

KEY MESSAGES

Uganda Economic Update

Jobs: The Key to Prosperity

- **Uganda's economy is recovering from years of unstable economic growth and is expected to achieve a growth rate of 5% in 2013.** Instability in economic growth attributed to the lack of discipline in public expenditure has caused withdrawal of donor aid from the national budget and delays in the implementation of major investments projects. However, the economy is progressively recovering, driven by renewed macroeconomic stability, export policies, increased access to credit and low inflation.
- **Like in other countries, creating quality jobs is a major policy challenge for Uganda** With an unemployment rate of below 5%, it is apparent that Ugandans are working hard, but too many of them are involved in low productivity formal and informal sector activities.. This hinders the structural transformation required to drive Uganda's economic development. The government needs to implement proper policies and the creation of a greater number of productive employment opportunities to ensure an inclusive growth that will enable Uganda to fulfill its aspiration of becoming a stable, integrated middle income country.
- **Creating better jobs on the farm and promoting agribusiness are critical to improving productivity.** Agriculture is the core of the economy and the primary source of employment, engaging 73% of the country's labor force primarily in the rural areas. But, other forms of employment are growing faster especially in the urban areas where jobs are more diversified. Exploiting agribusiness opportunities and improving farmers' access to markets, credit and lower cost inputs, better land policies such as expedited issuance of titles, extension of research and advisory services will increase productivity and create better quality rural jobs.
- **Making the informal sector more productive in urban areas is also key.** "Jua Kalis" and household based enterprises employ half of the labour force outside agriculture. Although they are usually seen as a burden, they have the potential to drive job creation and revenue if operators in this sector have access to capital, raise their technical and entrepreneurial skills and have an enabling work environment. This can be achieved through implementation of a matching grant that provides capital and workstations, and also enables these entrepreneurs to raise their skills.
- **Ensuring that the labour force has the appropriate skills will increase productivity.** Skills allow firms to operate at a higher level of productivity and empower the labour force to participate in higher productivity jobs. Providing foundation skills through high quality primary education and a higher rate of transition to secondary education, and encouraging the private sector to participate in upgrading of Uganda's labour force are necessary.
- **Improving survival, growth and productivity in the formal sector increases innovation.** The formal sector, which is largely concentrated and urban-based, will be the source of innovation and the driver for shifting Ugandan workers from relatively low-productivity activities to higher ones. The large number of firms setting up in Uganda suggests that there are no barriers to starting a

business. Survival and moving up the production value chain are key challenges that need to be mitigated by managing infrastructure costs, improving access to finance and enhancing appropriate labor skills through the education system, on the job training and private sector interventions tailored to specific skills for particular industries.

- **Promoting a more efficient urbanization process will support firm growth and job creation in urban areas.** Firms concentrate in urban areas because they value the cluster benefits of information sharing, process and product innovation and producer amenities such as business services, finance, logistics, banking, advertising and legal services. The process can be made more effective by reforming land policies and institutions to a credible system for documenting and valuing land. Urban transport systems should be better reformed to ease the movement of people and resources in the urban areas and ensure a high level of coordination with land use planning to reduce urban congestion.