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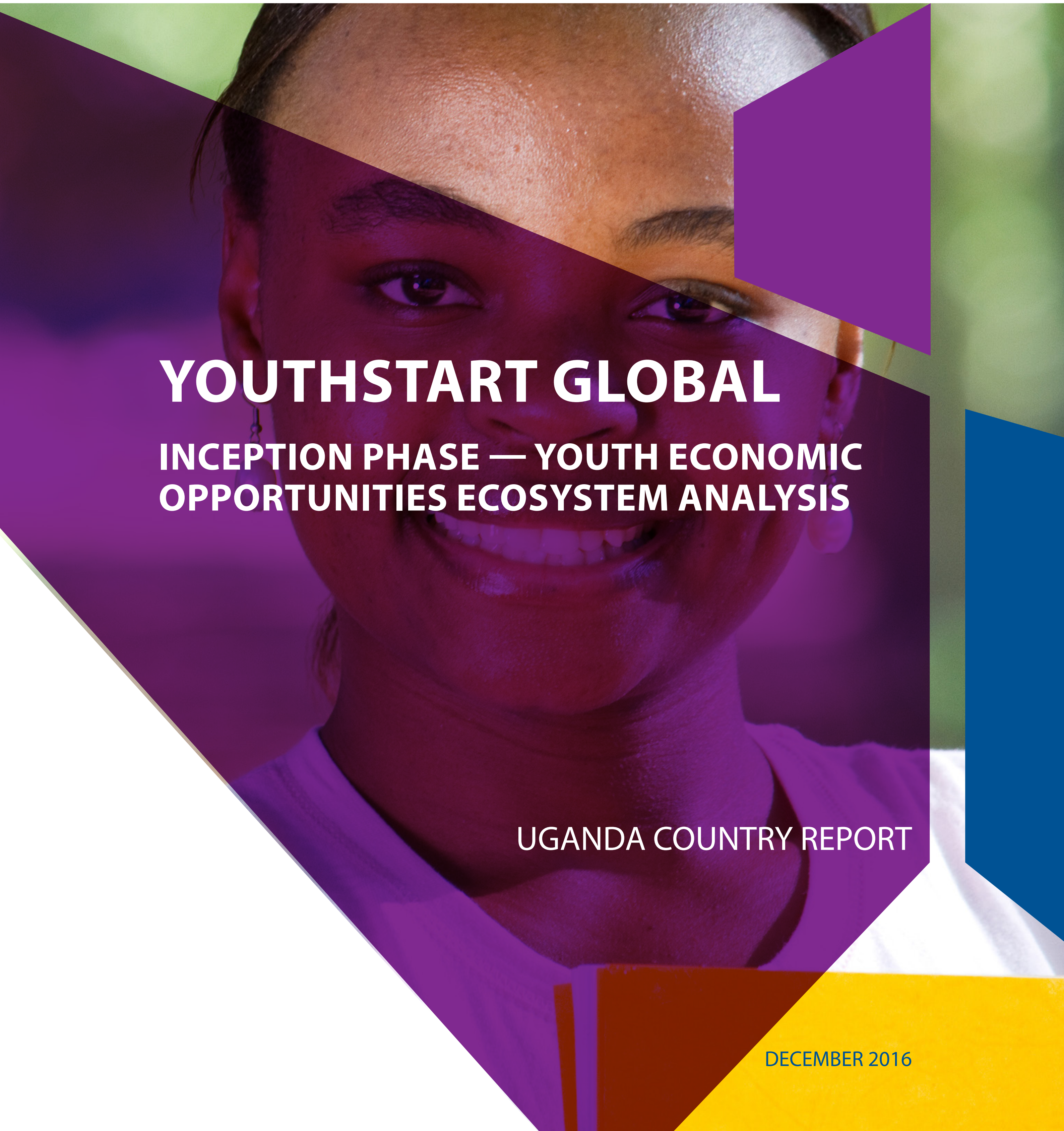

YOUTHSTART GLOBAL

INCEPTION PHASE — YOUTH ECONOMIC OPPORTUNITIES ECOSYSTEM ANALYSIS

UGANDA COUNTRY REPORT

DECEMBER 2016

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. With its capital mandate and instruments, UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments—through fiscal decentralization, innovative municipal finance, and structured project finance—can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to Sustainable Development Goal 1 on eradicating poverty and Sustainable Development Goal 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different Sustainable Development Goals.

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DEFINITIONS, ABBREVIATIONS AND ACRONYMS

The Government of Uganda defines 'youth' as persons aged 18 to 30. However, the YouthStart Global programme uses the United Nations definition, which is youth aged 15 to 24. Where relevant, other definitions used by different stakeholders are made explicit in the report.

Currency equivalents of Uganda shilling amounts are given in United States dollars using an approximate rate of 3500 Uganda shillings to 1 United States dollar. Please note, however, that there have been considerable currency fluctuations over the course of this report's preparation.

BTVET	Business, Technical and Vocational Education and Training
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of the Congo
DFID	Department for International Development
DFS	digital financial service(s)
EAC	East African Community
FSP	financial service provider
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GEM	Global Entrepreneurship Monitor
GDP	gross domestic product
ILO	International Labour Organization
NDP	National Development Plan
NGO	non-governmental organization
SACCO	savings and credit co-operative
STRYDE	Strengthening Rural Youth Development through Enterprise
UNCDF	United Nations Capital Development Fund
US$	United States dollar
VSLA	village savings and loan association
YLP	Youth Livelihood Programme
YSG	YouthStart Global

ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

The Ugandan economy has had average growth of 6.4% in the last two decades and has achieved the first Millennium Development Goal of halving poverty from its level in 2000.[1] However, per capita income is still US$788,[2] reflecting the fact that headline growth and poverty-level changes have not translated into meaningful impact on the wellbeing of the vast majority of Ugandans.

The Ugandan population has doubled since 1990, with a current population of 35 million and about 75% below the age of 30.[3] Moreover, it is estimated that 25,000 young people will be joining the labour force every week by 2020.[4] Headline unemployment for the whole population is around 9.4%, but youth (18–30 years) unemployment is some four percentage points higher than adult (31–64 years) unemployment.[5] These figures mask issues of underemployment/labour underutilization and the fact that youth are increasingly migrating to urban areas where unemployment is higher than in rural areas. Furthermore, youth are disproportionately affected by limited access to assets such as financial capital.

These problems have not gone unnoticed. They are well recognized by the Government of Uganda and non-government stakeholders. Yet, there remains a lack of comprehensive labour market information, information to inform relevant and well-targeted policies and projects, and information on the part of young people themselves about what is available to help them make the most of their economic potential.

This report is a synthesis of an assessment undertaken on the current landscape of economic opportunities and challenges for youth in Uganda and the existing interventions to address them. In addition to extensive desk research and analysis, the study involved multiple stakeholder interviews and focus-group discussions.

MAIN FINDINGS

Finding 1: The Ugandan labour market is severely demand constrained, and it is largely accepted that self-employment and enterprise development will be the driving mechanisms to create economic opportunities for youth.

- Fast-growing sectors such as finance and tourism, while high-productivity areas, have not created jobs in proportion to their contribution to gross domestic product.
- Agriculture remains a dominant employer of youth but with low levels of productivity.

1 Uganda, Ministry of Finance, Planning and Economic Development, *Millennium Development Goals: Report for Uganda 2015—Special Theme: Results, Reflections and the Way Forward* (Kampala, 2015).
2 Uganda, National Planning Authority, *National Development Plan (2010/11 – 2014/15)* (Kampala, 2010).
3 Alexis Rwabizambuga, Vera Kintu Oling, Tony Muhumuza and Simon Peter Nsereko, 'Uganda 2016,' in *African Economic Outlook 2016* (n.p., AfDB/OECD/UNDP, 2016).
4 DFID, 'Uganda: Inclusive Growth Diagnostic 2015,' internal document shared with YSG, 2015.
5 Uganda, Bureau of Statistics, *Uganda National Household Survey 2012/2013* (Kampala, 2014).

- Poor labour market opportunities have also resulted in the prevalence of informal sector work, involuntary part-time work and involuntary work across a number of sectors so as to supplement income sources.
- Ugandan youth are entrepreneurial, but many struggle to translate their enthusiasm into meaningful self-employment opportunities because of various barriers to sustainable and scalable enterprise development.

Finding 2: Accessing capital is a major and consistent challenge limiting youths' ability to successfully start a business.

- Only 6% of young entrepreneurs cite financial institutions as the source of their start-up capital.[6]
- On the supply side, the low use of financial services is often because financial service providers lack the institutional capacity to provide relevant, affordable and accessible products and are further limited by the regulatory environment.
- On the demand side, due to low levels of financial literacy, many rural populations and youth are not able to lobby for suitable financial products nor are they able to properly take advantage of those that are available.

Finding 3: A number of sectors offer economic opportunities for youth going forward.

- **Agriculture** remains the backbone of the Ugandan economy and has transformative potential if agricultural value chains can be exploited, better linkages fostered and better information disseminated to boost productivity in the sector.
- The **services sector, namely tourism, ICT, and trade and transport,** has contributed the most to the Ugandan gross domestic product. **Tourism** is projected to grow considerably in coming years and is linked to growing opportunities in **hospitality services.** Trade and transport has potential with the growing population in Uganda, increased urbanization and also increasing regional trade while **retail and commerce** is driven by growing domestic consumption demands and urbanization.
- **Building and construction opportunities** are driven by government infrastructure initiatives as well as urbanization trends.

Interventions by government and non-government actors operate to both catalyse the creation of opportunities and to enhance youth capacity to make the most of these opportunities by equipping youth with financial literacy as well as vocational and business skills. However, key issues include poor awareness of interventions, poor targeting to the extent that there is gender/geographic skewing in beneficiaries, gaps in financing and gaps in business development support services, all of which limit the impact of these projects on the medium- to long-term employment prospects of Ugandan youth.

6 GEM, 'GEM-Uganda Youth Report—Supporting Africa's Young Entrepreneurs: an investment in job creation and future prosperity for all' (Kampala, 2015).

INTRODUCTION AND CONTEXT

United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the United Nations system as well as a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least developed countries. **In 2010, UNCDF in partnership with The MasterCard Foundation launched the YouthStart programme,** Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot.

For six years, the YouthStart programme worked with ten financial service providers (FSPs) in eight countries, including Uganda, to provide access to savings to over 726,000 youth, access to loans to 124,500 young entrepreneurs, as well as financial literacy and other complementary non-financial services to almost 750,000 youth. UNCDF has learned from the different approaches used in the regional pilot that financial inclusion can help address the youth employment challenge but also found that, to have a greater and long-lasting impact on youth, the YouthStart programme must seek a more concrete link between financial inclusion and the creation of economic opportunities for youth. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships and other relevant non-financial services that can support their transition from school to work at the right time and that allow them to secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF aims to leverage the lessons learned and best practices from the regional pilot for its new programme, YouthStart Global (YSG). YSG will be implemented in three phases: 1) inception phase that entails an analysis of youth economic opportunities in 10 to 15 countries, 2) first phase that consists of selecting the right partners to work in 5 to 8 countries, and 3) second phase that involves supporting selected partners to develop, test and scale up relevant, accessible and affordable services to youth.

This report is the key output of an internal assessment implemented over three months in Uganda, as part of the YSG inception phase. The assessment was conducted in three stages—as outlined in the Methodology section below: 1) literature review, structuring, and design of research questions and tools, 2) data collection and analysis over four weeks of meetings and 3) final synthesis of findings for the present report.

The report aims to capture a picture of the youth economic opportunities ecosystem in Uganda by 1) providing an economic overview of the employment challenge and demand for financial services as well as a comprehensive analysis of the demand for and supply of labour and 2) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and map of the current youth intervention landscape and the supply of financial services, and an assessment of key gaps for each of the high-potential opportunities for youth (Chapter 2).

METHODOLOGY

Figure I outlines the methodology for this assessment of youth economic opportunities in Uganda, which was undertaken in three stages: 1) literature review, structuring, and design of research questions and tools, 2) data collection and analysis and 3) final synthesis of findings for the present report. This report is the product of a number of activities including desk research, stakeholder interviews and focus-group discussions.

Figure I

Study methodology

	Stage 1: Kick-off, literature review, structuring, and design of research questions and survey tools	Stage 2: Data collection and analysis	Stage 3: Synthesis of findings and public dissemination
Key activities	• Conducted desk research for stakeholder mapping of relevant youth-employment, government, donor and civil society organizations • Tailored research approach, interview guides, focus-group guide and survey tool • Established selection criteria for highest-priority stakeholders • Scheduled in-person and phone interviews, as well as focus-group discussions with youth	• Interviewed 40+ stakeholders in government, non-governmental organizations, donor community and private sector • Conducted two youth focus-group discussions, one in an urban area and the other in a rural area	• Compiled detailed notes and data from interviews and focus groups for internal back-to-office report • Synthesized specific learnings and insights on youth economic opportunities in Uganda in report for public dissemination • Posting of report on internal and external communication outlets, including dissemination through social media, blogs, selected websites and online journals

The research was structured across five principal elements (see figure II):

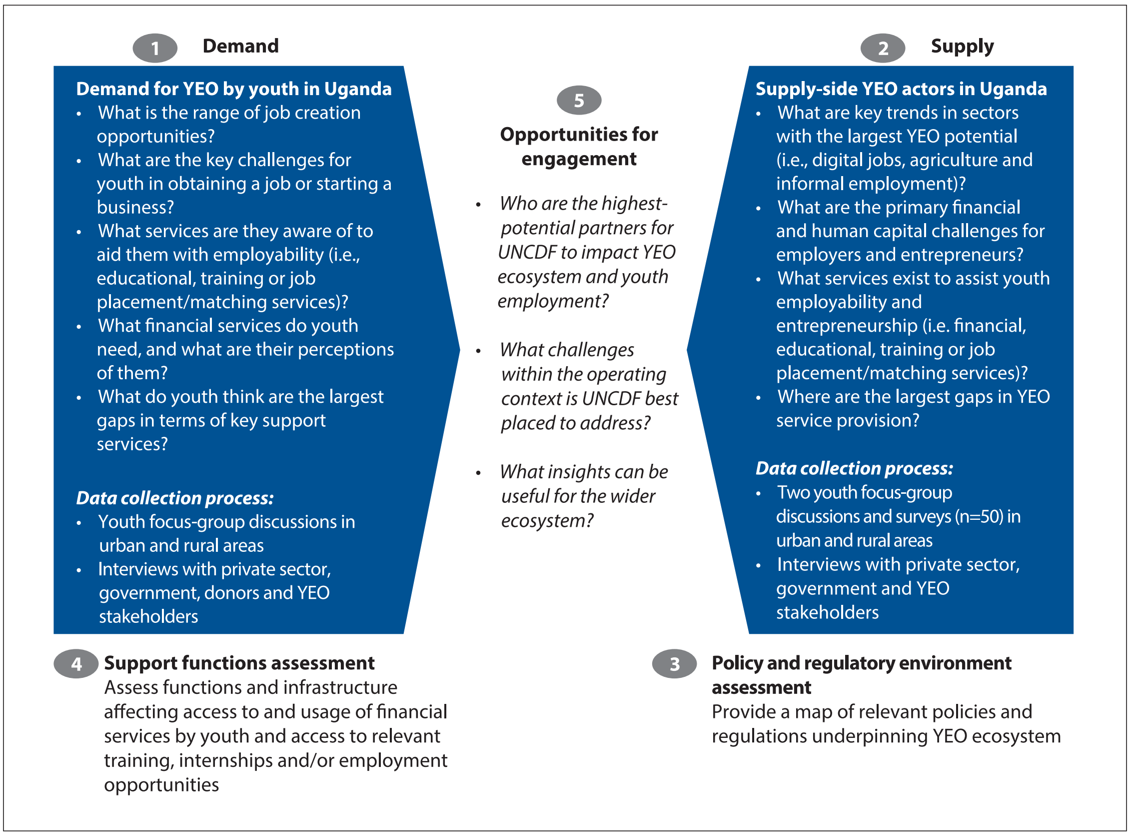
1. **Demand-side analysis** focused on how the economy is generating employment opportunities and how youth understand these opportunities. This approach consisted of a macroeconomic analysis of highest-potential sectors. Data on sector growth and employment were used to initially identify sectors that employ the greatest number of Ugandans, are creating jobs at scale and/or are employing large sections of the youth population. Qualitative insights were used to identify particular opportunities within each sector that are attractive and accessible to youth.
2. **Supply-side analysis** focused on the supply of youth employment support and financial services from two lenses:
    - A landscaping assessment comprised of interviews with key implementing stakeholders, such as youth serving organizations, non-governmental organizations (NGOs), government agencies and donors, as well as a gap analysis of programmatic opportunities based on needs identified by youth and stakeholders.

- A macroeconomic analysis of highest-potential sectors. Quantitative sector growth and employment data were used to initially identify sectors that have significant potential for creating economic opportunities and/or are employing large sections of the youth population. Qualitative insights were used to identify particular opportunities within each sector that are attractive and accessible to youth.

3. **Policy and regulatory environment assessments** were driven by desk research covering national policy documents and external research reports on policies, as well as interviews with government and non-government stakeholders.
4. **Support functions assessment** focused on access to and usage of financial services and training, internships and/or employment opportunities.
5. **Opportunities for engagement** aimed to identify the set of partners and opportunity areas YSG should engage in order to maximize impact.

