

Uganda

December 2021

Scoping Report

CHALLENGE
FUND
FXR
YOUTH
EMPLOYMENT

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The Challenge Fund for Youth Employment (CFYE) is a 6-year

1. Why this report?

1.1 Program Description

The Challenge Fund for Youth Employment (CFYE) supported by the Dutch Ministry of Foreign Affairs aims to create a prosperous future for 200,000 young women and men in the Middle East, North Africa, Sahel & West Africa, and Horn of Africa. This will be achieved by supporting youth employment initiatives which will offer youth, particularly young women, opportunities for decent work that delivers better prospects.

Working through the private sector, and in some cases through civil society and knowledge institutions, the Fund seeks proposals that have scalable and sustainable

solutions to create, improve and match youth to jobs and better placements. Solutions will be built around integrated approaches designed to bridge the mismatch between the demand for high quality jobs and the supply of skilled labour. They should be aligned with aspirations of young women and men in the regions.

Technical support is available throughout the application and solution implementation process. Once projects are selected for implementation, tailored technical support is provided to maximise delivery of results and expected impact.

1.2 Country scoping research

A scoping study was undertaken to get a better understanding of the country context and specific challenges affecting youth employment in Uganda. The study also aimed to identify the key opportunities and solutions to increase youth employment and assess how the Fund can play a role in supporting these. Information was collected through desk research and interviews and workshops with youth, employers, and key informants in Uganda¹.

This report updates findings from the first scoping paper, concluded in December 2019, and provides a snapshot

of the structural issues that underpin employment challenges in Uganda, taking into consideration the impact of the COVID-19 pandemic on youth employment.

Whilst this is not an exhaustive review of existing research or engagement of stakeholders, this report provides a building block on which applicants are encouraged to strengthen their own analysis and research on how proposed solutions would address the unemployment gap. Applicants are expected to demonstrate a direct link between proposed projects and solutions and the challenges identified in this report.

1.3 Traction

CFYE launched its first call for solutions in Uganda in December 2019. During the first Call, the Fund prioritised working with private firms in high potential sectors, to improve the functioning of these markets and upgrade firms in high-potential sector value chains. This resulted in the selection of six implementation partners across the energy, finance, agriculture, and entrepreneurship sectors.

The Fund will launch a second Call for solutions in December 2021. For this second call, the Fund will build

on learnings from the first call and the covid pandemic to adopt a more focussed approach. The Fund will prioritise working with private sector-led companies that are scaling operations through providing either digital last-mile and/or first-mile delivery solutions. Key sectors of focus will include (but not limited to) agribusiness, agro-processing, trade, healthcare and education. Additionally, the Fund will prioritise waste-to-value solutions that are adding value to rural communities and contributing to a more circular economy.

¹ The research took place in the period October-December 2019

2. What does the problem look like?

Uganda's job creation challenge is in many ways typical of the Sub-Saharan African region. It has one of the youngest populations in the world and the working-age population is projected to double by 2040. According to data from the World Bank, Uganda's population currently stands at 45,700,000 people (World Bank, 2020) half of whom are 15 years or younger. It is also estimated that over a million young people are entering the job market each year.

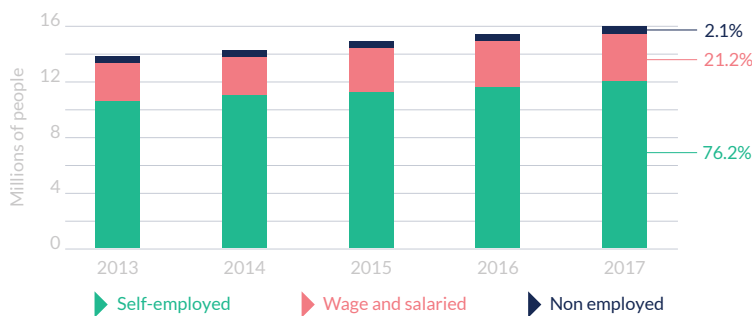


Figure 1. Labor force and workers per type

Source: Taken from Walter, Mukasa, Koltai and Muspratt, 2018: 11

The national household survey 2019/2020 reported the pre-COVID-19 national unemployment rate as 9.2%, with women more affected than men. The same survey stated that unemployment rate for youth aged 18 – 30 was 13%.

Further data shows that around 10% of those in the “employed” category have formal jobs, while 90% work informally, without a formal contract or any type of social security. About 54% of the latter category are self-employed entrepreneurs. Most of those entrepreneurs are driven by necessity, rather than opportunity, and their business activities are a survival strategy. Most smallholder farmers are involved in subsistence farming and do not run their farms as a business.

Underemployment – which relates to skills, time engagement or wage level - is a genuine problem for youth in Uganda. Most simply young people can not afford to be unemployed; many accept any job they can get. This is quite common in agriculture for example, where 41% of the working age population is engaged in subsistence farming.

2.1 Impact of the COVID-19 Pandemic on Youth Employment

The economic downturn from the C-19 pandemic and resultant lockdowns and restrictions have been hard-hitting to the Ugandan economy. The 17th Ugandan Economic update by the World Bank reports the slowest growth rate in three decades. Average economic growth was reported at 6% in prior years but dropped significantly to -1.1% in 2020.

Given pre-existing economic challenges and limited fiscal space for government intervention, all sectors of the Ugandan economy were adversely impacted. The tourism sector reported the most visible losses in terms of jobs and revenue lost (\$1.6 billion in revenue in FY 2018/19) translating to 7.7% of GDP compared to projections that the sector would contribute 9% and 9.9% to GDP in FY 2019/20 and FY 2020/21 respectively. Other sectors of the economy like trade, services, and manufacturing were also affected in different magnitudes with the overall business climate index² dropping by over half from 105 in Q4 2019 to 49 in Q1 2020, according to the Economic Policy Research Centre (EPRC).

