

The State of Human Capital in Uganda



THE REPUBLIC OF UGANDA



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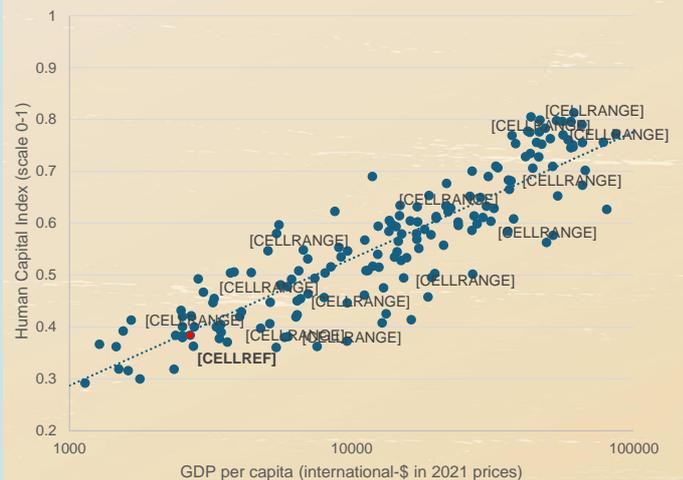
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Why human capital is everything and matters for growth

- Human capital - **the knowledge, skills, and health that people accumulate throughout their lifetime**, enables them to be productive. accounts for 1/3 of differences in GDP and earnings across countries
- Uganda's population estimated at 46 million is **projected to more than double by 2060**, at which point 70% are expected to be of working age.
- The young population presents an opportunity to capture a **demographic dividend** – a highly favorable window for economic growth due to a large working-age population relative to dependents.
- There is a great need to invest in the health, education and productivity of this population.

Relationship between Human Capital Index and GDP



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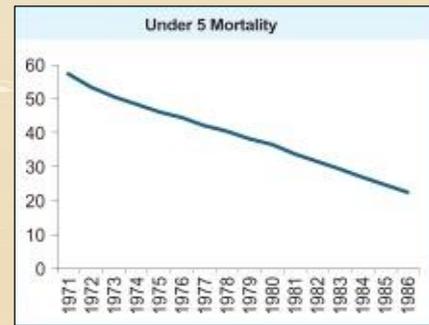
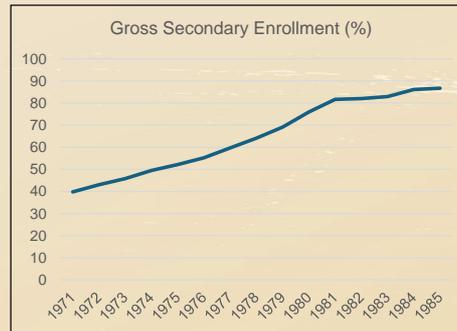
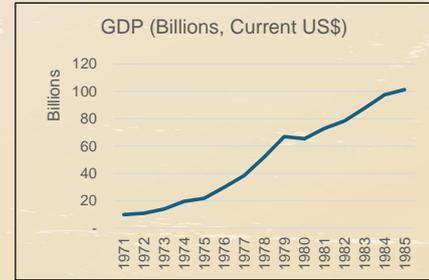
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Achieving accelerated economic growth is possible with elevated progress in human capital development

- Countries that have achieved rapid economic growth, as imagined in our **ten-fold growth strategy**, did so during their demographic dividend window and with **aggressive investments in human capital**, along with enabling infrastructure and policies.
- South Korea experienced an **eleven-fold increase in GDP in 15 years** while more than doubling gross enrollment in secondary school and more than halving under 5 mortality, on its way to becoming a high-income country

