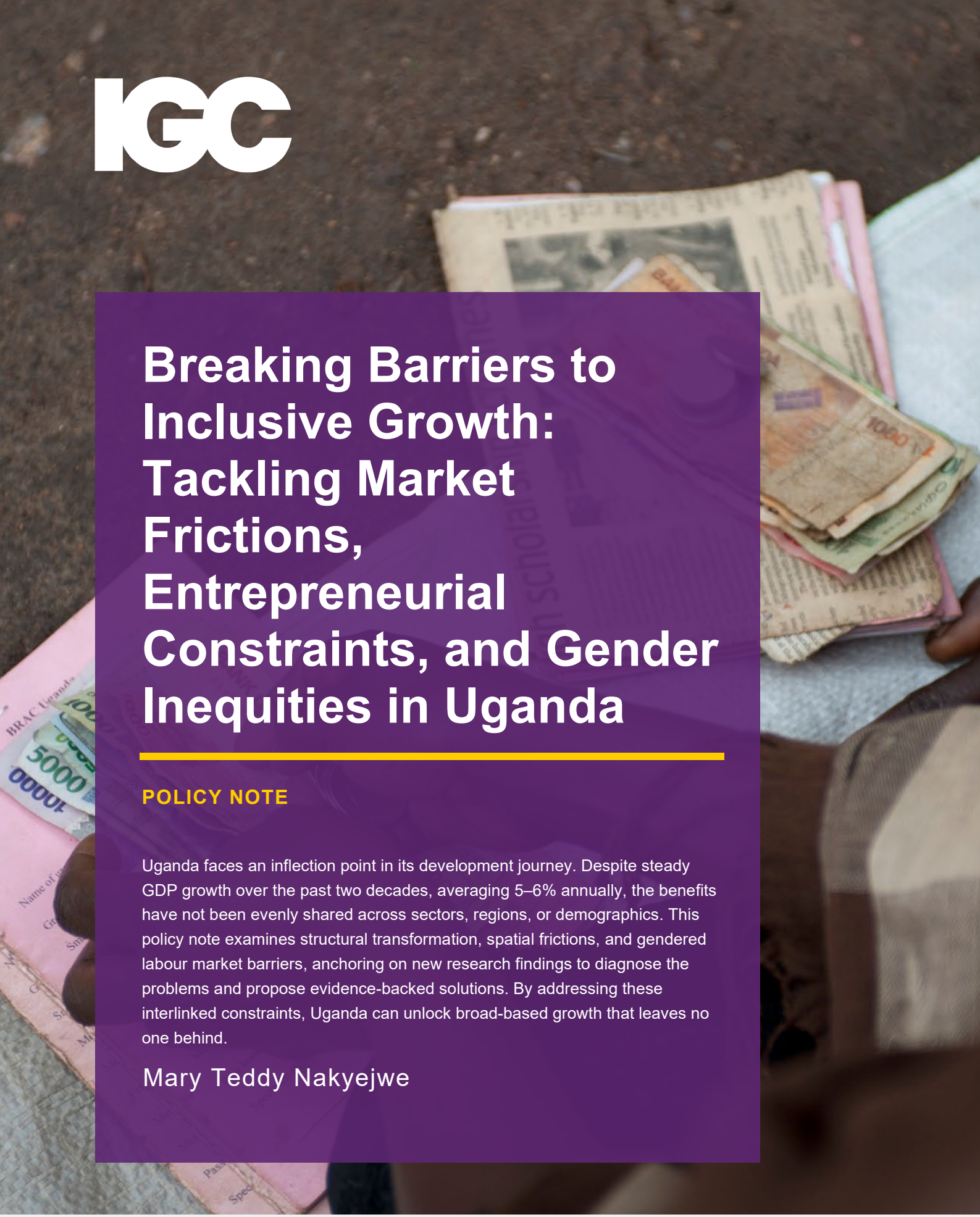

Breaking Barriers to Inclusive Growth: Tackling Market Frictions, Entrepreneurial Constraints, and Gender Inequities in Uganda

POLICY NOTE

Uganda faces an inflection point in its development journey. Despite steady GDP growth over the past two decades, averaging 5–6% annually, the benefits have not been evenly shared across sectors, regions, or demographics. This policy note examines structural transformation, spatial frictions, and gendered labour market barriers, anchoring on new research findings to diagnose the problems and propose evidence-backed solutions. By addressing these interlinked constraints, Uganda can unlock broad-based growth that leaves no one behind.

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Uganda faces an inflection point in its development journey. Despite steady GDP growth for the past two decades, averaging 5–6% annually, the benefits have not been evenly shared across sectors, regions, or demographics. Persistent structural barriers limit its potential for inclusive growth. Uganda's structural transformation remains incomplete: too many workers are still in low-productivity agriculture, and too few have transitioned into manufacturing or high-value services. Rapid urbanisation has outpaced infrastructure in Kampala, leading to severe spatial frictions; a congested city centre (over 70% of businesses in Kampala cluster in congested markets), driven by consumer search frictions that undermine efficiency and raise costs. At the same time, micro-entrepreneurs, who account for nearly 90% of Uganda's private sector, remain trapped in low-profit locations due to liquidity shortfalls, risk aversion, and information gaps. Uganda boasts one of the highest female labour force participation rates in Africa (76.5%, World Bank, 2024), yet gender inequities persist in the form of occupational segregation, informal employment, and earnings disparities. The challenges of sluggish structural change, spatial inefficiencies, and gendered barriers curtail Uganda's inclusive growth potential and highlight significant untapped potential for firm and national growth.

