Trade for Jobs Uganda: Sector selection study

Examining job and export potential in nine sectors

Project: Trade for Jobs Uganda

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Abbreviations

ILO	International Labour Organisation
ITC	International Trade Centre
AVCP	Agricultural Value Chain Development Programme
BPO	Business Process Outsourcing
CET	Common External Tariff
EU	European Union
EPRC	Economic Policy Research Centre
FAO	Food and Agricultural Organization
GDP	Gross Domestic Product
ICT	Information and Communication Services
ITES	Information Technology Enabled Services
MSME	Micro Small and Medium Enterprises
NTB	Non-Tariff Barriers
USAID	United States Agency for International Development

▶ Introduction

This report[1] serves as a sector selection study to prioritise two high potential sectors to target in a future Trade for Jobs project in Uganda. This study has been conducted through collaboration between the International Labour Organization (ILO) - within the framework of Systems Change Initiative – the International Trade Centre (ITC) and in collaboration with the Swedish Embassy in Kampala.

Trade for Jobs is a project concept which is being trialled in Uganda for the first time. The project intends to strengthen the growth and development of trade as a mechanism for creating more and better jobs particularly for youth, women and those living in poverty. It intends to do this through:

- Supporting enterprises to move up the value chain to processing, value addition and diversification
- Improving the business environment for job creation and trade
- Enhancing MSME competitiveness in high-potential sectors
- Improving job quality and viable pathways towards decent work, particularly for the working poor

This analysis is the first step in a process that intends to narrow the project scope. In this first step, Trade for Jobs identified two high potential sectors for project implementation – one in services or manufacturing and the other in agriculture. Following on from this sector selection study, the project will analyse the two prioritised sectors further, with a view toward identifying and understanding the systemic constraints to trade and better employment outcomes for youth, women and those living in poverty. The project will use this market analysis as a basis to identify a set of intervention areas and potential implementing partners that will provide the basis for an initial implementation design for the Trade for Jobs Uganda project.

The remainder of this report details out the methods, analysis and recommendations in the sector selection study. It is organised into the following three sections:

- **Section 2** briefly introduces the study methodology.
- **Section 3** synthesises the analysis for each sector.
- **Section 4** provides the report conclusion and recommendations.

[1] The research, drafting and editing for the study was done by: Steve Hartrich (ILO), Divya Prabhakar (ILO), Robert Skidmore (ITC), Joshua Olson (ITC), Donald Byamugisha (Independent Consultant) and Paul Gitta (Independent Consultant).

Methodology

This study was delivered in line with the methodological guidance from chapter 2 of the ILO's Value Chain Guide for Decent Work[2] and chapter 3 of the Cross-Border Value Chain Development Rough Guide[3]. The research and analysis process used during this study is set out in the figure below, with details for each step articulated thereafter.

1. **Set sector selection criteria** to lay out an objective way to evaluate sector potential. The overarching criteria for the sector selection exercise are: opportunity for market and trade growth, sector relevance for the potential target group such as the working poor, youth and women, and feasibility for the project to drive change given the private, public and donor funded landscape[4]. In close collaboration with Sida staff, the Trade for Jobs project broke these broad criteria into more detailed sub-criteria.

Category	Selection criteria	Criteria details
Opportunity for market and trade growth	Competitive advantage of country to deliver product or services	The overall competitiveness of the sector and its products and services relative to other countries and its likelihood to increase over time.
	Strong market demand	Market demand for both domestic and export products and services – regionally and/or to other markets – is set to remain strong or strengthen.
	Potential that growth or enhanced trade improves competitiveness	Potential for spillover effects in competitiveness and jobs of other industries both export and domestic (i.e. connected services).
	Potential for sector to meet increased market demand	Sector structured in a way that can create value addition opportunities or increase supply of exports – both regionally and to other foreign markets.

[2] Guide on Value Chain Development for Decent Work. Third Edition. ILO (2021)
[3] Cross-Border Value Chain Development: A Rough Guide to Market Systems Development for Decent Work. ILO (2022)
[4] As recommended in the ILO VCD Guide (2021).

Relevance for target groups and MSMEs	Relevance of sector for women, youth or the working poor[5]	Current engagement of women, youth or the working poor in various parts of the sector which could be impacted through market growth and enhanced trade.
	Potential for market and trade growth to create more jobs and more productive employment[6]	Potential for market and trade growth to contribute to job creation for the target groups, both within the sector and related sectors (indirect jobs) in the wider economy (induced jobs) and that these job opportunities are of higher quality and incomes.
	Internationalisation of sector for export oriented MSMEs	Sector has a concentration of MSMEs that are engaged in exports or have potential to engage in trade.
Feasibility to facilitate systemic change	Presence of healthy private sector and innovation	Presence of numerous private sector actors, who are organised and collaborative as well as presence of investments and/or innovations in the sector.
	Supportive policy and regulatory environment	Alignment with the priorities of the National Development Plan (NDP III) 2020/21-2024-25, National Industrial Policy, and other relevant policies and strategies – particularly related to employment, trade and investment. Trade regulations are not overly rigid and government have incentives to support export development
	Absence of market distortions	Absence of other donor funded programs and government subsidies that can distort the market or limit the project's ability to implement within the sector.

2. **Identify sector longlist:** ITC and ILO, in close collaboration with Sida, identified a longlist of nine sectors. This longlist was developed using ITC's trade/job potential analysis as a starting point (see Annex A), and complemented by a review of available sectoral data, reports on key sectors, national development plans and strategies and other relevant data. In total, ITC and ILO broadly reviewed 23 potential sectors to the selection criteria, and zeroed in on the following nine sectors as having the highest potential.

Agriculture				
Fisheries & Acquaculture	**Dairy**	**Edible Oils**	**Maize**	**Coffee**

[5] The working poor can include formally and informally employed, wage and self-employed, smallholder farmers.
[6] This will be assessed in a broader sense given the nature of the sector selection study – more specific definitions on what is characterised as productive employment can be done in project design stages, should a project come to fruition.

This resulted in the identification of an initial set of higher potential sectors to evaluate more closely through field research.

3. **Field research:** ILO and ITC conducted field research to gather information to provide a more qualitative perspective on the criteria. This field research was particularly relevant for assessing the sectors to the "feasibility" selection criteria, which helps shed light on how realistic it is to implement given the sector realities, complexities and potential actors. The Trade for Jobs team conducted 33 in-depth, semi-structured interviews with key informants and market actors, including relevant government ministries and agencies, export and investment promotion organisations, the employers' association, national trade union and a range of sector-specific private sector associations, key sectoral businesses, and development partners. A comprehensive list of the stakeholders engaged in this process and the key takeaways from each interview are included in Annex C.

4. **Analyse and prioritise sectors:** Based on the research, each sector was evaluated with a score between 1 and 3 for each of the three overarching selection criteria: relevance, opportunity and feasibility. A score of 1 means comparatively "low" relevance/opportunity/feasibility when compared to other sectors, a score of 2 indicates "medium" and a score of 3 indicates "high". This evaluation and scoring may be found in the 'Sector Summaries' at the end of each sector analysis in Section 3.

5. **Reporting:** This report.

Sector analysis

This section details out the analysis for each sector relative to the evaluation criteria and concludes with a summary table of the scoring per sector. It starts by reviewing the five longlisted agriculture sectors and concludes with the four service and manufacturing sectors. In addition to the scoring, the regions with the highest concentration of existing production, services and/or value addition activities have been identified.

The current and third National Development Plan (NDPIII) spanning up to June 2025, has aimed at attaining value addition on the growth sectors, the private sector development, infrastructure and social wellbeing. However, there is worry that the NDP III may not achieve most of its expected objectives as a result of challenges in implementation and the covid19 pandemic. NDPIII will however be expected to give direction for the fourth national development plan and strategy which is to be referred to as the NDP IV.

The National Development Plan (NDP IV) that is expected to be launched in September 2024 will again chart Uganda's macroeconomic development roadmap for the fiscal years 2025/26-2029/30. NDP IV seeks a tenfold increase in Uganda's economic growth by the year 2040, and its strategic thrust is to sustainably increase production, productivity and value addition in Agriculture, Industry, Minerals, oil & gas, Tourism, ICT and financial services. In doing this, the plan seeks to enhance Human capital development and support the private sector to drive the growth and create jobs.

Below is a tabulated analysis of the sectors under exploration.