GDP growth and selected human capital indicators in South Korea, 1971-1985



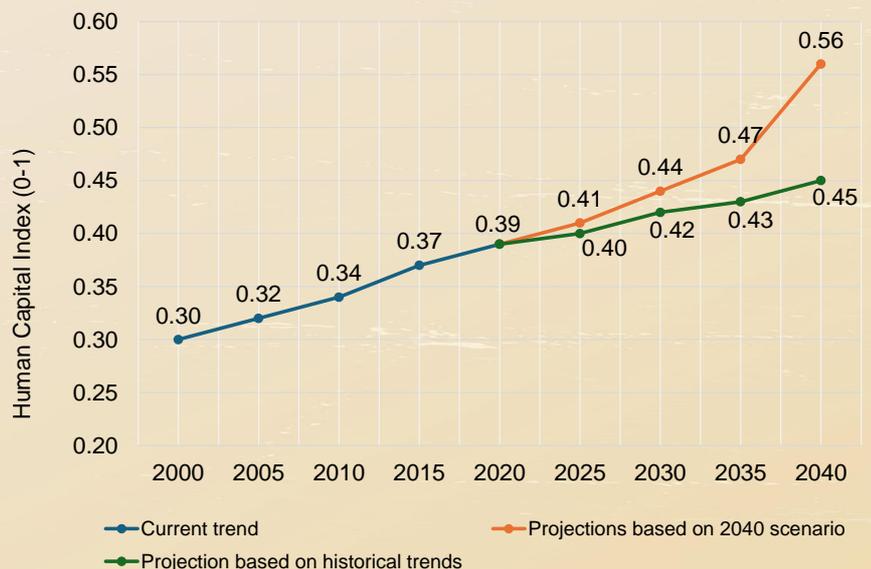
Source: World Bank, 2024; World Bank Open Data (<https://data.worldbank.org/>)



Achieving accelerated growth requires doubling of progress in human capital

- Uganda's human capital index is 0.39 (39%) of the full value associated with complete health and education. The available human capital is markedly underutilized.
- Achieving accelerated growth as envisioned in the **ten-fold growth strategy** is aligned to doubling the pace of human capital accumulation between now and 2040 i.e., **from 39% to 56% by 2040** as opposed to the business-as-usual scenario of **45%**.

Trends in human capital index in Uganda (2000 – 2040)



Source: Our World in Data. Data from World Bank (2025)

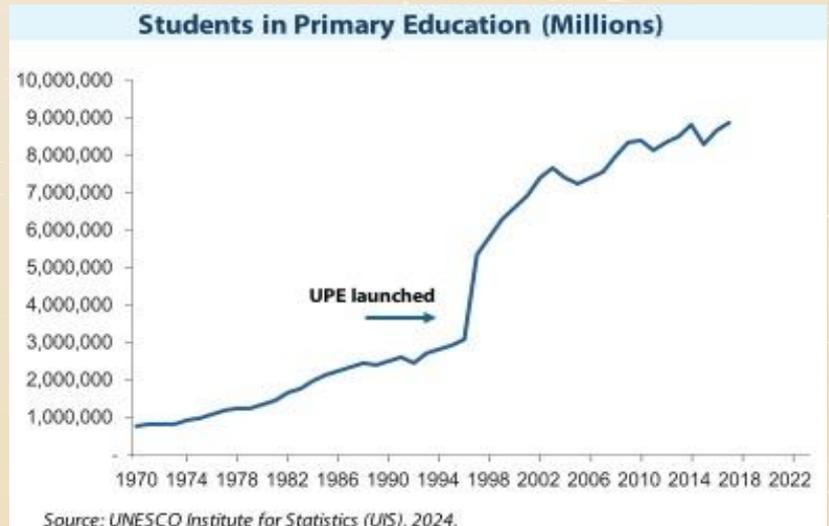


Notable progress in education service delivery

Improved access to primary education. An early adopter of free primary education with the Universal Primary Education (UPE) in 1997, primary enrollment tripled within two decades.

Pioneering inclusive policies. UPE and Uganda Secondary Education (USE); instruction in local languages; free education for refugees; initiatives for children with disabilities and adolescent mothers; the Early Childhood Care and Education (ECCE) Policy.

