



# POLICY BRIEF



## INNOVATIONS FOR HARNESSING THE DEMOGRAPHIC DIVIDEND FOR THE PRIVATE SECTOR, A CASE FOR YOUTH ECONOMIC SPACE AND ENGAGEMENT

### INTRODUCTION

National Population Council (NPC) recently conducted a study on innovations for harnessing the Demographic Dividend (DD) for the private sector using a case for youth economic space and engagement.

*Demographic Dividend (DD) is the optimized relationship between population growth and economic growth.*

The study was intended at finding out what can be done within the private sector to enable the youth occupy the economic space which will ultimately contribute to the DD.

#### Key message

Uganda has a very youthful population that is growing at a terrific speed. This population, if well utilized, can contribute to economic growth and development of the country.

The opportunities for engagement of the youth are mainly available in the private sector. However, the private sector is dominated by Micro, Small and Medium Enterprises (MSMEs) which averagely employ only 2 persons, thus leaving a great mass of the youth unemployed.

In order to effectively engage the rural youth who are the majority, there is need to promote agriculture, focusing on fast growing and high value crops.

For the urban based and educated youth, there is need to promote service sector, focusing on integrating ICT in service delivery. This will enable the youth deliver a range of services even across borders virtually.

For the vulnerable youth, for example the Persons with Disabilities (PWDs) and child mothers, among others, there is need to support the family enterprises to grow and support these vulnerable youths.

### Context

Uganda adopted a private sector led development strategy in the 1980s, the sector has since grown, creating over 800,000 jobs between 2012-2016. The wage work in the private sector accounts for 24% of the total employment. However, the growth has not matched the population increase, it is reported that in Uganda, there are about 600,000 to 700,000 new entrants in the labour market, majority of whom (95%) are youth. This has reduced labour participation and increased unemployment.

Uganda's population is rapidly increasing, majority of which (over 70%) are below 30 years, while 44.8% are below 15 years. This high number of persons below 15 years increases dependence and hinders the country from benefiting from the DD.

The increasing youthful population, if well utilized, can contribute to: high consumption, increased productivity and savings

However, this cannot be attained if the youth are undereducated or unskilled and if there is high youth unemployment and under employment.

### Methodology

The study collected data at National level through interviews and documentary review to generate aggregate findings that applied to the whole the country, this was followed by deep dives in 5 selected districts that represented the original four regions of the country and Kampala Capital City to obtain deeper understanding and appreciation of private sector operation, focusing on youth employment in the sampled districts.

### KEY FINDINGS

a) Demographic window of opportunity for Uganda

The country has a young population. With the right

strategic implementation strategies, particularly in the private sector, this young population can form a strong base for harnessing the demographic dividend. NDP III and Uganda Vision 2040 provide for elaborate programmes to harness the young population.

Youth strive to be self-employed. Indeed, 47% of those interviewed indicated they were self-employed.

**Key figures:**

- Current projected population 46,205,893 and is expected to reach 77,275,88 in 2040
- High population growth at 3.3 and fertility rates at 5.36
- High population dependency ratio; currently 48.2% below 15 years
- Youthful population, 33.6% aged between 15 to 34 this will increase to 36.1% in 2040

The private sector would be the most befitting of such youth to facilitate their prospects of harnessing a DD.

More than half of the youth interviewed (52%) revealed that they are unemployed. This is evidence that when there are opportunities created in the private sector, there will be many young people to pursue them and transform their lives so that they achieve DD for themselves and the country.

Main income sources for interviewed youths are within the private sector. Given the diversity of the private sector, this presents a sustainable DD window of opportunity for Uganda.

b) The role of the private sector in promoting young people's labour market access

Uganda's economic transformation has been driven by the private sector. As a result, the private sector has been critical in creating employment opportunities, whereby it employs two third of the country's workforce, while the public sector employs a third of the labour force.

The private sector is dominated by MSMEs that collectively employ 2.5 million people. Many of the youth are getting into self-employment mainly because of the limited/unavailable opportunities in both the public and the private sector, thus

leaving the youth with no opportunity apart from finding something to do on their own to survive. Most of these youth would desire joining the public sector because the private sector jobs do not offer good employment terms however, the public sector jobs are extremely limited.

The private sector is also key in skilling the youth through establishing and managing training institutions, in Uganda. The majority of the secondary schools and post -primary institutions are privately owned while close to seven in every ten training institutions of higher learning in Uganda are privately owned.

Generally, the training and qualification of most of the job seekers is not very competitive to the requirements of the job market since it is mainly theoretical. Innovations that can place the youths at the centre of private sector growth

Majority of the youths that were interviewed (81%) pointed to the need for one to have financial management skills if they are to be at the centre of private sector growth. In excess of half of the youths interviewed also mentioned skills in marketing and marketing research (58%) and communication skills (55%). Close proportions mentioned business plans formulation skills (44%) while fewer youths made mention of the need to have ICT skills (19%).