Figure II

Analytical framework



CHAPTER ONE

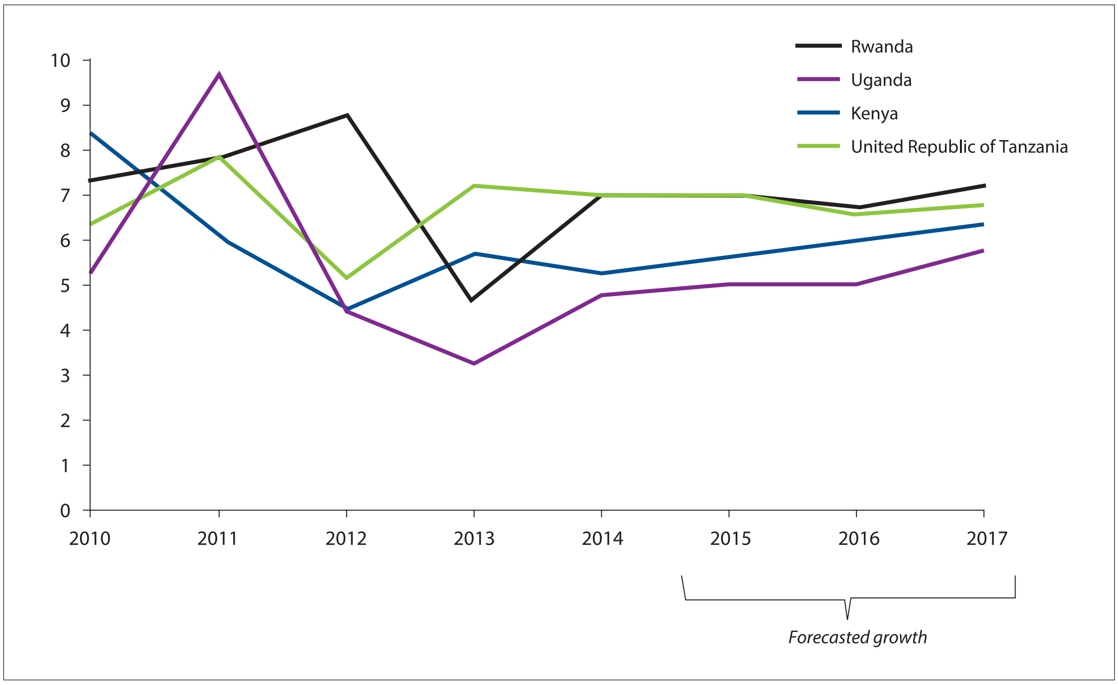
YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES

SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

The Ugandan economy has had average growth of 6.4% in the last two decades, which is above average compared to rates across sub-Saharan Africa.[7] However, the Ugandan economy has not grown as quickly as its neighbours in the past five years (see figure III), due to external shocks such as increases in international commodity prices (i.e., coffee, tea, tobacco and oil) along with internal constraints including the effects of climate change on weather patterns, errors in fiscal management and uncertainty attributed to the latest presidential elections.[8] Despite these challenges, the economic outlook for the country looks positive: gross domestic product (GDP) is expected to rise above 6% by 2016/2017, with strong growth targeted in infrastructure development projects such as construction and roadways.[9]

Figure III

Ugandan gross domestic product growth rate compared to neighbours



Sources: World Bank, 'World DataBank: Sub-Saharan Africa,' 2015. Available from http://databank.worldbank.org/Data/Home.aspx; AfDB/OECD/UNDP, *African Economic Outlook 2016* (n.p., 2016)—reports for Kenya, Rwanda, Uganda and United Republic of Tanzania.

7 IMF, 'Regional Economic Outlook: Sub-Saharan Africa—Time for a Policy Reset,' in *World Economic and Financial Surveys* (Washington, DC, 2016).

8 World Bank, 'The Growth Challenge: Can Ugandan Cities get to Work?' in *Uganda Economic Update,* 5th ed., No. 94622 (Washington, DC, 2015).

9 World Bank, 'From smart budgets to smart returns: Unleashing the power of public investment management,' in *Uganda Economic Update,* 7th ed. (Washington, DC, 2016).

The Government has been successful in achieving the first Millennium Development Goal of halving poverty from its level in 2000. Uganda ranks 163rd out of 188 countries in the Human Development Index, an improvement of one rank from 2014.[10] Additionally, poverty levels have declined from 31.1% in 2005/2006 to 19.7% in 2012/2013.[11] However, GDP per capita lags at $788,[12] well below the sub-Saharan African average of $1,571.[13] The Government's series of six 5-year National Development Plans (NDPs), launched in 2010, builds towards Vision 2040 of transforming Ugandan society 'from being a predominantly peasant and low income to a competitive, upper middle income status with a per capita income averaging USD9,500 by 2040.'[14] The current NDP (NDP II, 2015/2016–2019/2020) has several ambitious targets such as increasing per capita income to $1,033, reducing poverty to 14.2%, reducing the number of young people not in education, employment or training by at least 50%, and increasing the percentage of the population with electricity access from 14% to 30%.[15] With these targets in mind, NDP II places significant emphasis on three key growth sectors: **agriculture; tourism;** and **minerals, oil and gas,** along with two 'fundamental' focuses—**infrastructure** and **human capital.**[16] Investment in these areas is based on their potential to create jobs, increase wealth for the population and improve social development indicators.[17]

The focus on agriculture stems from the important role the sector plays in Uganda. While only contributing 26% to the country's GDP, agriculture is the country's largest employer, covering 72% of the country's labour force and employing 58% of young people.[18] **Yet development in the sector has been low, with single-digit growth.** Growth in agricultural land averaged 1% per year from 2000 to 2012,[19] implying **low levels of agricultural productivity.** This finding is corroborated by the facts that use of agricultural inputs by Uganda is amongst the lowest in sub-Saharan Africa and fertilizer use is one tenth that of Kenya.[20] Furthermore, advancements in the agricultural sector are constrained by slow adaptation and application of technological innovation, lack of access to infrastructure and limited value added, characterized by subpar storage techniques and facilities coupled with limited market information and capacity of producers. Uganda also faces many obstacles regarding limited access to land, particularly for women and youth: 28% of women own agricultural land in comparison to 72% of men.[21]

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10 UNDP, 'Human Development Index,' 2014 and 2015. Available from http://hdr.undp.org/en/composite/HDI (accessed October 2016).

11 Uganda, Bureau of Statistics, *Uganda National Household Survey 2012/2013;* Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014: Structural Change and Poverty Reduction in Uganda* (Kampala, 2014).

12 Uganda, National Planning Authority, *National Development Plan (2010/11 – 2014/15).*

13 World Bank, 'World DataBank: Sub-Saharan Africa,' 2015. Available from http://databank.worldbank.org/Data/Home.aspx

14 Uganda, National Planning Authority, *Second National Development Plan (NDP II) 2015/16 – 2019/20,* p.2 (Kampala, 2015).

15 For other target results, see National Planning Authority, *Second National Development Plan (NDP II) 2015/16 – 2019/20.*

16 Ibid.

17 Ibid.

18 Jimrex Byamugisha, Leyla Shamchiyeva and Takaaki Kizu, 'Labour market transitions of young men and women in Uganda,' in *Work4Youth,* No. 24 (Geneva, ILO, 2014).

19 World Bank, 'Agricultural indicators.' Available from http://data.worldbank.org/indicator/AG.LND.AGRI.K2?page=2 (accessed October 2016).

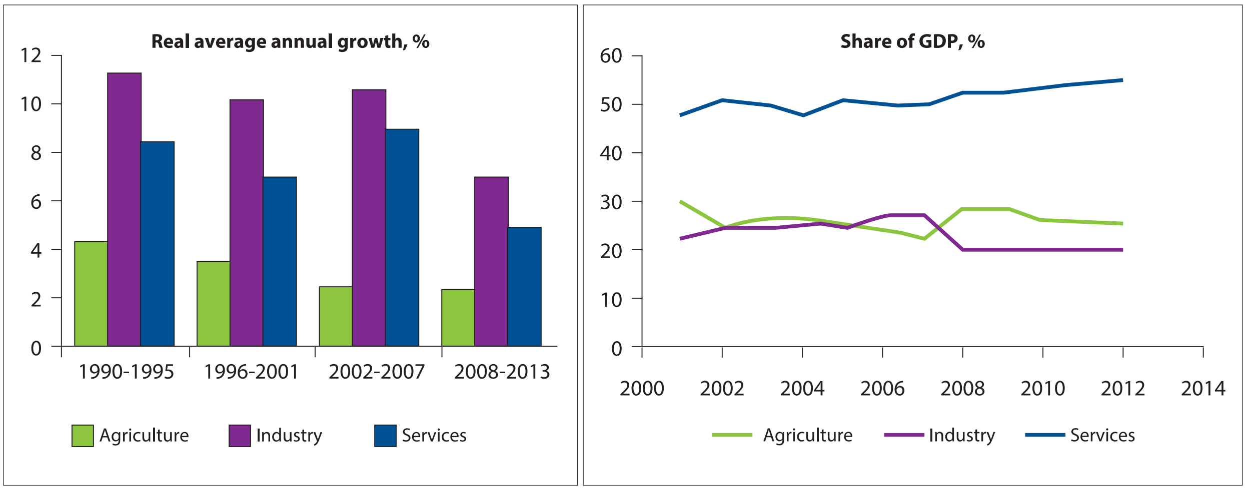
20 Stephen Bayite-Kasule, 'Inorganic fertilizer in Uganda—Knowledge gaps, profitability, subsidy, and implications of a national policy,' in *Uganda Strategy Support Program Briefs,* No. 8 (Kampala, IFPRI, 2009), which was quoted in DFID, 'Uganda Inclusive Growth Diagnostic,' 2015.

21 Uganda, National Planning Authority, *Second National Development Plan (NDP II) 2015/16 – 2019/20,* p. 53.

Most of the growth in Uganda has been driven by the services sector (specifically tourism and communications, 9.6% and 16.8% respectively).[22] The Ugandan services sector contributes over 51% to the country's GDP (see figure IV).[23] The sector comprises trade and transport, tourism, hospitality, ICT and financial services, to name a few. Despite its large contribution to GDP,[24] the sector has not created a sufficient number of jobs to adequately absorb the country's growing workforce. As the largest export earner and one of the fastest-growing sectors in Uganda, tourism has contributed over $1.8 billion to the country's GDP.[25] Growth in this sector is expected to increase given the Government's 5-year sector development plan. The ICT sector has also been on a steady growth trajectory with an annual growth rate close to 20%, contributing 2.5% to the GDP and employing over 1.3 million people.[26]

Figure IV

Gross domestic product by sector



Note: Data from World Bank, 'World DataBank: Uganda.' Available from http://databank.worldbank.org/Data/Home.aspx (accessed October 2016).

22 DFID, 'Uganda: Inclusive Growth Diagnostic 2015.'

23 World Bank, 'Global Findex (Global Financial Inclusion Database).' Available from http://databank.worldbank.org/data/reports.aspx?source=1228#selectedDimension_DBList (accessed October 2016).

24 Uganda, Bureau of Statistics, *Uganda National Household Survey 2012/2013;* Note: GDP estimates rebased to 2009/2010.

25 World Travel and Tourism Council, 'Travel & Tourism Economic Impact 2015: Uganda' (London, 2015).

26 Deloitte & Touche, 'Uganda Economic Outlook 2016: The Story Behind the Numbers' (Kampala, 2016).

The construction sector also continues to grow. With steady and consistent growth over the past two decades, this sector contributes over 12% to the country's GDP and is slated for heavy investments by the Government in urban and road infrastructure projects across the country. The sector plays a critical role in increasing linkages to markets and services, particularly for those in rural areas. The Government plans to make heavy investments in road, rail and airport upgrades: it has allocated $950 million, an increase of $215 million from the previous year, to upgrade road bitumen standards, develop the road network and construct key bridges.[27] In addition, $325 million will go to the Entebbe airport and over $2.8 billion, from the Export-Import Bank of China, is slated for a 1,614-km standard gauge railway (the Southern Corridor Railway) that will connect Uganda with its neighbours: the Democratic Republic of the Congo (DRC), Kenya, Rwanda and South Sudan. The sector is expected to create direct and indirect jobs in the next five years. Regarding housing, Uganda suffers from a shortage of over 135,000 units per year. NDP II forecasts that addressing the housing deficit could create over 45,000 direct jobs per annum over the next five years, absorbing a range of skilled, semi-skilled and unskilled labour across the country.

Notwithstanding efforts to increase regional trade through the East African Community (EAC), Uganda maintains a deficit in its trade balance, averaging an annual deficit of 2% for the past five years. The trade deficit may be due to Ugandan dependency on the export of raw agricultural products, namely coffee, tea and tobacco (see figure V). The Observatory of Economic Complexity reports the following:[28]

- The country's major agricultural imports include palm oil (3.7%), wheat (2.0%) and raw sugar (1.3%), with the greatest quantity of imports originating in India (30%) and China (12%).
- In 2014, Uganda exported $2.34 billion and imported $6.03 billion, resulting in a negative trade balance of $3.69 billion.
- While the top export destinations for Uganda are Kenya, Rwanda, DRC, South Sudan and The Netherlands, most of its imports come from India (over $1 billion), China ($742 million) and Kenya ($569 million).

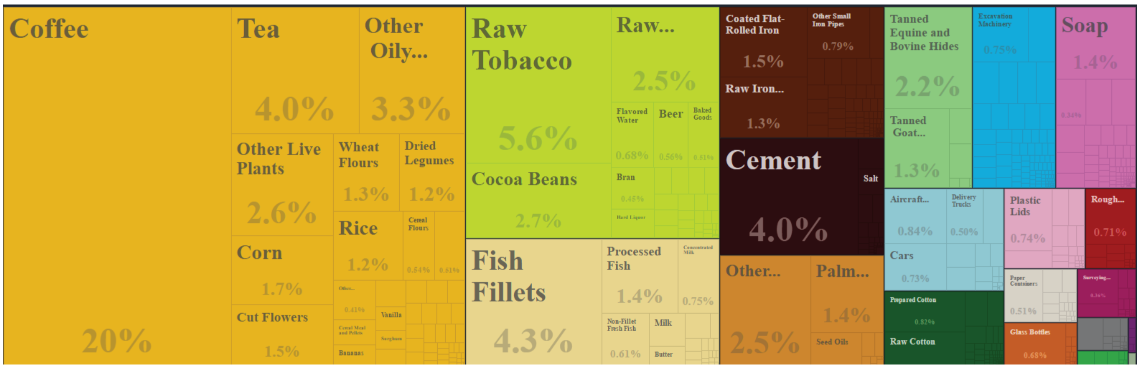
27 Deloitte & Touche, 'Uganda Economic Outlook 2016.'

28 Observatory of Economic Complexity, 'Uganda.' Available from http://atlas.media.mit.edu/en/profile/country/uga/ (accessed October 2016).

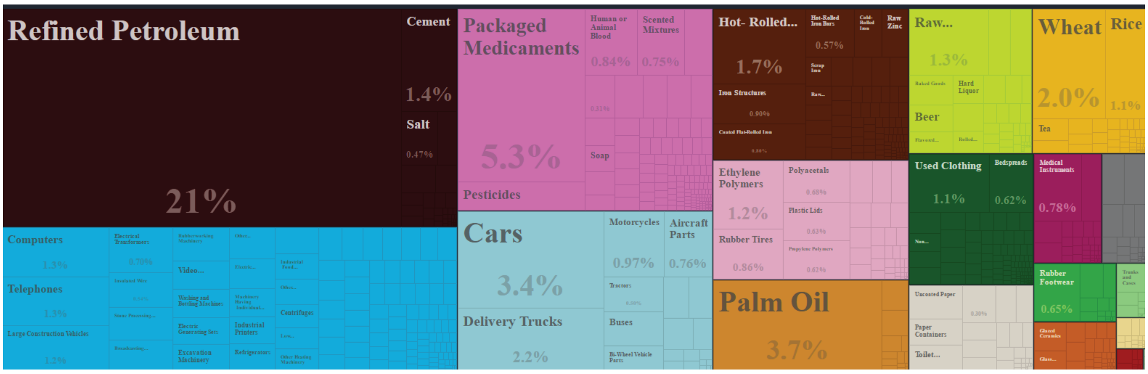
Figure V

Export and import map

Uganda 2014 Export Map, Percentage of total exports



Uganda 2014 Import Map, Percentage of total imports



Source: Figure from Observatory of Economic Complexity, 'Uganda,' 2014. Available from http://atlas.media.mit.edu/en/profile/country/uga/ (accessed October 2016). Copyright by Observatory of Economic Complexity by Alexander Simoes. License and disclaimer provided under a Creative Commons Attribution-ShareAlike 3.0 Unported License. https://creativecommons.org/licenses/by-sa/3.0/legalcode.

Despite the gradual economic progress and growth by Uganda, it has not yet translated into sufficient productive employment, particularly for the expanding youth cohort aged 15–30.[29] The Ugandan population has doubled since 1990, with the current population at 35 million and 75% of the population below the age of 30.[30] Daunted by an annual population growth rate of 3%,[31] it is estimated that 25,000 young people will join the labour force every week by 2020—a rate double that of the period between 2005 and 2010.[32] Youth unemployment (covering those aged 18–30) was reported to be 11.2% in the National Household Survey 2012/2013, approximately four percentage points higher than adult unemployment (31–64).[33]

29 In this section, 'youth' refers to those 15 to 30 years old, per the definition used by the Government of Uganda in the recently updated National Youth Policy 2015.

30 Rwabizambuga, Oling, Muhumuza and Nsereko, 'Uganda 2016,' in *African Economic Outlook 2016.*

31 United Nations, 'UNdata: Uganda.' Available from http://data.un.org/Search.aspx?q=Uganda (accessed October 2016).

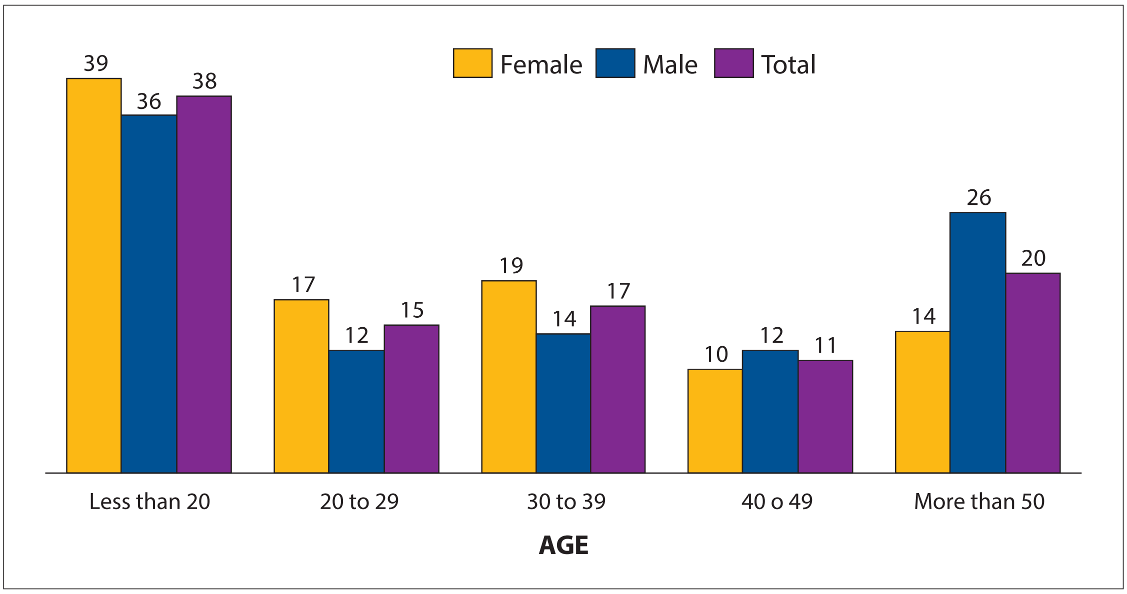
32 DFID, 'Uganda: Inclusive Growth Diagnostic 2015.' Note: Estimate based on the numbers currently in the 15–19-years-old age cohort and on average labour force participation rates.