Fisheries and Aquaculture

Sub-criteria	Criteria details
Opportunity for market and trade growth	
Competitive advantage of country to deliver product or services	▶ Uganda is the world's largest exporter of fresh, chilled, and frozen Nile perch fillets.[7] ▶ After coffee, the fish sector is the country's second highest foreign exchange earner, accounting for an income of around USD 200 million per year.[8] ▶ Sector contributes 12 percent of the agricultural GDP and supplies 50 percent of animal proteins consumed in the country.[9] ▶ Uganda is ranked among the top 10 fish exporters in Africa.[10] ▶ Fish and fish products were Uganda's fourth most exported commodity in 2022, in value terms (USD 146 million), after coffee, sugar and petroleum oils; accounting for 4 percent of total exports.[11]

[7] *Fisheries hold the key to the future.* New Vision. (November 2022).
[8] *Market scoping study for the digitization of the Fish Value chain in Uganda.* United Nations Capital Development Fund (UNCDF). June (2020).
[9] *FAO and Ministry of Agriculture, advance efforts towards regulation of fisheries and aquaculture in Uganda*. Food and Agriculture Organization. (2019)
[10] Rauschendorfer, Jakob; Stojanov, Aleksandar; de Melo, Jaime. (2021). *Uganda's participation in international and regional trade.* The International Growth Centre.
[11] Calculations based on ITC Trade Map

	▶ Sector standards have been harmonised with European Union (EU) regulations since 1996 – contributing to sector growth.
Strong market demand	▶ Fish processing is currently operating at less than 30 percent of installed capacity.[12] ▶ There is solid demand in export market.
Potential that growth or enhanced trade improves competitiveness	▶ Spillover effects: fish feed (maize and oilseeds), tourism.
Potential for sector to meet increased market demand	▶ Opportunities for value-addition, such as fish oils, fish soluble, fish silage, and fish meal-critical components for animal feed and other manufacturing processes. ▶ Nearly USD 120 million in untapped export potential to the United States, Democratic Republic of Congo, Italy, Spain, and others.[13] ▶ Several opportunities exist in aquaculture to enhance production
Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ Sector employs 1.7 million people directly and over 3.5 million indirectly - along the production and marketing chain[14]. ▶ Fishing and production activities are highly labour-intensive and require physical strength – hence tend to employ youth. ▶ Low capital intensity allows easy entry by low-skilled people, making it easy to harness latent, highly informal small enterprises to support job opportunities for resource-poor youth populations within the fishing communities. ▶ Fisheries and Aquaculture Bill, 2022[15] envisages to empower women and youth to actively participate in fish farming. ▶ Of the total job creation potential: 129,000 would be for women (40 percent); and 86,000 for youth (30 percent).[16]
Potential for market and trade growth to create	▶ Potential to create 280,000 jobs if the untapped export potential was fully realised.[17]

[12] *Food Systems Profile - UGANDA Catalysing the sustainable and inclusive transformation of food systems.* Food and Agriculture Organization & French Agricultural Research Centre for International Development & European Union. (2023).
[13] ITC Export Potential Map (as of May 2024)
[14] Odokonyero, Tonny & Guloba, Madina M. (2020). *Industrial linkages and employment opportunities in the fish value chain.* Economic Policy Research Centre & INCLUDE.
[15] THE FISHERIES AND AQUACULTURE ACT 2022.
[16] ITC job creation potential estimates: Job creation potential is based on a fixed multiplier model that takes into account direct, indirect and induced jobs. The model relies on an input-output table and detailed employment figures. The starting point is ITC's export potential assessment that estimates the room for additional export growth. The methodology then quantifies the number of jobs that can be created in the sector with unrealized export potential, along the sector's value chain and across the entire economy.
[17] ibid

more jobs and more productive employment	▶ Low investment costs for innovation like raised pond fish farming (approximately USD 1,200 for 1,000 fish pond).
Internationalisation of sector for export oriented MSMEs	▶ Opportunities for growth exist in the regional markets (less sophistication and market requirements).
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ An organised set of processors and exporters with proven capability to meet the standards of foreign markets and established global trading networks.[18] ▶ Lack of sufficient legal and regulatory systems and the capacity to monitor and enforce existing laws across all water bodies. ▶ Low public and private investment in aquaculture that has caused low access to quality fish seed, feed, processing and marketing support services (Fisheries and Aquaculture Bill, 2019). ▶ Two large scale investments in fish feed production.
Supportive policy and regulatory environment	▶ Among the top ten commodity priority sectors for sustainable agro-industrialization, under the NDP III; especially in the light of its impact on export earnings. ▶ Fisheries and aquaculture identified for affirmative action and support in the draft NDP IV. ▶ Fisheries and Aquaculture Bill, 2019 ▶ Government working on creating opportunities for public private partnership (PPP) into aquaculture parks ▶ Sector still not harmonised with EU fish grading regulations and standards limiting access to premium prices. ▶ Private sector adopted self-regulation guidelines in 2007 which have streamlined practices.
Absence of market distortions	▶ Limited large donor-funded projects.
Environmental considerations	
▶ Overfishing has depleted Lake Victoria's fish stocks, mainly because of the illegal and unsustainable fishing activities.[19] ▶ Fish farming can lead to other negative environmental impacts, if it is not well-managed and poor farming practices are applied. Key risks associated with cage fish farming are eutrophication the gradual increase in the concentration of phosphorus, nitrogen, and other plant nutrients in an ageing aquatic ecosystem lead to	

[18] *Country private sector diagnostic. Creating markets in Uganda. Growth through the Private Sector and Trade.* International Finance Corporation. (2022).

[19] *Minister explains cause of fish depletion in Lake Victoria.* 2022. New Vision. (August 2022).

algae blooms and low-oxygen (hypoxic) waters that can kill fish and seagrass and reduce essential fish habitats); escapees of invasive species; disease transmission.[20]

Sector score summary:

- **Opportunity – 3:** Massive potential for growth in internal demand and regional exports.
- **Relevance – 2:** Sector growth is likely to be job intensive with more stable employment likely to be created at the production stage along with a reasonable amount of processing jobs. The sector has high presence of women in both production and processing, which can be attractive to youth and the population more at large.
- **Feasibility – 2:** While several donor-funded projects work in the sector already, and the power imbalances of brokers will be difficult to overcome, the project can feasibly explore working in aquaculture where investment costs are low enough to attract youth and women. As this is a strong government priority, lands are opening up for aquaculture development, the project could have a nice opportunity to influence the expected sector growth that follows.

Dairy

Sub-criteria	Criteria details
Opportunity for market and trade growth	
Competitive advantage of country to deliver product or services	▶ Potential to triple milk production over the next few decades to meet the needs of the country's growing.[21] Current production level is only a quarter of potential.[22] ▶ Milk production has been growing at 11 percent per annum making it one of the highest growth sectors. Farm gate prices have also been growing over the period.[23] ▶ Improved capacity for dairy processing over the years; processing plants are working below installed capacity (40 percent - 60 percent).[24] ▶ Low production costs and unique milk quality parameters contribute to a high competitiveness on global markets. ▶ Seasonal fluctuations in raw materials supplies due to water/weather variations ▶ Quality issues due to shortage of standard and modern storage facilities and quality infrastructure; limit international trade.[25] ▶ Quality of breeds and the livestock numbers as well as water shortages and scarcity of feeds during drought constrain production. ▶ Organic production (feeding) systems make milk products competitive on the international markets.
Strong market demand	▶ Based on Uganda's booming population and high rate of urbanization, the Consultative Group on International Agricultural Research (CGIAR) calculates milk production will

[20] *Aquaculture Road Map Uganda: Opportunities in the aquaculture value chain.* Netherland Enterprise Agency, Ministry of Foreign Affairs. (2022).
[21] *Uganda dairy sector performing below full potential.* Economic Policy Research Institute Uganda. (2019).
[22] *Uganda dairy sector performing below full potential.*
[23] *Statistical Abstract: Second Edition.* Dairy Development Authority. (2022/2023).
[24] Ibid.
[25] STRATEGIC PLAN III FINANCIAL YEAR 2020/21 – 2024/25. Dairy Development Authority.

	need to triple over the next few decades to meet the caloric consumption needs of the country's large urban populations.[26] ▶ One of Uganda's fastest growing export commodities; increase in exports from USD10 million in 2010 to USD 70 million in 2020 and a reported USD 321 million in 2024. ▶ Exporting to a range of countries including, USA, Japan, Mexico, Algeria and within the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA), diversifying risk of any single market which has proved important considering that the Kenyan market has recently been volatile. ▶ Regional demand forecasted to continue to grow in the future.[27] ▶ Per capita consumption is about one-third of recommended amount.[28] ▶ New policy on milk school feeding program could unlock more potential.
Potential that growth or enhanced trade improves competitiveness	▶ Spillover effects into feed (both oilseed and maize) and forage production, genetics, and breeding services (such as artificial insemination), animal health, processing, dispensing and product research and development.
Potential for sector to meet increased market demand	▶ Uganda has signed recent trade deals to export USD 500 million in casein (powdered milk) to Algeria.[29] ▶ Additional untapped export potential of over USD90 million for milk, low-fat milk powder, and sweetened milk powder, by 2028.[30] ▶ Currently only 20 percent of milk being processed into higher-value added goods.[31] Diversified products produced and exported include casein and yoghurt. ▶ Adoption of better genetics and production methods improving milk production and productivity.
Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ A male dominated value chain, limited participation of women due to gender norms such as cultural stereotypes over the roles women and men should play in the value chain; women engaged in upstream segments like small scale processing. One estimate suggested that sector participation is 30 percent women and 20 percent youth. ▶ Production is dominated by rural small-scale farmers[32]. ▶ Of the total job creation potential: over 100,000 would be for women (50 percent); nearly 60,000 for youth (30 percent).[33]

[26] *Country Private Sector Diagnostic: Creating markets in Uganda. Growth through the Private Sector and Trade*

[27] Ibid.