All youths interviewed in Buvuma knew of the existence of Emyooga programme. The Emyooga programme was also mentioned by over 8 in 10 youths in Kampala, Gulu and Busia. Youth in Kikuube mostly (67%) talked of the Youth Livelihood Programme, yet none of the youths in Buvuma mentioned it. The Parish Development Model was only mentioned by 54% and 65% of youths in Kampala and Busia respectively. It was not mentioned by any of the youth in Buvuma and Kikuube districts. Operations of these programmes towards positioning the youth at the center of private sector growth are yet to yield for youths across the country.

c) Economic space for the youth in the private sector engagement

The labour market in Uganda is characterized by fast-growing working age population, annually,

800,000 Ugandans join the labour market, this leaves a big deficit in employment. It is estimated that 650,000 jobs are annually required to bridge this gap, which jobs are not available. In order to accommodate the increasing number of the youth in the employment and production market, the following sectors and opportunities are proposed.

Agriculture, specifically horticulture in the interim focusing on crops like tomatoes, onions, pepper and vegetables. Agriculture sector is inclusive of all the kinds of the youth and is facilitated by the climatic conditions of the country. The choice of crops was informed by their fast growth that enables the youth have the quick cash that they desire, and their ability to grow on the small portions of land to mitigate the challenges of absence of adequate land. These crops have a great market influenced by urbanization and the regional market. In the medium term, because the productivity in similar enterprises would have improved, the youth would be supported to embark on agro-processing and packaging.

The second sector is the service sector, focusing on integrating ICT in the service sector, specifically the use of online platforms to deliver back-office support and deliver a range of professional services, including accounting, legal service, insurance, among others on line. To realize these potentials, there is need to technically support the youth to explore this space and effectively utilize it.

ICT based priorities in the budget of FY 2021/22 included:

- Extension of broadband ICT infrastructure up-to the sub-county level.
- Facilitating the development of software solutions to support E-Governance, E-Commerce, and E-Payments among others
- Over the Top Service (OTT) tax was scrapped and replaced by a harmonized exercise duty of 12%
- UGX 134.9 billion was allocated for digitalizing of the economy
- UGX 358 billion was earmarked for innovation and technology development

The third sector is promotion of small-scale manufacturing this is mainly intended to target the big number of the youth that have dropped out of school and those that have attained technical training in the vocational institutions. This sector is recommended because it does not require huge capital investments like large scale manufacturing, and can be undertaken in small spaces that dominate most of the urban and peri-urban areas.

The fourth sector was promotion of family enterprises, these enterprises are small and do not offer employment to many youths but it is the only available option for the majority of the vulnerable youth like the person with disabilities, school drop-outs and young mothers, among others.

#### d) Challenges hindering private sector growth

##### ***Access to finance is a constraint for SME growth.***

Banks are reluctant to borrow MSMEs mainly because they are largely informal and do not have the collateral required to access these loans.

The government has provided funding for MSMEs with different financial institutions however, most of these MSME do not have knowledge of existence of these credit facilities and do not have capacities of successfully applying for these facilities.

##### ***Inadequate support by the government especially the LG to support the private sector initiatives.***

The central government has been proactive in supporting private sector growth through numerous initiatives this support however has not trickled down in equal measures to the LGs.

##### ***Uganda's private sector is weak and uncompetitive***

which makes it operate below its potential. The weakness is attributed to: a) the high cost of doing business, b) limited management capacities and limited institutional organization, c) a weak supporting environment, and d) weak enforcement of standards and proliferation of counterfeits in the market



## POLICY RECOMMENDATIONS AND IMPLICATIONS OF THE STUDY

**Improving access to business finance**, improving access to business finance can help the firms to expand their operations, which can have positive effects on the quality and number of jobs created. To enable MSMEs benefit and effectively use this financing, there is need to provide business development to these MSMEs. It is widely acknowledged that combining access to business finance with advisory services tends to have more positive effects on employment generation.

**Support improvement in the investment climate reforms** especially at the LG level, specifically, focusing on streamlining/easing the process of business entry/registration reform, implementation of investment promotion activities, exploring and implementing public private partnerships in the LGs, provision of supportive infrastructure for example, increased coverage of motorable roads tend to lead to the creation of new firms and can have positive employment generation effects.

The commercial departments in the LGs should support establishment, formalization and strengthening enterprise associations to enable them reap from the benefits of collective marketing, collective purchase of inputs, and harmonization of the quality of the products in this way, the existing enterprises will become more profitable and provide sustainable job opportunities for the youth.

Combine classroom training attained by the youth in the schools with on-job technical training to make them more competitive in the labour market, but also more importantly, enable them to become entrepreneurs leading to creation of more jobs for the fellow youth.

Provide on-job entrepreneurship trainings to the existing MSMEs to ensure that the entrepreneurs are able to profitably manage their enterprises.

Publicize the criteria for access to innovation funds for all youths especially those that are out of Kampala, to enhance the effective utilization of these grants to support youths' innovations.

Technology and innovation is emphasized across the private sector as most accommodative of the youth and are thus the economic space to be highly embraced in order to harness the potential of large proportions of the youth towards efforts of increasing prospects of realizing the DD. Initiate mentorship programs on the commercialization of innovations using technology. Have these embedded in education curriculum as well as youth skilling programs prescribed by the National Youth Policy.

### **Note to the readers**

This note should be read alongside the main report on harnessing the DD for the private sector, a case study of the youth where the detailed discussions are presented.



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