Making strides towards a private-sector-led skills system. Key initiatives include the creation of skills expert committees; strengthening regulation, assessment and supply of skills; promotion of employer-led short-term training to address skills imbalances.



Key education challenges

- **Rapid population growth putting pressure on the system.** With population growth of around 3% per annum, the education system is struggling to keep up.
- **High rates of repetition and high rates of dropout.** In 2019/20, about 18 percent of P1 students were repeaters. Only 60 percent of children who start primary education in Uganda remain in school at the end of P7.
- **Low learning levels.** Learning-adjusted years of schooling is 4.3 years. 65 percent of students in P6 below min. proficiency in English literacy, and 48 percent in numeracy.
- **Significant equity gaps.** Education outcomes vary between higher- and lower-income households, rural and urban areas, refugee-hosting areas and the rest of the country.

Key Figures:

1. Approx. 3% annual average population growth
2. 6.8 average years of schooling
3. 4.3 average years of learning adjusted schooling
4. 53:1 average pupil-to-teacher ratio

To expand with quality by 2040 requires:

- Education budget to grow by 440%
- 360,000 new teachers
- More than doubling existing number of classrooms
- A near fourfold increase in textbooks





Bottlenecks and Enablers

Bottlenecks

Education spending remains too low.

- Public education spending represented just 2.7% of Uganda’s GDP in 2021, below the average of East African peer countries (4.2%) and international benchmarks (4.0%).*
- Low public expenditure shifts burden to households. For every UGX 1,000 the government invests in primary education, households add UGX 1,450. (UNHS Report 2019/20)

Public spending on education is inefficient.

- Sources of inefficiencies include; teacher absenteeism, lack of pre-primary education, creating low readiness and repetition, diversion of funds, “ghost” schools and teachers, inefficient teacher allocation.

Enablers

The Education Management Information System (EMIS) is being upgraded.

- It will enable data-driven decision-making and effective service delivery.
- A strong EMIS can boost student achievement and address issue of “ghost” schools and teachers.

A Human Capital Program secretariat established.

- Established under the third National Development Plan, it will facilitate cross-sector collaboration between sectors like health and education.

National ECCE policy and TVET Act adopted.

- Aims to scale up affordable ECCE and demand-driven skills system.



Source: World Bank, 2021; *4 % is the minimum recommended level by the Education 2030 Framework for Action

Health & Nutrition





Uganda has registered substantial improvements in health outcomes over the past 3 decades, but progress is threatened by high burden of disease and low readiness of health facilities to deliver services

Life expectancy improved from 46.3 yrs to 68.5 yrs between 1990 – 2024 due to improved health services and overall standards of living

- Over 65% reduction in under five mortality, maternal mortality, and HIV prevalence.
- **Lagging areas** - newborn health, stunting, teenage pregnancy, and fertility rate.

Increased access to quality health services over the past two decades

- Access to quality services more than doubled from 22% to 49% between 2000-2021, one of the highest in the region.

Progress in population health is threatened by several factors

- High disease burden especially non-communicable diseases and injuries (contribution to overall disease burden doubling from 18.3% to 37.3% between 2000-2019) and devastating public health emergencies.
- Inequality in health services, outcomes, and social determinants of health
- Inadequate (59%) readiness of health facilities to deliver services
- Increased pressure for more and better-quality services by the growing population



Critical bottlenecks and enablers of health

Bottlenecks

- **Health workforce:** About 34% of required staffing levels filled; sub optimal staff productivity.
- **Health infrastructure:** Large unmet infrastructure needs despite massive upgrades (over 500 facilities) in the past 5 years.
- **Inadequate access to essential medicines:** Less than 60% of medicine budget requirements is met contributing to half of household expenditures on health.
- **Health service management, leadership and governance structures operating sub optimally.** For example, in 2022, only 51% local governments met minimum service delivery standards.