The pandemic further widened the gender gap in terms of access to jobs and economic opportunities. Women and youth were overall more affected than adult men; 80% of informal cross border traders are women, who completely lost their livelihood when border restrictions were implemented (Fowler, 2020). In sectors where operations continued during the lockdowns, women faced further restrictions due to requirements to live onsite often having to either leave their families behind or employers opting to arrange accommodation for men only because segregation was more costly.

Evidence for this was highest in the manufacturing and education sectors, where female employment constituted 50% and 76% respectively, but as the sectors contracted, women are reported to have lost more jobs. The same impact was witnessed with market vendors directed to sleep at the markets, without proper accommodation or hygiene facilities.

While agriculture employs nearly 73% of the rural

² The Uganda Business Climate Index (BCI) reflects the perceptions of Ugandan business executives on the current and expected business economic conditions.

population, it is argued that the agriculture sector showed the most resilience during the pandemic, including increased activity within the sector by a significant number of employees who were laid off from formal employment resorting to agriculture. Resilience within the sector was cemented by government policy and exemptions encouraging operations and exports. For example, the coffee sub-sector recorded the highest export volumes in 30 years of 6 million bags valued at \$559 million in financial year 2020/21 with the boost seen particularly in June 2020 of 618,388 bags valued at \$58.56 million (UCDA).

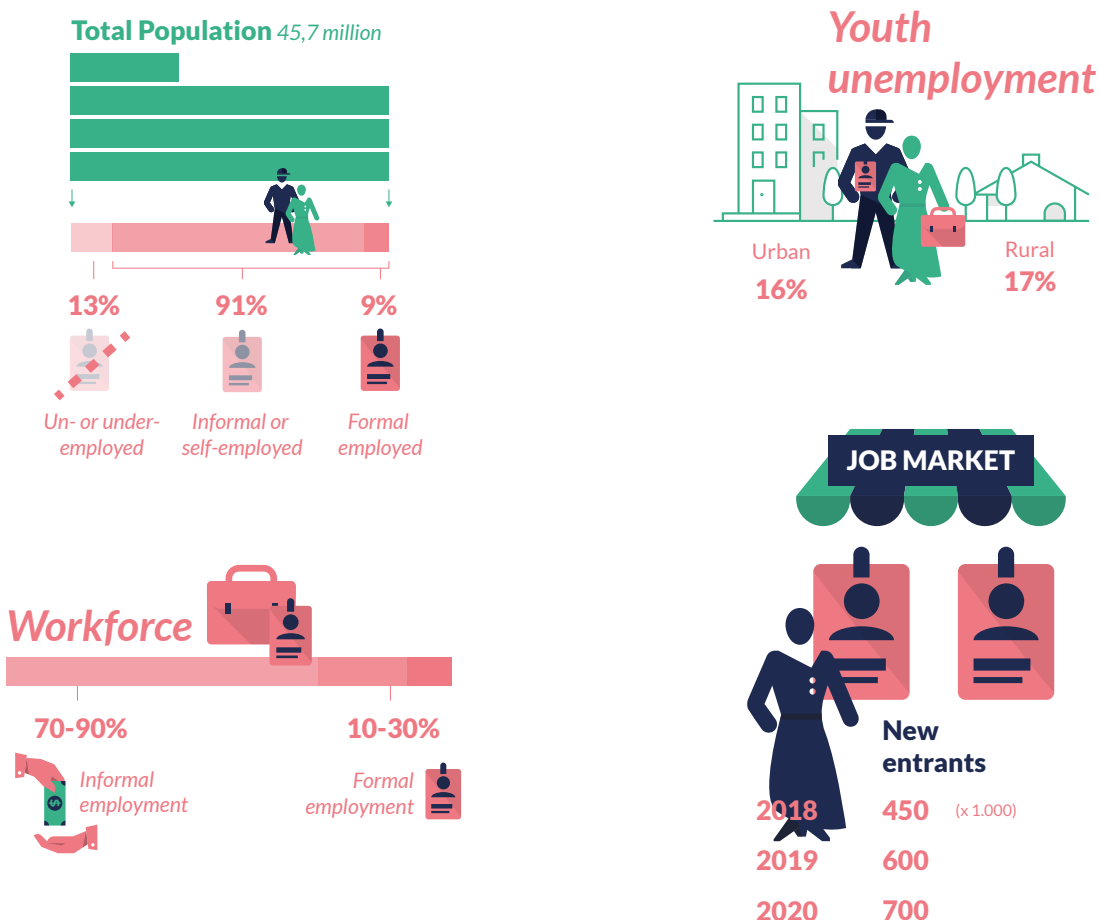
Beyond traditional sectors of the economy, growth of home-based cottage businesses, e-commerce and use of digital platforms were accelerated by the pandemic. Travel and contact restrictions increased the uptake of digital marketplaces and in so doing, increased demand for transport and delivery systems among urban consumers. The market size for delivery of shopping and household items has been estimated to be growing at an

average of 5% per annum, with Jumia, a leading digital marketplace, making over 1,000 deliveries per day.

Although some sectors have shown growth and resilience, it is evident that there are not enough decent jobs. The pandemic has increased unemployment and underemployment of young people. To create jobs, especially for the youth, there is need to raise private investment in all sectors, especially labour-intensive industries. Besides providing jobs, labour-intensive industries—historically manufacturing— can pave the way for continuous upgrading to higher value-added economic activities.

However, the average share of manufacturing in Uganda’s GDP keeps declining, from 11 percent between 2000 and 2010 to 9 percent between 2011 and 2018. Therefore, manufacturing will not be able to absorb the approximately 600,000 young Ugandans entering the jobs market each year (AfDB, 2019).

