



UGANDA'S EMPLOYMENT CHALLENGE: AN EVALUATION OF GOVERNMENT'S STRATEGY

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INTRODUCTION

1. Rationale
2. Objectives, conceptual approach and methodology
3. Key employment challenges
4. Key evaluation findings
5. Policy recommendations
6. How will the evaluation contribute to change?

Rationale

Uganda's employment challenge:

- Despite Uganda's exceptional growth over the last two decades and large improvements in educational attainment, high population and labour force growth mean the majority of the labour force is still employed in low-productivity activities, usually in informal work and the agricultural sector, working for themselves or their families.

Rationale cont.

Government's response:

- Government has initiated a number of interventions to address this challenge.
- However, there is growing concern that Government's current strategy does not adequately address the binding constraints to job creation.
- Evidence on the effectiveness of Government interventions and the understanding of the underlying economic challenges remains inadequate.

Rationale cont.

- This motivated the Ministry of Finance, Planning and Economic Development to comprehensively evaluate Government's overall approach to the employment challenges facing Uganda, with a view to making this process better-functioning in the future.
- The study has been commissioned under the Government Evaluation Facility (GEF) and its principal client is the Cabinet of Uganda.

Objectives, conceptual approach and methodology

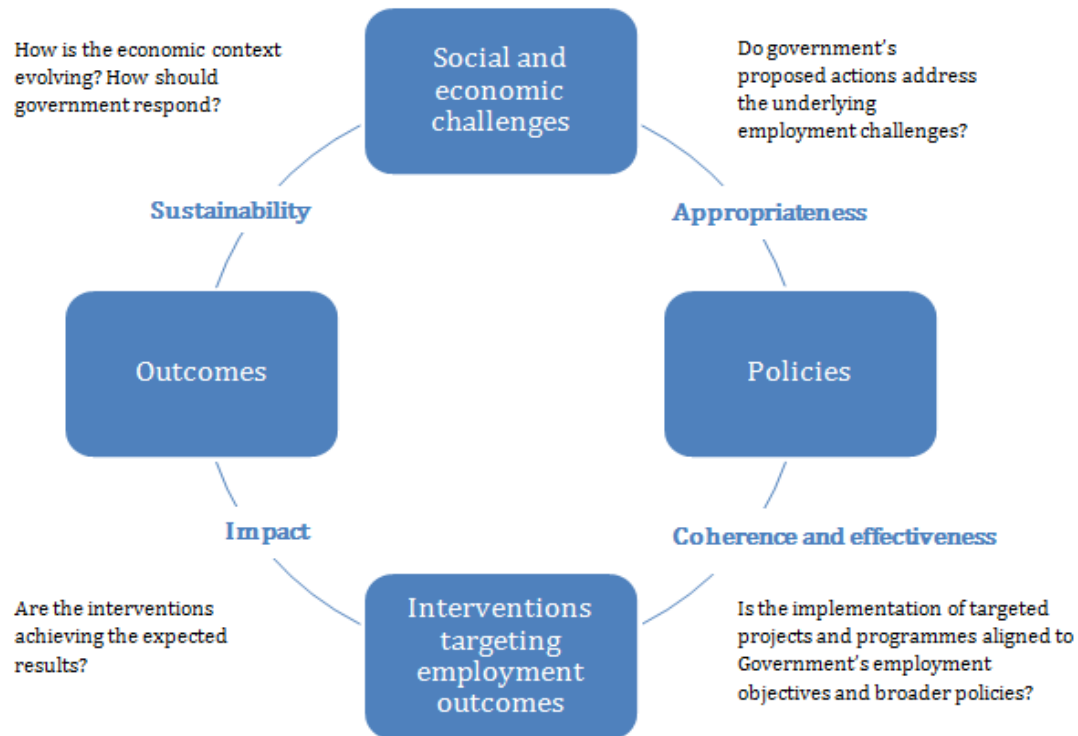
Evaluation objectives:

1. Establish how effectively Government policies and programmes in response to un- and underemployment have been coordinated and have addressed the underlying economic challenges.
2. Provide an opportunity to learn about good practices and challenges in the implementation of Government's employment-related policies and programmes.
3. Provide evidence for policy makers and other key stakeholders to use in shaping a formal implementation strategy to achieve Uganda's employment objectives.