[28] Ariong, Richard M. & Otikal, Kenneth. *Milk Consumption in Uganda.* Dairy Development Authority. (February 2022).

[29] *Uganda's dairy exports to Algeria start next month.* The Independent. (September 2023).

[30] ITC Export Potential Map (as of May 2024)

[31] *FAO joins forces with Uganda's Dairy Development Authority in bid to boost dairy sector.* FAO Investment Centre. (2022).

[32] *Uganda's Dairy Farmers Develop a Taste for New Markets.* Global Agriculture and Food Security Program. (2021)

[33] ITC job creation potential estimates

Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create over 200,000 jobs through untapped export potential.[34] ▶ Wages (direct jobs): Above national median wage in "dairy products" sub-sector; below national median wage in cattle and "fresh milk" sub-sector.[35] ▶ It is estimated that every 10 litre increment in production creates an extra job in the sector
Internationalisation of sector for export oriented MSMEs	▶ Pearl Dairy exports an estimated 40 percent of dairy products, however, the top 10 processors all export. ▶ There are an estimated 160 processors in Uganda indicating a reasonably diversified export position and potential.
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ Sector has evolved quite rapidly and are seemingly working quickly to resolve issues in their supply chain to enhance access to quality milk. ▶ Major players invested heavily in their supply chain sourcing ▶ New foreign investment has recently gone into a large-scale processor which will come online in October 2024.
Supportive policy and regulatory environment	▶ Priority sector in the NDP III as well as National Industrial Policy, 2020.[36] ▶ The Dairy Development Authority – a parastatal organisation in charge of developing the sector is well organised and active.
Absence of market distortions	▶ Of the five agriculture sectors longlisted, dairy has the fewest ongoing projects. ▶ Both the Mastercard Foundation (through Private Sector Federation Uganda)[37] and the IFC have made large-scale investments into the largest dairy processor.[38] ▶ Heifer international is oriented to climate-related activities in the sector.[39] ▶ The sector is well-organised throughout and has a range of entry points to work on to improve productivity and quality, including on feed, animal health, breeds, milk collection, testing, extension services, etc. Non-tariff measures were also identified as a potential sector constraint.
Environmental considerations	
▶ The dairy and cattle sector in Uganda is responsible for the emission of about 19.1 million tonnes CO2 eq.[40]	

[34] ibid

[35] ibid

[36] NATIONAL INDUSTRIAL POLICY, 2020.

[37] *Heifer International and Mastercard Foundation Partner to Expand Employment Opportunities in Agriculture for Youth in Uganda.* MasterCard Foundation. (November 2023).

[38] *Helping the Ugandan Dairy Sector Achieve its Potential.* Global Agriculture and Food Security Program.

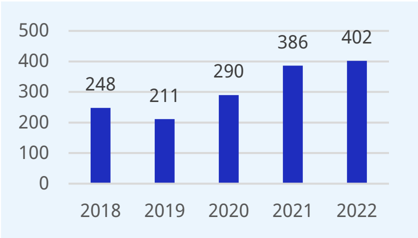
[39] Nyamwaka, Edna & Nalubega, Flavia. *Solar Power in Uganda: Cutting Milk Loss, Lowering Energy Costs and Increasing Farmers' Income.* Heifer International. (November 2024).

[40] *Options for low-emission development in Uganda Dairy Sector.* Food and Agriculture Organization of the United Nations & New Zealand Agricultural Greenhouse Gas Research Centre (2019).

Sector score summary:

- **Opportunity – 3:** Dairy exports are well-diversified both in terms of the range of products exported and the range of markets to which they are exported. Vast gains in production and productivity, breed quality, amount and diversity of exports indicate a sector with opportunity to grow further.
- **Relevance - 2:** While women and youth are not well-represented in the sector, its producers are largely small-scale that, to a large extent, live in poverty. The sector has a significant number of MSME processors as well.
- **Feasibility – 3:** The sector has broad government support and has comparatively few donors. Both the relative organised nature of production and the range of entry points throughout the dairy market system present many opportunities for a future project.

Edible oils

Sub-criteria	Criteria details
	Opportunity for market and trade growth
Competitive advantage of country to deliver product or services	▶ A vast portion of arable land (35 percent), suitable for cultivation of oilseeds.[41] ▶ Two crop seasons are viable per year.[42] ▶ Potential to expand acreage under organic production to benefit from niche markets
Strong market demand	▶ A large and rapidly expanding domestic market, dependent largely on imported edible oils: imports of edible oils (mostly palm oil) have been increasing.[43] ▶ Reported considerable demand for oil seed cake. ▶ Annual production of edible oils: 80,000 metric tons, falls short of domestic demand: 410,000 metric tons (2023).[44] ▶ Imports (USD million)  Source: ITC Trade Map ▶ Growing exports of raw oilseeds, particularly sunflower, soybean, and groundnut.[45]
Potential for growth or enhanced trade improves competitiveness	▶ Spillover effects: oilseeds are used as animal feed and a more productive sector could bring down the costs for animal feed – the most significant in livestock or fish farming.

[41] *Edible Oils Brief*. Uganda Investment Authority (as of May 2024)
[42] *Uganda maize crop calendar.*
[43] *Edible Oils Brief*. Uganda Investment Authority (as of May 2024)
[44] *Uganda embarks on initiatives to revive declining edible oil production.* Monitor. (November 2023).
[45] ITC Trade Map

	▶ Edible oils can also be used in food processing, cosmetics, pharmaceuticals, and biofuels.
Potential for sector to meet increased market demand	▶ Untapped oilseeds export potential of USD31 million, by 2028.[46] ▶ Growing demand within the EAC presents opportunities for enhancing regional trade; EAC is dependent on imports of edible oils and tariff advantages exist within the region (EAC adopted a maximum Common External Tariff (CET) of 35 percent imposed on edible oils imported from outside the EAC bloc as the fourth tariff band in effect since July 1st, 2022).[47] ▶ Large donor and government investments in production and value chain development may spur production increase.[48]
Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ Employs mostly smallholder farmers and it was reported that women and youth were involved in production. However, men own the land and do the marketing/sale of the products. ▶ Women and youth dominate small-scale trade. ▶ Volatility of prices and comparatively lower margins makes it relatively unattractive to youth.
Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create over 163,000 jobs if the untapped export potential was fully realised.[49] ▶ Wages (direct jobs): below national median wage in "oilseeds" sub-sector; above national median wages in the "vegetable oils" sub-sector.[50]
Internationalisation of sector for export oriented MSMEs	▶ Uganda has an estimated 115 oil mills with 40 percent of processed oils being exported, with a well-diversified set of end markets of North America, Europe, Australia and regionally in Africa. ▶ Unprocessed edible oils seeds provide opportunity for value adding SMEs. ▶ Large export demand provides opportunities for innovative SMEs though those in operation are operating below capacity.
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ The sector is relatively "thick" with downstream SMEs working in processing (Uganda OilSeed Producers & Processors Association - UOSPA has 115 registered processors). However, some indicated business practices which are not supporting sector

[46] ITC Export Potential Map (as of May 2024)
[47] Djido, Abdoulaye; Thangata, Paul; Muthini, Davis; Nhlengethwa, Sibusiso. *Economic Impacts and Policy Implications of a Common External Tariff on Imported Edibles in the East African Community.* Policy Brief. Hub for Agricultural Policy Action (HAPA). Kenya. (n.d.)
[48] *New growth for oil seeds project. Improving food security and incomes for Ugandan smallholder farmers.* The OPEC Fund for International Development.
[49] ITC job creation potential estimates.
[50] Ibid.