33 Uganda, Bureau of Statistics, *Uganda National Household Survey 2012/2013.*

Moreover, **headline rates conceal even higher levels of time-related and wage-related underemployment,** as well as a large informal sector that is difficult to account for. The high youth labour underutilization rate is a result of irregular employment, inactive students, short contract duration and part-time working hours. Many young people work short hours despite their desire to work more; over one third of employed youth in an International Labour Organization (ILO) school-to-work transition survey worked less than 20 hours per week and more than half worked part time, or less than 30 hours per week (see figure VI).[34] **Rural-to-urban migration is further exacerbated by the youth unemployment problem.** Using a more flexible definition of unemployment, and accounting for youth who are without work, available to work **but not actively seeking work,** the youth unemployment rate is 19.3% in urban areas compared to 11.4% in rural areas.[35] Also worrying is the fact that the unemployment rate by this metric is 17.4% for females compared to 8.7% for males.[36]

Figure VI

Employed youth by actual hours worked per week



Source: Jimrex Byamugisha, Leyla Shamchiyeva and Takaaki Kizu, 'Labour market transitions of young men and women in Uganda,' in *Work4Youth,* No. 24 (Geneva, ILO, 2014).

The global problem of youth employment and economic empowerment is increasingly evident in Uganda. Over two thirds of young Ugandans live on less than $800 per year.[37] Managing the youthful population will require approaches that see the demographic dividend as an opportunity to harness structural change and drive more rapid and sustainable economic growth. Better integrated policies and programmes that are implemented with stronger partnership and coordination amongst stakeholders will be key to providing the enabling environment necessary for youth economic opportunities to flourish.

34 Byamugisha, Shamchiyeva and Kizu, 'Labour market transitions of young men and women in Uganda.'
35 Ibid.
36 Ibid.
37 GEM, 'GEM-Uganda Youth Report.'

There are large opportunity costs to inaction. At an individual level, failing to empower youth to become more engaged in the economy and to pursue decent livelihoods increases their vulnerability to poverty. Moreover, facing unemployment in the early years of entry into the job market can have scarring effects on youths' lifetime earnings and productive potential. At the societal level, protracted joblessness increases youth disenfranchisement, which can lead to increased social unrest, political instability and crime.[38] At the macroeconomic level, youth unemployment represents a sizeable economic loss, from unrealized human resources to lost potential income tax revenues and returns on government investment in education, all contributing to create a heavy tax burden in future years.

38 Deon Filmer and Louise Fox, 'Youth Employment in Sub-Saharan Africa,' in *Africa Development Series* (Washington, DC, World Bank, 2014).

SECTION 2 – OVERVIEW OF YOUTH POLICY LANDSCAPE

The problems associated with youths' access to economic opportunities have not gone unnoticed by the Government of Uganda. There are several national policies that focus on youth development with a strong focus on entrepreneurship, job development and enterprise development. The Ministry of Gender, Labour and Social Development leads most of the Government's efforts on youth development through the sub-ministry of Youth and Children Affairs. Below is a brief overview of some of the key policies in this sector.

- **Second National Development Plan (NDP II) 2015/2016–2019/2020:** This policy focuses on the Government's medium-term strategic plan outlining its development objectives and priorities. Job creation is at the core of the NDP II strategy and lays the foundation for the Government's approach to reducing youth unemployment, increasing entrepreneurship and empowering youth to be contributors to the economy. NDP II prioritizes investment in three key growth sectors: agriculture; tourism; and minerals, oil and gas. The 5-year plan puts a significant focus on human development, with youth being highlighted as a vulnerable group especially in need of support to access economic opportunities. The policy emphasizes the need to create employment opportunities for youth and women and lays out guidelines for youths' access to land, youths' access to training and skills development, and development of programmes that encourage young entrepreneurs. Of particular interest under the Social Development section is the objective to 'Improve the capacity of youth to harness their potential and increase self-employment, productivity and competitiveness' by 'provid[ing] life skills and livelihood support to the youth' and, most interestingly, 'enhanc[ing] mind-set change campaigns.'[39] This section also includes provisions for implementing programmes such as the Youth Livelihood Programme, supporting the National Youth Council, and developing programmes and policies to substantially reduce the proportion of youth not in employment, education or training. The policy is cognizant of youths' general unwillingness to be entrepreneurs, which is mitigated by providing youth-friendly policies focused on increasing accessibility of services, training and financing.

39 National Planning Authority, *Second National Development Plan (NDP II) 2015/16 – 2019/20*, p. 232.

- **National Youth Policy 2011–2016:** Housed at the Ministry of Gender, Labour and Social Development, this policy focuses on comprehensive and actionable ways of promoting youth-friendly services for accessing financing, particularly credit, and promoting skills training and entrepreneurial development amongst youth. The policy emphasizes the need to create a conducive environment that would allow youth to reach their potential while stressing the empowerment of communities to support youth initiatives in order to "unlock youth potential for sustainable wealth creation and development."[40] However, at the writing of this paper, this policy was still in draft form and has been under review since its development. As such, the Government is still using the **2001 National Youth Policy** that emphasizes skills training and enterprise development, through the provisions of skills development and training. While the new policy recognizes the need for coordinated efforts by stakeholders, calling for the development of a National Steering Committee, the former policy focuses on promoting income-generating projects and increasing youth employability.[41] In comparison, the new policy was drafted with an awareness of the heterogeneity of youth and offers more actionable approaches in supporting youth such as the provision of mentoring and skills enhancement.
    - The 2011–2016 policy has provisions for the development of programmes such as the **Youth Livelihood Programme (YLP).** YLP seeks to provide youth with the following: marketable vocational skills and toolkits for self-employment and job creation; financial support to establish income-generating activities; entrepreneurship and life skills training as an integral part of their livelihoods; and relevant knowledge and information for attitudinal change (positive mindset change). YLP was born of the Youth Venture Capital Fund programme, which provided loans to young entrepreneurs working in specific sectors. The $7-million fund worked with Centenary Bank, DFCU Bank and Stanbic Bank, which in the end were unable to provide many success stories from the programme due to its stringent requirements (e.g., having a business set up for at least three months prior and employing up to four people by the end of the loan period). The programme did not support start-up enterprises and was unable to recover funds due to youths' perception that the fund was a grant from the Government. YLP, on the other hand, has been allocated $100 million over a 5-year period and focuses mainly on groups, known as youth interest groups. The fund targets out-of-school and unemployed youth with an emphasis on skills development, livelihood support and institutional capacity-building for local community-based organizations. While YLP does apply lessons learned from the Youth Venture Capital Fund programme, it has been wrought with controversy as the copyrights for the programme are held by an individual rather than the Government. Additionally, allegations of corruption by district officials and youth leaders have affected youths' perception of the programme.

40 Comment by Pius Bigirimana, Permanent Secretary of Youth Affairs to Ministry of Gender, Labour and Social Development, cited here: Daily Monitor, 'Cabinet approves National Youth Policy,' 1 October 2016. Available from http://www.monitor.co.ug/News/National/Cabinet-Pius-Bigirimana-National-Youth-Policy/688334-3400838-inmwh1/index.html.

41 Economic Policy Research Centre, 'Youth Entrepreneurship in Uganda: Policy, Evidence and Stakeholders,' Occasional Paper No.37 (Kampala, 2015).

- **2011 National Employment Policy:** Also housed at the Ministry of Gender, Labour and Social Development, this policy supports NDP 2010/2011–2014/2015 in focusing on new spending sectors that have the potential to contribute to economic growth and emphasizes promotion of employment and productivity for sustainable livelihoods. The policy recognizes the significant unemployment challenges faced by youth, whom it considers a vulnerable group capable of posing a threat to social and political stability, though not of their own volition. It also recognizes low levels of productivity, limited training, lack of access to credit and limited access to inputs for micro-, small- and medium-sized enterprises such as improved seeds, animal feed, farming tools and equipment, and machinery. The policy offers comprehensive strategies to improve entrepreneurial skills, and technical and vocational training, particularly for youth. Furthermore, the National Employment Policy—as with the National Youth Policy 2011–2016—calls for the development of a national action plan for youth employment. Despite the well-articulated plan included in the National Employment Policy and expectations that a national action plan for youth employment would be passed this year, the draft plan is still awaiting approval. The policy lacks an action plan for implementation and has yet to receive the necessary approval from the Cabinet despite certification funding from the Ministry of Finance, Planning and Economic Development.

- **2008 Business, Technical, and Vocational Education Training Act and 2012/2013–2021/2022 Strategic Plan:** This policy falls under the remit of the Business, Technical and Vocational Education and Training (BTVET) Department and the Directorate of Industrial Training within the Ministry of Education and Sports. BTVET helped establish entrepreneurship training in schools and universities with the aim of instilling practical knowledge and skills in youth to become job creators.[42] However, the training has not increased youths' desire or willingness to become entrepreneurs. Additionally, organizations working under BTVET initiatives are in the private sector and their services have been perceived as being out of touch with the real economy, with trainings that lack relevance, quality and access. Certification also continues to be a challenge due to the fact that a national certification board does not exist, making it more difficult for institutions to ensure the quality of the content of entrepreneurship training modules as well as the quality of their delivery. The BTVET policy acknowledges the need for skills training as a key prerequisite for the development of micro-, small- and medium-sized enterprises. Yet, a key challenge faced by BTVET is youths' lack of motivation to work in the informal sector as they prefer to work in a government or other salaried position. Some progress in reform has been made with the BTVET Act of 2008 and the establishment of the Uganda Vocational Qualifications Framework; yet, the BTVET Strategic Plan for 2012/2013–2021/2022 identifies five areas of weakness from which the current BTVET system suffers:

42 Economic Policy Research Centre, 'Youth Entrepreneurship in Uganda.'

relevance to economic growth; quality of skills provision, access and equity; organizational effectiveness; financing; and internal efficiency. As such, the objective of the Strategic Plan is to transform the BTVET system 'from an educational sub-sector into a comprehensive system of skills development for employment, enhanced productivity and growth. The main purpose will be to create employable skills and competencies relevant in the labour market instead of educational certificates. It will embrace all Ugandans in need of skills, not only primary and secondary school leavers.'[43]

- **2011 National Strategy for Financial Inclusion:** The strategy was launched in 2011 with the objective of improving Ugandans' access to financial services and empowering people to use products and services to make better informed decisions on their personal finances. The strategy is linked with Uganda Vision 2040 and is built on four key pillars: financial literacy, financial customer protection, financial innovation, and financial service data and management. While the Government is cognizant of the need for youth-friendly policies and a regulatory framework governing youths' access to finance, particularly around credit, the policy focuses more on increasing financial literacy amongst youth and less so on their access to financial products and services. The strategy encompasses the entire population with clear approaches to increase the nation's overall financial inclusion figures. The Bank of Uganda has focused much of its efforts on Consumer Protection Guidelines. As of April 2015, FSPs have been required to issue Key Facts Documents to their clients for any and all deposit and loan accounts. Yet the Bank of Uganda strategy does not have specific schemes for vulnerable groups such as women and youth. The age requirement to independently open a bank account is 18 years despite the fact that youth in Uganda are becoming head of household much earlier. Current laws and regulations provide little to no incentives for FSPs to support youth economic inclusion. As such, there is a lack of motivation of these institutions to reach out to the youth segment as there are no requirements on their part to create new products or develop innovative solutions to address collateral constraints.

- **2013 Strategy for Financial Literacy in Uganda:** Launched in 2013 by the Bank of Uganda and the Ministry of Finance, Planning and Economic Development, and with support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the strategy has a specific focus on developing curricula at primary, secondary and tertiary levels along with community-based curricula for out-of-school youth. Implementation of the strategy is just underway and includes a range of financial literacy activities in five domains: financial literacy in schools; financial literacy for youth and the young; financial literacy through rural outreach; financial literacy in the media; and financial literacy for workplaces, clubs and associations. Uganda is also a signatory of the Maya Declaration and are members of the Alliance for Financial Inclusion, which demonstrates the commitment of the Government to ensure FSPs deliver responsible services to the population. The strategy is linked to Uganda Vision 2040, noting that, in order to reach the objectives outlined in the national plan to become a middle-income country, Ugandans need to be confident that they will be dealt with fairly by FSPs. This goal requires people to be financially literate in order to operationalize a well-functioning economy.

43 Uganda, Ministry of Education and Sports, *Skilling Uganda: BTVET Strategic Plan 2012/3 to 2021/2*, p. 4 (Kampala, 2012).

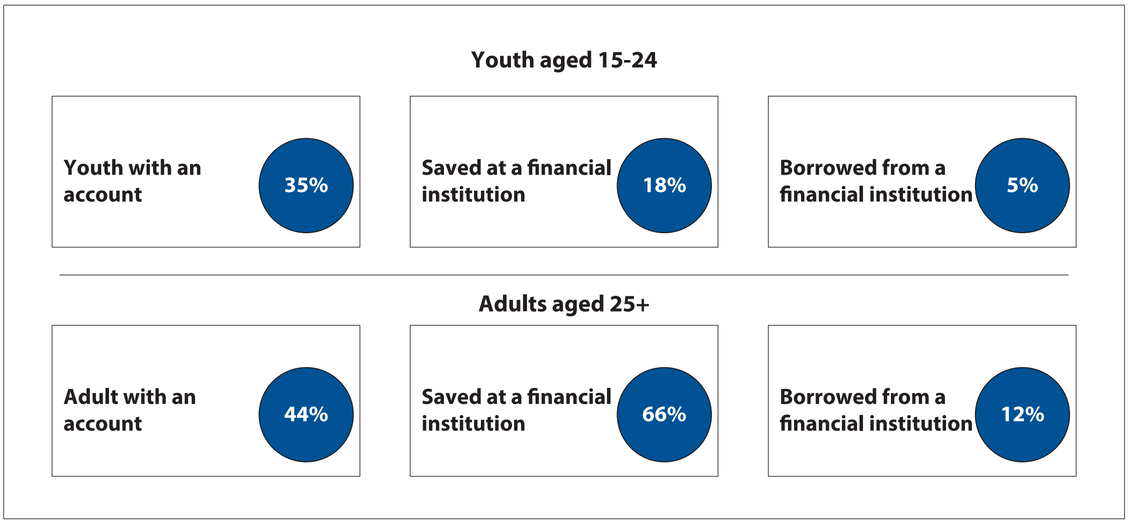
The number of policies focusing on youth are abundant in Uganda. The policies outlined above, amongst others, have been able to articulate the needs of youth. However, the underlying constraint for the Government has been in the implementation of these policies. Additionally, there is a lack of coordination amongst implementing actors; a shortage of human resources to help develop and implement action plans; and an overall lack of comprehensive labour market information, information to inform relevant and well-targeted policies and projects, and information on the part of young people themselves about what is available to help them make the most of their economic potential.

SECTION 3 – OVERVIEW OF ACCESS TO FINANCIAL SERVICES

While access to finance has greatly improved in Uganda, the percentage of people with bank accounts remains very low. Progress has been made over the years and 'strengthening financial inclusion' is one of the key initiatives of the Bank of Uganda Strategic Plan 2012–2017. The Global Financial Inclusion Database shows that, in 2014, 44% of the Ugandan population had an account at a bank, another type of financial institution or a mobile money operator compared to 35% for youth.[44] In 2011, this figure was just under 21% for adults and 12% for youth.[45] However, when it comes to usage of those accounts, Global Findex shows that only 18% of youth saved at a financial institution compared to 66% of adults.[46] Figure VII provides an overall picture of financial service usage by youth.

Figure VII

Financial services usage



Source: World Bank, 'Global Findex (Global Financial Inclusion Database),' 2014. Available from http://databank.worldbank.org/data/reports.aspx?source=1228#selectedDimension_DBList (accessed October 2016).

44 World Bank, 'Global Findex (Global Financial Inclusion Database).'

45 Figure does not take into account people with mobile money accounts.

46 Ibid.

The increase in financial inclusion has in part been driven by the expansion of non-bank formal institutions, particularly in response to the growth in mobile money. Half of the Ugandan population is covered by mobile phone networks,[47] and phones are available for as little as $10. Since 2009, mobile money services have proliferated and reached considerably more people than formal banking products: since the introduction of digital financial services (DFS), the number of registered subscribers increased from 10,010 in 2009 to 14,200,000 in December 2013 (29% vs. 16% in rural coverage),[48] signifying over 80% of the adult population had access to mobile money. Yet, only 34% were formally registered users and a large portion of users accessed services through a third-party account.[49] The number of access points also increased significantly: 'by December 2013, there were over 50,000 mobile money agents … spread across the country. This represents about 27.8 access points per every 10,000 adults, higher than the outreach for other channels.'[50]

The advent of money mobile services enabled financial transactions such as person-to-person remittances, payments for school fees and agricultural inputs, push-and-pull transactions with one's own formal banking accounts, as well as access to other saving and loan products. DFS also encompass innovations in the digital application space that have the potential to strengthen linkages within informal groups (village savings and loans associations [VSLAs]) as well as linkages between these informal groups and formal banking providers. There is still considerable potential, though the number of DFS consumers can only be augmented with increases in financial literacy and consumer awareness of products and services.