Objectives, conceptual approach and methodology cont.

Conceptual approach:

The evaluation is guided by five key criteria: appropriateness; coherence; effectiveness; impact; sustainability.



Objectives, conceptual approach and methodology cont.

Methodology

The following activities informed the final evaluation report:

1. Scoping study of interventions seeking to improve labour market outcomes.
2. Econometric analysis of firm dynamics and the binding constraints to employment growth in Uganda.
3. Economy-wide analysis of Government policies for employment growth.
4. Qualitative and quantitative impact evaluations of Business, Technical and Vocational Education and Training (BTVET).

Key employment challenges

- Rapid labour force growth
- Skill mismatches
- Low agricultural productivity and limited job creation in high-value sectors
- Insufficient labour demand due to inadequate firm creation and growth

Key evaluation findings

Appropriateness

- Most Government interventions appropriately target the demand side of the labour market, but Government has not given adequate support to growth-orientated SMEs, which are hindered by the weak regulatory environment and lack appropriate channels to constructively engage the public sector.
- Government has given insufficient emphasis to the development of professional management skills, even though entrepreneurship and business training targeting established firms and professional entrepreneurs have demonstrated large job-creation effects.
- Past interventions targeting the youth have had limited reach but the recently introduced Youth Livelihoods Programme (YLP) promises to have broader benefits if implemented effectively.

Key evaluation findings cont.

Coherence

- Uganda's overarching development agenda acknowledges the most-pressing employment challenges but has not been translated into a coherent implementation strategy due to limited coordination across Government, inadequate labour market information, conflicting policy objectives and a bias towards short-term priorities over longer-term sustainable progress.
- The need for a Government-wide approach to integrate policies and interventions for employment creation across sectors is acknowledged in the National Employment Policy, but the envisaged National Employment Council has not been established.
- There is no institutionalised process to coordinate Government action to address industry-level constraints; particularly for informal firms. SMEs in particular lack appropriate channels to coordinate and demand effective Government support, making policy less responsive to the constraints they face.
- The impact on the labour market is often not a primary consideration during the formulation of many policies in areas that are critical for job creation, such as the macroeconomic framework, public investment strategy and resource mobilisation.

Key evaluation findings cont.

Effectiveness

- Most interventions providing direct support to Uganda's primary growth sectors fall under MDAs with weak implementation capacity, which is often a larger constraint than the availability of funds.
- Up to 40% of the funds available for labour market interventions are not being spent , while a significant share of spending is not in accordance with the annual budget and workplans.
- There is significant variation in the effectiveness of labour market interventions. Those that have performed best tend to have been narrowly targeted to address the needs of a specific group or geographic area – such as the vegetable oil development project in Kalangala . But many projects have been designed in a top-down manner and are often unresponsive to beneficiary needs.
- Lessons from past experience are not being fully exploited to feedback into improved project design and delivery practices. In most instances project managers view M&E as the responsibility of external agencies such as MFPED or OPM; rather than as a tool for learning and improving performance.
- The quality of training in BTVET institutions has improved with increased funding, the new curriculum and qualifications framework, but is still limited by inadequate practical sessions and industrial placements.

Key evaluation findings cont.