Why do these issues matter for Uganda's future? Fundamentally, inclusive growth must encompass creating productive economic opportunities for all and empowering every citizen to contribute to, and benefit from, collective prosperity. In Uganda, this involves shifting labour into more productive sectors (and away from subsistence farming), lowering the physical and informational barriers that separate entrepreneurs and consumers, and dismantling the obstacles that prevent women from fully participating in the economy. This policy note examines each of these domains in turn – structural transformation, spatial frictions, and gendered labour market barriers – anchoring on new research findings to diagnose the problems and propose evidence-backed solutions. By addressing these interlinked constraints, Uganda can unlock broad-based growth that leaves no one behind.

Structural transformation – from farm to formal jobs

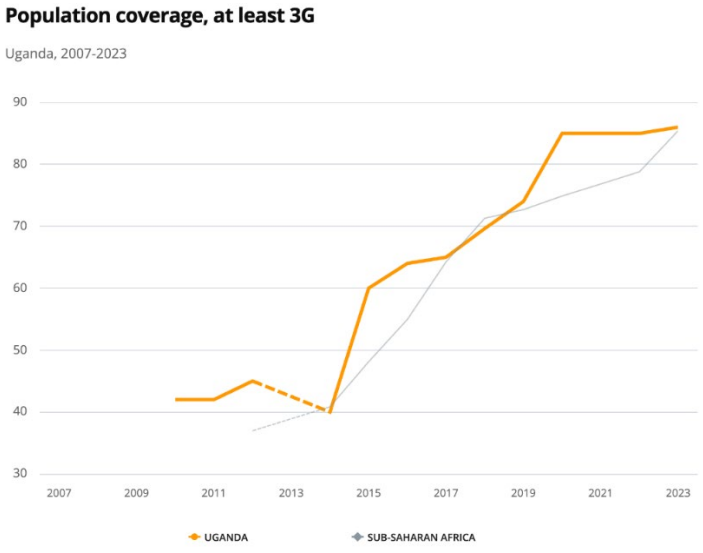
Uganda has not yet generated the mass employment in manufacturing and formal services seen in other emerging economies. Agriculture still employs a massive proportion of Ugandans, signalling a structural transformation that is still lagging. Comparative data show Uganda as an outlier: too many workers in agriculture, too few in manufacturing, and even fewer in services than would be predicted, based on its income level. Men and women also transition out of agriculture differently. Men who leave farming tend to go into industry and services, whereas women overwhelmingly end up in services (petty trade or informal work) rather than manufacturing. This suggests that the growth in

Uganda's industrial sector has been insufficient to draw in female workers, pointing to both a sectoral and a gender dimension of the jobs challenges.

Compounding this issue, most non-farm jobs in Uganda have been in self-employment or micro-enterprises rather than formal wage employment. In low-income countries, it is common to see more women in self-employment than men. Still, Uganda is an extreme case: it has more self-employed workers (relative to wage workers) than expected, and this gap is especially pronounced for women. In other words, Ugandan women participate in the labour force at high rates but are disproportionately in informal jobs with low pay and no social protection. This pattern reflects the limited growth of formal firms and salaried jobs. It underscores two important policy questions. First, how can policy accelerate the growth of non-agricultural jobs – particularly in manufacturing and formal services, to absorb excess labour from farming? Second, why are many people stuck in one-person businesses or subsistence enterprises, instead of scaling up or entering wage employment?

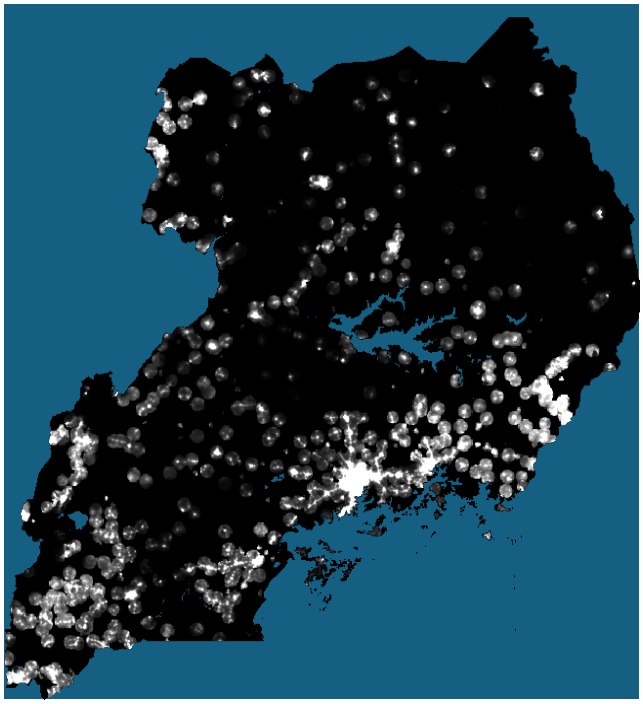
Addressing these questions will require a combination of investment and reforms. Boosting productivity in agriculture, through better technology and practices, can free workers to move to other sectors. However, jobs must be available in those sectors, which means fostering an environment that encourages industrial growth and service expansion. This involves improving infrastructure (for example, power, transport, internet connectivity), reducing the cost of doing business, and perhaps providing targeted support or incentives for industries with high employment potential. As more firms grow, they can hire more workers, thus drawing more people out of informal work.