Enablers

- **High level political commitment especially to health promotion and disease prevention.**
- **Multisectoral action/unrealized potential of programme-based planning:** critical for challenges like stunting, teenage pregnancy, accidents, environmental pollution and non communicable diseases.
- **Digital health:** improving digital maturity averaged 2-3 out of 5 making it easier to connect actors and integrate functions.





Health financing in Uganda is comparatively inadequate, but significantly equitable and efficient

Inadequate health financing and inefficient sources

Govt health expenditure per capita	<ul style="list-style-type: none"> US\$18 against the universal healthcare requirement of US\$ 86 per capita Spending on medicine is US\$3.2, compared to recommended US\$13-US\$25.
Source of health financing (2014 - 21)	<ul style="list-style-type: none"> External (47%), Households (37%), Public/Domestic (15%)

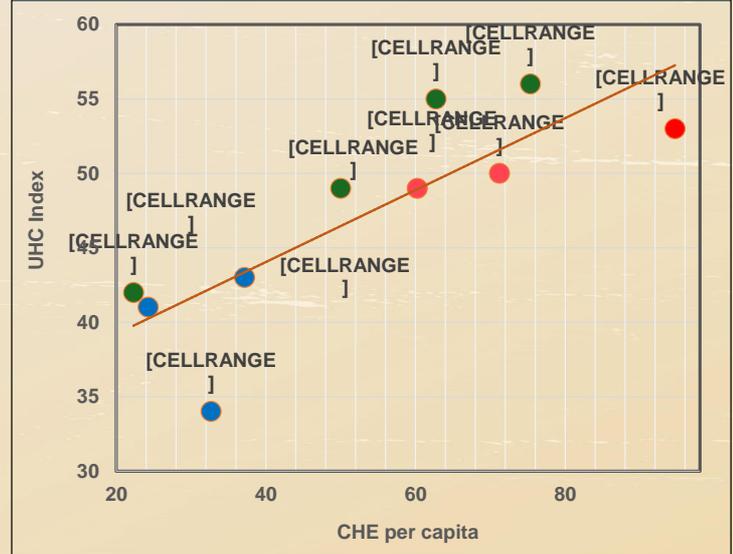
Equity in health financing

- Equitable across income groups at Primary healthcare level
- Highly pro-rich referral services

Government response to increased health needs amid external cuts estimated at 40-50% in the medium term

Increased health budget from about 3 trillion UGX (US\$18 per capita) to 5.8 trillion UGX (about US\$34 per capita public financing)

Uganda, Zimbabwe and Zambia (green dots) more efficiently translate funding into quality services



Water and Environment



State of Water, Sanitation and Hygiene (WASH)

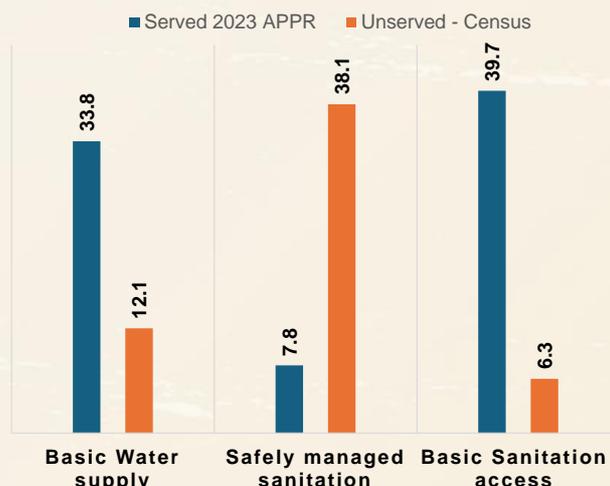
WASH access and good environmental conditions are core contributors to HCD (health, wellbeing, effective learning and dignity aspects)

- ✓ Enabler for effective and quality service delivery in health and education
- ✓ Human capital index sub-indicators link to WASH (child and adult survival, stunting rates)
- ✓ Water contributes to the four food and nutrition security network pillars (availability, access, utilization and stability)
- ✓ Disease burden – 60% related to WASH, with measures for outbreaks largely linked to WASH improvements (e.g., Covid 19, Ebola)

WASH services statistics snapshot (2023)

- ✓ 38M people lack access to safely managed sanitation and 12M lack access to basic water supply
- ✓ Institutions WASH coverage is low: 56.8% of health care facilities, and 32.5% of schools.