In terms of traditional financial services (i.e., brick-and-mortar, non-DFS), the financial sector's physical network has also increased substantially in the last decade. The Bank of Uganda reported a 294% increase in bank branches and over 2,090 savings and credit co-operative (SACCO) branches.[51] ATMs also increased from 152 access points in 2004 to over 835 in 2013.[52] While these increases have been impressive, it is not evenly distributed across the country. Of 112 districts, 41% lack access to bank branches while 48% lack access to ATMs.[53]

47 GIZ, Agricultural and Rural Finance Programme, marketing brochure shared with YSG.
48 Ibid.
49 Musa Mayanja Lwanga and Annet Adong, 'A Pathway to Financial Inclusion: Mobile Money and Individual Savings in Uganda' (n.p., 2015).
50 Bank of Uganda, 'Status of Financial Inclusion in Uganda,' p. 18 (Kampala, March 2014).
51 Sophia Kironde Iwumbwe, 'Overview of the Financial Sector in Uganda,' presentation at the 4th Meeting of the Financial Cooperation Working Group of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation, Ankara, 18–19 March 2015.
52 Bank of Uganda, 'Status of Financial Inclusion in Uganda.'
53 Ibid.

Despite a highly dynamic financial sector and improvements in policies and regulations, particularly for microfinance institutions, **accessing capital is a major and consistent challenge limiting Ugandan youths' ability to successfully start a business. While access to finance has generally improved, the headline trends overlook the everyday struggles of many young people in accessing relevant and affordable financial services.** According to a study by the Global Entrepreneurship Monitor (GEM), only 6% of young entrepreneurs cite financial institutions as the source of their capital.[54] Other sources used are family members, friends and personal resources. Given such financial constraints, it is unsurprising that many small enterprises fail to see their first birthday, despite growth potential.

The low usage of financial services by young people and those in rural areas has supply-side and demand-side implications. On the supply side, many FSPs lack the institutional capacity to provide relevant kinds of financial products, and are furthermore limited by the political, legal and regulatory environment. The Ugandan financial sector works in a 4-tiered system:[55]

- Tier 1: Commercial banks, of which there are 25 across the country;
- Tier 2: Credit institutions and finance companies, of which there are 4;
- Tier 3: Microfinance deposit-taking institutions, of which there are 3 FSPs and 3 credit and finance companies also licensed to mobilize deposits; and
- Tier 4: SACCOs, financial NGOs and all other non-deposit-taking financial institutions, of which there are over 2,000.

Only those institutions in tiers 1, 2 and 3 are actually regulated by the Bank of Uganda. Tier 4 institutions, which serve millions of people, lack oversight and regulation. This regulatory gap has led to high financial risks and lack of confidence from potential clients as some of these institutions have been wrought with corrupt practices. This negative perception has seeped into youths' understanding of FSPs as well, making them less likely to save at a financial institution.

The lack of suitable policies and legislation further compounds youths' ability to lobby for suitable financial products and inhibits their ability to properly take advantage of those available. According to the 2013 FinScope survey, half of the population is unaware of the difference between monthly and annual interest rates. Without basic levels of financial understanding, many are unable to take advantage of opportunities that could be financed by loans or interest on savings. Many are also unable to adequately plan, budget and keep records that are essential to the sustainability of their enterprises.

> "With banks, you put in more than you get out!"
>
> — Youth focus-group participant, Bwaise-Kampala, July 2015

54 GEM, 'GEM-Uganda Youth Report.'

55 Bank of Uganda, 'Status of Financial Inclusion in Uganda'; Iwumbwe, 'Overview of the Financial Sector in Uganda.'

Access to relevant, affordable and accessible financial products and services will continue to be a chief concern for Ugandan youth. Focus-group discussions with youth in the Bwaise area of Kampala were overwhelmingly dominated by debates on financial services and start-up capital. Youth from this area noted their particular challenges were the high interest rates charged by banks, the collateral requirements to access products, such as land titles, that youth do not have, and the negative perception banks have of youths' ability to use their services. They also noted the bureaucracy involved to complete administrative paperwork required for loans, which can be daunting, coupled with the need to bribe bank staff to get their accounts opened quicker. There is a general lack of awareness of youth products as these products are minimally advertised and have no awareness campaigns attached to them.

Due to these challenges, most youth from the focus-group discussions did not bother with formal financial services. Instead, they chose to save informally with groups or individuals at home.

SECTION 4 – ASSESSMENT OF THE DEMAND FOR AND SUPPLY OF LABOUR

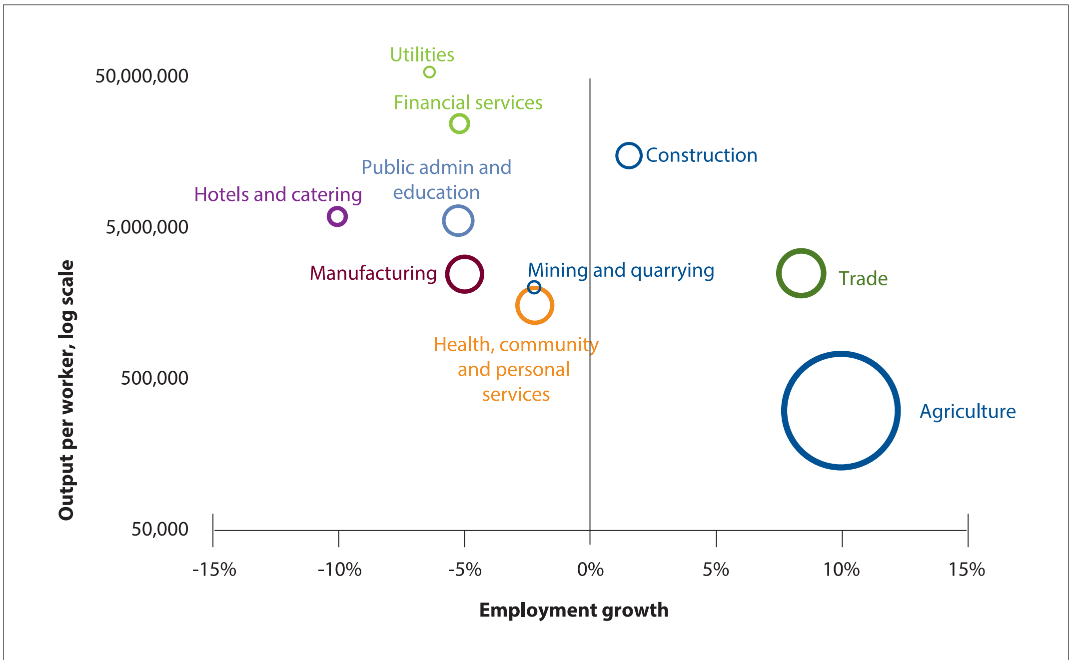
This section discusses the demand for and supply of labour, identifies key gaps and derives implications for youth. The demand for labour concentrates on initiatives that are directly focused on enabling unemployed youth to be absorbed into the labour market as seamlessly and efficiently as possible, while the supply of labour deals with the programmes and policies that are initiated to make the labour force more competitive in the market.

DEMAND FOR LABOUR

The labour market in Uganda is greatly demand constrained. The relatively consistent economic performance by Uganda over the last two decades has not created work opportunities for the entire labour force. The number of work seekers has continued to increase rapidly, and the labour market has been unable to absorb them all. Fast-growing sectors such as finance and tourism, though high-productivity areas, have not hired workers in proportion to their contribution to GDP. Further, the sectors that have created employment have been hampered by low productivity (see figure VIII).

Figure VIII

Productivity and employment growth by sector, 2009/2010–2012/2013

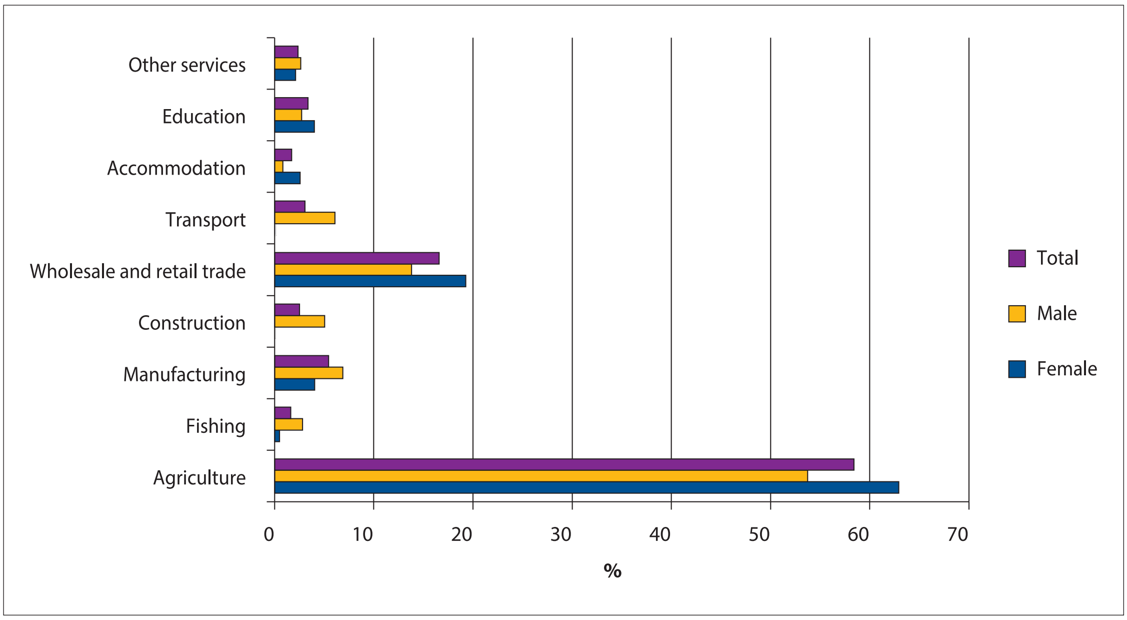


Source: Figure based on one that appeared here: Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014: Structural Change and Poverty Reduction in Uganda,* p.38 (Kampala, 2014).
Original source cited and explanatory note for figure: MFPED (2014). 'Uganda's employment challenges: an evaluation of Government's strategy.' Note: The area of each bubble is proportional to the primary employment in each sector in 2012/2013. Output per worker is measured in 2002 Uganda shillings.

The main sectors that employ young people are agriculture, services and manufacturing. Of those actively employed, the largest share of formal and informal youth is employed by agriculture: almost 60%,[56] which is in quite a contrast to the contributions this sector is making to the Ugandan GDP. Agriculture is the smallest contributor yet absorbs the largest number of young workers per year (see figure IX). The services sector, however, contributes over 50% to the country's GDP yet its absorption of youth workers is minimal. Furthermore, there are youth who prefer professional service sector jobs yet must compete for a very small pool of vacancies. Public sector employment is perceived as very attractive, given the stability and the benefits it offers, but is insufficient as the Government is unable to absorb the yearly number of job entrants. Graduate-level unemployment has been reported to be as high as 36%.[57]

Figure IX

Youth employment by sector and gender



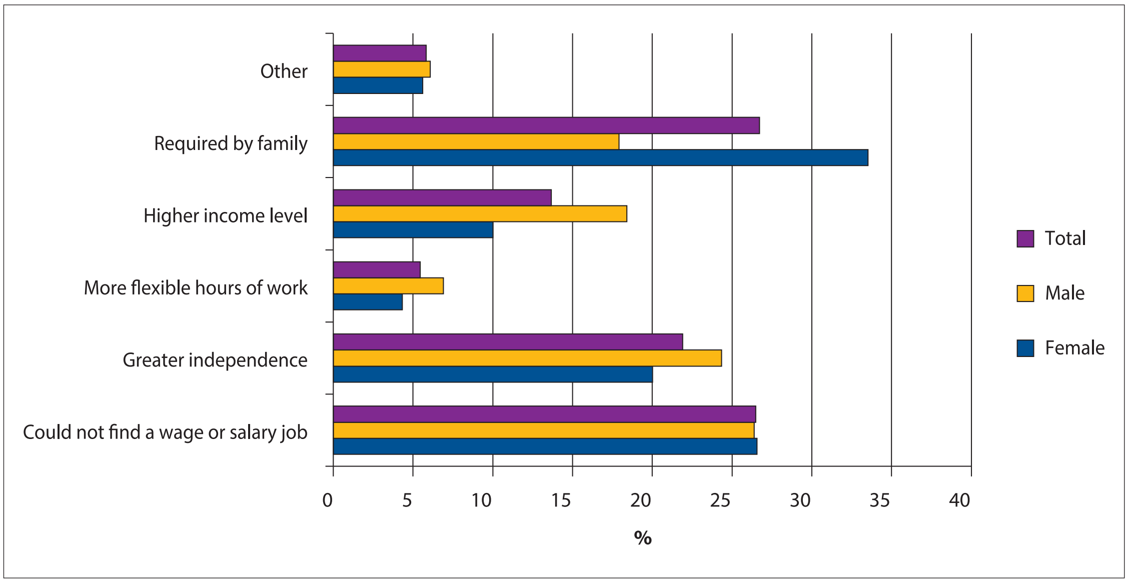
Source: Figure from Jimrex Byamugisha, Leyla Shamchiyeva and Takaaki Kizu, 'Labour market transitions of young men and women in Uganda,' in *Work4Youth,* No. 24, figure 3.6, p. 26 (Geneva, ILO, 2014). Reprinted by permission.
Original source cited: UBOS, SWTS-Uganda, 2013.

With youth unemployment rates over 10%, most youth find themselves working for family members. According to the Uganda National Household Survey 2012/2013, 'the size of the working population was 13.9 million, but the size of the employed population was 7.9 million,' which suggests that around **one third of the working population is in the informal sector.**[58] As such, over 25% of youth create economic opportunities for themselves out of necessity simply because they are unable to identify salaried work (see figure X).[59]

56 Byamugisha, Shamchiyeva and Kizu, 'Labour market transitions of young men and women in Uganda.'
57 International Youth Foundation, 'Navigating Challenges. Charting Hope. A Cross-Sector Situational Analysis on Youth in Uganda,' Vol. 1: Main Report (n.p., 2011).
58 Uganda, Bureau of Statistics, *Uganda National Household Survey 2012/2013,* p. 60.
59 Uganda, Bureau of Statistics, *School-to-Work Transition Survey.*

Figure X

Self-employed youth by reason and gender



Source: Figure from Jimrex Byamugisha, Leyla Shamchiyeva and Takaaki Kizu, 'Labour market transitions of young men and women in Uganda,' in *Work4Youth,* No. 24, figure 3.5, p. 25 (Geneva, ILO, 2014). Reprinted by permission.
Original source cited: UBOS, SWTS-Uganda, 2013.

While the lack of jobs and opportunities are part of the problem, some youth are also faced with underutilisation, which is as high as 63% for the youth population.[60] Short working hours is a key area of concern for youth, as most are in need of full-time, consistent work. Though this situation could be positive if it offered young students the opportunity to earn while studying, it is more often the case that such short hours are simply all that are available to young people. According to an ILO school-to-work transition survey, over one quarter of young people were involuntarily in part-time work and said they were willing and available to work more hours in 2013.[61]

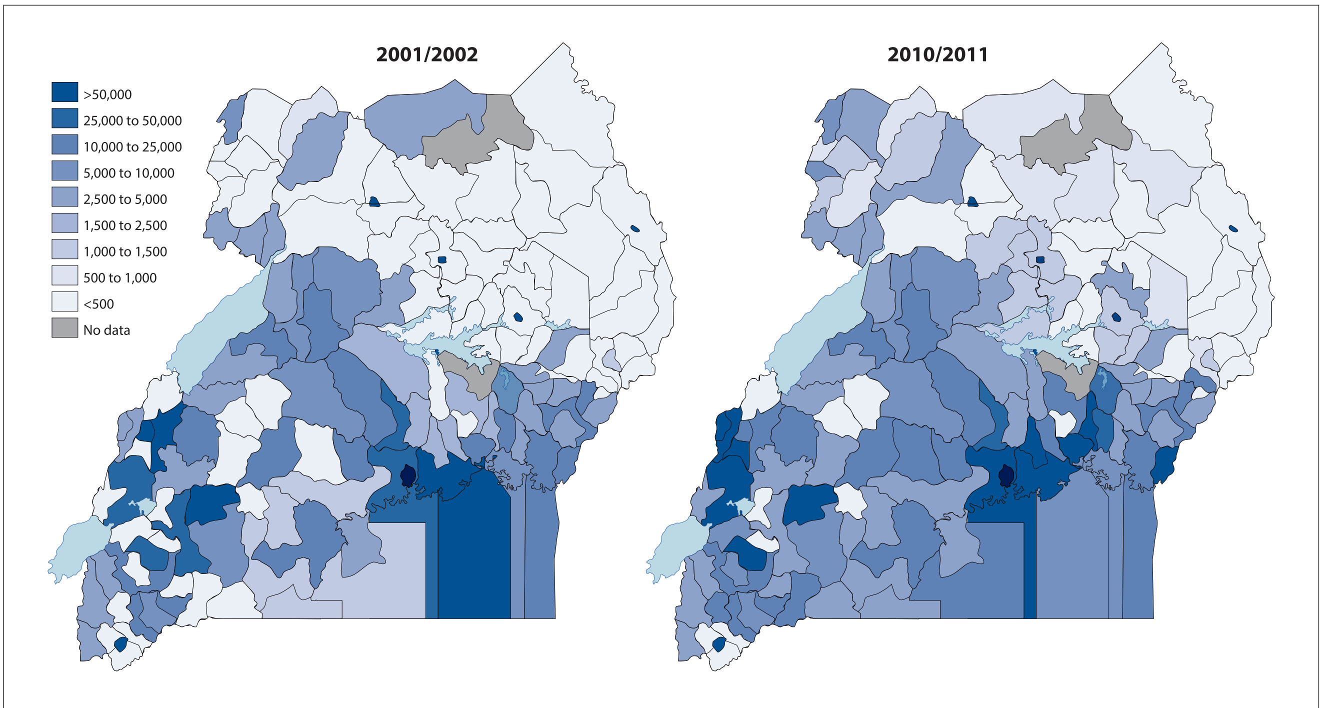
With limited opportunities, it is clear that **private sector work opportunities are insufficient to meet youth employment needs.** In recent years, new business ventures (excluding informal micro-enterprises) have created around 25,000 jobs a year.[62] These opportunities only address a tiny fraction of the youth population looking for work. Moreover, even considering the limited opportunities that do exist in industries such as finance and tourism, it is too often the case that these jobs are hard to come by because they are not well publicized, networks are required to gain access to them and the skills threshold (work experience and/or vocational or university degree) is too high for the current skill levels of Ugandan youth. As such, **the demand for labour often looks outside the youth pool in Uganda to youth elsewhere in the region.**[63]

60 Byamugisha, Shamchiyeva and Kizu, 'Labour market transitions of young men and women in Uganda.'
61 Ibid.
62 Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014.*
63 There is considerable anecdotal evidence from stakeholders interviewed that the tourism and hospitality industries in Uganda are still far behind those in Kenya, and many jobs in these industries are taken by Kenyans who can freely migrate.