2.2 Summary of indicative statistics



3. Who are the youth?

Youth is not a homogeneous group. We have identified 6 groups into which different types of youth can broadly be clustered as depicted below.³

The Challenge Fund for Youth Employment strives to create decent jobs for youth. The definition of decent work in Uganda is linked to adherence to local labour laws and aspiring towards different elements of the ILO’s official international definition. It also takes into consideration the voice of young people themselves. For most people, a decent job is defined as stable work with enough remuneration to survive.

However, decent work also implies equal opportunities and treatment for all men and women. Currently, there is a clear gender gap in terms of both career development

and wages, and the problem’s roots can be traced to lower literacy rates for girls and lower enrolment rates of girls in secondary schools. Girls also often drop out of school prematurely because of early marriage or pregnancy.

The CFYE team held several sessions with youth in Uganda to gain a better understanding of their aspirations, as well as the constraints that male and female youth face when looking for gainful employment. Young women expressed a desire to have a secure income to support the household and contribute to the community and gain the freedom to decide on family matters. For men, influence and decision-making power in the community were cited as important factors, and some also mentioned entrepreneurial success.



1. Rural youth from modest farming families, including child-mothers

2. Low-skilled, self-employed youth (urban or rural) in ‘survival enterprises’

3. Low-skilled, employed youth in unskilled jobs

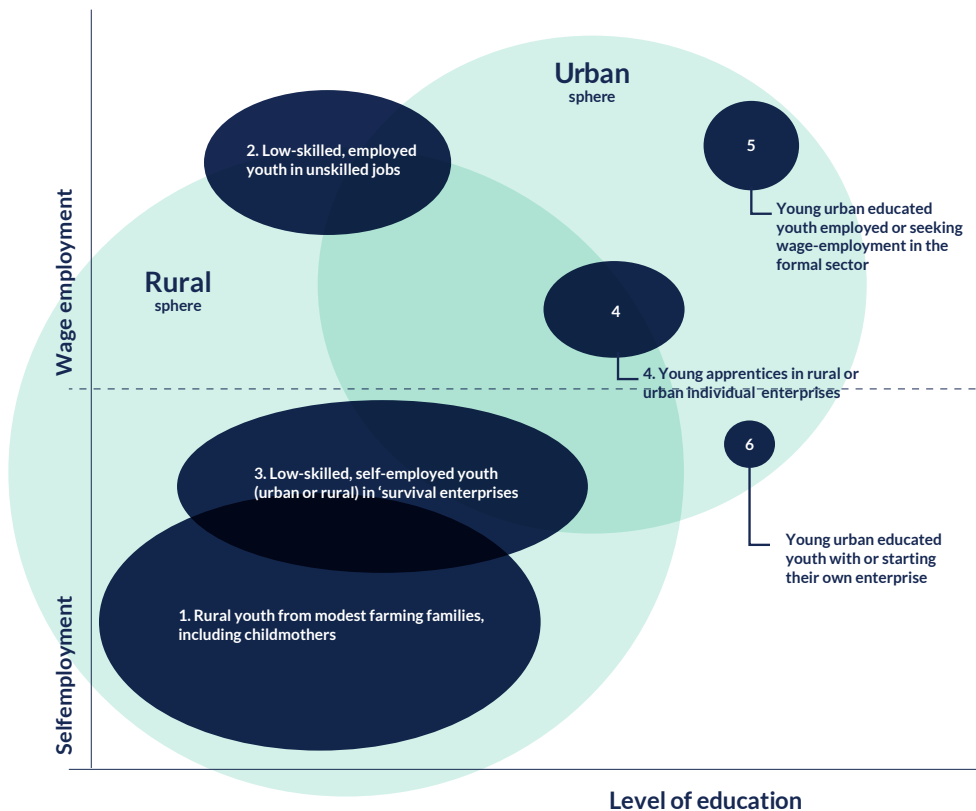


4. Young apprentices in rural or urban individual enterprises

5. Young urban educated youth employed or seeking wage-employment in the formal sector

6. Young urban educated youth with or starting their own enterprise

³ Adapted from AFD (2017) ‘Les dispositifs d’appui à l’insertion des jeunes sur le marché du travail en Afrique’, Available at: <http://bibliothèque.afd.fr/14-etudes-afd-emploi-jeunes-afrique>



3.1 Youth Action Research (YAR)

CFYE has been working with youth in aspirations sessions as well as through Youth Action Research (YAR), a channel which amplifies the voice of youth, helping to build employment solutions that work for them. During youth aspiration sessions held by CFYE, it was discovered that the youth can be broadly clustered into three distinct categories:

Category 1 - Unemployed youths: These young people live in peri-urban areas and often engage in agricultural activities. The highest level of education for most of them is either secondary school or certificate-level courses. This group would benefit from training opportunities to boost their skills and enhance access to entrepreneurship and employment opportunities.

Category 2 - Underemployed and/or Volunteer: These youth have a range of qualifications (none to university degree), they may be people living with a disability, may be living too far from urban areas to find employment there or they may be people with family responsibilities. Most youngsters in this category have multiple vulnerabilities and the majority struggles to earn a living in their daily lives.

Category 3 – Employed or Self Employed: Some of these youth have technical educations and have formed businesses based on their vocational skills. Some have successfully managed to find employment although it may not be in the area in which they trained. Often these youth have high aspirations and the ability to aim for big goals.

It was also found from the Youth Action Research that most youth perceived a decent job as one that: pays an amount proportionate to the work done, allows for building savings, and provides income over and above rent, family support, and basic living necessities.

