, but also major economic and political risks. New job opportunities are further anticipated in the fields of petroleum exploration<sup>49</sup> and there are prospects for significant employment opportunities through chain and multiplier effect – for example to provide construction of pipelines, roads, rail lines and storage facilities necessary to transport and store the oil and gas produced. Some early estimates claim that only around 3,000 jobs will be directly created through the Ugandan oil industry (Shepherd, 2013), underlining the importance of addressing how oil revenues are managed and used to benefit the wider population, not least through employment opportunities.

---

<sup>49</sup> Large-scale oil reserves were announced in 2006 and described as Africa’s biggest onshore oil discovery in 20 years (Shepherd, 2013).

---

## ‘The oil findings will change things in Uganda dramatically, it is however not sure whether this will benefit the general population’ – Private sector representative

Since 2008 the Ugandan economic growth has slowed down and although the economic prospects for 2014 and 2015 are encouraging (GDP is expected to rise 6.6% in 2014 and 7% in 2015 (Oling et al., 2014), the capacity to translate growth into productive employment will depend greatly on the economy’s capacity to create jobs in productive and employment-intensive sectors. More broadly, while potential employment-creating opportunities are emerging as the Ugandan economy continues to grow, particularly driven by the construction and service sectors, with rural infrastructure investments, increasing internet connectivity, online companies, trade, tourism and commerce all offering new opportunities and the tools to participate in global value chains in all sectors (including agro-processing, which relates to both manufacturing and has strong links with agriculture), capitalising on these opportunities and encouraging investment to create more and better jobs will not be easy. Employment opportunities generated in the construction sector may be short-lived while those in the service sector face the challenge of improving employment quality.

Trade expansion, particularly with EAC countries, is still expected and can further generate new employment opportunities although there is still a need for investment in infrastructure. The plans to rejuvenate, connect and expand existing railway lines in East Africa, as well as the deepening of the free movement Common Market Protocol, will be important vehicles for the expansion of growth and employment opportunities from more prosperous regions to the ones still lagging behind, but again, attention must be paid to ensuring investment takes place and that the labour supply can match demand.

Government will need to think about how to implement policies to facilitate firm survival and expansion without endangering fiscal stability. Over the past decade smaller firms have provided the largest share of formal jobs in Uganda, while medium-sized firms are expanding faster compared to both small- and large-sized firms (Stella et al., 2014, Aggrey et al., 2012). In the mid-term, thinking about how to promote development of small and medium enterprises will thus be essential to strengthen productive employment quantity in Uganda.

Reinforcing sources of domestic funding will be important, not only for continued macro-economic stability

but also to support the approach that the country decides to take to promote employment. Despite extensive tax reforms in the early 1990s, tax exemptions for large firms – ripe in Uganda since independence – were left largely untouched (Cawley and Zake, 2010). It was only in July 2014 that they were fully eliminated, according to a representative from URA.<sup>50</sup> The exemption only applied to larger firms and while these benefits would in theory allow them to increase employment, it has been suggested that the impact of these exemptions on employment in Uganda has been marginal. At the same time, the possibility of tax evasion for small firms may have created a disincentive to firm growth since expansion increased the pressure to register and thus pay taxes and other related fees (Gauthier and Reinikka, 2001). Furthermore, more recent research shows that the flat tax rate for firms (at 30%) limits the performance and growth potentials of small- and medium-sized enterprises in Uganda as it reduces internal sources of financing and discourages formalisation, expansion and participation in subcontracting arrangements (Ishengoma and Kappel, 2011). While some of the policies implemented in the 1990s and 2000s were necessary at the time, their relevance may have changed with the country’s developments.

### 4.2 Demographic pressures on employment demand and employment quality

In addition to promoting investment and employment creation to keep up pressure on labour force growth, the challenge facing Ugandan policy-makers is also to ensure that labour force participants are able to access existing opportunities, either in employment or self-employment.

As the analysis has shown, despite credible progress with some aspects of employment, the quantity of jobs created has not been enough to increase access to productive employment opportunities for the wider population. 78% of the Ugandan population are under 30 – the largest percentage of young people in the world – and 8 million aged between 15 and 30 (UNPF, 2012). According to the UNHS 2012/2013, up to three quarters of the recent entrants to the labour market are employed by themselves or their families, while interviewees pointed out that 400,000 young people entered the labour market in 2012, but only 90,000 found employment. Official figures corroborate this number<sup>51</sup> and find that despite UPE, the majority of new entrants had not completed primary education, with only 33,000 having a diploma or degree from a formal institution (MGLSD, 2011).

In order to take advantage of a possible ‘demographic dividend’ (where the working-age population is higher with respect to children and older people) in the coming

---

50 According to his estimations, the increase of tax revenues this would bring amounts to somewhere around 2-3% of GDP.

51 The Ministry of Gender, Labour and Social Development (2011) estimates approximately 392,000 new entrants to the labour market each year and only about 39,022 new jobs created.

---

years, there will need to be a significant reduction in population growth, and, more fundamentally, an expansion of employment opportunities to this segment of the population entering the labour force. Further, education opportunities will need to be expanded even further, not only for human capital formation, but also to retain people longer in the educational system and reduce the demographic pressure on employment demand.<sup>52</sup>

While quantity and access to education rose sharply, as described above, quality suffered with overcrowded classrooms, double and triple shifts, and shortages of teachers, textbooks, and materials (Avenstrup et al., 2004; Bategeka and Okurut, 2006; Wane and Martin, 2013), reflecting that the system was not geared up for the logistical implications of UPE (Avenstrup et al., 2004) and the difficulties responding to high population growth. Providing quality education will be a challenge for Uganda to skill its labour force and to take advantage of the employment opportunities created by investment and the emergence of new sectors. Moreover, greater educational attainment has resulted paradoxically in an increase in youth unemployment and in migration of high-skilled people to neighbouring countries in search for higher salaries.

### **‘Kenya is the biggest beneficiary of the Ugandan schooling system’ – Private sector association representative**

Youth entrepreneurship programmes have been part of the answer to addressing youth unemployment through self-employment. While helping potential young entrepreneurs is important, there needs to be recognition that many young people are driven to self-employment by the lack of opportunities in other areas. Moreover, the evidence indicates that, with few exceptions, there are gaps in terms of maintaining micro-enterprises past one year of operation and in expanding to employ more people. Moreover, beyond the negative effects that youth unemployment has for the individual and the economy at large, there is also a realisation that it brings high political and civil risks. In the interviews undertaken for this research, the risk of youth revolt and political instability was mentioned repeatedly.