	development – namely mixing imported palm oil with locally produced sunflower oil to market sunflower oil and some collusion on the seed market.
Supportive policy and regulatory environment	▶ Priority for import substitution, job creation and export earnings in the National Industrial Development Plan, 2020. ▶ Priority for import substitution and increasing export earnings, per the NDP III. ▶ The National Oilseeds Project (NOSP) (2021-2028) is a government initiative to support oilseed farmers by promoting value addition and infrastructure development and increasing export earnings (USD64.3 million to rehabilitate 2,500 km of roads for edible oilseed projects in 81 areas).[51] ▶ The Ministry of Agriculture and Fisheries and the Ministry of Local Government are collaborating on a USD160.0 million investment to bolster the oilseeds value chain.[52] ▶ Other plans are to establish two new vegetable oil mills in Lira and Kiryandongo and expand the vegetable oil refinery in Jinja. Progress in domestic production of vegetable oil and its by-products.[53]
Absence of market distortions	▶ The sector seems well supported through a range of donor-funded projects including: United States Agency for International Development (USAID), International Fertilizer Development Center (IFDC), AGRITera, CBI, International Fund for Agricultural Development (IFAD) and Agricultural Business Initiative (aBI) Trust. ▶ The sector and corresponding market system does not have a wealth of entry points. Initial research suggests seed use, production methods and post-harvest handling. ▶ Access to seed is limited to a few import sources creating uncertainty, volatility of seed prices and fluctuating production volumes (Production in 2024 has been low due to scarcity of and cost of seed for planting) Seed prices rose from UGX 30,000 per kilo in 2023 to UGX 100,000 per kilo in 2024.
Environmental considerations	
▶ Sunflower seeds, although normally labelled as environmentally friendly, have been known to cause water contamination in Uganda.[54]	

Sector score summary:

- **Opportunity - 3:** Demand is healthy and seems to be growing both domestically (sunflower oil and oil cake) and internationally (raw product, sunflower oil, and oil cake). Processors already export to a range of markets and if the sector is made more productive, it could make the livestock and aquaculture sectors more competitive due to reduced feed costs.
- **Relevance - 2:** As most producers are smallholder producers and women and youth reportedly engage at the farm level – interventions targeting producers to improve productivity and quality could have meaning for the

[51] *Government boosts edible oil production investment after 68% decrease in export earnings.* Pulse.ug. (September 2023).
[52] *Uganda embarks on a US$159.93M initiative to revive edible fats and oils earnings after contracting by 70%.* Milling Middle East and Africa. (September 2023).
[53] THIRD NATIONAL DEVELOPMENT PLAN (NDPIII) 2020/21 – 2024/25
[54] *Food loss analysis: causes and solutions. The Republic of Uganda Beans, maize, and sunflower studies.* FAO; World Food Programme (WFP). International Fund for Agricultural Development (IFAD). (2019).

target group. However, men will still engage in the marketing and sale which may limit the benefits flowing back to women and youth.

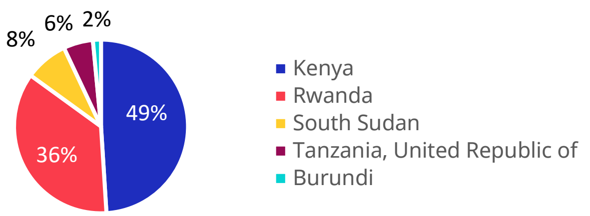
- **Feasibility - 1:** The sector has comparatively few entry points for engagement relative to the number of donor-funded and government initiatives. It therefore seems that a future project would have comparatively less to add in edible oils when compared to other sectors.

Maize

<table>
<tr><th>Sub-criteria</th><th>Criteria details</th></tr>
<tr><td colspan="2">Opportunity for market and trade growth</td></tr>
<tr><td>Competitive advantage of country to deliver product or services</td><td>

Recent increase in production growth rate and enhanced national production capacity over the years.[55]
Maize production increased at an annual average rate of 9.6 percent, during the last decade: second highest in the region after Rwanda, projected to increase by 272 percent by 2030.[56]
While there are favourable conditions for maize production it can have two harvests per year (unlike its neighbours)[57], it is a low value crop (USD 380/tonne) and coming from a landlocked country where transport costs put a geographic limit on the distance that it can be exported to.
</td></tr>
<tr><td>Strong market demand</td><td>

Exports of maize grain (2023)



Source : ITC Trade Map

Increasing imports indicate growing domestic demand; offering room for import substitution.
A strong export position, exports are at about 70 percent of production (mostly informal).[58]
80 percent of maize flour is sold locally, maize grain is exported, mainly to Kenya where it contributes to the fortified maize flour production and its growing feed industry.[59]
</td></tr>
</table>

[55] *Country Private Sector Diagnostic: Creating markets in Uganda. Growth through the Private Sector and Trade*
[56] *The Maize Value chain in Uganda.* Kilimo Trust & Heifer International. (n.d.)
[57] *Country Private Sector Diagnostic: Creating markets in Uganda. Growth through the Private Sector and Trade*
[58] ibid
[59] ibid

Potential for growth or enhanced trade improves competitiveness	▶ Spillover effects: animal feed production, and in turn poultry and fish sector. ▶ Population growth domestically and regionally provides opportunities due to the significance of maize as a major food component at schools and homes. ▶ Large donor and government investments in sector could improve competitiveness in the medium to long term.
Potential for sector to meet increased market demand	▶ Value addition is currently low as most value added is flour for the domestic market. The majority of exports are of unprocessed maize, where importing countries like Kenya reportedly can process it cheaper and according to taste. ▶ Regional trade potential: The EAC trade pact and COMESA offer access to export markets and protection from maize imports from those outside the pacts (50 percent CET). ▶ Availability of arable land, short production cycles, access to seed and other inputs contribute to potential for growth in production and productivity.
Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ A source of livelihood to rural farmers, traders, and processors; production is dominated by smallholder farmers, with 60 percent working on plots smaller than 2 hectares. ▶ It was reported that youth are not interested in the sector and as women do not commonly own land, that they do not engage in the sector.[60] ▶ Over 90 percent of Uganda's maize is produced by smallholders. ▶ Of the total job creation potential: 45,000 would be for women (50 percent); over 27,000 for youth (30 percent)
Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create over 88,000 jobs if the untapped export potential was fully realised.[61] ▶ Wages (direct jobs): Below national median wage.[62] ▶ Growth in demand improves jobs but the quality of jobs is low due to lower margins and volatile prices.
Internationalisation of sector for export oriented MSMEs	▶ Industry is supported by small and medium-scale millers.[63] ▶ There is demand in the regional markets but the bulk of the volumes are traded informally. ▶ Formal trade is hindered by quality and logistical costs association with the low value bulky commodity.
Feasibility to facilitate systemic change	

[60] ibid
[61] ITC job creation potential estimates
[62] ibid
[63] *Country Private Sector Diagnostic: Creating markets in Uganda. Growth through the Private Sector and Trade*

Presence of healthy private sector and innovation	▶ 70 percent of the crop was reportedly exported out to Kenya and South Sudan informally as raw grain and with little standard conformity ▶ The Grain Council of Uganda seems relatively active with 180 members, so the sector is somewhat organised
Supportive policy and regulatory environment	▶ A priority for the government as identified in the NDP III and actioned in the Agricultural Value Chain Development Programme (AVCP)-Project, 2018.[64] National Grain Trade Policy[65] provides for streamlining trade. ▶ In August 2024, the government approved a procurement requirement that all purchased maize need to be certified – an effort to improve quality and reduce illegal trading. ▶ Volatile trade with export/import bans and non-tariff barriers (NTBs) affecting regional trade flows, thus affecting prices, market stability and investment.[66]
Absence of market distortions	▶ Heavy engagement of USAID, and a series of other donor-funded initiatives. ▶ Comparatively few sector feasible entry points – most considerably in production. Larger issues with prevalence of illegal and informal trade need to be addressed, but that may be beyond the scope of this project.
Environmental considerations	
▶ Maize farming often involves intensive tillage practices, which can lead to soil erosion, reduced soil organic matter content, and soil compaction, ultimately impacting the long-term productivity of the land.[67]	

Sector score summary:

- **Opportunity - 2:** While there is considerable demand in the region and the sector has seen considerable growth, most of this for unprocessed maize where value is added elsewhere. Further, considering the low product value, low levels of value addition, and comparatively high transport costs, it cannot be exported to great distances.
- **Relevance - 2:** presence of smallholder farmers, however, has limited engagement for women and youth.
- **Feasibility - 1:** While the government is strongly supporting the sector's development, it is well-covered by a series of development projects that are focused on a narrow set of entry points (production practices, production technologies and inputs). This leaves little space for Trade for Jobs.

Coffee

Sub-criteria	Criteria details
Opportunity for market and trade growth	

[64] Uganda - Agricultural Value Chain Development Programme (AVCP) - 2018
[65] National Grain Trade Policy, 2015
[66] *Country Private Sector Diagnostic: Creating markets in Uganda. Growth through the Private Sector and Trade*
[67] Chaima, El Khalfi; Assia, Harkani; Hanane, Ouhem; Tarik, Benabdelouahab & Abdellah, Elaissaoui. *Sustainable Maize Production and Carbon Footprint in Arid Land Context: Challenges and Perspectives.* New Prospects of Maize. (2023).

