# Netherlands Trust Fund IV

## Uganda: export development of IT and IT enabled services


### A FAVORABLE CONTEXT

Over the last 5 years, the ICT Sector in Uganda has been growing at an average rate of 19.7% per annum resulting in an average contribution to GDP of 2.5%. The sector employs about 1.3 million people directly and indirectly. The ICT sector is one of the most competitive and fastest growing sectors in the country, largely driven by the telecommunications subsector. Both as a sector and as an enabler for other sectors, the growing use of ICTs in Uganda has created widespread demand for IT products and services,
as well as IT enabled services (ITES).

Ugandan Ministry of Information and Communications Technology (ICT), in collaboration with stakeholders in the public and private sector, has developed a five-year sector Strategy and Investment Plan (ICT-SIP). It aims to achieve, among others, an average ICT GDP growth annually to 20% and improved access to high speed broadband services to facilitate communication, economic activities and service delivery in Uganda.

Uganda's ITES market is expected to grow by 70% between 2013 and 2020, supported by the country's favourable time zones and large pool of skilled, inexpensive labour. There are a reasonably high number of undergraduates and graduates coming out of the local institutions each year (2400) with an IT background, and more with skills applicable to ITES. As a result, Uganda has a good level of entry-level skills in IT and abundant resources for business process outsourcing.

Together with the country's liberal business environment, the sector's growth and competitiveness has already attracted global players such as Microsoft, Cisco, Samsung, and TechnoBrain all of which have set up operations in Uganda and operate alongside growing local enterprises with some international experience. Ugandan SMEs in the IT&ITES sectors have potential to grow and further internationalise.

### NEEDS ASSESSMENT: PERSISTENT CHALLENGES

In the framework of the Netherlands Trust Fund IV (NTF IV) Uganda needs at four levels were identified including policy makers and regulators, Trade
and Investment Support Institutions (TISIs), trade and business support providers, SMEs, as well as International market linkages. The following table provides an overview on problems identified at the four named levels of the Ugandan economy, as well as causes of these problems.

| LEVEL | PROBLEM | CAUSES OF PROBLEM |
|---|---|---|
| **Policy makers and regulators** | ▪ Insufficietly coordinated implementation and monitoring of the Sector Export Plan and Country Marketing Plan.<br>▪ Insufficient data, information and statistics on the structure of the local IT industry<br>▪ Internet infrastructure is not optimal: low bandwidth, too high broadband prices compared to purchasing power.<br>▪ Insufficiently consolidated industry metrics to collect intelligence on the industry and consequent targeted action.<br>▪ Money transfers and e-commerce are difficult as online fintech services such as PayPal, MasterCard, and Visa are only rarely available in Uganda. | ▪ Insufficient coordination between NITA-U, the Ministry of Trade, Uganda Investment Authority and private sector associations (UBPOA and ICTAU).<br>▪ Passivity and weakness of the Uganda Export Promotion Board (UEPB). |
| **TISIs & trade/ business support providers** | ▪ Limited knowledge regarding IT&ITES export potential (Ministry of ICT, Trade, Foreign Affairs) and the diplomatic network, as well as other public and private TISIs.<br>▪ Insufficient knowledge on how to access export market on non-traditional exports such as IT&ITES. | ▪ The MFA and its diplomatic network are insufficiently informed about the sector.<br>▪ The private sector does not support UBPOA nor ICTAU. The industry does not feel well represented by the two associations. |
| **SMEs** | ▪ SMEs still lack knowledge in the areas of project management, marketing/ sales including online tools, international standards and certification. Some technical skills also need improvement e.g. coding practices, preparingbids for public tenders.<br>▪ Start-ups lack access to funding e.g. through venture capitalists, have insufficient business knowledge and skills, lack opportunities going to market. | ▪ Low awareness of foreign clients' expectations.<br>▪ Lack of comprehensive training programmes.<br>▪ No conducive environment for the Ugandan start-up scene, lack of support from traditional financing institutions<br>▪ Gap between university curricula and business realities. |
| **International market linkages & collaboration with private sector market partners** | ▪ Deficiencies in international business development: limited knowledge of foreign markets, random targeting of clients.<br>▪ Lack of opportunities to connect to international markets including regional markets in East Africa and Southern Africa | ▪ Weak private sector associations (insufficient dissemination of information about relevant trade fairs and B2B matchmaking events).<br>▪ No country brand strategy.<br>▪ Insufficient knowledge of marketing approaches and techniques to tap into identified market potential. |

## OBJECTIVES AND INTERMEDIATE OUTCOMES

The NTF IV Uganda aims at strengthening SMEs, and it seeks to influence policy makers and regulators, Trade and Investment Support Institutions and private trade/business support providers, as well as international private sector market partners in creating a supportive environment for enterprises in IT and IT enabled services sector. The intermediary outcomes of NTF IV are as follow:

- Policy makers and regulators monitor and coordinate the implementation of the endorsed Sector Export Plan and Country Marketing Plan in the IT&ITES sector.
- TISIs (ATIS, ICTAU, and UBPOA) extend and improve their export-related services for IT&ITES businesses.
- SME and start-up company owners/managers implement business decisions that raise their competitiveness.
- Beneficiary companies and supported private sector associations develop international linkages and build partnerships.

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