Furthermore, the supply of wage labour is not evenly distributed across the country (see figure XI). Indeed, the greatest growth appears to be along major transport corridors where the Government has placed considerable investment (e.g., national airports, construction projects across urban areas and infrastructure initiatives such as dams).

Figure XI

Number of wage jobs in registered firms



Source: Figure from Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014: Structural Change and Poverty Reduction in Uganda,* p.39 (Kampala, 2014).
Original source cited: Census of Business Establishments.

Although youth comment on the difficulties in finding employment, they often lack the necessary skills to access jobs in the formal sector. The quality of the supply of labour, discussed in the next section, is a significant barrier to employment. As a result, a number of employers report hiring foreign workers, noting that the pool of qualified workers is small and lacks sufficient technical and soft skills.

Ultimately, there are not enough jobs in the market and it is largely accepted that self-employment and enterprise development will be the mechanisms to help create more opportunities for youth. At the launch of a 2007 World Bank report, the Deputy Prime Minister of Uganda indicated that the labour force in Uganda was growing at an annual rate of 3.4%, "resulting in 390,000 new job seekers and yet only 8,120 jobs were being created each year."[64] Meanwhile, 'a nation-wide survey conducted in 2013 by GEM suggested that Uganda has some of the highest entrepreneurship rates in sub-Saharan Africa, mostly represented by 1.8 million informal firms.'[65]

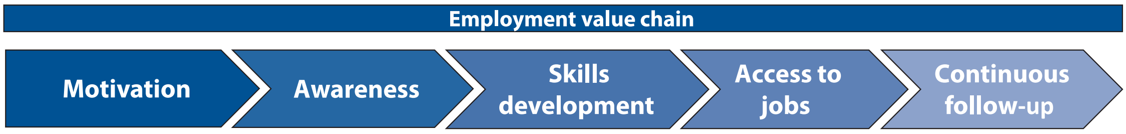
64 World Bank, 'Uganda Grapples with Youth Unemployment as WDR 2007 is Launched.' Available from http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21245160~menuPK:258659~pagePK:2865106~piPK:2865128~theSitePK:258644,00.html (accessed November 2016).

65 GEM, 'GEM-Uganda Youth Report,' p. 1.

SUPPLY OF LABOUR

While demand does significantly constrain youths' access to economic opportunities, supply is a major roadblock in ensuring that young people in Uganda are sufficiently prepared to access existing opportunities. Preparation consists of a number of sub-drivers, which include motivation and awareness, skills development or capabilities, access to jobs, and follow-up or guidance (see figure XII).

Figure XII
Employment value chain



It is true that youth need to be better job seekers and job creators. However, the lack of support—support youth need to successfully navigate the employment value chain—may leave them feeling underqualified for a majority of positions, quickly leading them to low motivation, discouragement and disenfranchisement. This pattern is particularly true for youth with low educational attainment who have limited networks or **knowhow for finding opportunities. Even youth with secondary or tertiary degrees, while they may feel highly motivated due to their qualifications, are subject to feeling discouraged and frustrated due to their inability to find work immediately after their training.**

MOTIVATION AND AWARENESS

Youth awareness about the numbers and types of economic opportunities is low and largely determined by their experience and environment—repeated job searches without results can often lead to discouragement for youth. This situation in large part contributes to the size of the informal economy, which has low to zero barriers to entry as compared with the formal job sector. Thus, for a young person with limited educational attainment, it becomes difficult to see the value in leaving the informal economy given the costs associated with formal job searches (e.g., travel and required paperwork).

Many lack knowledge about government and non-government schemes that could help them realize their entrepreneurial ambitions and manage commercially viable enterprises beyond the start-up phase. There are several comprehensive government policies, programmes and schemes to help youth grow their businesses; however, according to a GEM survey, 89% of young entrepreneurs had not received support from any of them.[66] A large number of stakeholders interviewed were of the perception that the YLP by the Ministry of Gender, Labour and Social Development has potential; yet, too often young people do not know about the initiative nor how they can benefit from it. Involving other relevant stakeholders in these types of schemes would allow the Government to have a larger reach. **Vectors of communication such as faith-based organizations, community groups and social media need to be exploited to disseminate information about such schemes.**

This topic is especially important when considering the fact that **youth awareness varies greatly by geography, gender and age.** In a study on the lessons learned from the Uganda Youth Venture Capital Fund, it was found that beneficiaries were largely concentrated around Kampala: 70% of the fund was taken up by male-owned enterprises, and older youth (26–35 years) were more likely to access the fund than younger youth (18–25 years).[67] While the new YLP tries to address some of these lessons, there is still a lack of awareness by the overall youth community about who can access the funds and how. Awareness-raising through youth serving organizations, NGOs, schools, banks, social media, television and community-based groups needs to be leveraged in order for a larger, more diverse group of youth to have access to these programmes. For example, one stakeholder interviewed for this study noted some success in boosting female recruitment for entrepreneurship training by organizing community drives that targeted markets (where many women work), asking for just five minutes for the organization to explain what it could offer.

EDUCATION AND SKILLS DEVELOPMENT

The lack of soft and technical skills limits access to economic opportunities for youth. The challenges in education and skills development have a number of dimensions. Firstly, school completion beyond primary level remains low, education quality is poor, and the formal curriculum remains very theoretical, failing to equip youth with practical skills that can help them to find decent employment.[68] Employers in Uganda often complain about the skill shortages and the lack of qualifications amongst the youth workforce.[69] Although improvements in educational attainment have been made with universal primary and secondary education, it still remains the case that about

66 GEM, 'GEM-Uganda Youth Report.'

67 Gemma Ahaibwe, Ibrahim Kasirye and Mildred Barungi, 'Promoting self-employment through entrepreneurship financing: Lessons from the Uganda Youth Venture Capital Fund,' EPRC Policy Brief, No. 47 (Kampala, Economic Policy Research Centre, 2014).

68 Uganda, Bureau of Statistics, *School-to-Work Transition Survey.*

69 Interviews conducted by the authors during July and August 2015 with Sam Balagadde, Quality Assurance and Value Chain Manager, KK Foods; James Kanyije, CEO, KK Foods; Kisirisa Muhammed, Co-founder and CEO, Action for Fundamental Change and Development; and Patrick Ssebbowa, Microfinance and Business Development Specialist, Plan International.

50% of youth aged 18 to 30 have not completed primary school or higher.[70] **This situation instantly places demands on youth employability measures to consider appropriately targeted responses for those who have some education and those who are school drop-outs or who may never have attended school.** Clearly, the needs of these various segments of youth are different. For example, those who have completed school may have formal education certificates but still lack the soft skills and personal confidence to start their own businesses. Meanwhile, school drop-outs may lack formal education but have some vocational skills that need to be upgraded and refined so that they are more marketable.

Moreover, with unemployment rates amongst university graduates at 36%,[71] **it serves to question the quality of formal education being provided in schools.** Employers note a lack of traditional soft skills from youth such as critical thinking and problem-solving, practical knowledge and skills. The BTVET policy instated by the Government in 2008 introduced compulsory apprenticeship and entrepreneurial courses in tertiary institutions to help youth become job creators. However, while youth did complete these courses, BTVET has yet to show whether the mindset of youth has altered or if the completion of the courses was due to its mandatory nature. Furthermore, it is indeed common that vocational training is perceived as second best to formal education. This perception, compounded by youths' desire to hold salaried government jobs, makes it more difficult to assist in the transition towards equipping young people with practical skills.

A potential approach to address this issue is to develop stronger linkages between employers and universities: employers are prone to provide training to new recruits to fill their skills gap. Employers could help inform curricula, provide training guidelines and potentially serve as trainers within these institutions. Certainly, the blame for the lack of adequate skills cannot be placed wholly on youth—there is also a lack of qualified trainers capable of imparting relevant skills. Conversely, given the low absorptive capacity of the private sector, targeted measures also need to be put in place so that the aspirations of university graduates can be managed more realistically in line with the opportunities that are there. Career development services and guidance are not readily available to youth nor are they instilled in the educational system.[72] Youth are constantly being directed towards degrees that have little to no value in the labour market because of outdated and disconnected markets.

70 Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014*.

71 International Youth Foundation, 'Navigating Challenges. Charting Hope. A Cross-Sector Situational Analysis on Youth in Uganda.'

72 Venansius Baryamureeba, 'Lack of Role Models, Career Guidance & Relevant Information; Major setbacks for Ugandan students.' Available from http://utamu.ac.ug/newss/1019-lack-of-role-models,-career-guidance-relevant-information-major-setbacks-for-ugandan-students (accessed October 2016).

ACCESS TO JOBS/WORK EXPERIENCE (INTERNSHIPS AND APPRENTICESHIPS)

Access to jobs is extremely limited in the formal sector, with most youth using personal connections to secure positions. There is little transparency in recruitment processes, and youth often have to rely on their networks to find opportunities. Youth require more career guidance and systematic support with internship and job placements. There are currently few formal job-matching initiatives and those that exist operate only on a small scale. Access to jobs and even work experience in the form of internships and/or apprenticeships is limited. Additionally, the costs associated with finding a job are high: many youth cannot afford the time and financial costs of job searches (documentation and travel costs to name a couple), so often personal connections are used to secure positions as opposed to formal job-matching services.

The few apprenticeship and job-placement schemes that do exist all too often only target university graduates and those in and around Kampala. One example is the youth apprenticeship programme by Uganda Investment Authority, which by default targets graduates of business-related degrees. Another is the current youth service scheme by the Kampala Capital City Authority, which is more focused on 'community service' than facilitating youth employment.[73] **Very often internships are also inaccessible because they are unpaid, they include an insufficient stipend or the employer wants to be paid for offering it.** This situation becomes an issue because, without financial remuneration, internships will naturally be biased towards those who can afford them. Interns also potentially run the risk of dropping out during their training, especially if there is no guarantee of accessing longer-term, formal employment.

> "One challenge of matching our trained youth to internships is that many employers want young people to pay for their internships."
>
> — Co-founder of youth-employment centre and youth serving organization, Bwaise-Kampala, August 2015

73 The Employment Services Bureau of the Kampala Capital City Authority, which is responsible for this scheme, is also running Kampala's part of an online job-matching database—a collaboration between the Government, the International Organization for Migration and ILO. This pilot project is also in four other districts: Gulu, Hoima, Mbarara and Mukono.

Another barrier to youths' access to jobs is that of accreditation and certification. Some work is being done to address this barrier, for example with Worker'sPas: 'a document that certifies the skills and competences of an individual for a particular occupation' through the Uganda Small Scale Industries Association, as outlined in the BTVET policy.[74] However, the BTVET system has yet to become more robust, making international recognition of these certificates an additional hurdle for Ugandans as they face greater competition from formally accredited and more qualified labour from neighbouring countries such as Kenya and the United Republic of Tanzania.

As such, it is clear from the currently limited access to jobs that youth need more career guidance and systematic support with internship and job placements.

CONTINUOUS FOLLOW-UP

There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises after various training and mentorship programmes. At the end of the employment value chain, once youth access economic opportunities, there are few formal structures or programmes in place to support their professional growth (i.e., ongoing skills development, professional coaching and mentoring, linkages to professional networks, and career guidance and counselling). **This support also needs to extend to follow-up for youth as they adjust to new jobs.** As mentioned above, youth often do not have the skills to manage their businesses beyond the start-up stage, so follow-up is critical if Uganda is to truly harness the enterprising potential of its youthful population. **Entrepreneurs also need to have their creativeness encouraged so that they continue to widen their activities across more innovative product lines.** In a 2013 GEM report, over 80% of surveyed young entrepreneurs admitted that their product lines have not changed over time.[75] Enterprises also need to keep pace with technological development and be encouraged to harness the marketing and business potential of the internet and ICT more generally to grow their businesses.

One programme that is addressing the issue of continuous follow-up is the Technoserve programme Strengthening Rural Youth Development through Enterprise (STRYDE). STRYDE has a comprehensive follow-up approach, but it may be limited due to the financial, time and human resources available to dedicate to this part of the programme. In order for young people to attain all the different benefits, such as mentorship, training, funding, etc., provided by various youth-focused organizations, there needs to be increased collaboration by existing organizations and bodies in the execution of programmes.

74 Uganda Association of Private Vocational Institutions, 'Worker'sPAS.' Available from http://www.workerspas.org/home/ (accessed October 2016).

75 GEM, 'GEM-Uganda Youth Report.'

MATCHING OF DEMAND AND SUPPLY

Interventions that facilitate the connection between labour demand and supply are few and far between. These interventions often rest on specified partnerships between different stakeholders (e.g., NGOs working closely with private sector employers to train youth on specific technical and soft skills). While this model has the potential for replication, it is often developed in silo partnerships. Government programmes have the resources to support larger-scale and longer-term measures, but non-government actors are those that have better grassroots reach to youth and youth networks. Thus, it is clear that isolated youth empowerment interventions will not produce the critical effort required to address the youth challenge in Uganda. Better and more meaningful coordination is required amongst all actors including youth themselves.

The current lack of information about initiatives that, if addressed, would help bridge the gap between demand and supply sides of the youth labour market, plus the feedback received from stakeholders interviewed, suggest that **youth need to be more involved in the planning, design and evaluation of programmes so that they are relevant, accessible and appropriately targeted for their specific needs.**

SECTION 5 – HIGH-POTENTIAL OPPORTUNITIES FOR YOUTH

There are a number of approaches to identify high-potential opportunities for youth. Some sectors are **growing but from a low base** (e.g., tourism), others exhibit poor productivity levels that require support (e.g., agriculture), and still others are a **government priority focus area** per NDP II (e.g., infrastructure and construction). Another important consideration is **inter-sectoral linkages** whereby economic growth in one sector increases the supply of production inputs and creates demand for other sectors. For example, growth of the hospitality industry will increase the demand for food products, while increased availability of housing units will increase demand for retail products—these are production linkages. A consumption linkage, on the other hand, would be where income growth in urban areas increases the size of agricultural markets.

Finally, considering the characteristics of the youth population and its needs, **those sectors that will interest youth the most will be those where the initial capital injection is low, where there are value added opportunities and where there are quick returns.**

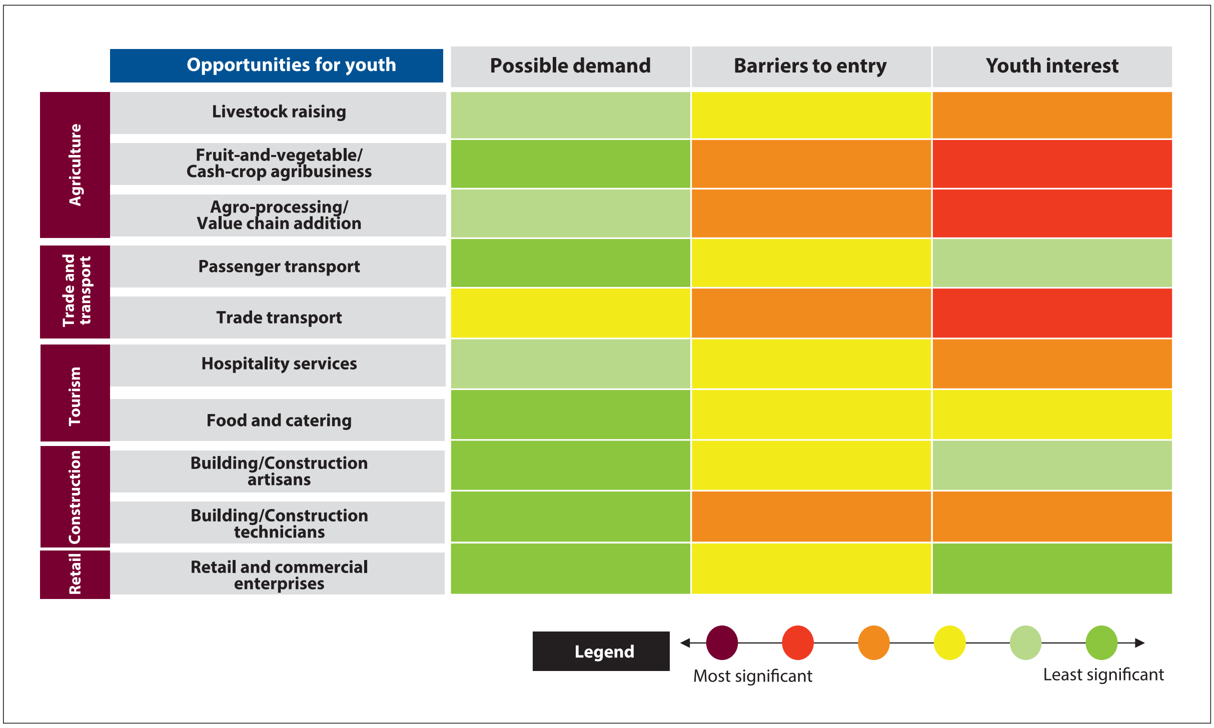
The analysis in this section attempts to synthesize the above considerations and the feedback received from stakeholders interviewed, including youth.