The youth aspiration sessions held in Uganda have aided CFYE to gain a better understanding of their aspirations, as well as the constraints that male and female youth face when looking for gainful employment. In terms of aspirations, the top three sectors deemed most attractive by the youth are agribusiness, healthcare, and advocacy. On the contrary, oil and gas and public service were reported as less attractive.

These sessions also revealed that most youth didn't feel that the education they received adequately equipped

them to join the labour market, whilst others were unsure of whether their skills were adequate. The top skill sets that youth aspire to are in Information, Communications and Technology (ICT), leadership, and management. Most youth respondents stated that the support for acquiring these skills was low, with little direction, government funding, or school curriculum support.

In both the formal and informal sectors, youth respondents report barriers that hinder ability to achieve their aspirations as: sexual harassment, long working hours with no negotiating power, limited growth opportunities, unfair payment, delayed wage payments, and poor job security.

3.2 IP Learning Session

Additionally, the CFYE team conducted a learning session with IPs and other Funders to gain an understanding of their perceptions around decent employment for youth in Uganda. Overall, most agreed that the definition of decent work encompasses more than earning a living wage.

It was also agreed that the definition of a decent job is not one-size fits all – it depends on local context and expectations. A summary of highlights from the discussion is illustrated on the previous page.



4. What are the main obstacles and opportunities for youth employment in Uganda?



4.1 Living Wage

A living wage (LW) is a remuneration paid to an employee that covers the basic living needs of the worker and their family, helping to create a life of dignity. A living wage is not the same as a country's legal minimum wage, as the latter does not always guarantee a decent life. Thus, the living wage benchmark aims to close the gap between subsistence (minimum) wage and a wage for a basic but decent standard of living.

There are currently limited regulations and practices governing minimum wage in Uganda. A few living income/wage benchmarks have been developed. According to information from the Wage Indicator Foundation, the estimated living wage for a single adult with no children in Uganda ranges from the equivalent of USD 170 to USD 245 as of 2019 (Wageindicator.org). However, the National Household Survey 2019/20 states that the median household income stands at USD 54.

To close the information gap, CFYE conducted a living wage study in the peri-urban district of Mbale in eastern Uganda. The study revealed that, for peri-urban Mbale, a reference size household consists of 6.7 people – two adults and 4.7 children. For these families, a basic but decent life costs a total of \$354 (USD) a month. The estimation considered the costs of what constitutes decent food (e.g., the nutritious makeup of the regional diet) and decent housing in the region. It also includes non-food, non-housing expenses and a margin for unexpected and miscellaneous events. NewForesight's tool demonstrated that for a typical Mbale household with 1.5 earners, decent living would require a monthly gross wage of \$270 per FTE.



4.2 Labour Demand

Uganda's economy is dominated by very small firms, few of which are growing. Most of these small businesses do not generate much employment besides the owner and have a poor survival rate. Structural barriers in the enabling environment (see next section) make it difficult to start and grow a business. Moreover, the challenges in finding employees with the right skills mean that intensive (on-the-job) training is required and that new employees have unrealistic expectations.

- High turnover of employees is found in all sectors, which affects the growth of firms; some people go back to their communities once they have earned

enough money. Employers must spend time and money in finding and training new employees.

- At the same time insufficient and unreliable raw material supplies, combined with logistical issues such as high transport costs and intermittent power supply, lead to low utilisation rates in many processing industries. In some cases, these can be as low as 20%.⁴
- Low utilisation rates and low productivity in manufacturing – including in the agro-processing industry – lead to lack of profitability and low wages for employees in a sector that is crucial to Uganda's economic development.

⁴ World Bank (2012) "Uganda: Promoting inclusive growth, transforming farms, human capital and economic geography" and National Planning Authority (2019) "Strategic Direction for the Ten-Year and Third Five-Year National Development Plans", September 2019

- ▶ There is a need for more investment both from government (e.g., in infrastructure, including transport and energy supply) and private sector to boost economic development and enable the manufacturing industry and other sectors to achieve their full potential.

- ▶ According to the EPRC, there has been a sluggish recovery to employment figures which were severely affected during the lockdown of 2020, and subsequent 6-week lockdown of 2021, and there shall likely be a recovery period of 2-3 years before businesses return to pre COVID-19 performance and employment levels.



4.3 Job-related Skills

Employers frequently mention young people's lack of appropriate skills as a key barrier to employment. There is need to ensure that the labour force has the appropriate skills that will increase their productivity. Skills allow firms to operate at a higher level of productivity and empower the labour force to participate in higher productivity jobs (World Bank). Providing foundation skills through high quality education and encouraging the private sector to participate in upgrading of Uganda's labour force are necessary.

During the initial CFYE scoping study in country, both larger employers (MTN, Coca Cola) as well as smaller companies mentioned that:

- ▶ They must conduct intensive additional on the job training to get trainees, young hires and graduates up to the standard needed for their business
- ▶ They face issues with managing (unrealistic) expectations of young employees, especially with regards to their prospects of promotion into senior roles
- ▶ they face challenges in hiring staff for management positions, as most young employees lack the requisite management skills to succeed in those positions.
- ▶ Uganda's labour market continues to face a shortage of requisite qualifications, with only a small minority holding some form of tertiary education qualification. Even then, there is often a mismatch between the skills level of graduates with labour market requirements.
- ▶ Enrolment in STEM at universities is less than 27% (significantly below the UNESCO minimum of 40% required for a country to economically take off and

participate in the global knowledge-based economy). This is because non-STEM education is cheaper to deliver and easier to access.