WASH Access - Population (Million)



Progress in water and environment

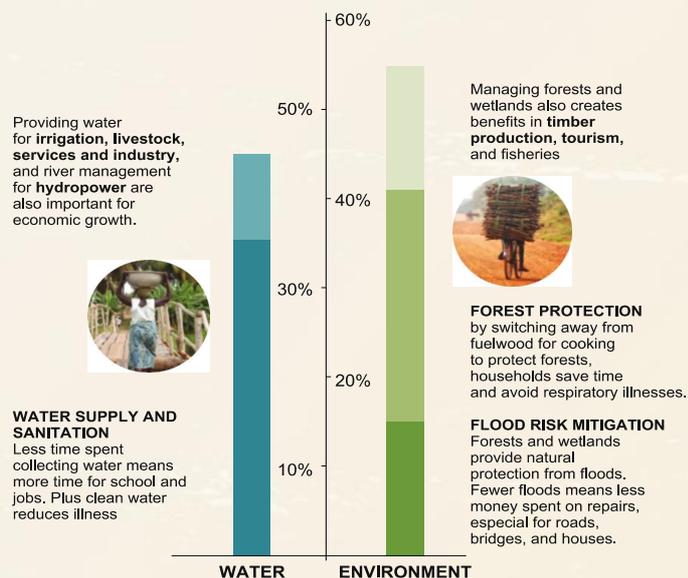
Existing institutions, policy and planning frameworks

- Updated Uganda Nationally determined contribution (NDC) – Strategy and country commitment to CC adaptation, mitigation and resilience
- Water and environment SSIP (2018 – 2030)
- Comprehensive refugee response plan for water (being updated 2024)

Monitoring systems – Water and Environment Management System, 53% districts with early warning systems (EWS) for environmental pollution and climatic shocks

GDP gains from MWE Investments (see figure)

Distribution of GDP gains from MWE investments by channel



Critical bottlenecks and enablers of water, sanitation, and environment

Bottlenecks - WASH

- **Limited sector Financing** - 13% of annual SSIP estimate
- **Widening service gaps** - urbanization and population growth rates (3%)
- **Institutional disconnect** on mandate for water and sanitation service delivery to Education and Health Care Facilities (MoU)
- **Sustainability** of WASH in institutions and to refugee communities e.g., budget for water bills
- **High non-revenue water** in existing water supply systems

Bottlenecks – Environment

- **Damage of climate change** in the agriculture, water, infrastructure and energy sectors = 2- 5% GDP between 2010 and 2050 (MWE study)
- **Increasing vulnerability to climate shocks** – flooding and drought
- **Negative consequences of extreme weather events** e.g., disease, conflict, agricultural production and productivity crop yield etc.
- **Extreme heat affects learning:** some regions with extreme hot days also have high learning poverty

Enablers - WASH

- **W&E Prioritized in NDP IV** and WASH is PDM aligned - pillars (2, 4 &5);
- **Vibrant CSO network** – UWASNET
- **Focus on WASH** in primary health care and WASH prioritization in education investments
- **Comprehensive refugee response plan** for water under revision

Enablers – Environment

- **Global and national focus on climate change,** mitigation and adaptation
- **Solid national policies including the Nationally Determined Contributions (NDCs).**
- **Strong analytical base e.g., Country Climate and Development Report (CCDR)**

Social Protection





Social Protection Context

Shocks: impacts of climate change, forced displacement, health shocks, etc

Low coverage: Only 3% of the population covered

Absence of life-cycle approach to SP: no nation-wide safety nets

Low expenditure: 0.6 percent of total Government spending in FY23/24

Inadequate systems: Lack of a national-level shock-responsive delivery systems

Lack of Disaster Risk Financing framework that builds on the country's risk profile



Social Protection Policies and Strategy largely defined; some programs tested at scale

POLICY

The National Social Protection Strategy (NSPS) for 2023 – 2028 completed (aligned with NDPIV).