Competitive advantage of country to deliver product or services	▶ Uganda produces 6 percent of global Robusta and 1 percent of the global Arabica coffee[68] ▶ A vital crop for the economy. It has generated around 15 percent of export earnings for the past fifteen years[69]; generates approximately 20–30 percent of the country's foreign exchange earnings.[70] 95 percent of Ugandan coffee is exported.[71] ▶ With around half a million coffee farmers, Uganda has one of the highest concentrations of coffee growers in the world.[72] ▶ Increase in production has been slow, with annual production levels at around 3–4 million bags for the last 15 years.[73] Coffee production in Uganda is characterised by very low productivity, minimal application of inputs, and struggles with pests and diseases.[74] ▶ Uganda among top 10 exporters in the world and second in Africa[75] ▶ Recent government subsidies on planting materials and training have led to improved production. Uganda exported 6.1 million bags in 2023/24 up from 5.8 million bags in 2022/23.[76] ▶ Ugandan farmers received highest prices in 30 years for coffee in 2023/24[77]
Strong market demand	▶ Strong demand for Ugandan Arabica and Robusta ▶ Exports dominated by green beans ▶ Export markets in EU, USA, Far East, South Sudan
Potential for growth or enhanced trade improves competitiveness	▶ Untapped export potential of USD 220 million, by 2028[78] ▶ Spillover effects: Confectionary, beverages, beauty and personal care products. ▶ NDPIII, Coffee Sub Sector Strategy[79] emphasise investments in coffee processing and export of value added products.[80]
Potential for sector to meet increased market demand	▶ Increased acreage under coffee production likely to increase production over the medium to long term ▶ National coffee road map projects exports of 20 million bags by 2030.[81] ▶ EU Deforestation Regulation (EUDR) poses challenge to access EU markets.

[68] Morjaria, Ameet & Sprott Martin; *Ugandan Arabica coffee value chain opportunities.* International Growth Centre. (2018).
[69] ibid
[70] Mwesigye, F & Nguyen, H. *Coffee value chain analysis. Opportunities for youth employment in Uganda.* (2020).
[71] ibid
[72] Morjaria, Ameet & Sprott Martin
[73] *UgandaCoffee Then & Now.* Uganda Coffee Development Authority. (2021).
[74] Mwesigye, F & Nguyen, H.
[75] Ategeka, Stewart. *Trend Analysis of Uganda's Coffee Sector*. Applied Studies in Agribusiness and Commerce. (2023).
[76] *Uganda's Coffee highly valued at Türkiye's Premier Coffee Expo*. Govt. Info Hub. 2024.
[77] ibid
[78] ITC Export Potential Map (as of May 2024)
[79] COFFEE SUB-SECTOR STRATEGY (2020/21 – 2024/25).
[80] ibid
[81] ibid

Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ In Uganda, coffee is primarily produced by smallholder farmers—1.5 million of them.[82] ▶ Substantial concentration of young people in the coffee value chain, indicating that the value chain is contributing to providing incomes and employment to a considerable proportion of Ugandan youth.[83] ▶ Of the total job creation potential: over 220,000 would be for women (50 percent); nearly 135,000 for youth (30 percent).[84] ▶ Per FAO study, coffee value chain has the highest weighted score in terms of having the most potential for performance upgrading, job creation and decent rural employment opportunities for youth.[85]
Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create over 430,000 jobs if the untapped export potential was fully realised.[86] ▶ Jobs tend to be seasonal: youth commonly work as casual labourers with low pay. At the production level, most youth do not own coffee gardens, but simply provide help to family farms or wage labour in activities such as planting, weeding, spraying and harvesting.[87] ▶ Wages (direct jobs): Below national median wage.[88]
Internationalisation of sector for export oriented MSMEs	▶ Coffee is mostly an export commodity in Uganda with less than 10 percent consumed domestically[89] ▶ Export logistics, regulations and market access opportunities are relatively better developed compared to other sectors
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ 77 listed and approved coffee traders and exporters in Uganda ▶ 54 active export firms ▶ There are 12 registered domestic roasters ▶ Ugandan coffee differentiated and marketed based on origins
Supportive policy and regulatory environment	▶ Priority sector in NDP III, National Industrial Policy, 2020 and Vision 2040 ▶ Other government policies: Coffee Bill in 2019, Coffee Sub-Sector Strategy (2020/21 – 2024/25, National Coffee Road Map 2017-2030).

[82] *The Perks of Sustainable Coffee, for Ugandan Farmers.* Rainforest Alliance. (2018).
[83] Mwesigye, F & Nguyen, H.
[84] ITC job creation potential estimates
[85] Mwesigye, F & Nguyen, H.
[86] ITC job creation potential estimates
[87] Mwesigye, F & Nguyen, H.
[88] ITC job creation potential estimates
[89] *Coffee in Uganda: Culture, Heritage and Economy.* Slow Food. (2019).

	▸ Since 95 percent of Ugandan coffee is exported[90], any trends and changes in the international market will have a direct impact on the prices and conditions of farmers and enterprises within the country.
Absence of market distortions	▸ Other ongoing donor-funded projects: National Project Robust, the EU-EAC Market Access Programme (MARKUP) currently in its second phase (2023-2027), and the Coffee and Cocoa Value Chain Development (CoCoDev) Project in Uganda worth EUR 8 million (2022-2026).
Environmental considerations	
▸ Reports indicate that inconsistent weather conditions, long-term climatic changes, droughts, and unsustainable farming practices threaten this industry.	

Sector score summary:

- **Opportunity - 2:** Potential for production increase and massive growth in exports. However, the limited potential for value-added services and presence of large firms puts a ceiling on how much within sector upgrading or development can occur, particularly by MSMEs.
- **Relevance - 2:** It is clear that further growth will generate reasonable quality jobs, with relative intensity. Large farm focus, which is outside of the project target group; however, the active participation of women is quite relevant.
- **Feasibility - 1:** While the government, exporters association and trade union are all active, they are driving the sector ahead in a positive direction on their own. It is therefore unclear what this project could add to enhance the sector, particularly given the dominance of large firms, already complying with EU and Global GAP standards.

Tourism

Sub-criteria	Criteria details
Opportunity for market and trade growth	
Competitive advantage of country to deliver product or services	▸ Ranks highly in natural resources and price-competitiveness; ranks reasonably well on its cultural resources and business travel - the government's prioritisation of travel and tourism as well as its environmental sustainability.[91] ▸ Most competitive in niche-market searches such as ecotourism, nature-tourism, active lifestyle, hiking and arts/cultural tourism.[92] ▸ Contributed 5.9 percent of the country's GDP in 2019 and was a leading source of foreign exchange.[93]

[90] COFFEE SUB-SECTOR STRATEGY (2020/21 – 2024/25).
[91] *Towards a sustainable tourism economy in Uganda.* Africa Rise. (March 2024)
[92] ibid
[93] ibid

	▶ One of the best performing sectors under service exports. Export earnings USD1.2 billion; an additional 100,000 leisure tourists could add 11 percent to Uganda's exports and 1.6 percent to GDP.[94]
Strong market demand	▶ Visitor numbers increased from 101,331 in 2020 to 387,914 in 2023 compared to 323,861 in 2019.[95] ▶ Data indicates that increasing levels of domestic and regional tourism are among the main drivers of the sector's growth.[11.2]
Potential that growth or enhanced trade improves competitiveness	▶ Spillover effects: has wide multiplier effects by developing not only primary industries but also secondary industries to support tourism e.g., agriculture, manufacturing, transport, and services.
Potential for sector to meet increased market demand	▶ Untapped export potential of USD10 million in hotel and accommodation services alone.[96] ▶ Most international arrivals (in 2019) are from neighbouring and regional countries (76 percent from East Africa, with Kenya representing 46 percent of total arrivals).[97] ▶ Regional trade potential, given the emphasis in EAC Vision 2050 >> in line with implementation of the EAC single visa scheme.[98]
Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ Employs 264,000 people directly and an additional 403,220 indirectly[99] - accounting for 7.4 percent of total national employment[100]. ▶ Women and youth (18-30 years) constitute the highest proportion of the employed in the sector in a range of low- and medium-skilled jobs.[101] ▶ Of the total job creation potential: over 60,000 would be for women (50 percent); nearly 35,000 for youth (30 percent).[102]
Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create over 115,000 jobs if the untapped export potential was fully realised. ▶ Wages (direct jobs): Above national median wage (Accommodation and food services).

[94] *Harnessing Uganda's tourism potential to foster economic growth and structural transformation.* International Growth Centre. (October 2018)

[95] *Uganda Tourism Trends and Outlook Report.*

[96] ITC Export Potential Map

[97] *Towards a sustainable tourism economy in Uganda.* Africa Rise. (March 2024)

[98] EAC Vision. 2050.