- ▶ Most young jobseekers lack soft skills. Employers often cited trustworthiness, willingness to learn, reliability and communication as important skills for employees. Skills for future labour markets are also lacking. These include advanced cognitive skills such as complex problem-solving, socio-behavioural skills such as teamwork, and skill combinations that enhance adaptability such as reasoning and self-efficacy. Lastly, there are minimal opportunities to develop skills on the job through continuous learning. Educational opportunities should be extended beyond schools and universities and into the workplace.
- ▶ The Ugandan BTVET⁵ system does not equip Ugandans with the required skills to allow companies to compete on the domestic market, let alone on regional and international markets. Nor does it adequately prepare individuals to successfully make a living through self-employment. Major gaps include lack of engagement with the private sector, rigid supply structure, and lack of labour market information. There is also a narrow sector focus and a lack of attention to practical competencies and soft skills. On the other hand, youth enrolment rate in BTVET is very low. Part of this is due to the low quality and poor reputation of many BTVET institutions, but also because young people are not aware of TVET education. Compounding these issues is poor basic education among youth, which results in them not achieving entry requirement, as well as high tuition and boarding costs in BTVET institutions. We consider improving the BTVET sector a high priority; the labour market needs people with solid craftsmanship and hands-on skills.



4.4 Business support (incl. Access to Finance)

- ▶ Providing BDS to smaller SMEs is not commercially viable for providers, as most need long-term, tailored support. The BDS provision on offer is often inappropriate (light touch, short-term) resulting in low success rates.
- ▶ Similarly, in financial service delivery, SMEs find that their needs are not being met. The 'missing middle' of SMEs looking for investment of USD 20-100K are underserved by local financial markets. Bank loans are not customised for SMEs; they are expensive, offer no grace period, and require high collateral. Meanwhile, the firms are too small and not sufficiently investment-ready to work with investors.
- ▶ The tax rates and the tax system are commonly cited as an ecosystem weakness preventing start-up and growth of firms.
- ▶ Access to finance is an issue for most SMEs in Uganda, but the lack of investment capital is felt most keenly among high-growth SMEs and self-employed entrepreneurs. There is a dearth of investment vehicles willing to invest capital between USD 20,000 – 300,000. Those that do are invariably driven by social impact motives; but they propose a very narrow definition of social impact, and tend to focus on a few sectors, leaving many SMEs ineligible.⁶ Meanwhile, young entrepreneurs find that investment appetite is very low, as the risks associated with early-stage, low-growth business models are prohibitively high.



4.5 Culture and social norms

- ▶ Young Ugandans are often cited to be very entrepreneurial, due to the high number of self-employed entrepreneurs. However, it is important to note that most of these entrepreneurs are driven by necessity, rather than opportunity.
- ▶ Existing jobs available in developing or emerging economies do not align with youth aspirations – even extending to tertiary-educated youth in most developing economies. Youth often have unrealistic expectations about what a job can offer them.
- ▶ Social norms influence the division of work; aspirations and expectations about unpaid care work make it challenging for young women to find and retain a job. During the youth sessions, some young women mentioned that there are different expectations for men and women. Even though most of the women went to university, they felt that their families saw marriage and raising children as more important for them than getting a job. Exacerbating this, women do not accept help and men do not offer to help with activities related to unpaid care and domestic work, as these are seen as 'women's tasks'.
- ▶ Once a young woman has secured a job, cultural perceptions often affect the development of a decent career path for her. For example, women are not seen as potential leaders or managers within a company, and they are left with less important tasks and fewer opportunities for learning and promotion.
- ▶ Employment in the agriculture sector is not attractive to youth; given the potential for generating decent employment in large numbers, more should be done to gauge their interest and re-engage them. One of the bank representatives we spoke to at the finance session mentioned that youth are only interested in agriculture if it is combined with "tech solutions", such as greenhouses or hydroponics.

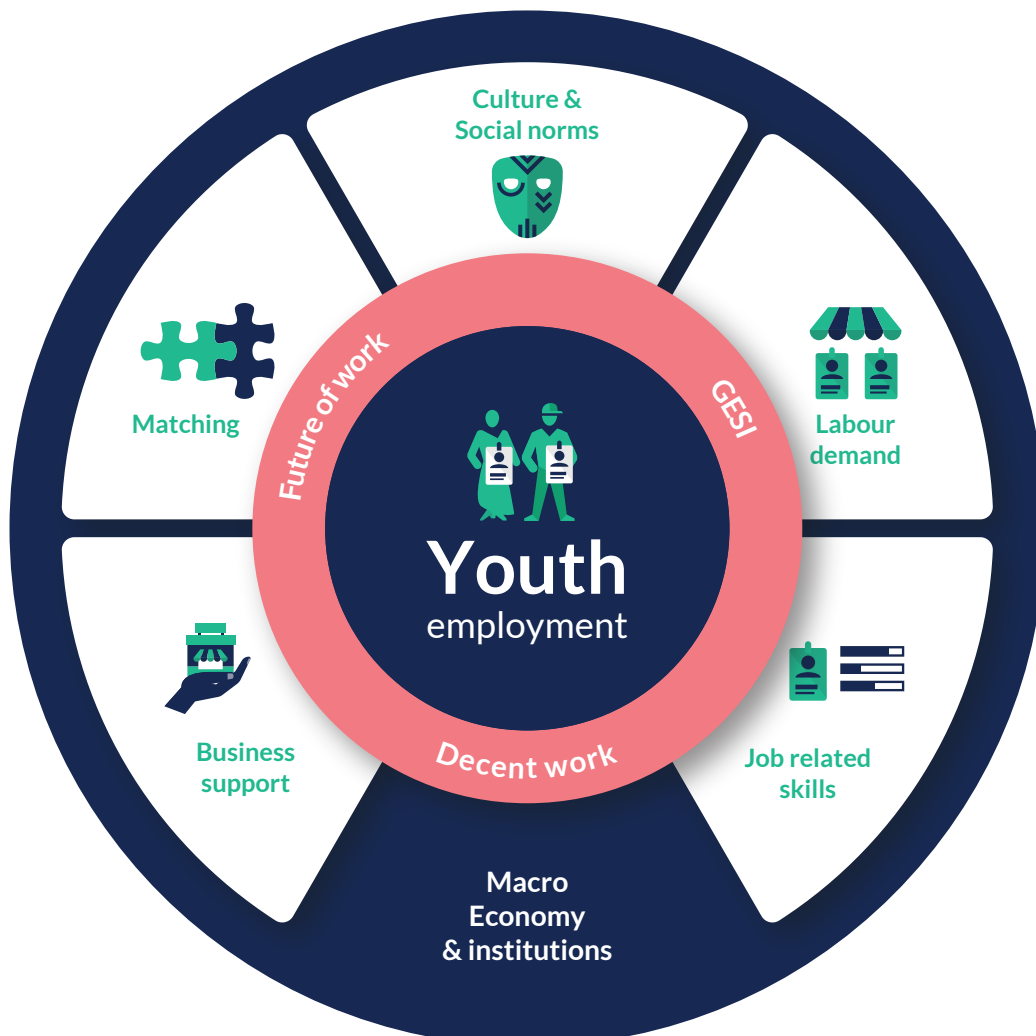
⁶ *Walter, Mukasa, Koltai and Muspratt (2018) Uganda Entrepreneurial Ecosystem Initiative: Phase I. Summary Report of Findings & Recommendations. Center for Development Alternatives, Enterprise Uganda, Koltai and Company.*