An important element of improving employment quality relates to employment conditions. This implies a role not only for labour regulations, but potentially also for corporate social responsibility and transparency around international business practices. Moreover, the strategy of promoting self-employment needs to be complemented

by a more comprehensive system of social insurance both for wage employees and the self-employed to support transitions to more productive employment. Social insurance systems for old age and unemployment risks are under-developed in Uganda, even in comparison to other East African countries (Kasente et al., 2002). The government pension scheme for government workers and the National Social Security Fund (NSSF) are the main formal social insurance systems, but their coverage is estimated to be of less than 5% of the economically active population. The benefits are also limited and most people rely on informal (family and kinship) and semi-formal social insurance (Kasente et al., 2002). There have been plans to introduce a nationwide social health insurance scheme, which would also cover informal-sector workers, but plans have not yet materialised. Beyond applying existing labour standards and regulations, the legal minimum wage has not been revised since 1984 and has an almost negligible importance in Uganda today, which needs to be discussed in the context of promoting further productive-employment creation. The national trade union federations have made it a priority area to have a new legal minimum wage fixed in order to improve the living wage – enough to cover basic needs of workers and their families.

### **4.3. Putting the spotlight on employment and not just on growth**

To date, much employment progress has come through growth-focused policies, so progress has been limited. Putting employment at the centre of developing country economic policy means focusing not only on employment quantity but also on quality and access as equally important goals and particularly on how these interact with structural change dynamics. That means looking at the specifics of job quality, quantity and access as they relate to sectoral labour demand and supply dynamics.

While the expansion of employment from a very low base and in the midst of a chaotic economic and political system is commendable, the progress observed emerged as a secondary effect of macroeconomic stabilisation and poverty-reduction policies. The 2011 National Employment Policy of Uganda was the first employment policy ever, underlining the lack of explicit and direct concern for employment in public policy until relatively recently when the rising problem of youth unemployment and under-employment became more and more evident. In a similar way, the MFPED is preparing the first evaluation report on the government’s employment strategy, yet to be published. However, according to interviewees the idea of the ‘trickle-down’ of growth in Uganda is still strong in the minds of many national policy-makers, as

---

<sup>52</sup> Estimates indicate that Universal Secondary Education would significantly reduce the annual number of new labour force entrants. If all children aged between 14 and 19 years were in school, there would be a fall in the new labour-market entrants of about 100,000 people per year (MGLSD, 2011 based on UN Population Projections 2009).

---

well as international donors, and employment needs to feature more strongly in the policy debates of the country. While economic growth and stability may be a necessary condition for employment generation, it is not sufficient to secure its quality and to guarantee access to employment opportunities for more disadvantaged groups.

Finally, while donor support and funding was highlighted as one of the key aspects that allowed Uganda to embark on a process of economic transformation and employment progress, some of the interviewees for this report indicated tensions between the main international financing institutions, keen to keep macroeconomic management and a very liberal approach at the centre stage, and some progressive sectors within the government who aim to redefine the role of the government in the economy, with a primary aim to support employment creation.

While the gains from market liberalisation process and the political support for key government reforms in the 1990s have been exploited, putting productive employment at the centre stage of policy will be key in delivering inclusive growth over the years to come, for

which a key challenge will be to disentangle the links between politics and business. Not only is there an overlap between the economic and political elite in the country but ‘corrupt rent-seeking arrangements of various kinds are widespread, unregulated and seldom penalised effectively despite elaborate formal controls’ (Booth et al., 2014). New private-sector development is often facilitated by political connections and/or favours, and the spread of such practices in Uganda are wide among firms of different nationalities (Booth et al., 2014). This means that, while the government’s stand is broadly pro-business, the policy-making process is erratic and over-dependent on personal interventions by the President (Booth et al., 2014). This then needs political coalitions to promote policies for employment but also broader support and pressure from various economic and political sectors in Uganda, including civil society.

Putting employment at centre stage will require a revision of the current policies and a broad consensus among key players on the challenges and approach to deepen employment progress.



Photo: © William Vest-Lillesøe / DRC.

---

# 5. What lessons can we learn?

The employment progress in Uganda discussed in this report shows an important transformation of the economy and the employment structure over the past 25 years. Progress started from a very low base: in 1990 Uganda was a war-driven, economically unstable country with over half of its people in poverty and most of them living out of subsistence agriculture. Since then however, Uganda has managed to raise labour productivity and wage employment, reduce working poverty and raise incomes more broadly in spite of the many remaining challenges identified in the previous section.

This case study touches on some of the trade-offs and tensions faced in achieving employment progress.

- How can an economy kick-start its process of employment structural transformation from a low base?
- What is needed to work effectively with the private sector and attract investment in a sustainable way?
- How can employment act as a link between growth and poverty reduction?
- How to deal with demographic challenges while promoting inclusive labour markets?

This section summarises the main lessons and recommendations we can draw from this story:

- **A combination of macroeconomic and microeconomic policies have been key in supporting employment, but a coordinated strategy for further industrialisation is needed.** While employment creation and improving working conditions have always been implicitly at the heart of the development agenda, until recent years they received little explicit attention in development policy fora. A lack of productive employment is one of the proximate causes of poverty, while employment operates as the link between economic growth and poverty reduction (Osmani, 2002; Islam, 2004; Khan, 2007). Employment progress is therefore a key policy concern for developing countries, even if only implicitly, while its increasing treatment as an explicit policy objective raises the importance of understanding the policies that contribute positively to job creation.

Employment outcomes in Uganda relate to a range of policies implemented over the long run. Very few analyses are available to establish clear-cut policy links to the observed employment outcomes. Interestingly, employment progress has not been an explicit policy,

but rather implicitly addressed through macro-economic stabilisation reforms, market-liberalisation policies and later poverty-reduction policies through education policy, TVET and health progress.

Sound macroeconomic management since the 1990s reversed the main distortions of the preceding period and helped to ensure rapid and relatively inclusive post-conflict growth. This growth has propelled a more diversified economy, which has slowly started to embark on a process of structural transformation. Thus, while the service sector has been growing fastest and has attracted the largest shares of FDI inflows, small-scale producers and traders have been equally important in terms of employment creation. The growing interest in infrastructure and industrial policy to promote economic transformation combined with a greater explicit focus on employment will require more in-depth insights into the specific linkages between enabling policies for businesses and the private sector, and employment and well-being outcomes.