- Aims to address economic risks as well as social dimensions of well-being.
- Underpinned by the notion of vulnerabilities across the lifecycle from which priority actions will be drawn.
- Aim to strengthen harmonization and coordination.

PROGRAMS

- **Senior Citizens Grant:** grant to all older persons aged 80 years and above, providing regular and predictable monthly cash transfers to older persons. ~300,000 active beneficiaries
- **NUSAF IV and DRDIP II:** Approved with implementation to start in 2025
- **Previous NUSAF and DRDIP Operations:** 5 million beneficiaries with positive impacts on savings and asset ownership.
- **Significant investments by other Donor/Development Partners** (e.g. Child-sensitive social protection, investments by FCDO and Irish Aid on the SCG)



Key Recommendation: Gradually Expand Social Protection using a Life Cycle Approach

<p>Reducing poverty and inequality, promoting equality of opportunity and addressing exclusion</p> <p>Promoting investments in human capital and helping men and women access productive work</p> <p>Providing insurance against, and building the capacity to manage shocks</p>	<p>Early Childhood</p> <p>Child allowances, fee waivers</p> <p>Nutrition/ECD CCTs for pre-school, health, childcare services</p> <p>Emergency cash and in-kind transfers</p>	<p>Childhood,</p> <p>Child allowances, fee waivers</p> <p>CCTs for Education, support to school-to-work transition, skills</p> <p>Emergency cash and in-kind transfers</p>	<p>Working Life</p> <p>Cash & in-kind transfers, disability-related transfers, public works</p> <p>Training, entrepreneurship support, intermediation, public works, economic inclusion</p> <p>Unemployment and disability insurance, matching savings, subsidized insurance</p>	<p>Old Age</p> <p>Social pensions, care services, contributory pension top-ups</p> <p>Life-long learning, active ageing policies</p> <p>Old-age and disability pensions, care services</p>	
	0-5 years old	6-18 years old	18-65 years old	65 and older	
	Accumulation of Human Capital		Use and protection of Human Capital		Protection of Human Capital
					23



Jobs





Economic growth and labor market challenges

Less than 50% of Uganda's human capital is effectively used in the labor market.

Only 10m out of 20.5m workers work for pay; many remain in low-productivity, subsistence jobs.

1 in 3 households are in the subsistence economy, of which 75% rely on subsistence agriculture

The Ugandan labor market will need to accommodate 14 million additional workers by 2040 to avoid underutilization of its human capital: skills mismatch and low education limit access to productive jobs.

About a quarter of high-skilled jobs are filled by individuals with only a primary education, while 10 percent of low-skilled jobs are held by those with higher education

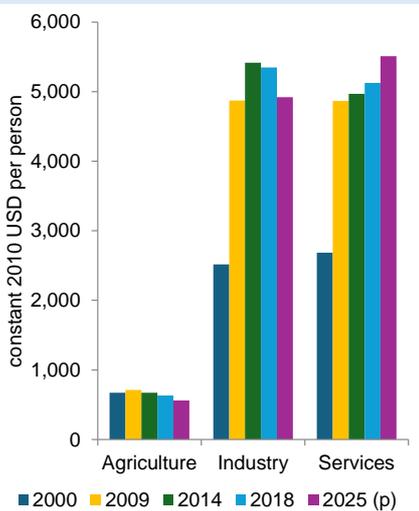
The prevalence of youth among NEET was 51% (Census, 2024)

Women face limited access to productive jobs; 67% are unpaid workers vs. 50% of men.