4.6 Matching (MI)

- ▶ Making information accessible to youth is crucial so they can learn about career education pathways, employment opportunities and the skills required.⁷ Through the interviews and youth sessions we found that youth largely do not use existing platforms such as LinkedIn to stay informed about job or training opportunities.
- ▶ Recruitment is often informal and through personal networks. Larger companies or NGOs may use dedicated internal or external HR personnel to recruit candidates, but most of the time it is done by the general manager or owner, often using informal networks.
- ▶ Job seekers find job opportunities through a few online platforms and informal WhatsApp groups.
- ▶ Others find opportunities through advertisements in newspapers. LinkedIn is hardly used. Most firms recruit through their personal (family) networks, which may result in exclusion of (potentially better qualified) people. Local sources confirmed to us that in some cases corruption may occur and that an unofficial payment is sometimes requested to obtain employment.
- ▶ Limited matching occurs through online platforms. Relatively few jobs are posted on the sites that do exist, especially outside Kampala. For example, on the Brighter Monday Uganda site, over 80% of the c. 400 posted jobs are in Kampala.

7 OECD (2017) "Youth Aspirations and the Reality of Jobs in Developing Countries: Mind the Gap", Development Centre Studies, OECD Publishing, Paris.



5. Concluding on key opportunities & challenges for CFYE

Action is needed to both stimulate economic growth and tackle the skills mismatch in the labour market, so that young people are not left out. The Challenge Fund for Youth Employment will focus on co-funding initiatives with a short to medium term impact, which consider the structural barriers and test innovative approaches that carry spill over effects on the systemic/macro-economic level.

Findings from this scoping study have identified emerging trends and opportunities with strong growth potential in generating employment for youth and particularly young women as follows:

Agriculture remains crucial for creating jobs and driving job growth in other sectors.

Agriculture provides over 70% of the jobs in Uganda, half of which are in agricultural production and the other half in other levels of the value chain. Majority of Uganda's labour force remains employed in labour intensive and less productive sectors. Even within agriculture, only a very small proportion of agricultural workers are engaged in the cultivation of high-value, commercialized crops.

Domestically, demand is driven by the high population growth rate and rapid urbanisation. Intra-regional trade is also growing rapidly. Uganda's large agro-processors are competitive in domestic, regional, and global markets. Majority of large agro-business exporters earn over USD 1million in annual revenue. This growth in agro-processing has formed the basis for Uganda's export diversification agenda. The pandemic proved that larger agri-businesses are more resilient and able to secure jobs, while SMEs experienced more business continuity challenges.

The most promising prospects for large numbers of job opportunities for youth, lie with medium to larger scale agribusiness firms. Typically, these are domestic organizations that: practice sustainable land management, are ready for investment possibly to scale operations, and meet demand for goods or services with a steadily improving growth curve (even despite the negative effects of the pandemic).

The accelerated rate of digital adoption creates an opportunity for more job creation across sectors.

The boom in the ICT sector and development of the digital landscape catalysed by the pandemic strengthened adoption of technology and innovation. Digital platforms and e-commerce thrived and expanded beyond transport (Uber), to include previously traditional sectors such as education, healthcare, and professional services. Adoption of technology enabled solutions presents opportunity to not only secure jobs at risk but further connect consumers to goods and services previously out of reach.

Opportunity exists to leverage the digital revolution for creation or matching of jobs. These jobs would cut across sectors and encompass both skilled and semi-skilled labor. Digital jobs would range from tele-medicine, virtual classrooms, automated delivery systems, shared services for professionals, etc.

Findings from the Youth Action Research confirm that ICT and digital solutions are an area that young people are particularly interested to work with.

Circular economy models present an opportunity to increase green job creation while driving value in other sectors.

Various innovative approaches and new technologies are being adopted within the circular economy and include green approaches, regenerative models, and organic waste to value models. Learnings from the call 1 also indicative these models have strong job creation potential and mainstream youth aspirations around dependent self-employment.

Opportunities therefore exist to strengthen gains in job creation and adoption of circular economy job models by supporting private sector led entities that off take waste and convert it into value through a network of youth actors.