Impact

- Quantitative analysis of the National Panel Survey suggests that completing formal technical or vocational training on average increases consumption by around 7%. The returns to BTNET in most cases exceed the returns to formal education. This is supported by qualitative evidence on the experience of BTNET graduates.
- BTNET has had significant benefits for participants but a more limited impact on aggregate employment growth. Graduates of formal BTNET institutions are more likely to find wage jobs and make use of their skills, but few create jobs for themselves or others, reflecting insufficient emphasis on business and entrepreneurial skills. Limited access, despite high demand among disadvantaged sections of the population, is the main factor restricting the impact of BTNET – enrolment is only at around 10% of NDP targets and the provision of more flexible non-formal courses is still rare .
- High-profile credit schemes have had limited impact on job creation. Most public funds have been disbursed to larger, more established borrowers. The Agricultural Credit Facility has supported viable on-going agribusinesses, but almost no start-up ventures. The Youth Venture Capital Fund has mainly supported more experienced entrepreneurs – almost all lending has occurred without the mentoring services or management training that was intended to support those with less experience. Loan guarantee schemes including the Agricultural Business Initiative (aBi) are more effective in stimulating firm growth, but have not been implemented on a sufficient scale to have an impact at the macro level.
- Tax exemptions have had limited impact on investment and job creation, despite the very large fiscal cost. Exemptions and investment incentives reduce compliance among larger taxpayers, who enjoy lower effective tax rates but have not generated additional employment. 93% of investors admit they would have invested even without any tax incentives.

Key evaluation findings cont.

Sustainability

- Employment growth will not be sustainable without productivity improvements across the economy, particularly in sectors such as agriculture and construction that benefit less-educated workers. Yet feasible productivity improvements of Uganda's existing economic activities are unlikely to be sufficient to absorb the projected number of labour market entrants – entirely new employment-intensive and outward-looking industries must emerge.
- It is difficult to identify what these industries will be – sustainable employment growth will require institutionalised mechanisms to continually re-evaluate and adapt Government policies and support to fit the changing needs of the private sector.

Policy recommendations

1. Concentrate efforts to turn NDP employment-related commitments into practice.
2. Improve the efficiency of interventions to support smallholder farmers.
3. Address constraints in the construction sector, particularly low-cost formal housing.
4. Strengthen institutional structures for firms to work with Government.
5. Increase the flow of credit to SMEs and social priority sectors.

Policy recommendations

6. Expand access to BTVET
7. Establish an autonomous National Training Authority
8. Scale up specialised entrepreneurship and business management training
9. Facilitate and coordinate the externalisation of Ugandan labour
10. Integrate experiential learning into Government M&E systems

How will the evaluation contribute to change?

- A time-bound Jobs Action Plan with high-level political support can help to achieve Uganda's employment targets. Such a plan could accompany the second National Development Plan, beginning in July 2015, or be launched at the start of the next presidential term in 2016.
- Setting concrete targets to be achieved in a relatively short period will help to focus Government action under extra pressure and scrutiny; and unify the Government, civil society and public behind the plan's implementation. Although the plan would be short-lived, it would help to build credibility and political capital; create momentum, and set a precedent for Government to improve its future performance.

How will the evaluation contribute to change?

- Achieving the objectives will require coordinated action across Government. The evaluation provides an action matrix to summarise what is required by various stakeholders to implement the main recommendations made in the report.

Objective	Actions	Responsible Actors
1. Concentrate efforts to turn NDP employment-related commitments into practice	• Integrate explicit employment targets within the national development framework and launch a time-bound Jobs Action Plan.	Cabinet
	• Enhance capacity to generate and report high-quality and high-frequency labour market information.	UBOS; URA; BOU; DIT; PSFU
2. Improve the efficiency of interventions to support smallholder farmers	• Reduce the provision of agricultural inputs through NAADS and establish an electronic voucher system to strengthen input markets.	MAAIF; Districts
	• Replicate the Kalangala vegetable oil project in other regions and commodity value chains.	MAAIF; Private agribusiness
3. Address constraints in the construction sector, particularly low-cost formal housing	• Review building regulations to ensure the feasibility of affordable formal housing.	MLHUD
	• Strengthen urban planning processes to facilitate private provision of low-cost formal housing.	MLHUD; KCCA; Municipal Authorities
	• Resolve competing claims to land in urban areas.	MLHUD; MJCA
	• Cooperate with East African Partner States to regionalise the market in construction services, materials and skilled labour.	MEACA

**THANK YOU FOR
LISTENING!**