International donors have played a large role in Uganda, in particular through their support of macroeconomic stabilisation and liberalisation policy reforms, as well as through financing of a large proportion of the poverty-reduction efforts in the country. However, looking into the future, there are some emerging tensions between continuing with the liberal strategy and opting for a more active role for the state to steer the economy and generate employment.

- **For countries such as Uganda, employment progress needs to be understood in terms of livelihoods, going beyond macro-level data to look at changes in household productive activities.** That means taking into account the degree to which households and individuals are diversifying income strategies even if not changing their primary activity. An important lesson from this study is that economic transformation processes are only partially reflected in the macro-level data on employment and value added. In addition to rising FDI and an expanding service sector, the diversification of livelihood incomes in Uganda appears to be an important intermediate step in achieving progress in key employment measures: rising wage employment and rising labour productivity.

- **Investments in human capital can spur a transformation in the labour force.** Investing in human capital is essential for structural transformation, with productivity growth in formal and household-level enterprises linked to the poverty-reduction strategy of the country. This relates primarily to investments in health and education, especially BTVET and small-scale entrepreneurship. In a context of high informality, insufficient creation of formal employment (given the scale of the demographic growth), and a large subsistence-agriculture sector, these policies were drivers of household productivity and diversification of economic activities. Again, support from international donors was essential to finance many of these policies, and shaped their emphasis.
- **A key determinant of economic development is structural economic transformation: increasing jobs and productivity both *within* sectors, but also *between* sectors.** If jobs are increasingly a key developing country policy objective, economic transformation is seen increasingly as the means to achieving this. As McMillan and Rodrik (2011) describe, productivity growth can take place within sectors, through technological upgrading or more efficient use of resources through other means. This could potentially come at the expense of employment in some sectors however, as technological upgrading can reduce labour demand thus forcing workers to seek new employment in lower-productivity sectors. The challenge then is to create jobs and increase worker productivity within sectors, while also ensuring that labour demand shifts from low- to high-productivity sectors.

Taking a country-level approach, as the Development Progress series does, means carrying out analysis at an aggregate level, where interesting stories may be happening at a sectoral level. Indeed if rising output in one sector were undermined by the movement of workers into low-productivity work, economic growth is unlikely to have widespread effects on overall poverty and incomes. Settling the between-sector component of structural transformation requires stronger links between the sectors and increased human-capital investments that upgrade the labour force, enabling workers to take advantage of employment opportunities in the more productive sectors. In Uganda, the links between agriculture and industry and the attempts to promote value chains in the investment strategy of the country also contribute to this between-sector movement.

- **Progress at the country level may be accompanied by sub-national inequalities; addressing them is crucial for building sustainable employment progress.** The impressive poverty-reduction gains in Uganda have been accompanied with increases in income inequalities. However, with limited exceptions targeting the conflict-affected northern region and the so-called ‘inactive poor’, very few policies have been introduced to facilitate employment opportunities for disadvantaged groups and areas. In particular, Uganda’s high-rate of non-agricultural economic growth allowed only a small proportion of the labour force to move to higher-value activities. The agricultural sector will remain a major source of employment for many Ugandans and supporting more quality and productive employment in this area is likely to bring large benefits both in terms of employment and poverty reduction.