The five broad sectors that present opportunities are agriculture, trade and transport, hospitality services and tourism, building and construction, and retail and commerce.

Specific opportunities within each sector will be discussed in the sub-sections below, but table 1 presents a snapshot of the strengths and weaknesses of these opportunities.

Table 1

Highest-potential opportunities for youth



Source: Desk research and stakeholder interviews.

I. OPPORTUNITIES IN AGRICULTURE

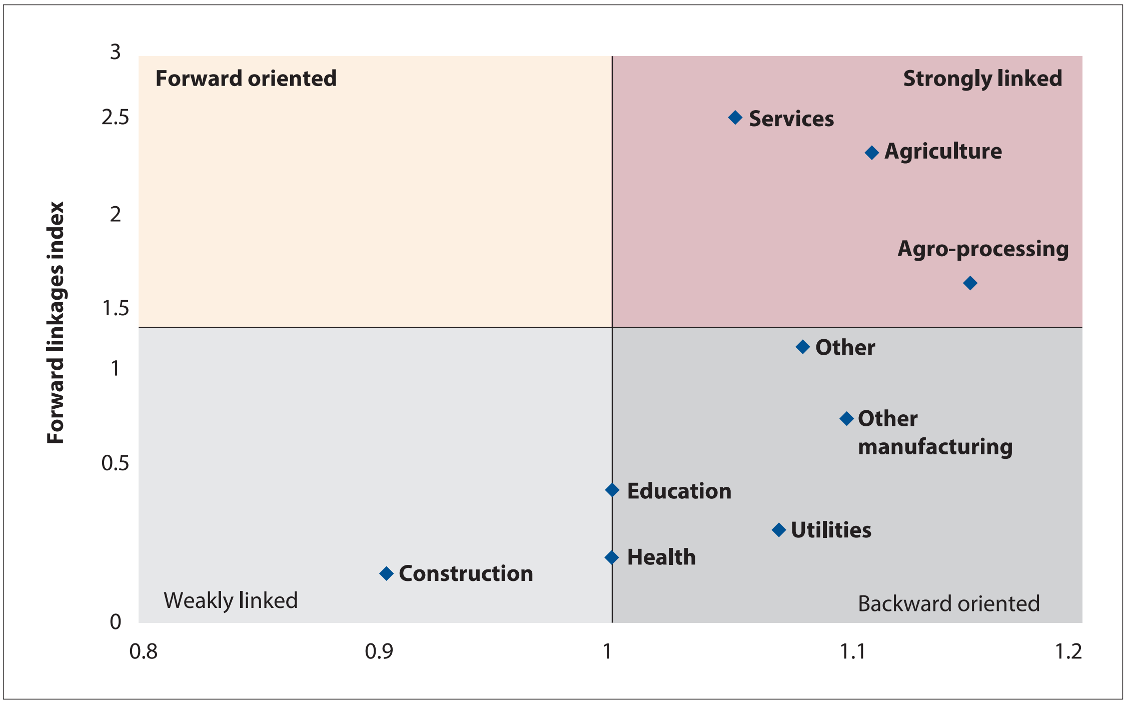
Considering the booming population's growing food needs, the current low base of productivity in agriculture along with the vast natural resources found in Uganda, agriculture clearly remains the highest-potential sector of opportunities for youth, especially if value chains can be fully exploited. Growth in agricultural productivity has significant potential to reduce poverty levels as well as to accelerate overall growth and job creation in the non-agricultural sector.

Presently, low levels of youth interest are reflected in rural-to-urban migration flows. However, not all youth are disinterested in agriculture, especially in northern and up-country regions such as Karamoja, if agriculture can be made more financially remunerative for them. If so, rural areas will be able to retain more young people given the opportunity.

Agriculture is also an important focus area from a gender perspective. Young women are disproportionately represented within agriculture and are focused more on subsistence than cash-crop farming. Structural change within agriculture, particularly the integration of subsistence-oriented producers into the commercial economy, is an important driver of growth and will help broader structural change at the macroeconomic level. **It is in large part due to the agricultural sector in Uganda exhibiting strong forward and backward production linkages** (see figure XIII). As production expands, it stimulates other sectors that provide inputs such as fertilizer, machinery and transport services, as well as supplying more goods to the agro-processing sector. Conversely, agro-processing exhibits strong backward linkages to the agriculture industry.

Figure XIII

Inter-sectoral production linkages in Uganda



Source: Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014: Structural Change and Poverty Reduction in Uganda* (Kampala, 2014).

The agricultural sector has made some progress in recent years. The growth potential is evident in the gradual professionalization of the sector and growing interest amongst middle-class and commercial investors. **Public investment has been a catalyst to this progress: the increase of paved roads from 4% in 2008/2009 to 16% in 2012/2013 improved access to urban and regional markets and attracted agribusiness investments.**[76] Access to electricity is also crucial for the spread of agro-processing industries across Uganda. The Government's rural electrification programme has increased the number of national grid connections by an annual rate of 14% since the beginning of 2009/2010.[77] Despite this progress, a number of challenges remain. **Smallholder farming is still the prevalent mode of farming and in most areas commercial agriculture is not established.** The value of crops sold by the median agricultural household was still only $49 in 2011/2012,[78] and the majority of households remain reliant on their own production to meet their consumption needs.

76 Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014.*

77 Ibid.

78 Ibid.

Furthermore, use of agricultural inputs by Uganda is amongst the lowest in sub-Saharan Africa. Fertilizer use is one tenth that of Kenya,[79] **suggesting that relatively simple technical changes could yield potentially higher returns to investment from a low base of productivity.** Youth need to be encouraged to adopt appropriate inputs, but making such investments is often complicated by their lack of ownership of critical agricultural assets—especially land. Lack of land tenure continues to hold back many youth from the sector, with numerous youth borrowing land from family members, friends and neighbours for their farming needs. Moreover, youth are less likely to access credit, extension services and social capital (e.g., farmer group membership), all of which are key to harnessing the potential opportunities in the sector.[80]

Finally, **despite improvements in transport and energy networks, agricultural value chains need to be better integrated.** Agribusinesses often struggle with the unpredictability and poor quality of produce supplied by local farmers. Additionally, these famers can only increase the quantity and quality of their produce if they can be guaranteed access to a market to which to sell. Currently, more than three quarters of the Ugandan population live two or more hours away from a market centre.[81]

The World Bank has classified Uganda as a 'pre-transition' country in relation to agribusiness.[82] Agriculture capital stock is estimated at only $374 per capita compared to an average of $1,417 in other 'pre-transition' countries and in less developed countries where the average is $738. These figures fit the picture of Uganda as a country with low value added and low-productivity agriculture output, despite increasing demand from domestic and regional markets and abundant natural resources.

Table 2 summarizes the specific economic opportunities accessible to youth in the agricultural sector.

79 Bayite-Kasule, 'Inorganic fertilizer in Uganda.'

80 See Gemma Ahaibwe, Swaibu Mbowa and Musa Mayanja Lwanga, 'Youth Engagement in Agriculture in Uganda: Challenges and Prospects,' in *Research Series,* No. 106 (Kampala, Economic Policy Research Centre, 2013).

81 Marie-Agnès Jouanjean, 'Targeting infrastructure development to foster agricultural trade and market integration in developing countries: an analytical review (London, Overseas Development Institute, 2013).

82 World Bank, *Enabling the Business of Agriculture 2015: Progress Report* (Washington, DC, 2014).

Table 2

Opportunities in agriculture

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: **Livestock raising (e.g., animal husbandry and poultry farming)**	Most profitable animals include - Goats - Cattle - Chickens For example, certain breeds of chickens (Kuroiler) can produce eggs continuously for two years. The gestation period from chick to producer is four months. Each chicken costs approximately $1.40. With $143 saved, 100 chickens can be purchased. Even if 80% of them produce only one egg, with each egg selling for 400 Uganda shillings (less than one penny), daily earnings would be ~$9, which is over $57 per week.	• **Medium to strong demand:** The small animals market is growing, and there is still a lot of room for new producers given the growing consumption needs of the Ugandan population. • **Medium entry barriers:** Youth require basic skills as well as technical livestock raising skills that can be acquired through networks and/or training currently being offered by NGOs/implementers (see next section). Effective programmes provide start-up capital in kind or provide financing *after* the receipt of training. There is limited need for land. • **Medium youth interest:** Youth interest varies from region to region. It is not the case that all youth do not want to work in agriculture, especially in more remote rural areas.[a]
Opportunity 2: **Fruit-and-vegetable/ Cash-crop agribusiness**	This activity involves growing chillies, hot peppers, groundnuts, sunflowers, sorghum, rice, French beans, peas, mangoes, passion fruit, etc. Once production is established and profitable, savings can be used to move into value added activities (see below).	• **Strong demand:** Agribusiness is a strong focus area of the Government, with a number of prominent interventions including the direct delivery of inputs through the National Agricultural Advisory Services.[b] • Government stimulus aside, **rapid urbanization and food deficits in neighbouring countries** suggest that there is plenty of untapped demand. • One stakeholder interviewed noted that it was exporting about 50 tonnes of fruit and vegetables per week, which makes up only 50% of total demand. • **Medium to high entry barriers:** Access to land, financing/capital-in-kind and access to markets remain considerable constraints. • Technical skills are also a limiting factor to a degree. The same private sector exporter mentioned above plans to launch an **agribusiness vocational training centre** in the Central region next year, having already purchased the land. It will serve as an incubation centre to sensitize youth to kinds of post-harvest activities to exploit the value chain, as well as to offer inputs and training in the field.

a International Youth Foundation, 'Navigating Challenges. Charting Hope. A Cross-Sector Situational Analysis on Youth in Uganda,' Vol. 1: Main Report (n.p., 2011).

b Note, however, that National Agricultural Advisory Services has faced some controversy and criticism that it has only benefitted a small number of individuals and that the targeting is unfair. Reportedly, the agency's officers have knowingly supplied farmers with counterfeit seeds in some cases. See page 59 of Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014: Structural Change and Poverty Reduction in Uganda* (Kampala, 2014).

Employment activities	Description	Why is it an opportunity for youth?
		• **Supply chains need to be better established,** which will in large part be contingent on public investment in improved infrastructure.
		• **Low youth interest:** Agribusiness is currently not perceived as yielding high enough returns to attract youth. Moreover, youth are wary of this sector as they have yet to see others tap into it and succeed. • Evidence from Bushenyi district suggests that youth enter food retail or *boda boda* driving (motorbike taxis). Access to land was an issue to a degree, but it was more the case that non-farm enterprises offered higher returns.[c]
Opportunity 3: **Agro-processing and value chain addition**	This activity involves, for example, processing of coffee and sugar, processing of agricultural inputs like fertilizer, preserved fruit, vegetable oils and food packaging.	• **Medium to strong demand:** Overall, the balance of agricultural exports is shifting towards processed goods as opposed to commodities.[d] • Previously, a large proportion of agro-processing activity was concentrated in the East, especially near the border with Kenya, but investors have increasingly been attracted by the domestic market in Uganda, export opportunities in the region and a growing supply of cash crops for processing. • **Agro-processing also has strong linkages with other sectors as discussed above and a high income multiplier effect.**
		• **Medium to high entry barriers:** Access to land, financing/capital-in-kind and access to markets remain considerable constraints. • **Technical and entrepreneurial skills are also limiting factors but are increasingly being addressed by a range of initiatives in place** (see next section). One example is the Technoserve programme STRYDE.
		• **Low youth interest:** Agribusiness is currently not perceived as yielding high enough returns to attract youth.

c See page 58 of Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014.*
d See Figure 17 of DFID, 'Uganda: Inclusive Growth Diagnostic 2015,' internal document shared with YSG, 2015.

II. OPPORTUNITIES IN TRADE AND TRANSPORT

The trade and transport sector has linkages with the opportunities in the agricultural sector discussed above as well as standalone opportunities.

The agricultural value chain involves transport at various stages, such as the transportation of primary goods to be processed and the transport of processed goods into local or regional market hubs. Although landlocked and currently a net importer, Uganda has increased its access to regional markets through agreements with the Common Market for Eastern and Southern Africa (COMESA), DRC and South Sudan. Moreover, EAC alone has a market of 141 million people and an estimated total GDP close to $100 billion.[83] However, according to the World Bank, many of the benefits of greater regional integration, which is still in its infancy, are yet to materialize.[84]

In the Eastern region, urban poverty has decreased in part because of the growth in cross-border trade. Towns such as Busia, Iganga, Malaba and Mbale are key trading hubs for the region that attract considerable volumes of tradable goods such as sugar and agricultural produce, especially to South Sudan, in recent years. Likewise, the Western region has exploited growing regional markets in Rwanda and DRC.

Involvement in commercial trade and transport may not, however, be available to youth as an immediate first step; youth may need to get involved with other initial economic opportunities first. For example, youth could get involved in smaller-scale transport subsectors such as *boda boda* (motorbike taxi) where drivers can earn around $8.60 per day.[85] A number of the FSP stakeholders interviewed mentioned the *boda boda* loans that they offer to help support drivers to own their own bikes and also to complete training to obtain a formal licence. Drivers can ride their motorbikes on loans and own the bikes within a year. These products have had success in terms of repayment. Drivers can then 'graduate' from *boda bodas* to *matatus* (minibus taxis) and ultimately to trucks for the delivery of produce or other commodities.

Alternatively, this sector can offer entrepreneurial opportunities for youth willing to form savings groups/cooperatives. One youth focus-group participant mentioned how he has formed his own savings group of 20 people. This group shares a bank account in which they are saving funds to buy a commercial vehicle for a transport and trade business.

The main challenge facing the trade and transport sector is in the current state of the country's road infrastructure. Despite investment, growth in road traffic (8% a year) far outpaces growth of the Ugandan road network.[86] A standard truck travelling between Kampala and Mombasa costs $0.08 per km (distance of 1,145 km), compared to $0.06 between Durban and Lusaka (distance of 2,290 km) and $0.04 across the United States.[87]

Notwithstanding this key challenge, which is in part being addressed by infrastructure investment, table 3 summarizes the specific opportunities available to youth in the trade and transport sector.

83 DFID, 'Uganda: Inclusive Growth Diagnostic 2015.'
84 World Bank, 'The Growth Challenge: Can Ugandan Cities get to Work?'
85 Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014,* p. 58.
86 Private Sector Foundation Uganda, *Private Sector Platform for Action: A Synopsis of Uganda's Private Sector Growth Challenges and Proposals for Policy Reform* (Kampala, 2012).
87 DFID, 'Uganda: Inclusive Growth Diagnostic 2015.'

Table 3

Opportunities in trade and transport

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: **Passenger transport**	Passenger transport primarily includes: - *Boda boda* drivers - *Matatu* drivers - *Matatu* payment collectors	• **Strong demand:** Ugandan population growth is translating into increasing demands for transportation. *Boda bodas*, in particular, are in high demand in congested urban areas such as Kampala, while *matatus* play an important role in connecting main towns for passenger travel. • Digital innovations in Kampala such as 'Safe Boda' and 'HelloFood' are also creating additional demand for *boda* transportation for passenger travel and home delivery of food.[a]
		• **Low to medium entry barriers:** There is reasonable availability of financial services to support youth in their acquisition of *boda bodas*. • For those who don't take out loans, financial arrangements can be made with garages as well, whereby drivers pay a daily fee to use a bike.
		• **Medium to high youth interest:** As discussed above, youth are increasingly more drawn to urban/non-farm activities that they perceive to be more financially remunerative.
Opportunity 2: **Trade transport**	Trade transport includes the transportation of agricultural inputs, agriculture outputs as well as processed goods.	• **Medium demand:** Currently, the extent of trade is constrained by infrastructure and transport costs that remain too high; over 40% of the costs of business have been attributed to transport services, which equates to an implicit tax on the cost of goods of more than 25%.[b] • However, there is certainly great potential for increased demand if better integrated solutions can be provided along the agricultural value chain.
		• **Medium to high entry barriers:** Skills in truck driving need to be acquired and opportunities will at least initially be driven by the connections that can be forged with suppliers, exporters and processors.
		• **Low youth interest:** Tied to the points already mentioned, youth do not yet perceive the potential in the various stages of the agricultural value chain, nor the opportunities that they provide. • This fact suggests that interventions in the agricultural and infrastructure space may need to take the lead in garnering youth interest in trade opportunities.

a Safe Boda is a community of professional, trained motorcycle taxis drivers. HelloFood is an online food order and delivery service.

b Private Sector Foundation Uganda, *Private Sector Platform for Action: A Synopsis of Uganda's Private Sector Growth Challenges and Proposals for Policy Reform* (Kampala, 2012).

III. OPPORTUNITIES IN HOSPITALITY SERVICES AND TOURISM

The size of the Ugandan tourism industry is still small compared to that of neighbours like Kenya and the United Republic of Tanzania. Feedback from stakeholders suggests that there is potential, but it is a case of growth from a low base.

Tourism has grown to 5.3% of GDP and revenues have doubled since 2010 to $1.4 billion.[88] A Department for International Development (DFID)-funded World Bank assessment of the Ugandan tourism sector found that $1.00 spent by a foreign tourist generated an average $2.50 towards GDP, and the sector is classified as 'emerging/scaling up' by the Bank.[89] This finding is supported by the World Travel and Tourism Council ranking Uganda 112th out of 164 countries in terms of tourism contribution to GDP but 19th in terms of growth forecasts for 2014–2024.[90]

> "Tourism is a viable economic sector, but it is not well developed."
>
> — NGO youth engagement officer, Kampala, July–August 2015

Moreover, tourism is a key priority growth area under NDP II. Specifically, the Plan focuses on improvement, diversification and exploitation of tourism products, through 'aggressive marketing; investment in tourism facilitating infrastructure …; appropriate skills development and improvement in related services; increasing the quantity and quality of accommodation facilities,' amongst other measures.[91]

In 2012/2013, the number of jobs directly and indirectly supported by the sector in Uganda was 485,500—the equivalent of **7.6% of waged employment.**[92] Indirect jobs that are supported by the sector are in large part those **in hospitality services** with **catering and foods and beverages as a growing sector** in its own right. The initial outlays of starting a small restaurant or even a food kiosk are relatively small, and the growing population in Uganda will ultimately lead to growth in personal consumption.