6. A call for solutions

6.1 Call for solutions

Uganda's job creation challenge is in many ways typical of the Sub-Saharan African region. It has one of the youngest populations in the world and the working-age population is projected to double by 2040. With nearly 1 million entrants to the labor market each year, it is clear that there are not enough decent opportunities being created for Ugandan youth. The impact of COVID-19 pandemic compounded the vulnerability of youth and women, 90% of whom work in the informal sector.

CFYE wants to co-invest in innovative private sector-led initiatives that enable businesses to create or improve employment opportunities for youth between the ages of 15-35 (especially women).

CFYE are looking for private sector-led initiatives in high potential sectors, who are implementing sustainable solutions for creation of jobs for women and youth, and embedding decency of work, aspirations of the youth, empowerment of women, sensitivity to gender and other inclusion requirements and compliance with the labor laws of Uganda.

CFYE is looking for solutions structured around two windows:

1. Window 1: Innovative approaches to deliver last-mile solutions

Digital last mile solutions that use innovative approaches to deliver last-mile solutions (products or services) to customers. These solutions can cut across sectors (e-commerce, agribusiness, transport, logistics, healthcare, education, tourism, etc.) and are based on adoption of technology as a delivery mechanism. Solutions that have significant touch points for job creation and deliver a balance between urban and rural jobs are encouraged.

Under this window, applicants will be required to demonstrate potential to create, improve or match at **least 1,000 jobs.**

2. Window 2: Contributions to a circular economy

Circular economy models that use innovative approaches and/or new technologies to contribute to a circular economy, implement green approaches, regenerative, organic waste-to-value models and demonstrate potential to mainstream youth aspirations.

Under this window, applicants will be required to demonstrate potential to create, improve or match at **least 500 jobs.**



CFYE will work through:

- ▶ **Private sector firms in high potential sectors:** improve the functioning of the markets in high-potential sector value chains, with a direct pathway to sustainable job creation. High potential sectors in Uganda include, but are not limited to agri-processing, light manufacturing, ICT, and transportation/logistics. To be able to address the malfunctioning of markets and stagnation of growth, our focus will be on private sector actors, whose solutions will have greater impact and scale at the wider market level.
- ▶ **Young Women:** particularly focusing on equal career progression for women. The gender gap across most sectors has been widened by the pandemic, showing just how important it is to address equal opportunities for women. Promoting women in leadership positions, accelerated up-skilling and professional development, as well as gender-inclusive policies are more important than ever.
- ▶ **Market- and demand-driven employability skills:** Employers report that in addition to technical skills, soft skills of youth are equally underdeveloped. Solutions are needed to incorporate improvement of employability and soft skills in education, career guidance and continuous learning on the job, to ensure these are aligned with market demand. Employability and soft skills are also highly relevant considering 'the future of work' and the growing gig economy.
- ▶ **Geographical diversity and regional relevance:** Most instruments to improve matching of youth with jobs are in the Kampala metropolitan area. Opportunities exist in improving support to self-employment and job placement support in up-country areas, either urban or rural. There are also opportunities for the private sector to take an active role in driving and strengthening regional market development, especially for certain sectors such as dairy, transport, tourism.
- ▶ **Social impact focus:** In addition to the windows described above, eligible projects need to focus on decency of work, aspirations of the youth, empowerment of women, sensitivity to gender and other inclusion requirements and compliance with the labor laws of Uganda.

The following general criteria for eligible proposals apply:

- ▶ **Employment type:** Initiatives in both the informal and formal sectors are eligible. However, they should focus on wage employment or semi-employment (working with agents or other semi-self-employed positions as part of a company's business model). Fully independent self-employment without a matching mechanism with confirmed off-takers of products or services is not eligible.
- ▶ **Business Development stage:** We are looking for readily tested concepts ready for scaling up or scaling out (meaning already scaled up but ready to diversify). Idea stage projects are not eligible. Lead applicants need to have been in active business for at least 2 years.
- ▶ **Lead applicant:** Private sector entities should be the lead applicants in cases where a project is presented by a consortium. NGOs are encouraged to apply in partnership with a private sector company in the lead.
- ▶ **Minimum number of jobs:** CFYE is looking for enterprises with a potential to create, improve or match at least 500 decent jobs (for window 2) and at least 1,000 decent jobs (for window 1)
- ▶ **Decency of work:** Basic requirements will be agreed per sector with respective applicants but would typically cover a competitive monthly income or working towards a living wage level, no more than 48 hours/week of work, jobs are maintained for at least 6 months and compliance with the labor laws of Uganda.

Annex 1. Sector Analysis

The assessment is based on desk research validated by youth aspiration sessions and interviews with employers & relevant development partners.