Figure 1: Expansion of smartphones in Uganda



Source: (Gaurav Chiplunkar, 2025)

Figure 2: Digital Expansion in Uganda



Source: (Gaurav Chiplunkar, 2025)

Figure 1 illustrates the expansion of mobile internet coverage in Uganda (2007-2023). The share of Uganda's population with at least 3G network coverage (orange line) jumped from around 40% to over 80% in the last decade, surpassing the sub-Saharan average (grey line). This rapid digital expansion, as illustrated by the map of cell tower lights in Figure 2, highlights how technological change can open up new economic opportunities nationwide.

Encouragingly, Uganda has seen a technological leap in recent years with the digital revolution. The spread of mobile phones, particularly smartphones and broadband internet, is a game-changer. As Figure 1 shows, 3G network coverage by rose from under half the population in 2013 to roughly 80-90% by 2023, extending connectivity even to rural areas. This digital infrastructure can be leveraged to accelerate structural transformation. Greater connectivity means farmers and small business owners can access market information, mobile banking, and online services that boost their productivity. It also enables entirely new sectors (for example, ICT services or online retail) that create jobs for Uganda's youth. Chiplunkar et al (2024) find that digitalisation can unlock new labour opportunities and, coupled with broader structural change, can help transform the workforce. For instance, mobile technology can facilitate job matching, provide skills training via e-learning, and allow entrepreneurs reach customers far beyond their immediate locale.

However, technology alone is not a silver bullet, as the orange line in Figure 1 might suggest. Uganda has now caught up to global norms in digital access, but harnessing its potential for structural transformation requires complementary investments in education and skills, as well as eradicating barriers that might prevent certain groups (like women or rural youth) from benefiting. Good, old-fashioned economic development drivers – such as expanding education, improving infrastructure, and raising returns to education – remain crucial. These must go hand in hand with efforts to address softer constraints, such as social norms and gender roles, which can limit who takes advantage of new opportunities. In this context of structural transformation, that means ensuring that women are equipped and empowered to enter emerging industries (not just traditional petty trade), and that cultural norms do not impede them from working in manufacturing and tech sectors.

Policy priorities for structural transformation include:

- promoting agro-processing and light manufacturing to create jobs off the farm;
- supporting small enterprises to grow, for example, through access to credit, training, and market linkages so that micro-businesses can become small and medium enterprises (SMEs); and
- investing in vocational and technical training aligned with industrial needs.

Uganda's high rate of entrepreneurship suggests a latent dynamism. People are willing to start businesses, but the fact that many remain at micro scale indicates constraints, such as lack of capital, skills, or access to greater markets. Addressing those constraints will help more firms graduate from the informal self-employed sector to the formal SME sector, hiring additional workers along the way.

Finally, it is vital that structural transformation be gender inclusive. According to Seth et al (2019), gender-inclusive growth is not just a social policy, but is essential for macroeconomic growth itself. Women are Uganda's hidden growth reserve: they already work extensively, but usually in low-productivity activities. By reducing the hindrances women face in entering productive jobs and higher-paying jobs (as discussed in a later section), Uganda can vastly increase the payoff of structural transformation.

In summary, the country needs to shift from a pattern of many people eking out a livelihood in farming or one-person businesses, to one where a growing share of workers hold decent jobs in factories, offices, and professionalised farms. That structural shift, supported by technology and inclusive policies, will form the backbone of sustained inclusive growth.

Spatial Frictions – Urban Congestion and Market Access

Rapid urbanisation in Uganda has brought into focus the spatial inefficiencies in its cities, especially Kampala. The capital's population and economic activity have boomed, but they are heavily concentrated in the city centre, outstripping the capacity of transport and land infrastructure. This has led to chronic traffic congestion, high commuting costs, and a drag on productivity. Travel time in Kampala is estimated to cost a staggering 13.5% of the city's GDP annually (and an extra 2.4% during peak congestion). Any agenda for inclusive growth should tackle these spatial frictions, because they impose a disproportionate burden on the poor (who spend hours in traffic or pay high transport fares), and they choke off the growth of businesses that could serve broader markets if physical access were easier.

Why do firms locate in the core? Anna Vitali (2025), in a study of 600 tailoring firms in Kampala, helps explain this dynamic from a firm and consumer perspective. When asked why they chose their location, 62% of the firms in the central core cited access to customers as their primary reason (another 28% cited proximity to suppliers). In contrast, over half (52%) of the firms in the peripheral neighbourhoods said they located there to be close to home. This reflects a major trade-off between market access and commuting convenience – locating in the city centre brings more customers but entails longer, costlier commutes (and often higher rent), whereas locating near one's home (typically in the outskirts) is cheaper and easier but offers a small customer base.

Survey data confirms the magnitude of this trade-off. On average, a tailoring business downtown earns nearly 80% more revenue per month than a similar business in the periphery but also pays almost 80% higher rent per square metre, and the proprietor spends about twice as much on transport commuting to work. Profits, net of all these costs, are still higher in the core than in the periphery (around USD 48 vs USD 27 per month on average), indicating a clear advantage to the central location. The table below summarises the differences.