In terms of economic opportunities in both hospitality services and tourism, the primary limiting factor will be that of soft skills relevant to the industry such as communication and customer service. One stakeholder mentioned a hotel chain human resources manager who admitted that the company preferred to hire workers from Kenya, as they have a far more developed hospitality sector to train applicants, despite the company having taken on a number of Ugandan interns.

88 DFID, 'Uganda: Inclusive Growth Diagnostic 2015.'
89 World Bank, 'The Growth Challenge: Can Ugandan Cities get to Work?'
90 World Travel and Tourism Council, 'Travel & Tourism Economic Impact 2014: Uganda' (London, 2014).
91 National Planning Authority, *Second National Development Plan (NDP II) 2015/16 – 2019/20,* p. XXV.
92 World Travel and Tourism Council, 'Travel & Tourism Economic Impact 2013: Uganda' (London, 2013).

Thus, to ensure that job creation for Ugandan youth keeps pace with growth of the tourism industry, skills development will be key. Skills development will also be important since the types of skills that are relevant are relatively transferable, and training and work experience can provide young workers with good job mobility into other sectors such as retail.

Table 4 summarizes the specific economic opportunities accessible to youth in the hospitality services and tourism sector.

Table 4

Opportunities in hospitality services and tourism

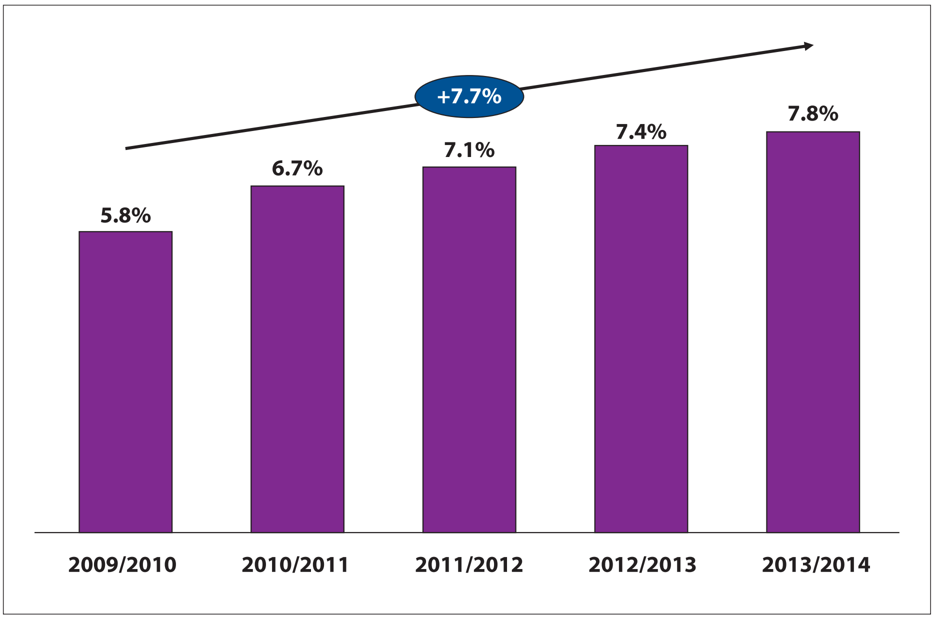
Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: **Entry-level jobs in hospitality and tourism**	Youth can break into the hospitality sector in low-skill positions: - Room attendant - Reception assistant - Porter - Housekeeping With experience, and additional qualifications, youth can progress to mid-level supervisor or managerial positions.	• **Medium to strong demand:** As discussed above, tourism is a growing industry contributing an increasingly greater share of GDP from a low base.
		• **Medium entry barriers:** Literacy and basic numeracy are necessary. Competency in English is important as are soft skills that can be acquired either on-the-job and/or through short-term orientation in the form of apprenticeships/internships. Competition with 'more qualified' Kenyan workers will remain a challenge, however.
		• **Low to medium youth interest:** Youth focus-group discussions were focused primarily in urban areas, and even then, the interest for hospitality was low. This finding suggests that efforts need to be focused more on the demand side of labour and on employers developing training schemes to encourage youth to perceive viable economic opportunities in the hospitality industry.
Opportunity 2: **Food and catering services**	Youth can break into small restaurant and mobile food services in low-skill positions, both: - In front of house: o Wait staff o Bar staff - And in back of house: o Cooks o Cleaners.	• **Strong demand:** The booming population in Uganda suggests that, even if tourism fails to grow as expected, there will continue to be growth in domestic consumption of and demand for catering and food and beverage services.
		• **Medium entry barriers:** Literacy and basic numeracy is required for front-of-house positions, which also demand soft skills in customer service and communication. Requirements for back-of-house positions are less onerous, and many young women simply need some start-up capital (financial or in-kind) to help them develop their cooking skills into a viable commercial venture.
		• **Medium youth interest:** Decent youth interest was explicitly and implicitly identified, based on community-driven development of a number of programmes that offer catering as one of their areas of skills development.

IV. OPPORTUNITIES IN BUILDING AND CONSTRUCTION

The construction sector offers a number of potential opportunities for employment. The sector is on a strong growth path (see figure XIV), which is supported by rapid urbanization and government-planned expenditure on infrastructure, that makes it increasingly likely that construction will be a growing source of employment in the short- to medium-term. It is not a tradable sector, but growth of this sector will also support the growth of other sectors through forward and backward linkages (e.g., with the agriculture industry, as discussed above).

Figure XIV

Construction share of nominal gross domestic product, 2009–2014



Source: World Bank, 'The Growth Challenge: Can Ugandan Cities get to Work?' in *Uganda Economic Update,* 5th ed., No. 94622 (Washington, DC, 2015).

Part of the increasing urbanization in Uganda is attributable to the creation of new districts. By 2014, the number of districts had grown to 112 from 34 (in 1991) and the number of urban centres to 197 from 64 (in 1991).[93] **Most urbanization is located in the Central region, which hosts just under 28% of the population and has 6 out of 20 of the largest urban centres in the country accounting for 61% of the urban population.** Such levels of urban growth provide both the supply of labour and the demand for labour in building and construction of both residential and commercial infrastructure.

93 Rwabizambuga, Oling, Muhumuza and Nsereko, 'Uganda 2016,' in *African Economic Outlook 2016.*

This pattern is further supported by the Government's focus on infrastructure development in both NDP II and the latest budget for 2015/2016. **Per announcements by the Ministry of Finance, Planning and Economic Development in June 2015, $1 billion was allocated to transport and infrastructure, which represents 18% of the budget's allocations.**[94] Amongst other objectives, the Government is targeting the upgrade of 400 km of roads from gravel to tarmac, the rehabilitation of 250 km of old paved roads and the maintenance of 300 km of paved roads. This focus reflects linkages between the building and construction industry and other opportunities discussed above in the trade and transport sector. NDP II also forecasts the housing deficit could create over 45,000 direct jobs per annum over the next five years due to a housing shortage of over 135,000 units per year for the next 30 years.

However, near-term employment opportunities are constrained by a number of factors. Firstly, the sector currently accounts for only 1.9% of the workforce,[95] and is dominated by a relatively small number of large firms. The average construction enterprise has 22 employees, compared to the average of 2.3 employees in other sectors.[96] These firms tend to be capital intensive and heavily reliant on imported inputs.

The issue of foreign interests in the industry also remains, but dynamics are changing. Foreign contractors that are often involved are those from China and India. Until the **current skills mismatch** is properly addressed, the capacity for private sector employers to employ Ugandans will remain limited. Nevertheless, a stakeholder interviewed for this study mentioned one positive aspect of foreign involvement: Chinese companies are currently bringing in affordable machinery prototypes that can be used more widely that will help improve efficiency in the industry.

> "Construction projects are often given to foreign contractors, but this is changing somewhat."
>
> — Founder of a vocational training college that is shortly adding construction skills to its curriculum in response to growing opportunities, Bwaise-Kampala, July–August 2015

In terms of economic opportunities specifically for youth, **the sector offers a number of different entry points,** which bypass some of the limitations of breaking into work with big private sector employers. Youth can start out offering more small-scale services such as electrical work and bricklaying (artisanal enterprise) before 'graduating' to more technical specialties such as construction supervision and electrical engineering, which require more technical training and experience.

94 Deloitte & Touche, 'Uganda Budget Highlights and Quick Tax Guide 2015: Diving deep' (Kampala, 2015).
95 Uganda, Bureau of Statistics, *Uganda National Household Survey 2012/2013.*
96 Uganda, Bureau of Statistics, *Census of Business Establishments, 2010/11* (Kampala, 2011).

Moreover, as with the trade and transport sector, the building and construction sector can also offer entrepreneurship opportunities for youth willing to form savings groups/cooperatives. Constraints such as start-up capital for equipment and tools can be somewhat lessened if youth are able to come together and pool resources to apply for loans. Specifically, the construction of large-scale affordable formal housing could greatly expand employment opportunities for urban youth, if driven by small construction firms using labour-intensive techniques.[97]

Table 5 summarizes the specific employment opportunities accessible to youth in the construction sector.

Table 5

Opportunities in building and construction

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: **Building/ Construction artisans**	Building/Construction artisanry offers opportunities for small-scale employment as well as entrepreneurship as part of a cooperative. Activities in high demand include: - Electricians - Bricklayers - Plumbers - Welders - Carpenters	• **Strong demand:** As discussed above, urbanization and government infrastructure projects are driving the industry and will provide short- to medium- term employment prospects given the labour intensity of this economic sector and the various levels of entry into it. • **Low to medium entry barriers:** Workers can break in as casual labourers and move to artisanry with little to no formal education or alternatively receive some form of technical vocational training either on the job or at a training institution. • **Medium to high youth interest:** Based on focus-group discussions with youth as well as discussions with stakeholders who support youth enterprise, many youth seem interested in this sector.
Opportunity 2: **Building/ Construction technicians – skilled and semi-skilled workers**	Building/Construction technicians can find employment opportunities with medium to large construction firms or as self-employed contractors. Activities with highest demand include: - Construction supervisors - Civil engineering technician - Electrical engineering technician - Electronics engineering technicians	• **Strong demand:** As discussed above, urbanization and government infrastructure projects are driving the industry and will provide short- to medium- term employment prospects given the labour intensity of this economic sector and the various levels of entry of into it. • **Medium to high entry barriers:** Entry barriers are higher than for building/ construction artisans. Youth could start as artisans and then 'graduate' to technician level or be formally trained at a BTVET college. Either way, strong literacy and numeracy skills are required. • **Low youth interest:** Youth interest in this specific opportunity is a function of education, available training, and linkages between training institutions and potential employers.

97 Uganda, Ministry of Finance, Planning and Economic Development, *Poverty Status Report 2014*.

V. OPPORTUNITIES IN RETAIL AND COMMERCE

With a growing population accompanied by growing consumption demands and increased urbanization patterns as discussed above, retail and commerce will also be an economic sector with opportunities for youth. The positive aspect of this sector is that it generally has low barriers to entry in terms of technical skills and relies more on entrepreneurial spirit, of which Ugandan youth seem to have little shortage. According to a GEM report, young Ugandans show a propensity for commerce supported and advised by family members, friends and religious associations.[98] Such support systems exert a significant influence, especially in rural areas, where the outreach of entrepreneurial programmes (government and non-government) may be more limited. Young people typically set up small-scale, consumer-oriented trade that is easily installed and relatively mobile, mostly in the informal sector of the economy. Based on input from focus-group discussions, some of the economic activities in which youth are already engaged include the following:

- Hairdressing and beauty salons
- Airtime sales
- Electrical good sales (e.g., mobile phones)
- Tailoring and garment stores (Uganda has one of the largest second-hand clothing markets)
- DVD and music sales
- Soft drink kiosks
- Arts and crafts.

It is also the case that youth may not necessarily limit themselves to one enterprise in one sector. They may, for example, operate an agricultural produce stall while also selling airtime. **Moreover, the retail sector can be seen as a 'stepping stone' or entry point for youth to graduate to other opportunities.** One focus-group participant shared that he was selling paper birds at a local market until he had the finances and skills to be an electrician, what he ultimately aspired to do.

For those who wish to stay in retail, the challenge is ensuring these initial opportunities develop into sustainable and scalable enterprises with lasting employment prospects. The ability to do so depends on a combination of adequate financial capital and business development services and/or ongoing follow-up/counselling (discussed in the previous section under 'Supply of labour'). It also requires a nuanced understanding of their communities' needs so as to consistently provide products that are most in demand.

Table 6 summarizes the specific economic opportunities accessible to youth in the retail and commerce sector.

98 GEM, 'GEM-Uganda Youth Report.'

Table 6

Opportunities in retail and commerce

Employment activities	Description	Why is it an opportunity for youth?	
Opportunity 1: **Retail and commercial enterprises**	Opportunities in retail and commerce depend mostly on youths' own entrepreneurship initiative, interests and demand from their local communities. Retail goods and services include: - Hairdressing and cosmetics - Airtime and mobile money - Soft drinks - Agriculture/Grocery products - Internet cafes (increasing in number though largely in urban areas) - Tailoring and crafts	• **Medium to strong demand:** Growing personal consumption as well as the growing population will sustain continued demand for retail products and services.	
		• **Low to medium entry barriers:** Hard skills required depend on the retail product/service. The main barrier will be that of start-up finance—6% of young entrepreneurs in Uganda cite financial institutions as their source of capital.[a] Some soft skills will be required in customer service and communication.	
		• **High youth interest:** Many of the youth who participated in focus-group discussions were already engaged in a retail economic activity, whether part time or full time.	

a GEM, 'GEM-Uganda Youth Report.'

CHAPTER TWO

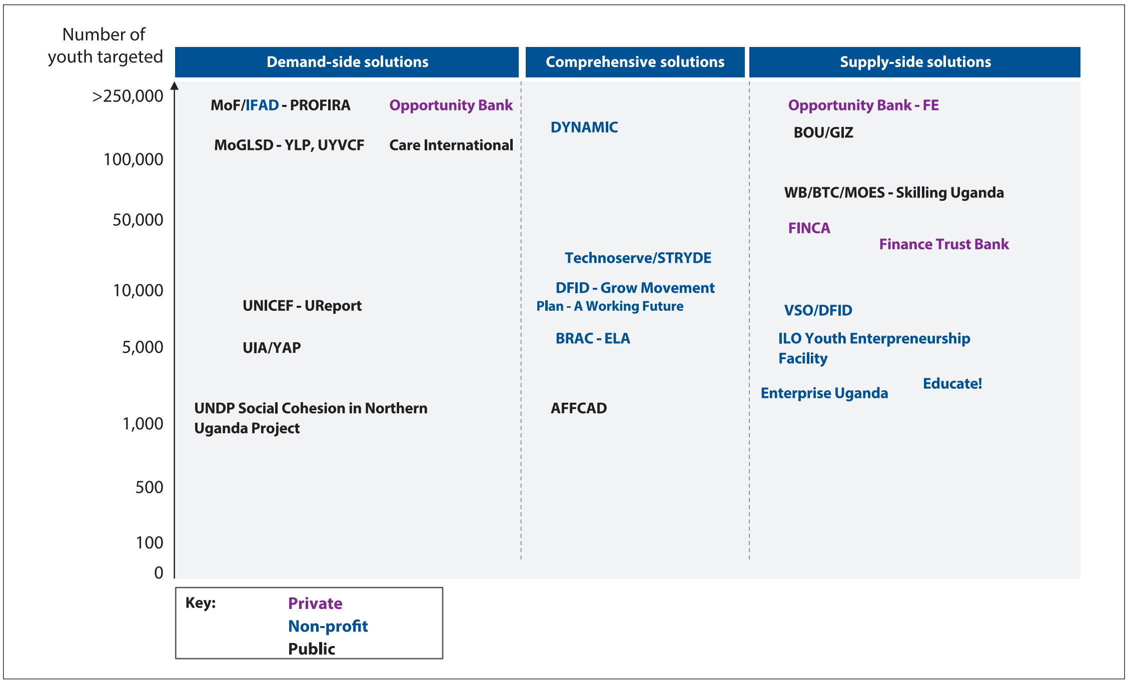
CURRENT INTERVENTION LANDSCAPE AND KEY GAPS

SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

Figure XV categorizes some of the key ongoing demand-side, supply-side and comprehensive youth employment interventions in Uganda. Demand-side interventions are those that foster greater employment opportunities, whether they be through internships for formal employment or through finance that supports self-employment/entrepreneurship opportunities, to name a couple. Supply-side interventions are those that make the labour force more employable and more able to harness those opportunities, for example through better financial literacy and business development skills. Comprehensive solutions are those that support the delivery of skills, support networks and finance to reach concrete employment opportunities.

Figure XV

Youth employment interventions by implementing stakeholder and solution offering



Acronyms: AFFCAD, Action for Fundamental Change in Development; BOU, Bank of Uganda; BTC, Belgian Technical Cooperation; DFID, Department for International Development; DYNAMIC, Driving Youth-Led New Agribusiness and Micro-enterprise in Northern Uganda; ELA, Empowerment and Livelihoods for Adolescents; FE, Financial Education; GIZ, Deutsche Gesellschaft für Internationale Zusammenarbeit; IFAD, International Fund for Agricultural Development; ILO, International Labour Organization; MOES, Ministry of Education and Sports; MoF, Ministry of Finance, Planning and Economic Development; MoGLSD, Ministry of Gender, Labour and Social Development; PROFIRA, Project for Financial Inclusion in Rural Areas; STRYDE, Strengthening Rural Youth Development through Enterprise; UIA, Uganda Investment Authority; UNDP, United Nations Development Programme; UNICEF, United Nations Children's Fund; UYVCF, Uganda Youth Venture Capital Fund; VSO, Voluntary Service Overseas; YAP, youth apprenticeship programme; WB, World Bank; YLP, Youth Livelihood Programme

Notes:
*Opportunity Bank has been pioneering 'public' financial literacy, which it delivers to both clients and non-clients. This work supports the supply side of the labour market's financial skills. Separately, it has also been extending loans and saving products to individuals and groups to support their economic activities; hence, it is listed twice.
**KK Foods, through its partnership with Plan, has been supporting the linkage of youth in agriculture to markets. It is also launching an agribusiness vocational college, which should address the skills gap in the sector; hence, it is listed twice.