[99] *Employment creation potential, labor skills requirements and skill gaps for young people A Uganda case study.* Africa Growth Initiative at Brookings and Economic Policy Research Centre Uganda. (2019)

[100] *Towards a sustainable tourism economy in Uganda.* Africa Rise. (March 2024)

[101] *Which Sectors Can Be Large Scale Job Creators for Uganda?* Economic Policy Research Centre Uganda. (May 2021)

[102] ITC job creation potential estimates

	▶ Offers gainful employment and entrepreneurship for guides, tour operators, hospitality workers, and marketing professionals, among many others.[103]
Internationalisation of sector for export oriented MSMEs	▶ High concentration of MSMEs mainly in the trade and accommodation and the food services sectors, as well as the personal and recreational services sector.[104] ▶ Majority of tour operators are SMEs
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ A private-sector driven industry, with private tourism providers being key actors. ▶ An organised private sector, divided into associations - all under one umbrella association - Uganda Tourism Association (UTA). ▶ Significant scope for new and innovative products such as heritage and cultural tourism, culinary tourism, agro-tourism in coffee and tea estates.
Supportive policy and regulatory environment	▶ Priority sector under NDP III and emphasised in Uganda's Vision 2040. ▶ Ongoing investments in the diversification and development of tourism products and infrastructure development[105]
Absence of market distortions	▶ MasterCard Foundation has committed USD200 million to focus on food systems and agribusiness and strengthening Uganda's growing tourism and hospitality sector which could crowd out the market.[106]
Environmental considerations	
▶ Depletion of local natural resources as well as pollution and waste problems. ▶ Puts pressure on natural resources through over-consumption, often in places where resources are already scarce. ▶ Puts enormous stress on local land use, and can lead to soil erosion, increased pollution, natural habitat loss, and more pressure on endangered species. ▶ These effects can gradually destroy the environmental resources on which tourism itself depends.	

Sector score summary:

- **Opportunity - 3:** Tourism presents a strong opportunity for growth, with Uganda's natural beauty, cultural heritage, and potential for high-end tourism positioning it as a highly competitive destination. There is strong demand both regionally and internationally, and with continued investment in infrastructure and marketing, the sector has the potential to attract significant visitors and boost economic impact. However bureaucratic inefficiencies need to be streamlined to realise its potential.

[103] *Tourism in Uganda offers new paths to economic transformation and job creation.* World Bank Blogs. (April 2023).
[104] Market Bite Uganda. *Challenges and opportunities for MSME finance in the time of COVID-19.* IFC (2021).
[105] *Tourism in Uganda offers new paths to economic transformation and job creation.* World Bank Blogs. (April 2023).
[106] Mastercard Foundation. (November 2023).

- **Relevance - 3:** Tourism is highly relevant for Uganda's economy, providing significant opportunities for job creation, particularly for women, youth, and the working poor.
- **Feasibility - 2**: While the tourism sector benefits from a supportive policy environment and government incentives, challenges such as insufficient infrastructure, lack of skilled labour, and coordination issues persist. These factors, combined with a need for better marketing, hinder the sector's ability to scale quickly. The tourism sector's alignment with the National Development Plan makes it a promising area of focus.

ITES-BPO

Sub-criteria	Criteria details
	Opportunity for market and trade growth
Competitive advantage of country to deliver product or services	▶ The ICT sector continues to grow at an average growth rate of 14.8 percent and contributes 9 percent to Uganda's Gross Domestic Product (GDP).[107] ▶ BPO sector, considered a "low hanging fruit", Uganda's comparative advantage lies in low cost of labour and a relatively highly educated workforce with a high command of accent-neutral English.
Strong market demand	▶ A booming market; growth of 19.7 percent on average each year since 2013 until 2020, adding 2.5 percent annually to the country's GDP; growth outpacing overall rate of economic growth.[108]
Potential that growth or enhanced trade improves competitiveness	▶ The spillover effect of associated secondary and tertiary industries will have a tremendous impact on the economy (transport, food, retail, and real estate) + creates demand.
Potential for sector to meet increased market demand	▶ Per National Information Technology Authority Uganda (NITA-U), export potential lies in: • ICT service industries • Computer programming, consultancy, and related activities • Data processing, hosting, and related activities
	Relevance for target groups and MSMEs
Relevance of sector for women, youth and the working poor	▶ In 2016, employed up to one million people, contributing 7 percent to GDP with a CAGR of 25 percent.[109] ▶ Identified as one of the key sectors to reduce youth unemployment in the country, especially among the urban poor.[110] ▶ Women are underrepresented; the proportion of female employees in the sector is only 31.2 percent, compared to 68.8 percent male, which has remained largely unchanged since 2012/13.[111]

[107] DIGITAL TRANSFORMATION ROADMAP. 2023/24 – 2027/2028.
[108] *ICT helps drive Uganda's growth but sector faces challenges, says top official.* International Trade Centre. (2018).
[109] *All roads to innovation lead to Uganda.* Uganda Export Promotion Board. Uganda Export Promotion Board. (n.d.)
[110] ibid
[111] *National Information Technology Survey 2017/18 Report.* NITA Uganda. (2018).

	▶ Of the total job creation potential: over 4,000 would be for women (45 percent); nearly 3,000 for youth (30 percent).[112]
Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create close to 9,500 jobs if the untapped export potential was fully realised.[113] ▶ While direct job creation potential is lower than other longlisted sectors, the sector generally has a comparatively high induced job multiplier. ▶ Offers steady employment. ▶ Wages (direct jobs): above national median wage.[114]
Internationalisation of sector for export-oriented MSMEs	▶ Significant opportunities for MSMEs to expand into global markets, supported by government-backed initiatives and export promotion strategies. ▶ The sector benefits from the country's youthful, tech-savvy workforce, and lower operational costs. Innovation incubation and accelerator hubs across Uganda are nurturing a new wave of SMEs, particularly in ICT, by providing them with essential skills, infrastructure, and access to global networks. These hubs are driving the growth of tech startups, positioning Uganda as an emerging destination for IT-enabled services in the region.
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ A strong private sector engagement and innovation. ▶ Employs over 4,000 individuals across more than 48 registered companies, and an employment growth by 30 percent in recent years.[115] ▶ Innovation hubs such as Innovation Village and Outbox Hub have been critical in fostering SMEs and startups, providing incubation and mentorship, driving the digital economy forward and positioning Uganda as a growing player in the ITES/BPO industry.
Supportive policy and regulatory environment	▶ Listed among the core development enablers in Uganda under our key policy documents – the National Vision 2040 and NDP III - as an enabler of economic growth, job creation and increased productivity. ▶ Investment of about USD 500 million in ICT infrastructure over the last 6 years under the Digital Transformation Programme + plans to lay an additional 4,000 km of fibre within 5 years and deliver internet services to more unreached parts of Uganda.[116] ▶ Ongoing efforts to build ICT incubation hubs, set up and equip ICT labs in institutions of learning, funding ICT innovations, targeted functional ICT skills for business actors, youth, women, and persons with disabilities. ▶ Support for start-ups, including Fin-Techs, to showcase their innovations, and gain international exposure.

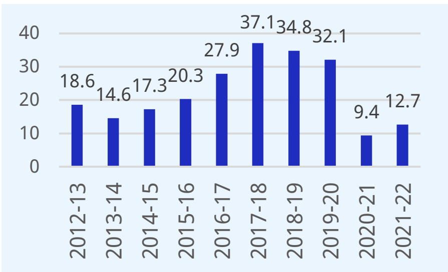
[112] ITC job creation potential estimates
[113] ibid
[114] ITC job creation potential estimates
[115] NITA-Uganda
[116] The Ushindi Magazine. Ministry of ICT & National Guidance. (July 2023).

	▶ Ongoing government efforts to promote Uganda as an innovation and BPO Hub, to create more wealth and job opportunities, particularly for our youth.[117] ▶ The National ICT Initiatives Support Programme (NIISP) to encourage the creation of the ICT Innovation ecosystem.[118]
Absence of market distortions	▶ Not many donor-funded projects

Sector score summary:

- **Opportunity - 2:** Uganda's competitive advantage in ITES/BPO lies in its young, English-speaking workforce, but high data costs, low certification levels, and limited global competitiveness weaken its market potential. The sector's growth has been slow relative to its potential.
- **Relevance - 2:** The ITES/BPO sector is moderately relevant to Uganda's economy. It offers entry-level job opportunities for youth and women, particularly in urban areas. However, limited engagement with export-oriented MSMEs and a lack of certification programs reduce its overall relevance for broader economic impact.
- **Feasibility –** 2: The sector faces significant feasibility challenges, including skills gaps, high operational costs, and limited private sector innovation. While policies are in place to support ITES/BPO, practical barriers such as infrastructure and regulatory hurdles – particularly those related to high taxation – need to be addressed to unlock the sector's growth potential.

Cotton, textiles and apparel

Sub-criteria	Criteria details
Opportunity for market and trade growth	
Competitive advantage of country to deliver product or services	▶ Cotton lint production levels have fluctuated during the last decade: Production increased from 2013/14 onwards, peaking in 2017/18 at 37,147 Mt, but then plummeted to 9,381 Mt in 2021-22. It then grew by 36 percent to 12,783 Mt in FY 2020-21. Average lint prices also increased during this period.[119] ▶ Cotton lint production ('000 Mt)[120]  ▶ 90 percent of home-grown cotton is exported.[121]

[117] ibid
[118] The National ICT Initiatives Support Programme (NIISP)
[119] *Country Statement on the Cotton Sub-Sector 2022.* 80th International Cotton Advisory Committee (ICAC) Virtual Plenary Meeting. (2022).
[120] ibid
[121] *90% of Uganda's cotton is exported.* Monitor. (September 2023).