## References

- ACET (2014) *Growth with Depth*, African Transformation report 2014, African Centre for Economic Transformation (ACET), Ghana and United States. <http://acetforafrica.org/wp-content/uploads/2014/03/2014-African-Transformation-Report.pdf>
- AfDB and OECD (2008) *Uganda. African Economic Outlook*. <http://www.oecd.org/dev/emea/40578334.pdf>
- AfDB (2012) *African Economic Outlook. Promoting Youth Employment in Africa*. AfDB, OECD, UNDP. [http://www.africaneconomicoutlook.org/theme/youth\\_employment/](http://www.africaneconomicoutlook.org/theme/youth_employment/)
- Aggrey, N., Ogwal, M. and Ochai M. (2012) *The Effects of Investment Climate on Manufacturing Firms' Growth in Uganda*, ICBE-RF Research Report No. 19/12, Investment Climate and Business Environment Research Fund (ICBE-RF), Kampala, Uganda.
- Ahaibwe, G., Kasirye, I. and Barungi, M. (2014) *Promoting Self-employment through Entrepreneurship Financing: Lessons from the Uganda Youth Venture Capital Fund*. EPRC Policy. Brief N.47. <http://bit.ly/1abmLdP>
- Appleton, S. (2001) *What Can We Expect from Universal Primary Education?* in Reinikka, R. and Collier, P. (Eds.). *Uganda's recovery. The role of Farms, Firms, and Government*. Washington D.C.: The World Bank.
- Avenstrup, R., Liang, X., Nellemann, S. (2004) *Kenya, Lesotho, Malawi and Uganda: Universal Primary Education and Poverty Reduction. A case study from Reducing Poverty, Sustaining Growth – What Works, What Doesn't, and Why. A Global Exchange for Scaling Up Success*. Presented at: Scaling Up Poverty Reduction: A Global Learning Process and Conference, Shanghai, May 25-27, 2004. The International Bank for Reconstruction and Development, World Bank. <http://bit.ly/1A2ZJdQ>
- BOU (2014) *Status of Financial Inclusion in Uganda*. Kampala: Bank of Uganda. <http://bit.ly/1wjOqU7>
- Bategeka, 2013 ADD
- Bategeka, L. and Okurut, N. (2006) *Universal Primary Education*. Uganda. Policy Brief N10, Inter-Regional Inequality Facility. London: ODI. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/4072.pdf>
- Basu and Srinivasan (2002) *Foreign Direct Investment in Africa – some Case Studies*, IMF Working Paper, WP/02/61. <http://www.imf.org/external/pubs/ft/wp/2002/wp0261.pdf>
- Bbale, E. (2013) 'Is Uganda growth profile jobless?', *International Journal of Economics and Finance*, Vol. 5(11): 105- 123.
- Bbale, E. (2014) 'Where Are the Ugandan Youth? Socio-Economic Characteristics and Implications for Youth Employment in Uganda', *Journal of Politics and Law*, Vol. 7(1): 37-63
- Bevan, et al. (2003) 'Poverty Eradication Action Plan Revision 2002', MFPED, as cited in Ssemogerere, G. (2005), *Productivity Performance in Developing Countries, Country Case Study: Uganda*, UNIDO, Vienna. <http://bit.ly/1GoxpIs>
- Blattman et al 2011 ADD
- Booth, D., Cooksey, B., Golooba-Mutebi, F. and Kanyinga, K. (2014) *East African Prospects. An Update on the Political Economy of Kenya, Rwanda, Tanzania and Uganda*. London: ODI. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8945.pdf>
- Bridges, S. and Lawson, D. (2010) 'Health and Labour Market Participation in Uganda' in McGillivray, M., Dutta, I. and Lawson, D. (Eds). *Health, Inequality and Development*, Palgrave.
- Café Africa (2015) Uganda – 2006 *Onwards*, retrieved 12/01/15. <http://bit.ly/1DQA1iS>
- Carlton, A., Manndorff, H., Obara, A., Reiter, W. and Rhyne, E. (2001) *Microfinance in Uganda*. <http://www.oecd.org/countries/uganda/35481055.pdf>
- Cawley, G. and Zake, J. (2010) 'Tax Reform' In Kuteesa, F., Tumusiime-Mutebile, E., Whitworth A. and Williamson T. (eds) *Uganda's Economic Reforms: Insider Accounts*. Oxford University Press: Oxford, 1st edition, pp. 103-128.
- Collier, P. and Reinikka, R. (eds) (2001) *Uganda's Recovery – The Role of Firms, Farms and Government*, World Bank Regional and Sectoral Studies, Report Number 21994; Volume No 1, Washington D.C.: The World Bank. <http://bit.ly/1FSORHK>
- CPAN (2013) *The 2nd Chronic Poverty Report-Uganda. Is anybody listening?* <http://bit.ly/1BM9TX0>
- Dorosh, P. and Thurlow, J. (2014) 'Can Cities or Towns Drive African Development? Economy wide Analysis for Ethiopia and Uganda'. *World Development*, Vol. 63: 113–123.
- Deininger, K. and Okidi, J. (2001) 'Rural Households: Incomes, Productivity, and Nonfarm Enterprises' in Reinikka, R. and Collier, P. (eds.). *Uganda's Recovery. The Role of Farms, Firms, and Government*. Washington D.C.: The World Bank.
- EAC (2013) *EAC Investment Guidebook*, East African Community.
- EPRC (2013) Uganda 2013, *FinScope III. Survey report findings. Unlocking Barriers to Financial Inclusion*. [https://www.bou.or.ug/opencms/bou/boudownloads/Financial\\_Inclusion/Uganda2013FinScopeMainReport.pdf](https://www.bou.or.ug/opencms/bou/boudownloads/Financial_Inclusion/Uganda2013FinScopeMainReport.pdf)
- Fan, S., Brezeska, J., Shields, G. (2007) *Investment Priorities for Economic Growth and Poverty Reduction*. Washington D.C.: IPFRI.
- Feeley, F. Bukuluki, P., Collier, A. and Fox, M. (2004) *The Impact of HIV/AIDS on Productivity and Labor Costs in Two Ugandan Corporations*. Boston: Center for International Health and Development, Boston University School of Public Health. <http://bit.ly/1GoxuMk>
- Filmer, D. and Fox, L. (2014) *Youth Employment in sub-Saharan Africa*. Washington: Agence Française de Développement and World Bank. <http://bit.ly/1A2Qevj>