There are a number of effective programmes focused on expanding youth economic opportunities in Uganda; however, their targets (particularly programmes with an objective to reach 100,000+ youth) could be further scaled to reach a larger number of youth. Figure XV reflects the difficulty stakeholders face to reach scale with their interventions. It is also worth noting that three of the initiatives in the figure (i.e., MoF/IFAD – PROFIRA; MoGLSD – YLP, UYVCF; and DYNAMIC) have only just been launched, so their outreach of more than 100,000 people is based on projected targets over coming years. Moreover, government-sponsored projects such as Skilling Uganda by the Ministry of Education and Sports, the Financial Literacy Strategy by Bank of Uganda, and the Project for Financial Inclusion in Rural Areas by the Ministry of Finance, Planning and Economic Development are not exclusively targeting youth in their outreach, though youth will be a considerable proportion of the beneficiaries.

Government initiatives are able to reach scale given the national recognition of the youth employment challenge and the resources available. However, even the flagship YLP reached only 71,000 in its first year and has had considerable problems regarding the targeting of beneficiaries and political bias. The programme has also been wrought with controversy as the copyrights are held by an individual rather than the Government. Additionally, allegations of corruption by district officials and youth leaders have affected youths' perception of the programme. Youth in focus-group discussions were aware of the programme but considered it a political tool used by the Government to garner support from youth during elections.

Indeed, sustainability is a crosscutting issue for all interventions, though particularly acute for those initiatives that attempt to implement at scale and are thus more resource constrained. For example, both YLP and Uganda Youth Venture Capital Fund have a revolving structure that is designed to reach more youth over time but simultaneously leaves those youth who do receive funds with only one chance to make those funds 'work,' with little to no aftercare/follow-up business counselling, thus challenging the sustainability of their enterprises. Meanwhile, those interventions that work on a smaller scale are able to focus their efforts on beneficiaries they do target. STRYDE by Technoserve is one such programme that operates around a 3-month training phase and a 9-month aftercare phase.

Although there appears to be a larger number of interventions on the demand side, the above list is not exhaustive and the interventions on the supply and demand sides cannot simplistically be compared nor matched one for one. Moreover, recalling the discussion in Chapter 1 of this report, it remains the case that demand is a significant constraint for youth employment in Uganda. As the economy's employment growth is not keeping pace with broader economic growth, it is largely accepted that self-employment and enterprise development will be the key means of creating more economic opportunities for youth.

The demand-side programmes listed above are a mix of 1) those targeted at employment through internships (e.g., the youth apprenticeship programme by the Uganda Investment Authority) and **2) those targeted at entrepreneurship** (e.g., Enterprise Uganda). It is no surprise that those interventions that fall into the first category are far smaller in scale than those in the second. Also worth noting in figure XV are some of the partnerships that have been forged between actors to implement projects, especially given the desire by UNCDF to pursue YSG through consortiums of stakeholders. Partnerships with private sector employers are important in terms of improvement of apprenticeship offerings, but partnerships are equally important in the enterprise development landscape. The sustainability of agricultural enterprises depends on the exploitation of the value chain and agribusinesses need to be better connected with onward markets, as is reflected in the partnership between Plan Uganda and the exporter KK Foods, for example.

Geographically, interventions have been spread across the country, though obviously skewed rural/urban depending on the intervention type. The importance of partnerships also relates to geography because digital innovators (e.g., Grameen Foundation) can help better connect those that are unbanked to formal FSPs (e.g., Barclays) but have to leverage the informal networks with which NGOs and youth serving organizations are more familiar (e.g., the Plan Uganda network of VSLAs).

Stakeholders noted that **the Northern region has received a lot of donor and NGO attention as a post-conflict region.** There has been considerable activity in the area, but as such, it has created somewhat of a 'handout tendency.' Little money is channelled into structural change or people-driven initiatives because there is small incentive for funds to be used in a productive manner if there continues to be a steady stream of donor aid. The Northern region does remain the poorest in Uganda; however, it is encouraging to an extent that a whole host of interventions are in operation there. In comparison, the Central region has a business advantage, the Western region has historically been more prosperous and the home of the political elite, and both the Central and Western regions are still receiving considerable attention from various interventions. It is actually the Eastern region that was noted by a few stakeholders as receiving less attention and also not particularly progressing as much in terms of income levels.

A further geographical point to mention is in terms of government programmes: a specific formula is used for the allocation of development grants, which is communicated on an annual basis. The formula has three parameters: 1) population of a given district, 2) poverty count and 3) land area. Interestingly, in terms of YLP, this formula has meant that Wakiso and Kampala (both in the affluent Central region) receive the highest allocations, approximately $260,000 and $300,000 respectively. The concentration of beneficiaries in and around Kampala was also noted for the Uganda Youth Venture Capital Fund.[99]

99 Ahaibwe, Kasirye and Barungi, 'Promoting self-employment through entrepreneurship financing.'

SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

The power of mobile money and DFS is changing the landscape of financial service provision in Uganda. However, it is important not to overstate the short-term potential given the limitations of regulation and of mobile network and electricity coverage for the most vulnerable of the Ugandan population. In terms of regulations and the policy environment, the industry is awaiting the revision of the Financial Institutions Act and the Bank of Uganda Act as well as the introduction of a National Payment System Law and Agent Banking Regulations. In terms of mobile network issues, mobile money and DFS are still limited in their reach to the poorest of Ugandan districts where financial service usage still remains at the informal level. Thus, **supply-side information and analysis is important to effectively determine physical access to financial institutions, products and services.**

Within the youth population (18–24 years), only 15% were included in formal banking sectors—5 percentage points below the national average; moreover, findings show that youth were more than three times less likely to save/invest with formal banks compared to middle-aged adults.[100] A scan of financial products and services for youth in Uganda found that there are few institutions that target youth as a viable segment. There are some organizations that have developed savings clubs and loans for youth, but the majority of these organizations are not FSPs and mostly operate outside of the finance sector. FSPs and banks that target youth do so through older adults: products are available for parents and guardians to open savings accounts for their children. Some FSPs and banks also have programmes for financial literacy and entrepreneurial schemes. However, these programmes are predominantly linked to the company's corporate social responsibility initiatives. Below are some initiatives that seek to improve youths' access to financial services:

- UNCDF YouthStart: As Ugandan partners of the YouthStart regional pilot, FINCA and Finance Trust Bank were supported by UNCDF to design, test and pilot youth savings products as well as deliver financial education/non-financial services. Youth are thus better equipped to appreciate the importance of financial planning and saving for the future and more likely to be better equipped to run their own businesses, hence the listing of FINCA and Finance Trust Bank under 'supply-side solutions.' Together, the banks' outreach of savings products was over 54,000 and outreach of financial education was 96,000 as of June 2016. Finance Trust Bank did pilot youth loans to individuals and groups of aspiring entrepreneurs but only from Q3 2014 and at a very small scale (around 100 loans).
- Government of Uganda YLP: As noted above, this government initiative, which was preceded by the Uganda Youth Venture Capital Fund, has suffered critiques for its reach (more male youth in urban areas reached) and partnership structure. The $100-million programme seeks to provide youth with marketable vocational skills and toolkits for self-employment and job creation; financial support to establish income-generating activities; entrepreneurship and life skills training as an integral part of their livelihoods; and relevant knowledge and information for attitudinal change (positive mindset change).

100 Economic Policy Research Centre, *Uganda 2013: FinScope III Survey Report Findings—Unlocking Barriers to Financial Inclusion* (Kampala, 2013).

- BRAC Uganda Empowerment and Livelihood for Adolescents: This programme provides loans to young women between the ages of 16 and 21 who have dropped out of or never attended school. These youth loans are meant to serve as a stepping stone that encourages borrowers to seek more capital in the future and to help them expand their businesses. The young women are provided with loans through a club system and also access livelihood training along with financial literacy courses prior to accessing the loans.
- Plan International youth savings groups: With support from the Swedish International Development Cooperation Agency and the Accenture Development Partnership, this 3.5-year initiative intends to reach up to 12,000 youth between the ages of 15 and 25. It supports employment and improvements in the economic empowerment of youth. Savings groups are used as an entry point to communities, a mechanism for organizing youth, and a platform for financial education and capital build-up.[101]

Aside from the UNCDF programme, most of these programmes are designed for a specific amount of time and are implemented through international and local NGOs across Uganda.

During interviews for this study, FSPs expressed a keen interest in reaching the youth segment. However, these FSPs perceive outreach to youth to be resource intensive and lack the necessary market information to develop products for youth. Additionally, FSPs are still wary of developing products for a segment that is considered risky, without resources and too immature to manage a bank account. While these perceptions may be a hindrance to the development of youth products, FSPs are finding other avenues such as DFS to reach youth, though this outreach is generally for vulnerable groups that include youth. Another approach being used by FSPs is **linking group lending to formal banking products.** While commercial banks such as Barclays and DFCU have seemed willing to try this approach to group lending, feedback from other FSPs interviewed suggested a reluctance to lend to groups because of the dispersion of responsibility in repayment. In their experience, repayment rates were better guaranteed when individuals were made responsible.

Focus-group discussions revealed that some youth were very individualistic and would benefit from individual-based financial products that afford them more flexibility on collateral terms (e.g., loans secured by a guarantor as opposed to physical capital per se). Other youth were more group oriented and had experience operating in a VSLA or an investment club. These youth would be the type that would likely benefit from the linkage banking approach discussed above.

The supply of these products and services needs to develop in tandem with better financial education. A more financially literate population arguably makes for a more attractive client base. FSPs need to recognize this point more and see it as an opportunity to expand and diversify their product offering. This approach may be a challenge given the traditional role of FSPs in financial service provision, as opposed to **non**-financial service provision, yet it also alludes to significant opportunity for better partnerships amongst stakeholders. It is encouraging, for example, that GIZ is supporting the Bank of Uganda in the development of the country's Strategy for Financial Literacy. Equally, there is no reason to suppose that commercial banks cannot partner with training colleges and specialized institutions to deliver financial education to would-be/prospective clients of the banks.

101 Plan International, 'Uganda Youth Savings Groups.' Available from https://plan-international.org/youth-savings-groups (accessed October 2016).

SECTION 3 – KEY GAPS IN CURRENT INTERVENTIONS

Existing programmes are not fully covering the different elements required for youth to access high-potential opportunities. While some programmes are strong in certain areas, they are weak in others, such as post-training support, which inhibits the potential for them to truly offer a holistic response to the challenge of youth employment and youth entrepreneurship. More multi-dimensional approaches can arguably be better offered through partnerships.

Gaps can be categorized into skill-building, start-up capital, and business support/coaching and matching. Furthermore, all interventions would do well to geographically target and mainstream women into their programmes. Since some interventions such as skill-building programmes work across economic sectors, it is not necessarily the case that they need to attain gender parity across all sectors; however, women should have an equal opportunity to benefit from such programmes' offerings.

Skill-building:

- **Youth lack adequate soft skills, technical knowledge and business expertise, and they face significant barriers to skills development across opportunities.**
- The specific skill barriers/gaps vary by opportunity and are greater for those industries that require higher degrees of technical ability and/or formal accreditation.
- The challenges youth face in skill-building include the following:
    - Financial and time costs of skill acquisition. Many initiatives have developed their own training programmes, but it is worth noting that the normal courses at BTVET colleges as prescribed by the Directorate for Industrial Training are two years in length and can cost anywhere between $70 and $170 per term.
    - Lack of information or knowledge about skills needed or their potential benefits.
    - Lack of access to facilities due to poor geographic spread or the absence of training facilities altogether.
    - Poor quality of the training on offer because of low levels of capacity of implementers, poor management and/or outdated curricula that do not meet labour market needs.
    - Poor awareness or recognition of accreditation/certification that is required.
- Programme coverage exists but is patchy across all opportunities and particularly weak in hospitality services and building/construction given that these opportunities are often taken by better qualified foreign workers who have the soft skills and the accreditation to outcompete Ugandan youth.

Start-up capital:

- **Accessing start-up capital is a major and consistent challenge limiting youths' ability to successfully start their businesses.**
- Often formal FSPs expect proof of income before extending their services, yet often it is the very desire for income and employment that is driving young people to seek financial support.
- Enterprise Uganda has been pioneering its non-financial entrepreneurship training by advocating other types of capital that can be exploited as start-up capital. Indeed, considering the fact that only 6% of young entrepreneurs cite financial institutions as their source of capital,[102] youth are being forced to seek capital elsewhere.
- Financial services—especially in rural areas—are centred around VSLAs; there is scope to improve access to start-up capital via better linkages between the informal and formal financial services sector, as discussed above.
- Youth face significant capital constraints including the following:
    - Financial illiteracy, lack of information about financial systems and benefits.
    - Lack of access to FSPs due to poor geographic spread.
    - High costs of borrowing (e.g., high interest rates or high costs of opening an account).
    - Lack of collateral or guarantor.
    - Bank perceptions of youth as risky clients, making administrative paperwork prohibitively heavy and thus deterring youth from bothering to access formal finance.

Business support/Coaching and matching:

- **A large number of interventions in the youth opportunities ecosystem provide skills, offer finance or place youth in jobs without mentoring, counselling or on-going business support services.**
- This situation is often a result of a lack of planning or over-eagerness to disburse tangible financial capital before youth are ready to handle it, which has led to funds being misused on projects that are not viable in the long term.
- It is thus no surprise that many aspiring entrepreneurs do not open scalable and sustainable businesses that can provide further employment to others beyond themselves.
- Meanwhile, although some programmes are matching employers with potential employees, they are not doing so at scale.
- Greater partnerships need to be forged across all levels—the present weak linkages between different types of enterprises at different stages of development are hindering the ability of young entrepreneurs/small- and medium-size enterprises to better learn and adopt modern technologies and professional business practices.
- These interactions may be brokered physically (e.g., in new industrial parks being created by the Uganda Investment Authority that have an area dedicated to small- and medium-size enterprises to interact with larger firms) or digitally.

102 GEM, 'GEM-Uganda Youth Report.'

Geography and gender:

- There are a number of sectors that are traditionally gendered such as building and construction as well as certain roles within the tourism sector.
- **Rural populations and women tend not to have as much information about programmes and consequently lose out on opportunities to benefit from them.**
- Drop-out rates at school are higher for women than for men. The same applies for the kinds of skills development programmes that are on offer, especially if they are time consuming or implemented in a way that does not consider the schedule demands of target populations.
- Some youth serving organizations and NGOs have had success with improving outreach through the training-of-trainers approach. There is also growing recognition for the need to involve youth in the planning, implementation and evaluation stages of programmes.
    - For example, BRAC delivers some components of its Empowerment and Livelihoods for Adolescents programme by training mentors for groups of girls.
    - Restless Development uses volunteer peer educators, embedded in communities on a 6- to 12-month basis, to deliver curricula around youth livelihoods, sexual and reproductive health, and civic participation.
- Better feedback loops need to be created so that evaluations about different implementation strategies can actually provide learning opportunities.
- Simple digital innovations should be encouraged to support greater inclusion of populations in rural areas. For example, the Grameen Foundation app Community Knowledge Worker allows community leaders to disseminate information about agricultural extension services per the needs of their local communities.[103]

103 Over 120,000 farmers are registered with the Community Knowledge Worker app, with over 1 million searches. It is operational in 50 districts all over the country.

CONCLUSION

MOVING FORWARD

Overall, the Ugandan labour market is severely demand constrained, and it is largely accepted that self-employment and enterprise development will be the driving mechanisms to create economic opportunities for youth:

- Fast-growing sectors such as finance and tourism, while high-productivity areas, have not created jobs in proportion to their contribution to GDP.
- Agriculture remains a dominant employer of youth but with low levels of productivity.
- Poor labour market opportunities have also resulted in the prevalence of informal sector work, involuntary part-time work and involuntary work across a number of sectors so as to supplement income sources.
- Ugandan youth are entrepreneurial, but many struggle to translate their enthusiasm into meaningful self-employment opportunities because of various barriers to sustainable and scalable enterprise development.

Indeed, accessing capital is a major and consistent challenge limiting youths' ability to successfully start a business:

- Only 6% of young entrepreneurs cite financial institutions as the source of their start-up capital.[104]
- On the supply side, the low use of financial services is often because FSPs lack the institutional capacity to provide relevant, affordable and accessible products and are further limited by the regulatory environment.
- On the demand side, due to low levels of financial literacy, many rural populations and youth are not able to lobby for suitable financial products nor are they able to properly take advantage of those that are available in the mass market.

A number of sectors offer economic opportunities for youth going forward:

- **Agriculture** remains the backbone of the Ugandan economy and has transformative potential if agricultural value chains can be exploited, better linkages fostered and better information disseminated to boost productivity in the sector.
- The **services sector, namely tourism, ICT, and trade and transport,** has contributed the most to the Ugandan GDP. **Tourism** is projected to grow considerably in coming years and is linked to growing opportunities in **hospitality services.** Trade and transport has potential with the growing population in Uganda, increased urbanization and also increasing regional trade while **retail and commerce** is driven by growing domestic consumption demands and urbanization.
- **Building and construction opportunities** are driven by government infrastructure initiatives as well as urbanization trends.

Regarding the economic opportunities identified, **existing programmes are not fully covering the different elements required for youth to access high-potential opportunities.** Key gaps across most programmes are skills training (including in conceptualizing business ideas), and business support/coaching and matching. In addition, organizations generally struggle to cater to the unique needs of both urban and rural youth. As a result, there are very few youth interventions that are at scale.

104 GEM, 'GEM-Uganda Youth Report.'

Overall, **more comprehensive programmes, particularly in support of youth employment, and demand-side programmes supporting youth entrepreneurship are needed. In addition, more interventions in rural areas that support youth in agriculture are needed,** given the high number of youth engaged in the sector and the high underemployment rate.

This report is a key input of the YSG inception phase. From here, the first phase will consist of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for each intervention. Specifically, it will involve building the capacity of partners to develop high-quality proposals, conducting required due diligence and finally securing the Government's endorsement.

Once the first phase is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, as well as capturing and disseminating knowledge acquired in this process.

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