Sectors	Potential to create jobs for youth (Especially Post COVID-19)	Opportunities for women	Interest of youth and women to work in the sector	Required skills level
Agriculture/ Agri-business	<p>High</p> <ul style="list-style-type: none"> ▶ Currently the highest employer of labour (over 70% of workforce) and is likely to receive increased focus from the government to ensure national food security. ▶ First job for rural male youth between the ages of 15-24. ▶ Offers opportunities for youth (especially in new areas like Ag-tech, Storage/logistics and Mechanization). 	<p>Low-Medium</p> <ul style="list-style-type: none"> ▶ Depends on type of job and supply chain. Young women typically involved in non-farm activities (except for a very small number in rural areas that are involved in subsistence farming). The pandemic also highlighted the gender gap, as women in agriculture were worse affected than their male counterparts. 	<p>Low-Medium</p> <ul style="list-style-type: none"> ▶ Youth consider primary agriculture an unattractive sector but are more open to innovative farming or agribusiness. ▶ Core farming is regarded as manual labour and women traditionally perform non-farm jobs like processing and trade. 	<p>Unskilled - Semi-skilled</p> <ul style="list-style-type: none"> ▶ Depending on the value chain and type of job. High demand for farmers for out grower schemes (informal and low-skilled). ▶ Agro-processors have need for technically skilled workers and digital jobs related to the sector require low-medium skills.
Trade	<p>Medium</p> <ul style="list-style-type: none"> ▶ 2nd largest employer after agriculture ▶ Largely informal ▶ Opportunities for trade in local products and digitization of sector (especially post COVID-19) 	<p>High</p> <ul style="list-style-type: none"> ▶ Currently one of the sectors that engages the highest number of women 	<p>High</p>	<p>Unskilled - Semi-skilled</p> <ul style="list-style-type: none"> ▶ Low skills required for actual trade, but medium skills will be needed for digital jobs
ICT	<p>Medium</p> <ul style="list-style-type: none"> ▶ Seen as a high growth sector that has a high labour demand (currently biggest employer of talent) ▶ Opportunities from business adopting technology to enable/enhance remote work and reach customers. Also, emergence of new industries such as fintech, ag-tech, health-tech, ed-tech and e-commerce driving growth in sector and labour demand. 	<p>Medium</p> <ul style="list-style-type: none"> ▶ STEM training and high drive to close gender disparity in sector. However, higher number of uneducated women means less women are qualified to take up positions. 	<p>Medium-Low</p> <ul style="list-style-type: none"> ▶ Perception that roles in the sector are for men 	<p>Semi-skilled to High skilled</p> <ul style="list-style-type: none"> ▶ Requires mostly skilled individuals and draws the most talent with post-secondary education ▶ Targeted at educated youth in urban areas

Sectors	Potential to create jobs for youth (Especially Post COVID-19)	Opportunities for women	Interest of youth and women to work in the sector	Required skills level
Transportation/ Logistics	<p>Medium</p> <ul style="list-style-type: none"> ▶ Growth in sector and labour demand driven by government investment in sector, entry of foreign players. Growth in logistics driven by digitization of retail sector and increased light manufacturing activities. Some areas (such as road and logistics) will rapidly recover post COVID-19. 	<p>Medium</p> <ul style="list-style-type: none"> ▶ Opportunities for women in several aspects of the value chain – admin, sales, booking etc. ▶ . 	<p>Low – Medium</p> <ul style="list-style-type: none"> ▶ Perception that roles in the sector are for men. 	<p>Unskilled - High-skilled</p> <ul style="list-style-type: none"> ▶ Skills dependent on the type of job
Manufacturing	<p>Medium</p> <ul style="list-style-type: none"> ▶ Sector was growing but is hit hard by COVID-19. ▶ High demand for technically skilled workers 	<p>Medium</p> <ul style="list-style-type: none"> ▶ Opportunities for women in formal light manufacturing or informal household enterprises. 	<p>Low - Medium</p> <ul style="list-style-type: none"> ▶ Traditionally male dominated sector and perception that roles in the sector are for men. 	<p>Semi-skilled to High skilled</p> <ul style="list-style-type: none"> ▶ Skills dependent on the type of job. Skills development necessary for blue-collar jobs
Construction	<p>Medium</p> <ul style="list-style-type: none"> ▶ Growth in demand is driven by demand for housing and public infrastructure. ▶ High demand for technically skilled works such as electrical engineers, welders, etc. 	<p>Low</p> <ul style="list-style-type: none"> ▶ Traditionally viewed as a male dominated sector 	<p>Low</p> <ul style="list-style-type: none"> ▶ Perception that roles in the sector are for men 	<p>Unskilled to High skilled</p> <ul style="list-style-type: none"> ▶ Skills development necessary for blue-collar jobs
Power/ Renewable Energy	<p>Low- Medium</p> <ul style="list-style-type: none"> ▶ Objective volume of labour demand is still low, but sector is growing quickly. ▶ Growth in sector and labour demand is driven by increased investment in sector by government and foreign investors. ▶ High demand for technical workers but also sales support. 	<p>Medium</p> <ul style="list-style-type: none"> ▶ Traditionally viewed as a male dominated sector. ▶ Opportunities for women in several aspects of the value chain – admin, sales, booking etc. 	<p>High</p> <ul style="list-style-type: none"> ▶ High interest amongst youth in innovative business models and technologies ▶ Perception that roles in the sector are for men. 	<p>Semi-skilled to High skilled</p> <ul style="list-style-type: none"> ▶ Skills dependent on the type of job (especially for blue collar jobs)

Sectors	Potential to create jobs for youth (Especially Post COVID-19)	Opportunities for women	Interest of youth and women to work in the sector	Required skills level
Creative Industry	<p>Low-Medium</p> <ul style="list-style-type: none"> ▶ The key drivers of job creation are design, music, film and television, fashion, and craft ▶ Majority of the work force are freelancers, who are grossly underpaid in comparison to their foreign counterparts. 	<p>High</p> <ul style="list-style-type: none"> ▶ Several opportunities for women in film (makeup, styling etc) and in fashion and craft 	<p>High</p>	<p>Semi-skilled to High skilled</p> <ul style="list-style-type: none"> ▶ Skills dependent on the type of job
Hospitality & food services	<ul style="list-style-type: none"> ▶ Medium ▶ Traditionally seen as a high value and high-volume sector with a high labour demand ▶ One of the industries most affected by COVID-19. Some areas such as catering have taken a smaller hit. Recovery will take some time (projections are 2021) 	<ul style="list-style-type: none"> ▶ Medium ▶ High prior to the COVID-19 pandemic. 	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ Unskilled to High skilled ▶ Skills dependent on the type of job but mostly unskilled