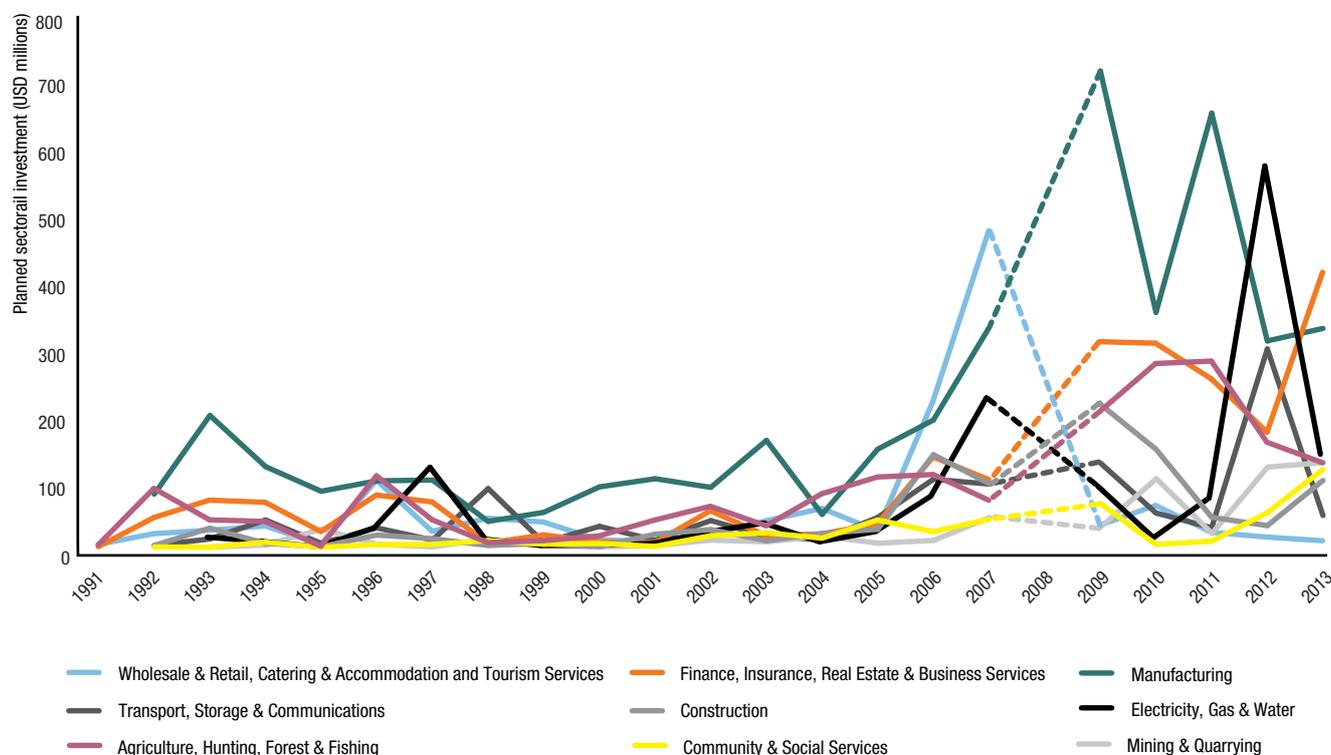
- Fox, L. and Pimhidzai, O. (2013) *Different Dreams, Same Bed: Collecting, Using, and Interpreting Employment Statistics in sub-Saharan Africa – The Case of Uganda*. World Bank Policy Research Working Paper 6436. <http://bit.ly/1ELQxiw>
- Fox, L. and Pimhidzai, O. (2011) *Is Informality Welfare-enhancing Structural Transformation? Evidence from Uganda*. Policy Research Working Paper No. WPS 5866. Washington DC: The World Bank.
- Garcia, M. and Fares, J. (eds) (2008) *Youth in Africa's Labour Market*. Washington D.C.: World Bank. <http://bit.ly/1wjftPm>
- Gauthier and Reinikka (2001) *Shifting Tax Burdens through Exemptions and Evasion: An Empirical Investigation of Uganda*, École des Hautes Études Commerciales, Montréal, Canada, Development Research Group, World Bank Washington, D.C. [http://www.csae.ox.ac.uk/conferences/2001-nirafbia/pdfs/gauthier\\_reinikka.pdf](http://www.csae.ox.ac.uk/conferences/2001-nirafbia/pdfs/gauthier_reinikka.pdf)
- Government of India (2013) *India-Uganda Relations*. [http://www.mea.gov.in/Portal/ForeignRelation/India-Uganda\\_Relations.pdf](http://www.mea.gov.in/Portal/ForeignRelation/India-Uganda_Relations.pdf)
- Hedger, E., Williamson, T., Muzoora, T. and Stroh, J. (2010) *Sector Budget Support in Practice. Case Study. Education Sector in Uganda*, London: ODI and Headington: Mokoro. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6077.pdf>
- Hickey, S. (2013) 'Beyond the Poverty Agenda? Insights from the New Politics of Development in Uganda'. *World Development*, Vol 43: 194–206. <http://www.sciencedirect.com/science/article/pii/S0305750X12002215>
- Hisali, E. (2011) *Trade, Employment and Gender: the Case of Uganda*, OECD, School of Economics, Makerere University, Kampala. <http://www.oecd.org/site/tadicite/48722379.pdf>
- ILO (2007) *The ILO at a glance*, Geneva; ILO <http://www.ilo.org/public/english/download/glance.pdf> and <http://www.oecd.org/site/tadicite/48722379.pdf>
- ILO (2013) *Key Indicators of the Labour Market*, KILM 8th Edition, Geneva: International Labour Organization. [http://www.ilo.org/empelm/what/WCMS\\_114240/lang-en/index.htm](http://www.ilo.org/empelm/what/WCMS_114240/lang-en/index.htm) Accessed January 2015.
- ILO (2014) World Social Protection Report 2014/15. *Building Economic Recovery, Inclusive Development and Social Justice*. Geneva: ILO.
- IOM (2013) *Migration in Uganda, a Rapid Country Profile 2013*. Kampala: International Organization for Migration. <http://bit.ly/1FnXBlp>
- Ishengoma, E.K. and Kappel, R. (2011) 'Business Environment and Growth Potential of Micro and Small Manufacturing Enterprises in Uganda', *African Development Review*, Vol. 23, No. 3, 2011, 352–365. [http://www.giga-hamburg.de/sites/default/files/publications/kappel\\_ishengoma\\_uganda.pdf](http://www.giga-hamburg.de/sites/default/files/publications/kappel_ishengoma_uganda.pdf)
- Islam, R. (2004) 'The Nexus of Economic Growth, Employment and Poverty Reduction: An Empirical Analysis'. *Issues in Employment and Poverty Discussion Paper*, (14). Geneva: Recovery and Reconstruction Department, ILO.
- Kalungi (2013) 'Ten Years On, Namanve Yet to Take Off', *Daily Monitor*, 26/03/2013. <http://www.monitor.co.ug/Business/Prosper/Ten-years-on--Namanve-yet-to-take-off/-/688616/1729934/-/v5uqsg/-/index.html>
- Khan, A.R. (2007) 'Growth, Employment and Poverty: An Analysis of the Vital Nexus Based on Some Recent UNDP and ILO/SIDA Studies'. DESA Working paper, (49).
- Kanyangoga (2010) *Integrating Migration with Development in EAC: Policy Challenges and Recommendations*, CUTS International. [http://www.cuts-geneva.org/pdf/BIEAC-RP10-Integrating\\_Migration\\_with\\_Development\\_in\\_EAC.pdf](http://www.cuts-geneva.org/pdf/BIEAC-RP10-Integrating_Migration_with_Development_in_EAC.pdf)
- Kappel, R., Lay, J. and Steiner, S. (2005), 'Uganda: No More Pro-poor Growth', *Development Policy Review*, 2005, 23 (1): 27-53. [http://www.giga-hamburg.de/sites/default/files/publications/kappel-et-al\\_uganda\\_dpr05.pdf%20.pdf](http://www.giga-hamburg.de/sites/default/files/publications/kappel-et-al_uganda_dpr05.pdf%20.pdf)
- Kasente, D., Asingwire, N., Banugire, B., Kyomuhendo, A. (2002). 'Social Security Systems in Uganda', *Journal of Social Development in Africa*, Vol 17 (2).
- Kavuma, S.N. (2014) *Private Returns to Education for Wage-employees and the Self-employed in Uganda* (work in progress). Paper presented at UNU-Wider conference 'Inequality – Measurement, Trends, Impacts, and Policies'. Helsinki, 4-6 September, 2014.
- Lawson et al. (2003) *Poverty Persistence and Transitions in Uganda: A Combined Qualitative and Quantitative Analysis*, CPRC Working Paper, No. 38. [http://www.chronicpoverty.org/uploads/publication\\_files/WP38\\_Lawson\\_et\\_al.pdf](http://www.chronicpoverty.org/uploads/publication_files/WP38_Lawson_et_al.pdf)
- Lwanga-Ntale, C. (2013) 'Chronic Poverty in Uganda: Lessons from 10 years of Research and Policy Engagement' in Sheperd, A. and Brint, J. (eds.) *Chronic poverty. Concepts, Causes and Policy*. Palgrave Macmillan.
- McMillan, M., Rodrick, D. (2011) *Globalization, Structural Change, and Productivity Growth*. NBER Working paper series, No.17143.
- Matovu, J.M., Twimukye, E., Musisi, A., and Levine, S. (2011) *Assessing Development Strategies to Achieve the MDGs in the Republic of Uganda*, EPRC, MFPED, UNDP Uganda, UN DESA. [http://www.un.org/en/development/desa/policy/capacity/output\\_studies/roa87\\_study\\_ugn.pdf](http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study_ugn.pdf)
- Mette Kjaer, A. and Muhumuza, F. (2009) *The New Poverty Agenda in Uganda*. DIIS Working paper 2009:14. [http://subweb.diis.dk/graphics/Publications/WP2009/WP2009-14\\_The\\_new\\_poverty\\_agenda\\_in\\_Uganda.pdf](http://subweb.diis.dk/graphics/Publications/WP2009/WP2009-14_The_new_poverty_agenda_in_Uganda.pdf)
- MFPED (2013) *Millennium Development Goals report for Uganda 2013*. Drivers of MDG Progress in Uganda and Implications for the Post-2015 Development Agenda. <http://bit.ly/1AFTEI6>
- MFPED (2000) *Uganda Participatory Poverty Assessment Report 2000*. Kampala: Ministry of Finance, Planning and Economic Development. <http://bit.ly/1AFBPZL>