	▶ High production costs. ▶ High cost of imported inputs like pesticides and fertilisers. ▶ Competition for land and labour from other sectors, leading to consistent fluctuations in production as farmers opt for other enterprises with lower production costs like groundnuts and sorghum. Fewer farmers participate in the cotton production process due to falling prices.
Strong market demand	▶ Current cotton output is mostly exported, leaving little for domestic ginneries, which are currently operating at 10 percent of their optimal capacity.[122] ▶ Increasing imports of apparel and clothing indicate a growing domestic market, offering scope for import substitution.[123]
Potential that growth or enhanced trade improves competitiveness	▶ Spillover effects: Several by-products are produced locally: animal feed (cotton seed cake); oil extraction (hulls or husks); plastics; paper; medical supplies (cotton linters, surgical cotton wool); edible oils (crude cottonseed oil); and more.
Potential for sector to meet increased market demand	▶ Potential for value addition, with current engagement limited to the lower-end of the value chain (There is a progressive increase in returns from cotton at each stage of value addition: i.e., cotton lint (USD 1.4), yarn (USD 3), fabric (USD 5) and T-shirts (USD 12) but unclear how well that value addition is positioned for export. ▶ Growing regional demand within EAC offers scope for creation of regional value chains.[124]
Relevance for target groups and MSMEs	
Relevance of sector for women, youth and the working poor	▶ Estimated to be employing over 2.5 million people, directly and indirectly.[125] ▶ At the farming level, a series of activities are mainly done by youth and women and 43 percent of workers in ginneries are women.[126] ▶ Activities like land preparation are mainly done by youth (80 percent) because of its highly labour-intensity; young males are also involved in higher-skilled jobs such as mechanical, computerised and transportation.[127] ▶ Enormous opportunities for women and youth exist in hand looming, given the ready market and manageable skills required. ▶ Potential for youth and women employed in the cotton value chain is concentrated at the production/farming stage and the ginneries when cotton is separated from the seed. This activity requires a lot of patience and care, and women and female youth (60 percent) occupy these positions.

[122] *Cotton Profits Low, Farmers Willing to Increase Cultivation.* EPRC Uganda. (April 2018).
[123] *Used clothes imports grow fivefold.* EPRC Uganda. (June 2019).
[124] *The East African Community Cotton Textiles Apparels Strategy and implementation Roadmap 2020-2030.* East African Community. (2019).
[125] *Review Highlights Uganda's Neglected Crops and Climate Change Challenges.* Agrilinks. (October 2021).
[126] ibid
[127] ibid

	▶ Of the total job creation potential: 23,000 would be for women (50 percent); over 13,000 for youth (30 percent).[128][129]
Potential for market and trade growth to create more jobs and more productive employment	▶ Potential to create over 45,000 jobs if the untapped export potential was fully realised.[130] ▶ Wages (direct jobs): Below national median wage (for cotton, textiles as well as apparel)[131]
Feasibility to facilitate systemic change	
Internationalisation of sector for export-oriented MSMEs	▶ Only two main big players (Nytil and Fine Spinners) who are both being provided protective tariffs on imported textiles and raw materials.
Presence of healthy private sector and innovation	▶ Absence of a unified body for cotton farmers.
Supportive policy and regulatory environment	▶ One of the ten priority commodities for agro-industrialization, as per the NDP III; prioritised for import substitution and export promotion; given its high potential for value addition, foreign investment, and job creation. ▶ A strategic sector under the National Industrial Policy, 2020 - from import substitution, export earnings and job creation perspective. ▶ The government in 2024, released an amendment to the Cotton Development Bill. ▶ The EAC Cotton Textiles and Apparel Roadmap, 2030 offers potential for regional trade. ▶ Ongoing efforts to revamp the sector to meet the domestic demand and replace imports. For e.g., Uganda recently banned second hand imports.[132]
Absence of market distortions	▶ Few donor funded programs supporting cotton sector growth with most past support being invested in the Cotton Development Organization (CDO) - little changes realised to date. The key 2 large private company players in the cotton to textile sector are heavily supported by various government subsidies and political affiliation.
Environmental considerations	
High levels of industrial water pollution; wastes generated during apparel manufacturing process.	

Sector score summary:

[128] ibid
[129] ITC job creation potential estimates
[130] ibid
[131] ibid
[132] Douet, Marion. *How is Uganda trying to revamp its textile industry? By banning used-clothes imports.* Le monde. (November 2023).

- **Opportunity - 1:** The cotton textile sector faces significant challenges in terms of competitiveness and market demand. Fluctuating cotton prices, competition from synthetic fibres, and limited local processing capacity severely limit opportunities for growth, making the sector less competitive regionally and globally. The sector remains constrained by low levels of value addition and reliance on international markets.
- **Relevance - 1:** The cotton textile sector has limited relevance due to minimal engagement of women, youth, and MSMEs in export-oriented activities.
- **Feasibility - 1:** The feasibility of expanding the cotton textile sector is low, with significant challenges related to infrastructure, capital costs, and inconsistent supply. Although government policies support the sector, the practical barriers to scaling up, including the need for improved processing capacity and investment, make it difficult to achieve significant growth in the short term.

Warehousing

Sub-criteria	Criteria details
Opportunity for market and trade growth	
Competitive advantage of country to deliver product or services	▶ A double digit CAGR during 2013-18, owing to an overall increase in imports and exports, initiatives taken by the government, increase in the number of industrial and business parks, decline in the rental rates of warehouses and technological advancements in the segment.[133]
Strong market demand	▶ A growing demand for space to store and manage goods ordered online amidst rise in e-commerce. ▶ A shortage of standard and modern storage facilities which leads to use of poor-quality storage and subsequently deterioration in quality of the products. Per NDP III, Uganda’s post-harvest losses range from 30 to 40 percent for grains and other staples, and 30 to 80 percent for fresh-fruits and vegetables.
Potential that growth or enhanced trade improves competitiveness	▶ Spillover effects: cross cutting; influence on competitiveness at the regional and international level; productivity across the agriculture sector as well as quality of agricultural produce.
Potential for sector to meet increased market demand	▶ Holds great potential to meet increasing market demand and facilitate value addition, particularly for exports. ▶ The Presidential Advisory Committee on Exports and Industrial Development (PACEID) emphasizes need for improved export infrastructure, including modern warehousing and cold storage facilities. This is especially critical for agriculture, where enhanced logistics and storage can boost exports of high-value crops such as fruits, vegetables, and coffee.
Relevance for target groups and MSMEs	

[133] *Uganda Logistics and Warehousing Market Outlook to 2022/23.* KEN Research. (2019).

Relevance of sector for women, youth and the working poor	▶ Women make up 15.8 percent of the workforce in the warehousing sector (68 percent of female employees in the logistics sector find working conditions 'very poor'.[134] ▶ Impact can cut across all agricultural sectors, where women account for half of the workforce, and youth - 63 percent.[135] ▶ Of the total job creation potential: over 72,000 would be for women (35 percent); nearly 55,000 for youth (27 percent) (transportation and storage sector, combined).[136]
Potential for market and trade growth to create more jobs and more productive employment	▶ The transportation and storage sector, "combined" have the potential to create over 200,000 jobs if the untapped export potential was fully realised.[137] ▶ Wages (direct jobs): above national median wage.[138]
Internationalisation of sector for export oriented MSMEs	▶ Major players in the real estate industry have a growing number of warehouses under their portfolio mainly handling cargo storage and providing revenue authority bonded warehouses. ▶ Active engagement of several MSMEs, particularly those focused on agricultural exports. These generally provide essential services such as cold storage, packhouses, and value-added processing for perishable goods like fruits, vegetables, coffee, and flowers.
Feasibility to facilitate systemic change	
Presence of healthy private sector and innovation	▶ Discrimination at the workplace, unsupportive industry and work environment, sexual harassment, cultural and societal barriers, information and awareness were also outlined as the key challenges that hinder the participation of women in this sector.[139]
Supportive policy and regulatory environment	▶ NDP III prioritises the establishment of post-harvest handling, storage and processing infrastructure including silos, dryers, warehouses, cold rooms, and a warehouse receipt system for farmers in those regions. ▶ National Industrial Policy, 2020 aims to establish regional modern storage facilities in strategic locations to provide massive storage of agricultural commodities. ▶ Ongoing government efforts to utilise standardised storage facilities. For e.g.: in 2018, it released the warehouse and warehousing standard for bagged storage of cereals and pulses, the first one in East Africa.[140]

[134] Mangula, George. *New report says women can grow Uganda's logistics industry.* Eagle Online. (July 2017).
[135] National gender profile of agriculture and rural livelihoods – Uganda. Country gender assessment series. Second revision. FAO. (2022).
[136] ITC job creation potential estimates.
[137] Ibid.
[138] ITC job creation potential estimates.
[139] *Absence of women causing stagnation in logistics industry.* TradeMark Africa. (July 2017)
[140] *Uganda Launches Warehouse and Warehousing standard.* Ministry of Trade, Industry and Cooperatives. (September 2018).