Table 1: The importance of location

Business Indicator (UGX)	Kampala core	Periphery
Average monthly revenue	179,400	100,600
Average monthly profit	48,000	27,300

Rent per m^2	20,847	11,717
Monthly commuting cost	39,817	19,564

Source: Anna Vitali (2025)

But perhaps the most compelling reason is the role of consumer behaviour and information. Many customers choose to travel to the city centre because it offers something the periphery does not: a greater variety and quality of goods in one place. For example, in the tailoring sector, shoppers reported that they go downtown to access a large number of tailors and designs in the market hub. In surveys, customers who shop in the city centre were much more likely to cite quality and variety as reasons for their choice, whereas those shopping in the neighbourhoods cared more about proximity to home and lower transport costs. In fact, 77.5% of customers in the central market said that having many tailors in one place made it easier to find the product they needed, and 50% appreciated that it required little time to locate a shop when so many are clustered together. This demonstrates that an information search benefit is a key draw of the central market. Consumers incur costs not just for fun – they do it to reduce search costs and ensure that they find the best option.

Agglomeration has a self-reinforcing logic: businesses cluster in the city centre to be near customers, and customers go there because of the business concentration. A Vitali (2025) quantitative model of Kampala's economy found that limited consumer information about where to buy products accounts for about 21% of the excessive firm concentration in the core. In other words, if consumers had full information about which products were sold where, some would likely patronise closer shops, and firms would be more spread out, but because information is scarce, both consumers and firms co-locate in a few hotspots. This insight is crucial for policy design. It means that improving information flow could be as important as building new roads when it comes to decongesting the city.

What can policy do to alleviate these spatial frictions without jeopardising the economic benefits that clustering provides? The research suggests a two-pronged approach: bring information to people, so they do not have to physically converge to get it; and strategically develop alternative commercial centres with good connectivity.

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On the first approach, interventions that move the customer, not just the firms, are key. This involves facilitating e-commerce, digital marketplaces, and marketing for local businesses. If a tailoring firm in the periphery can advertise online or a customer can browse products on a platform, many buyers may no longer feel the need to travel downtown. In Kampala's tailoring study, a policy simulation showed that improving customers' information (for example, through an e-commerce platform or a public product directory) could reduce the share of firms in the central core by 39%, essentially decentralising the market to the same degree as an aggressive policy of physically evicting firms from the centre would.

Notably, both approaches (better information vs forced decongestion) achieved a similar outcome in the model in terms of firm distribution, but their implications differ greatly. Improving information (through digital means, quality certifications, advertisements, etc.) achieves decongestion while preserving market efficiency, because customers can still find the products they need, even if the sellers are more dispersed. In contrast, blunt eviction or relocation policies that simply chase firms out of the city centre, without addressing the information gaps, make it harder for consumers to find what they want – potentially reducing sales and harming both consumers and firms. Thus, the evidence strongly favours solutions like e-commerce, mobile marketplaces, and better advertising over coercive relocation.

That said, complete laissez-faire is also not an option. Doing nothing could lead to congestion worsening as Kampala grows. The second approach involves coordinated urban planning to create new business hubs. The government has considered establishing industrial parks or new markets in areas outside the congested core.

The research finds moderate interest from firms in moving to such parks – about 50% of the survey businesses said they would be interested in relocating to a planned industrial park in a nearby area (e.g., Namanve or Bugolobi), but only if the locations were well connected and affordable. In fact, firms indicated that they would require rent discounts on the order of 36-50% to compensate for a less central location. The main reasons for the reluctance were concerns about losing access to customers and supply chains. This highlights that accessibility is paramount: simply building a market on the outskirts will not succeed if customers cannot easily get there. New industrial parks or trading centres must be accompanied by reliable transport links (for example, decent roads, public transit routes, or even re-siting the Inter-city bus terminal nearby), so that both consumers and producers can reach them without undue cost.

Moreover, the relocation of firms must be coordinated – if only a few firms move and are isolated, they lose the information spillovers and customer footfall of the cluster, hurting their business. A better strategy is to develop dedicated zones or clusters (for example, a garments cluster and a produce market hub) where a

critical mass of firms move together, and to provide sector-specific infrastructure there (storage facilities, internet, shipping services), such that the agglomeration benefits are replicated in the new location.

In summary, to decongest, one must re-create the magnet factors elsewhere, moving firms in tandem, and moving customers with them by making the new hubs attractive and easy to access.

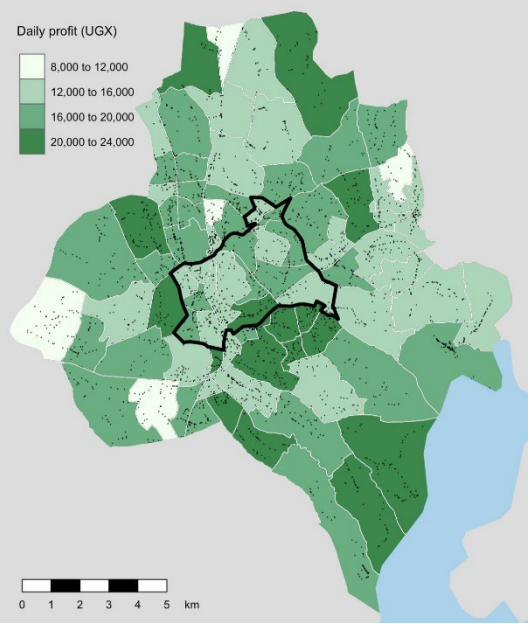
According to Vitali (2025), the policy recommendations can be summarised as follows:

- **Improve market information diffusion**: Invest in digital platforms (e.g., websites, apps, SMS services) to allow businesses to advertise their products and customers to search for goods or services by location. Provide training and support to small businesses to develop an online presence (even simple WhatsApp catalogues or Facebook pages). This can reduce the need to physically converge in the same market.
- **Promote branching out rather than evictions**: Instead of pushing the firms out of the city centre arbitrarily, facilitate voluntary relocation by identifying viable secondary commercial centres and incentivising firms to open branches or move there. Incentives such as temporary rent subsidies, tax breaks, or infrastructural support in new zones can encourage uptake, but should be coordinated such that clusters of firms move together.
- **Invest in transport and connectivity**: Ensure that new commercial zones or industrial parks are well connected by public transport to residential areas and the city centre. If many traders and customers meet in the downtown bus park, consider relocating some transport hubs to the peripheral markets, effectively moving customers to where firms might go. Likewise, improve arterial roads to reduce travel times, and explore congestion pricing or traffic management to ease peak jams.
- **Provide urban amenities widely**: People go to the city not just for economic reasons, but because it has better services (for example, banks, government offices, entertainment). Decentralising some of these services – for example, by opening branch government offices or shopping malls in other municipalities – can gradually redistribute movement across the city.

Crucially, spatial policy needs to take into account informal workers and micro-entrepreneurs, such as street vendors and boda-boda riders, who make up a significant portion of urban labour. Profits vary substantially within Kampala (see Figure 3) and similar entrepreneurs earn different profits across different locations within the city. If such spatial differences in profits exist, we would expect many entrepreneurs to gravitate towards the more profitable areas.

However, in practice, not everyone can relocate to these profitable spots, and those who do often encounter significant costs. Interestingly, the map indicates that several peripheral areas are also quite profitable, suggesting that directing entrepreneurs to these locations could help alleviate congestion in the core.

Figure 3: Profits vary substantially within Kampala



Source (Carolyn Pelnik, 2025). [1]

Many microentrepreneurs remain in lower profit areas – often because they cannot afford the leap to a high profit location or lack knowledge of where the opportunities are. Here, an innovative experiment sheds light on how to help them. A study by Carolyn Pelnik (2025) involving over 1,400 mobile micro-entrepreneurs (food vendors, clothing sellers, and boda-boda riders) was conducted, in which assistance to relocate for a short period was randomly offered. Some were given only information on which nearby neighbourhood had higher earnings potential; others were given a transport subsidy (a conditional cash transfer) paying them UGX 7,000 per day (approximately $2) if they moved at least 3 km, a third group got both the cash incentive and the information; the fourth group got an unconditional cash grant (same amount but not required to move) with or without information.

The outcomes were striking; more than half (55%) of those offered a conditional moving subsidy took it, relocating their business at least once during the eight

[1] Spatial distribution of micro-entrepreneurs in Kampala. Darker green shades indicate parishes where the average daily profit is higher (up to UGX 24,000, approximately USD 6.50), while light green areas show low-profit locations (between UGX 8,000 – 12,000). This illustrates the spatial differences in profits across areas of the city.

days. Most who moved did so for all eight days and went about 8 km on average – demonstrating that, given a nudge, many micro-entrepreneurs are willing and able to move quite far from their usual spots. Importantly, the information treatment also mattered; entrepreneurs who received both cash and information were 37% more likely to choose a destination with higher average profits, compared to those who received cash only. In other words, information helped them target genuinely better locations, not just random new spots. As a result, the cohort that received both cash and information earned 45% more profits during the experiment period than they normally would, a substantial boost for a small, informal enterprise.

Perhaps the most compelling finding was that entrepreneurs "want to move". Those who were given an unconditional cash grant and information ended up moving and earning as much as those who were required to move. In fact, the study could not reject that the outcomes for the free cash + information group were equal to the conditional cash + information group. This implies micro-entrepreneurs were not intrinsically tied to their locations; once they learned about better opportunities, and had a modest financial cushion, they voluntarily relocated to chase higher profits, even without a formal requirement. The cash likely helped cover the short-term costs and risks of trying out a new location (for instance, transport costs or a bad sales day in an unfamiliar territory). However, when the support ended, most of them returned to their original spots, and the income gains faded. This reversal suggests that while better locations exist and entrepreneurs are keen to exploit them, there are ongoing risk factors or constraints (for example, the variability of sales, fear of loss of one's regular clientele, or personal costs like being far from home) that make it hard to stick with a new location permanently. Essentially, moving to a higher profit area was profitable on average, but riskier, and without some insurance or continued support, the entrepreneurs reverted to the safer choice of their usual locations.