- MFPEd and UNDP (2008) *Assessing the Macroeconomic Impact of HIV/AIDS in Uganda*. Summary report. Kampala: MFPEd. <http://www.econsult.co.bw/tempex/Summary%20Report.pdf>
- MGLSD (2011) *The National Employment Policy for Uganda. Increasing Decent Employment Opportunities and Labour Productivity for Socio-economic Transformation*. Kampala: Ministry of Gender, Labour and Social Development. <http://www.mglsd.go.ug/wp-content/uploads/2011/04/Employment%20policy1blank.pdf>
- MTTI and UNIDO (2007) *Industrial Development: Analysing Competitiveness, Growth Potentials and Investment Opportunities*, UGANDA Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, Part I, Vienna. Ministry of Tourism, Trade and Industry and United Nations Industrial Development Organisation. <http://bit.ly/1FSvYEW>
- Mold, A. and Muhwaya, R. (2014) *The Implications of the GDP Rebasng Exercise for Uganda and the EAC*, Sub-Regional Data Centre at the ECA Office for Eastern Africa, UNECA. <http://www.uneca.org/media-centre/stories/implications-gdp-rebasng-exercise-uganda-and-eac#.VKvZ12TF9NU>
- Namuddu, J. et al (2014) 'Evidence on Graduation in Uganda's Social Assistance Grants for Empowerment (SAGE) Scheme and the Feasibility of Promoting Sustainable Livelihoods for Labour Constrained Households through a Linkages Approach'. international conference: 'Graduation and Social Protection', Serena Hotel, Kigali, Rwanda. <https://www.ids.ac.uk/files/dmfile/Graduationconferencepaper-Namudduetal.pdf>
- Nyirinkindi, E. and Opago, M. (2010) 'Privatisation and Parastatal Reform' in Kuteesa, F., Tumusiime-Mutebile, E. Whitworth, A. and Williams, T. (eds.) *Uganda's Economic Reforms. Insider Accounts*, 2010, Oxford University Press, New York.
- Obwona, M.B. (1998) *Determinants of Foreign Direct Investments and their Impact on Economic Growth in Uganda*, EPRC, Uganda. <http://idl-bnc.idrc.ca/dspace/bitstream/10625/24091/1/113761.pdf>
- Odhiambo (2014) 'Uganda, Ethiopia to Join COMESA Free Trade Area', *The East African*, 04/03/2014, retrieved 12/11/2014. <http://bit.ly/17tKdBh>
- Okoboi, G., Kuteesa, A. and Barungi, M. (2013) *The Impact of the National Agricultural Advisory Services Program on Household Production and Welfare in Uganda*. Africa Growth Initiative Working Paper, N7. <http://bit.ly/1FnzfFQ>
- Oling, V-K., Rwabizambuga, A. and Warren-Rodriguez, A. (2014) 'Uganda'. In AfDB 2014, *African Economic Outlook (AEO) 2014*. AfDB, OECD, UNDP.
- Onapa, P. (2010) *Championing Policy Engagement on Chronic Poverty and Social Protection in Uganda: Experiences from Development Research and Training (DRT)*. Paper delivered during international conference: 'Ten Years of War Against Poverty: 'What Have We Learned since 2000 and What Should We Do 2010 - 2020', 8 - 10 September 2010, Manchester, United Kingdom.
- Osmani, S. R. (2002) *Exploring the Employment Nexus: Topics in Employment and Poverty*. Task Force on the joint ILO-UNDP programme on employment and poverty. New York and Geneva: UNDP and ILO.
- Reinikka, 2001 ADD
- Riddervold, S. (2011) *The Effects of Foreign Direct Investments on the Ugandan Economy: a Case Study of the Impact of Foreign Direct Investment in Uganda with an Emphasis on Employment*, University of Agder. <http://bit.ly/17tKcgT>
- Shepherd, B. (2013) *Oil in Uganda International Lessons for Success*. London: Chatham House. [http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Africa/0113pr\\_ugandaoil.pdf](http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Africa/0113pr_ugandaoil.pdf)
- Ssemogerere, G. (2005) *Productivity Performance in Developing Countries, Country Case Study: Uganda*, UNIDO, Vienna. [http://www.unido.org/fileadmin/user\\_media/Publications/Pub\\_free/Productivity\\_performance\\_in\\_DCs\\_Uganda.pdf](http://www.unido.org/fileadmin/user_media/Publications/Pub_free/Productivity_performance_in_DCs_Uganda.pdf)
- Ssewanyana, S., McKay, A. and Duponchel, M. (2014) *Poverty Dynamics Analysis, the Case of Uganda from 2006 to 2012*. Paper presented at the Growth Week 2014. International Growth Center, 22-25 September 2014.
- Ssewanyana, S. (2009) *Growth, Inequality, Cash Transfers and Poverty in Uganda*. Country Study N19. Brasilia: International Policy Centre for Inclusive Growth. <http://www.ipc-undp.org/pub/IPCCountryStudy19.pdf>
- Stella, B., Aggrey, N., and Esaza, K. (2014) 'Firm Size and Rate of Growth of Ugandan Manufacturing Firms', *Journal of Applied Economics and Business Research*, JAEBR, 4 (3): 178-188 (2014). <http://www.aebrjournal.org/uploads/6/6/2/2/6622240/jaabr-2014-178.pdf>
- Subbarao 2003 ADD
- Tibaidhukira, S.K (2011) *Agricultural Sector Budgetary Allocations in Uganda*. A study report prepared for The Eastern Africa Farmers' Federation (EAFF). Stock consult: Entebbe. <http://bit.ly/1wjgYwN>
- Topouzis, D. (1994) *Uganda. The Socioeconomic Impact of HIV/AIDS on Rural Families with an Emphasis on Youth*. Rome: FAO. <http://www.fao.org/docrep/t2942e/t2942e00.htm#Contents>
- Tripp, A. M. (2010) *Museveni's Uganda: Paradoxes of Power in a Hybrid Regime*, Lynne Rienner Publisher, Inc., United States of America.
- Tusubira, F.F., Kaggwa-Sewankambo, I., Kyeyune, A., Ndiwalana, A. and Ssemboga, A. (2007) *Uganda Telecommunications Sector Performance Review*, Makerere University, Uganda. <http://bit.ly/1EqNnTw>
- UBOS (2010). *Uganda National Household Survey Report 2009/2010*. Kampala: UBOS
- UBOS (2011) *Statistics: a Measure for Development*. Kampala: UBOS.
- UBOS (2014) *Uganda National Household Survey 2012/13*. Kampala: UBOS.