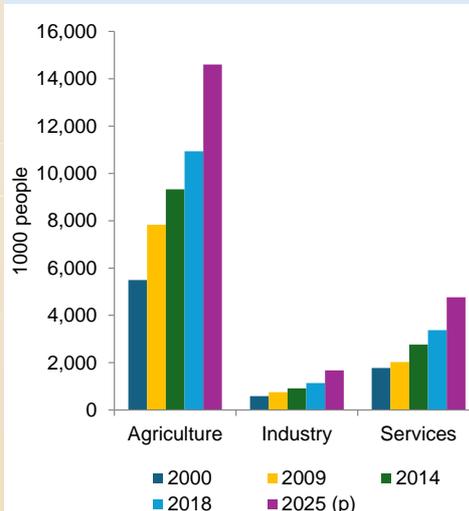


Economic growth and labor market challenges: Productivity has decreased in agriculture and stagnated in other sectors

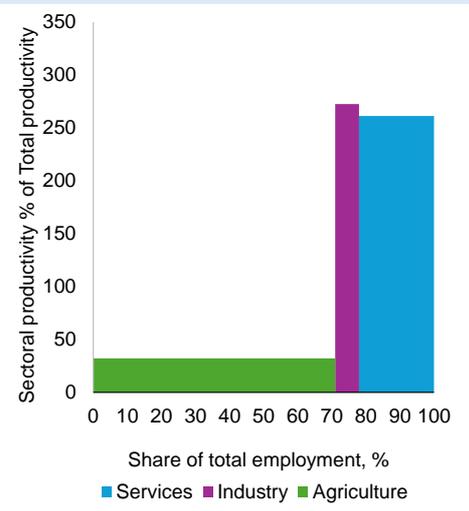
Value-added per worker by sector



Employment by sector



Sectoral productivity, 2018





Key interventions

• Provide tailored solutions for youth

Expand apprenticeships (on-the-job training) and socioemotional skills training

Increase human capital utilization through “jobs for the youth and jobs for the poor” programs

Align technical and higher education with labor market needs

Support youth-led businesses to access networks, finance and markets

Strengthen employment services through public-private partnerships

• Invest in Uganda's Labor Force Skills Development

Equip the labor force with advanced skills for the evolving economy, such as digital, green, and creative economy skills

Promote on-the-job training and private sector involvement



Key interventions

• Address Skills Mismatches and Labor Market Intermediation

Strengthen Intermediation and employment services (e.g. through public/private partnerships)

Invest in a robust labor market information system: core elements include data collection, repository, analytical tools, and institutional arrangements

Labor demand

- Policies in the short term should prioritize supporting skills development among firm owners.
- In the long term, improving the business environment and enhancing access to services, especially electricity and finance, will support private sector growth

• Invest in Agriculture as an Engine of Growth and Innovation

Focus on increasing productivity, climate resilience and smart agriculture to attract youth to the sector

Financing through carbon credits could make agriculture appealing for youth

Use secondary towns to connect rural-urban markets and jobs to benefit the rural poor



Game changers/ Overarching recommendations



Four game changers/recommendations for Uganda's human capital development

	<p>Prioritize at scale investments in accelerator interventions - <i>prioritize and invest at scale on high impact/accelerator interventions, build the research and diagnostic capacity to inform prioritization.</i></p>
	<p>Gradually increase expenditures on human capital to ensure equitable access to quality services - <i>increase spending including through innovative financing mechanisms like health taxes and PPPs and safeguard human capital expenditure during difficult times.</i></p>
	<p>Increase the Efficiency of the Human Capital Program through data, incentives, community mobilization, and enforcement of regulations and standards - <i>adopt integrated digital data systems, scale up performance incentives, mobilize communities e.g., through PDM, and strengthen enforcement of standards.</i></p>
	<p>Improve the enabling environment for cross-sectoral and intergovernmental collaboration - <i>strengthen human capital coordination, cross-sectoral programming, local government financing</i></p>



THANK YOU