From a policy perspective, the micro-entrepreneurs' experiment implies that relatively low-cost interventions, such as information provision and temporary financial support, can enable small entrepreneurs to access better markets and earn more, at least temporarily. To make these gains stick, however, one may need to address the risk/insurance constraint. For example, a relocation programme could combine relocation grants with insurance against a bad sales week, or support entrepreneurs to form cooperatives and enter new markets together to support each other. If such constraints were relieved at scale and indefinitely, the payoffs could be enormous. Stimulation results show that the aggregate income of these entrepreneurs would rise by about 37% and overall welfare by 6%, even after accounting for increased competition in high-profit areas. And notably, not everyone will flock to the same location; there is heterogeneity in preference (some value being near home or a pleasant environment). So, easing barriers leads to more efficient sorting rather than

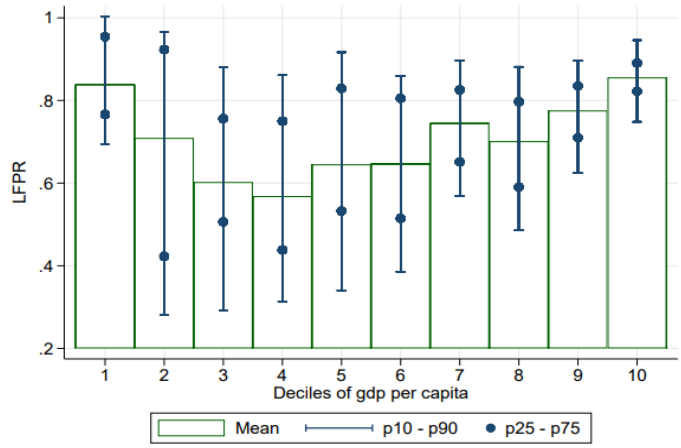
centralisation. The broader lesson is that ‘within-city misallocation’ – talented entrepreneurs being in the wrong place – is a real issue, driven by lack of information and insurance. By tackling those frictions, cities like Kampala can boost productivity from the ground up.

In summary, reducing spatial frictions in Uganda entails a mix of soft and hard measures. Soft measures include providing market information flows (so buyers and sellers can connect without physically clustering) and offering small-scale financial support to help entrepreneurs overcome moving costs and risks. Hard measures include urban planning that creates multiple commercial hubs and transport investments that knit those hubs together. These measures, applied in combination, can ease pressure on Kampala’s centre, reducing congestion and expanding opportunities across the city. When people can reach jobs and markets easily (physically and virtually), and businesses can locate where it makes most sense, without crippling loss of customers, the whole urban economy becomes efficient and inclusive.

Gendered Labour Market Barriers – Empowering Women for Inclusive Growth

Uganda’s high female labour market participation is often lauded; at roughly 80%, it far exceeds the global average for low-income countries. Ugandan women work at nearly the same rate as men, and in some age groups (18-29), even more women than men are economically active. This is a strong foundation for inclusive growth, as it implies that the country is utilising a broad base of its human resources. However, the headline participation rate masks substantial gender disparities in the type and quality of work. Women are primarily in informal and low-paying jobs and are under-represented in the most productive jobs. Tackling these gendered barriers is not only a matter of equity – it is smart economics. Evidence by Minni et al across countries shows that empowering women to engage in higher-productivity work can significantly boost overall productivity and firm performance.

Figure 4: U-Shape between labour force participation rates (LFPR) and economic development



There is variation in LFPR at every level of GDP per capita.
High LFPR is not solely concentrated in high-income countries.
Uganda: LFPR ~80% for 40-60 cohorts, 90% for 18-29.

Source: Gender Gaps across the Spectrum of Development: Local Talent and Firm Productivity, Ashraf, Bandiera, Minni, Quintas-Martínez.[2]

Uganda exemplifies the classical U-shaped relationship between female participation and development, as seen in the figure above; at low income, virtually everyone (men and women) must work to survive, often in subsistence agriculture – hence female labour force participation (FLFP) is high. In middle-income transitions, FLFP sometimes falls due to education or cultural shifts, and then in wealthy economies with more service jobs and childcare, FLFP rises again. Uganda has managed to keep FLFP high even as it starts to structurally transform. Yet, the nature of female employment in Uganda remains a concern. A large proportion of women work as unpaid family labourers on farms, or own-account traders and producers in the informal sector. Few have ascended to formal jobs. This occupational segregation implies that Uganda is not reaping the full productivity benefits of its high FLFP. Essentially, many Ugandan women are working hard in jobs that yield low income.

[2] Female Labour Force Participation (FLFP) vs Economic Development (U-shape pattern). This chart shows average female participation rates (green bars) across ten groups of countries sorted by GDP per capita (deciles 1 to 10). Blue markers show the spreads (10th – 90th percentile and interquartile range) of FLFP within each income group. Globally, FLFP tends to be high in low-income agrarian economies, dips in the middle-income countries (due to factors like education and norms changes), and rises again in high-income economies. Uganda stands out as a low-income country with very high FLFP (approximately 80 – 90%), demonstrating that high female participation is achievable even at Uganda's income level.

One stack indicator is the self-employment gap mentioned earlier. In Uganda and many low-income countries, women are much more likely than men to be self-employed or working in family businesses, whereas men are more likely to hold wage jobs in the formal sector. This gap tends to flip in high-income economies, where relatively more women work as employees in firms, and more men might be entrepreneurs, indicating that as economies grow, opportunities for formal employment for women increase, and necessity-driven female entrepreneurship declines. Uganda is still at the stage where self-employment is the default for women, due to limited formal job openings and possibly flexible hours that would allow them to balance home responsibilities. The challenge is to open pathways for women in higher-paying, formal employment without losing the benefits of their high participation.