- UBOS (2006) Uganda National Household Survey 2005/06. Report on the Socio-economic Module. Kampala: UBOS.
- UBOS, UIA, BoU (2012a) *Private Sector Investment Survey 2012*, Uganda Bureau of Statistics, Uganda Investment Authority, Bank of Uganda.
- UBOS, UIA and BoU (2012b) Investor Survey Report 2012, Uganda Bureau of Statistics, Uganda Investment Authority, Bank of Uganda. <http://bit.ly/17S21WJ>
- UBOS (1994) *Report on the Uganda National Integrated Household Survey 1992/93*. Volume III. Entebbe: Statistics Department, Ministry of Finance and Economic Planning.
- UIA (2010) *Industrial Parks Update, Uganda Investment Authority*. <http://www.ugandainvest.go.ug/index.php/latest-news/37-industrial-parks-update>
- UNCTAD (2001) *Economic Development in Africa: Performance, Prospects and Policy Issues*. United Nations, New York and Geneva. <http://unctad.org/en/docs/pogdsafricad1.en.pdf>
- UNCTAD (2008) *World Investment Directory. Volume X. Africa*. New York and Geneva: UNCTAD.
- UNCTAD (2014) *World Investment Report. Annex tables 01 – FDI inflows, by Region and Economy, 1990-2013*. <http://unctad.org/en/pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx> Accessed on 23 January 2015.
- UNESCO UIS (2013) *Adult and Youth Literacy. National, Regional and Global Trends, 1985-2015*. Montreal: UNESCO, UIS. <http://www.uis.unesco.org/Education/Documents/literacy-statistics-trends-1985-2015.pdf>
- UNESCO (2013) *Regional Fact Sheet. Education in Eastern Africa*. <http://unesdoc.unesco.org/images/0021/002193/219351e.pdf>
- UNESCO (2011) *Financing Education in Sub-Saharan Africa. Meeting the Challenges of Expansion, Equity and Quality*. Montreal: UNESCO-UIS.
- UNICEF (2012) *Uganda Fast Facts*. [http://www.unicef.org/uganda/UNICEF\\_UGANDA\\_FAST\\_FACTS\\_July\\_2012.pdf](http://www.unicef.org/uganda/UNICEF_UGANDA_FAST_FACTS_July_2012.pdf)
- UNPF (2013) *State of Uganda Population Report 2013. Population and Social transformation. Addressing the Needs of Special Interest Groups*. <http://popsec.org/wp-content/uploads/2013/10/SUPRE-REPORT-2013.pdf>
- Van Waeyenberge, E. and Bargawi, H. (2011) *Macroeconomic Policy for 'Full and Productive Employment and Decent Work For All': Uganda Country Study*, Employment Working Paper No. 91, Employment Policy Department, International Labour Office, Geneva. <http://bit.ly/1FT9P9k>
- Wacha (2013) 'Communal Land Ownership Delays Industrial Parks in Northern Uganda', Uganda Radio Network, 07/02/2013. <http://ugandaradionetwork.com/a/story.php?s=49615>
- Wambi (2010) 'Namanve Investors Fail to Pay for Industrial Land', Uganda Radio Network, 25/12/2010. <https://ugandaradionetwork.com/a/story.php?s=30236>
- Wane, W. and Martin, G.H. (2013) *Education and Health Services in Uganda. Data for Results and Accountability*. Washington D.C: The World Bank.
- Wanyera, M. and Davies, F. (2012) *Uganda; Macroeconomic Policy Co-ordination and Management*, Uganda Ministry of Finance, Planning and Economic Development, Overseas Development Institute (ODI). <http://bit.ly/1w7csvG>
- Whitworth, A. and Williamson, T. (2010) 'Overview of Ugandan Economic Reform since 1986', in Kuteesa, F., Tumusiime-Mutebile, E., Whitworth, A. and Williamson, T. (eds), *Uganda's Economic Reforms. Insider Accounts*. New York: Oxford University Press.
- World Bank (2007) *Uganda Moving Beyond Recovery: Investment & Behaviour Change, For Growth*, Country Economic Memorandum Volume II: Overview, Poverty Reduction and Economic Management Unit, World Bank. [http://siteresources.worldbank.org/INTUGANDA/Resources/cem\\_0907\\_report\\_vII.pdf](http://siteresources.worldbank.org/INTUGANDA/Resources/cem_0907_report_vII.pdf)
- World Bank (2010) *Uganda: Agriculture Public Expenditure Review*. Report No. 53702-UG. The World Bank.
- World Bank (2013) *Jobs: Key to Prosperity, Uganda Economic Update 2nd edition* <http://bit.ly/1AFyMRd>
- World Bank (2014) *World Development Indicators: Uganda*, Retrieved 12/01/15. <http://data.worldbank.org/country/uganda>
- World Bank and UMACIS (2004) *Competing in the Global Economy: An Investment Climate Assessment for Uganda*, Investment Climate Assessment, The World Bank and Uganda Manufacturers Association Consultancy and Information Services, Washington D.C. <http://siteresources.worldbank.org/EXTAFRSUMAFTPS/Resources/ICA002.pdf>
- Wylde, E., Ssewankambo, E. and Baryabanoha, W. (2012) *Uganda Social Protection Public Expenditure Review*. Kampala: Ministry of Gender Labour and Social Development. <http://bit.ly/1B84UP7>
- Young Leaders Think Tank for Policy Alternatives (2011) *Employment Policies for Uganda. Young Leaders' Perspectives*. Kampala: Konrad-Adenauer-Stiftung. [http://www.kas.de/wf/doc/kas\\_29797-1522-2-30.pdf?111221152350](http://www.kas.de/wf/doc/kas_29797-1522-2-30.pdf?111221152350)