	▶ British International Investment (BII), the UK's development fund, has committed USD26.5 million to African warehouses in three countries including Uganda to support smallholder farmers in storing grains and combat food insecurity.[141] ▶ Unclear what the project entry points would be in this sector to promote inclusive systemic change.
Absence of market distortions	▶ Concentration of few international players due to good operating efficiency and huge capacity.
Environmental considerations	
Warehousing operations can have significant environmental impacts, particularly in terms of carbon dioxide (CO2) emissions. These emissions are caused by storage and material handling processes in warehouses, as well as energy consumption from lighting, heating, cooling, and air conditioning	

Sector score summary:

- **Opportunity - 2:** There is moderate market demand for warehousing, especially in agriculture, but current storage capacity is insufficient to meet this demand. The sector has potential to improve trade competitiveness through better storage solutions, but high land costs and infrastructure gaps limit immediate opportunities for growth.
- **Relevance - 2:** The warehousing sector is moderately relevant to Uganda's agricultural and manufacturing sectors, particularly in supporting smallholder farmers and MSMEs. Improved warehousing could significantly reduce post-harvest losses, which will positively affect rural communities and help unlock greater financial inclusion for farmers.
- **Feasibility - 1:** The warehousing sector faces numerous challenges related to investment, infrastructure, and regulatory standards. While the introduction of electronic warehouse receipts offers a potential solution, the sector requires significant upgrades to meet demand, making it less feasible for short-term growth without substantial investment.

Selection summary

Based on the above summary, it is recommended that the project commence its work by engaging further in the **tourism and dairy** sectors.

Sector		Opportunity	Relevance	Feasibility	Total
Agriculture	Fisheries & Aquaculture	3	2	2	7
	Dairy	3	2	3	8
	Edible oils	3	2	1	6
	Maize	2	2	1	5

[141] *British International Investment commits $26.5 million to AFEX to address food security in Nigeria, Kenya and Uganda.* British International Investment. (November 2023).

	Coffee	2	2	1	5
Services & Manufacturing	Tourism	3	3	2	8
	ITES-BPO	2	2	2	6
	Cotton, textiles, and apparel	1	1	1	3
	Warehousing	2	2	1	5

Key conclusions and next steps

Shortlisted Sectors

Dairy

Tourism

The results from this analysis indicate that the **dairy** and **tourism** sectors have the highest potential for increasing trade and improving employment outcomes in a project such as Trade for Jobs.

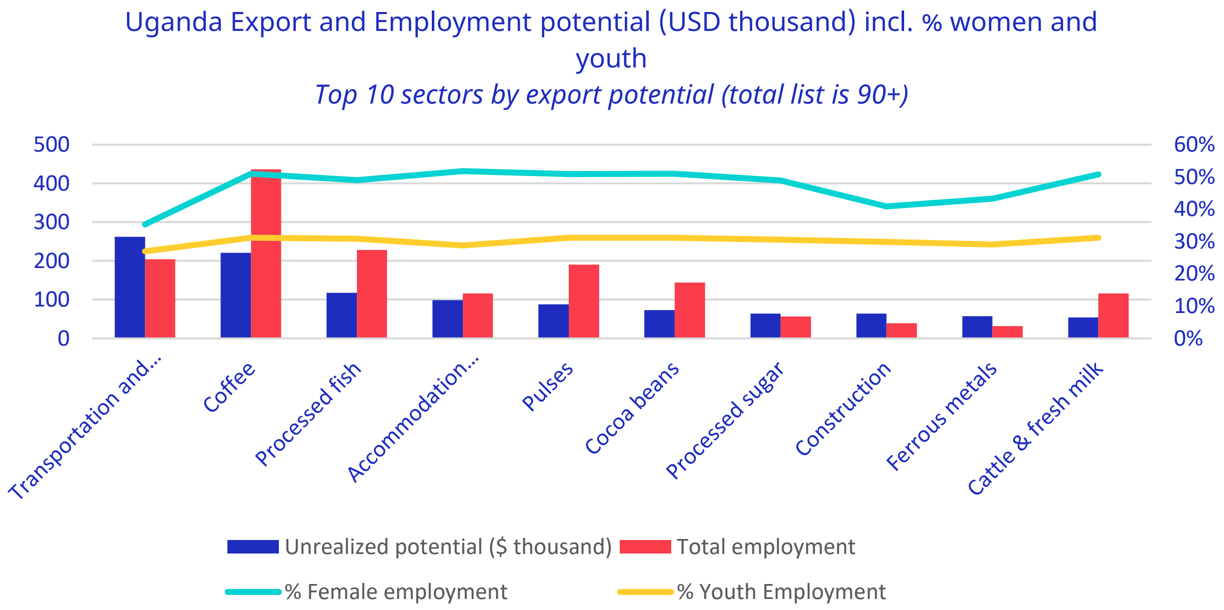
To help Trade for Jobs target its future work, ITC and the ILO will analyse both sectors further in a next stage rapid market assessment likely completed by December 2024. During this assessment, ITC and the ILO will unpack key constraints in the two sectors as well as identify key intervention areas that could potentially address these constraints.

The work completed in this research has already identified a few critical constraints in each sector, which the project can focus on in the next stage analysis.

For the **dairy** sector, the next stage of research should have a geographic focus on western Uganda and look to unpack the supporting functions of **feed**, **animal health**, **breeding**, and **skills**. It should also look more into understanding **non-tariff measures**, **cold storage** and **localised processing**. Given the highly polluting nature of the sector, the next-stage analysis should also look at the environmental considerations and risks and learn from prior work conducted by Heifer International in the sector.

For **tourism**, the project should target its efforts to better understand why **coordination**, **marketing**, **product development** and **skills** are not better serving the sector as well as look at further understanding the **rules and regulations** that may limit the sector. Using the market systems approach, the in-depth market assessment during the pilot phase should focus on identifying the key barriers in Uganda's tourism sector, specifically regarding coordination, marketing, product development, skills, and regulatory challenges. This approach should help examine how different actors, institutions, and services within the tourism ecosystem interact and why stakeholder collaboration, promotional efforts, and product innovation are not more effective in driving growth. It will also analyse gaps in workforce development and regulatory frameworks that limit sector performance. By understanding these dynamics and any previous works done, the assessment should guide targeted interventions, proposing solutions for improved coordination, cost-effective marketing strategies, innovative tourism products, closing skills gaps, and addressing regulatory barriers to enhance the sector's competitiveness, ultimately boosting trade and employment outcomes for the project.

Annex A: Sectoral Employment and Trade Potential in Uganda[142]



[142] Employment potential is based on achieving full export potential. Please note that this analysis has not been segmented by sub-groups beyond youth and women (i.e. those living in poverty).

Annex B: List of stakeholders interviewed

#	Stakeholder Name	#	Stakeholder Name
1	European Union	18	President’s Advisory Committee on Exports and Industry Development (PACEID)
2	Federation of Uganda Employers (FUE)	19	Ministry of Trade, Industry, and Cooperatives
3	National Organisation of Trade Unions (NOTU)	20	ITC - NTF Companies - Focus Group. (ITES Sector)
4	Private Sector Federation Uganda	21	Cotton Development Authority
5	Ministry of Finance	22	Uganda Chamber of Commerce
6	Uganda Export promotion Board (UEPB)	23	Fine Spinners Uganda Ltd - (Cotton Sector)
7	Export Trading Group	24	Uganda Development Bank
8	Uganda Coffee Development Authority (UCDA)	25	Uganda Warehouse Receipt System Authority
9	Kampala Domestic Stores / Star Cafe	26	AGOA - Trade Desk President's Office
10	Dairy Development Authority (DDA)	27	Ruparelia Group of Companies (Tourism and Warehousing Sectors)
11	Pearl Dairy	28	Uganda Tourism Board
12	The Grain Council of Uganda/Grain Exporters	29	Uganda Investment Authority
13	Uganda Fish Processors and Exporters association (UFPEA)	30	Nyanza Textile Industries (Cotton to Textile Sector)
14	Green Fields Uganda Ltd (Fish processor and Exporter)	31	Tourism Focus Group: (Lodge Solutions, Ndere Center, Sippi Falls)
15	Uganda OilSeed Processors Association (UOSPA)	32	ICT Association of Uganda
16	Shavico International	33	National Information Technology Authority
17	Female fish farmer		

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