Why does it matter if women move into formal jobs? Because formal-sector jobs in manufacturing or services tend to be more productive and better paid than informal work. They also often come with training and skills development. If women are excluded from these opportunities, half the workforce is stuck in low-productivity activities, and the economy misses out on potential growth. For example, manufacturing firms could hire women, but might not, due to stereotypes or a lack of applications. If those barriers are removed, firms gain access to a wider talent pool, and women gain access to better wages.

Research by Minni et al. (2025) sheds light on how local labour market gender gaps affect firm outcomes. Studying a multinational enterprise operating in over 100 countries, the researchers found that the gender composition of the firm's applicant pool and workforce closely mirrors female labour force participation in each country. In other words, the firm gets five male for every female applicant in countries where female LFP is low (like India or Turkey) but gets one to one in countries with high female LFP (like Canada or Ethiopia). The firm is not actively discriminating at the hiring stage; rather, it is drawing from the available labour pool.

For Uganda, with a very high FLFP (approximately 86% among those with advanced education), one might expect women to be proportionately represented. Yet the study found that even in Uganda's branch of the firm, women made up only 36% of employees in the sample (men-to-women ratio 0.56). This is lower than Uganda's overall labour force ratio, suggesting that bottlenecks exist between labour force participation and formal firm employment. Potential bottlenecks include educational mismatches (are women acquiring qualifications needed for formal jobs?), recruitment and retention biases, or perhaps family constraints (women may enter the labour force but leave formal employment due to child-rearing, etc.). The implication is that simply having women in the labour force is not enough – it is necessary to ensure that they enter and remain in productive jobs.

Interestingly, the study also uncovers a productivity paradox related to gender. In countries where few women work, those who work tend to be exceptionally skilled or motivated (because only those who really overcome the barriers make it). This leads to a situation where the small minority of women in the firm can perform as well as or even better than the men, and thus there may be a small or even reversed gender pay gap in those contexts. As female participation increases (i.e., the labour market becomes more inclusive), the women coming into the workforce start to resemble the general population (talented on average but not exclusively top performers). Initially, it can create a gender pay gap if the firm continues paying everyone by productivity, whereas the previously working women were super-selected. The study documented a negative correlation between the gender pay gap and FLFP across countries.

In Uganda's case, with high FLFP, the firm did observe a gender pay gap. Women earned about 21-25% less than men (in log wage terms, a gap of -0.21 to - 0.25) for cohorts aged 40-49 and 18-29, respectively. This is a sizeable gap, though still smaller than in many countries with similar FLFP. It likely reflects the inclusion of a broad range of women (not just the top qualified) and possibly lingering discrimination or differences in roles.

This dynamic leads to a crucial insight. When we lower these barriers and more women work, we must also adjust our policies to support this more diverse workforce. As the researchers note, a low FLFP effectively self-selects women with the highest productivity into work, meaning that within the firm, these women might outshine their male counterparts. When FLFP is high, women in the firm have a distribution of productivity more similar to men's (simply because all women are now included, not just the best of the best). That could inadvertently increase gender inequality in the workplace. Thus, gender equality polices need to account for these extensive margin effects. For example, a company might need to invest in a training or mentoring programme for a large cohort of incoming female employees to ensure they reach their productivity potential, rather than expecting them to perform like the previously self-selected few. Similarly, broadening female participation might temporarily widen the wage gap, unless accompanied by efforts to address any skill gaps or discrimination.

From a national policy perspective, this means that pushing for higher female participation in skilled jobs should go hand in hand with investment in women's education and training (such that a larger female workforce is also a skilled workforce). It also means workplace policies (e.g., flexible hours, maternal leave, anti-harassment measures) become even more important to retain and promote women as their numbers grow, preventing situations where women are hired but hit a 'glass ceiling' or drop out mid-career. Uganda can also learn from countries that have managed to raise female employment in the formal sector

by also providing support systems (e.g., childcare programmes to enable mothers to work, or public awareness campaigns to shift gender norms around roles such as engineering or management being for men)

Another barrier is the traditional division of labour at home, which in Uganda, as in many other places, often puts the burden of childcare and housework on women. This limits women's time and mobility for paid work. Policies to reduce this burden, such as expanded access to early childhood education and childcare services, encouraging more equal sharing of leave between mothers and fathers, or improving access to labour-saving home technologies in rural areas, can increase women's ability to take on formal employment or run larger businesses.

Technology can also be an ally in overcoming gender barriers. As noted earlier, digital platforms can open new avenues for women (for example, online work or e-commerce from home, which can be conducive for those balancing family duties). Uganda's rapid smartphone adoption provides a platform for such solutions, but we must ensure all women have equal access to phones, digital skills, and the internet. A study by Gaurav Chiplunkar in Mexico provides evidence from another context that expanding internet access led to increased female labour force participation and more women entering formal jobs, likely by providing information about opportunities and flexible work options. At the same time, if women are less digitally literate, technology could create new gaps, for example, if better jobs require IT skills that fewer women have, men might benefit disproportionately from new tech-driven opportunities. Therefore, digital inclusion (training women in digital literacy, ensuring affordable internet for women, etc) should be part of Uganda's gender and growth strategy.