# Appendix

## A.1: Selected Planned Sectoral FDI (US\$), 1991-2013



Source: UIA Data Bank

## A.2: Selected entrepreneurship programmes in Uganda

- Basic Education in Urban Poverty Areas (1997~): initiated by the GTZ and carried out by the Kampala City Council. Provides a three-year course, equivalent to primary school, and pre-vocational skills training for urban dropouts 9-18. It also organises informal apprenticeships. Similar programmes targeting school drop-outs or children are Mubende MFE, Alternative Basic Education for Karamoja and Complementary Opportunities For Primary Education.
- Companionship of Works Association (NGO) Vocational Training Centre (1994~): offers job placement and entrepreneurial support services for young people. From 2000 to 2009, over 8,000 people have accessed the job-seeker support, 1,000 young people have received entrepreneurial support, at least 140 businesses that have been established and are operating, with over 50% of them registered in the formal sector.<sup>53</sup>
- The Youth Entrepreneurs Scheme (1995~): a government-funded programme aimed at improving opportunities for young entrepreneurs; has imparted business skills to more than 4,000 young people, provided credit to 1,812 and increased the capacity of intermediary institutions but it disbursed only 35% of the funds available to it and focuses on elite school-leavers (those with upper-secondary-school certificates or higher qualifications).
- Kampala City Traders Association (KACITA) (2001~), an informal traders association, has business mentoring, legal mediation services, financial services (for example to help members secure loans from commercial banks or microfinance institutions) and business promotion services.

53 <http://www.youth-employment-inventory.org/inventory/view/903/>

- 
- The Promotion of Children and Youth programme (2003-2006): funded by GTZ, promotes cooperative ventures and small businesses involving young people and builds the capacity of local government in this field. Impact evaluations in 2003/04 and in 2006 showed a positive trend with regard to income increases mainly as a result of a lower reliance on subsistence economies and family support for the programme participants.
  - Local Skills Development (pilot from 2004-2007; community-based organisation 2007~): funded by the GTZ's PEVOT until 2007. After this it was established as a community-based organisation called Local Skills Development Network (LSD Network). It uses an approach aimed at low-cost skills development with regard to problem-solving skills, mobilising own resources, gaining skills according to needs (continued learning), and accessing external resources and information. It is primarily targeted at people living from agriculture.
  - Under NUSAF, the Youth Opportunities Programme (2005~) gives \$10,000 grants for training, tools and materials to groups of young people aged 15 to 32 (below 32 years old) with the goal of encouraging trade-based self-employment. According to a World Bank mid-term evaluation (Blattman et al., 2011) the effects of the programme were positive overall.<sup>54</sup>
  - The NGO BRAC has designed a programme providing girls with life and livelihood skills training, along with training to help them earn and manage money in occupations such as hairdressing, tailoring, information technology, agriculture, poultry rearing and small trading. The girls who took part in the two-year programme doubled their income-earning activities and their financial literacy increased (UNESCO, 2013)
  - Youth entrepreneurship venture-capital fund (2011~): funded by the Ugandan government together with the DFCU Bank to support youth starting or expanding their business enterprises. It was envisioned in the National Youth Policy to ensure young people access to small interest loans for start-ups and business support. It is managed mainly by private players such as Enterprise Uganda and commercial banks (Centenary, Stanbic and DFCU banks). Preliminary results indicate that the programme is likely to reduce under-employment rather than generate new additional employment (Ahaibwe et al., 2014).
  - The Youth Livelihood Programme (2013~): its main component, the Livelihood Support Component, provides loans to groups of young people to start income-generating activities.
- Sources: Garcia and Fares (2008); Young Leaders Think Tank (2011) and Youth-employment inventory.org<sup>55</sup>

---

<sup>54</sup> For example, nearly 80% of those men and women who received the cash transfer enrolled in vocational training, the most popular ones being carpentry, metalworking and hairdressing; they also spent on business materials. Skilled employment, incomes and savings were higher for those receiving grants (four years later, participants were 65% more likely to practise a skilled trade, such as carpentry, metalworking, tailoring or hairstyling, they earned an extra \$9 a month, had 41% higher income and had 50% more savings). While the number of hours worked were 17% higher, these were nearly entirely accounted for by these new professions – while most still farmed part-time, hours spent in agriculture were no different (Blattman et al., 2011).

<sup>55</sup> <http://www.youth-employment-inventory.org/>



**This is one of a series of Development Progress case studies. There is a summary of this research report available at [developmentprogress.org](http://developmentprogress.org).**

Development Progress is a four-year research project which aims to better understand, measure and communicate progress in development. Building on an initial phase of research across 24 case studies, this second phase continues to examine progress across countries and within sectors, to provide evidence for what's worked and why over the past two decades.

This publication is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

ODI is the UK's leading independent think tank on international development and humanitarian issues. Further ODI materials are available at [odi.org.uk](http://odi.org.uk)



## **Development Progress**

Overseas Development Institute  
203 Blackfriars Road  
London SE1 8NJ

Tel: +44 (0)20 7922 0300

Email: [developmentprogress@odi.org.uk](mailto:developmentprogress@odi.org.uk)

[facebook.com/developmentprogressproject](https://facebook.com/developmentprogressproject)

[twitter.com/dev\\_progress](https://twitter.com/dev_progress)

Designed by Soapbox, [www.soapbox.co.uk](http://www.soapbox.co.uk)

Infographic by Soapbox

Figures by Patrick Ward

**[developmentprogress.org](http://developmentprogress.org)**