To break down gendered barriers in Uganda, a multifaceted approach is needed:

Education and Skills: Continue to close the gender gap in education, especially at secondary and tertiary levels, and encourage women into science, technology, engineering and maths (STEM) and business fields that are in demand. The study of the multinational enterprise noted that most of their employees held degrees in business or engineering; ensuring that Ugandan women pursue such qualifications will improve their representation in the formal sector. Technical and vocational programs should actively recruit women (possibly with scholarships and stipends) in trades like manufacturing, construction, or IT, where they are under-represented.

Access to Finance and Entrepreneurship Support: Many Ugandan women run micro-businesses; providing them with better access to credit, savings, and training can help them expand. Programmes that link women entrepreneurs to markets, or help them formalise their enterprises, can raise their incomes and security. Also consider targeted support for women to enter higher-value sectors

(for example, women farmers supported to enter agribusiness processing or women-led firms linked into corporate supply chains)

Regulatory and Legal Reforms: Ensure laws guarantee non-discrimination in hiring and equal pay for equal work, and proper enforcement. Sometimes women are shut out of jobs because of arbitrary protective laws and biased hiring practices. Reviewing and reforming such regulations (for example, to allow women to work in jobs and to schedules that were previously restricted) and actively enforcing anti-discrimination protections can open doors. Strengthening property and inheritance rights for women also increases their economic empowerment and ability to invest in businesses.

Family Support Policies: Expand maternity leave in formal employment and encourage paternity leave to foster shared childcare responsibilities. Support affordable childcare facilities in both urban and rural areas – for example, through community-based childcare facilities, or employee incentives to provide daycare. When women know their children are safe, they are more likely to take up full-time jobs or pursue careers.

Role Models and Norms: Continue public messaging that women can succeed in any field. Highlight success stories of women in non-traditional roles (manufacturing supervisors, IT entrepreneurs, scientists). Cultural norms may subtly dissuade women from certain careers; proactive campaigns can counter that. Mentorship programmes that pair young women with experienced professionals can also build confidence and networks.

Conclusion

Uganda's pathway to inclusive growth will be determined by how well it can break the barriers discussed above: those impeding structural transformation, those causing spatial inefficiencies, and those keeping women from fulfilling their economic potential. Each challenge is significant on its own, but they are also interconnected. Resolving one can positively influence another – for example, as structural transformation creates jobs in industry and services, having a gender-inclusive approach will ensure that women fill many of those jobs, maximising labour supply and talent. Likewise, easing spatial frictions (through better infrastructure and information) will make it easy for new businesses to thrive outside of subsistence agriculture and easy for men and women alike to access those opportunities. Conversely, if these issues are left unaddressed, they will continue to reinforce a cycle of exclusion – with congestion and poor infrastructure discouraging investment in new factories, women's exclusion leading to a smaller workforce and lower innovation, and a stagnant informal sector trapping people in low productivity.

Evidence from Uganda's own data and global comparisons shows that progress is possible. Other countries have transformed their economies, spread out urban growth, and achieved greater gender equality, reaping a growth dividend in the process. Uganda has vital strengths to build on: a young and entrepreneurial population, a high work ethic (as seen in a high labour force participation), and now expanding digital connectivity. By investing in people and smart policies, Uganda can unleash this potential. Specifically, interventions in the three domains we examined can collectively unlock a virtuous cycle.

Structural: investing in non-agricultural sectors (like manufacturing, agro-processing, tourism, and ICT) and enabling small firms to grow will create jobs and raise productivity. As more Ugandans find better-paying jobs, incomes will rise, and poverty will fall. This drives domestic demand and further growth. The transition must support women and youth to gain the skills needed for these new jobs, ensuring broad inclusion.

Spatial: Improving infrastructure (for example, roads, transits, and electricity) and information flows will knit the country's markets together. Reducing congestion in Kampala and promoting secondary cities or industrial parks can make growth more geographically inclusive – spreading jobs closer to where people live. Importantly, connecting people to opportunities (physically via transport, and virtually via information/internet) will reduce the friction that currently wastes so much time and money. More efficient cities can boost overall economic productivity significantly.

Gender: Reducing barriers that hold women back will dramatically increase the effective labour force and talent pool. When women can work in the most productive sectors, start businesses, and control income, the economy grows faster, and children's well-being (health, education) also improves, creating positive ripple effects into the next generation. Gender based interventions from girl education to women's finance programs – thus have high returns.

Finally, it is worth emphasising that inclusive growth is not a zero-sum game. Helping those left behind – whether smallholder farmers, informal traders, or women facing discrimination – does not come at the expense of others. In fact, it expands the pie for everyone. For example, if a female entrepreneur moves to a better location and doubles her profits, she not only improves her household welfare but also contributes more to the economy and can create jobs for others. If congestion is eased, both a boda-boda rider and a corporate executive can gain from faster travel. Inclusion builds social cohesion and domestic stability, which further attracts investment.

In conclusion, by tackling market frictions, entrepreneurial constraints, and gender inequities together, Uganda can accelerate its transition to a modern

and inclusive economy. The policy recommendations in each area, creating jobs beyond agriculture, coordinating urban development, and information access, and empowering women in the workforce, are mutually reinforced pieces of a holistic growth strategy. The road ahead requires political will, smart prioritisation, and effective implementation, but the destination is clear: growth that is not just robust, but broadly shared.

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