



International  
Labour  
Organization

PROSPECTS



► **Diagnosis on informality  
in targeted intervention  
areas of the PROSPECTS  
programme in Uganda**



Kingdom of the Netherlands

**Copyright © International Labour Organization 2021**  
**First published 2021**

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [rights@ilo.org](mailto:rights@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifrro.org](http://www.ifrro.org) to find the reproduction rights organization in your country.

---

ISBN: 9789220355886 (web pdf)

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Information on ILO publications and digital products can be found at: [www.ilo.org/publns](http://www.ilo.org/publns)

Cover photo: Young woman sewing in an informal tailoring workshop in the no-man's land area near the Busia border from Kenya to Uganda.  
© ILO/Marcel Crozet

## ► Acknowledgements

---

The *Diagnosis on informality in targeted intervention areas of the PROSPECTS programme in Uganda* was prepared by the consultants Benedict Naturinda and Doreen Adong, under the overall guidance of Judith van Doorn and Kareem Bayo of the Small and Medium Enterprises Unit (SME) of the ILO Enterprises Department, and Florence Bonnet of the Inclusive Labour Markets, Labour Relations and Working Conditions Branch (INWORK) of the Conditions of Work and Equality Department of the ILO.

The authors are grateful for the inputs and suggestions received from Nicholas Grisewood and Fatma Kaya from the ILO PROSPECTS global team, Stephen Opio and Grace Rwomushana (ILO PROSPECTS country team in Uganda), Christine Hofmann of the ILO Employment Department, Adriana Sierra Leal and Guy Tchami of the ILO Enterprises Department, Lou Tessier and Mathilde Mailfert of the ILO Social Protection Department (SOCPRO), Simon Hills of the ILO Governance and Tripartism Department, as well as contributions from Annamarie Kiaga, Informal Economy Specialist from the ILO country office in Zimbabwe.

The authors are also grateful to various stakeholders in Uganda who provided valuable contributions, including several government ministries and agencies, international and national NGOs and humanitarian organizations as well as social partners, including employers' and workers' organizations and other associations.

## ► Executive summary

---

### 1 Purpose of the study

In 2020, the ILO commissioned a study on the informal economy in the forced displacement context in Uganda. The aim of the study was to assess drivers of informality in refugee settlements and host communities in targeted regions of the PROSPECTS programme and identify opportunities to improve working conditions and reduce informality among these target groups. This study, which is the first of its kind, takes on a holistic perspective and analyses how various policy dimensions that link to the creation of decent working conditions affect the formalization of jobs and enterprises in situations of forced displacement. In Uganda, the PROSPECTS programme has a geographical focus on Nakivale in the Southwestern part of the country and Rhino Camp in West Nile. Particularly in terms of primary data collection, the present study focuses on the same geographic areas. However, relevant policies and stakeholders who have an interest in the transition to formality interact on different levels of governance (that is, district and national levels). Therefore, the findings from this diagnosis go beyond the study area and are also relevant for other regions in Uganda.

### 2 Methodology and approach

The overall methodology for this study relies mainly on qualitative research methods and data collection that is complemented by a rigorous analysis of existing secondary labour market data. On the basis of the ILO standard methodology on diagnosis of the informal economy, the study adapted participatory methods and processes to the context of forced displacement in order to capture the particular situation of refugees and host community members and interact with a wide range of relevant stakeholders. This included, for instance, the review of stakeholders' profiles and their views on of the informal economy, the identification of existing priorities and overall policy frameworks, the establishment of the extent, nature and characteristics of informality among workers and economic units, the analysis of factors that can drive formalization, the identification of key actors and measures to address informality, and the assessment of suitable policy approaches.

The study is based on interviews and consultations with 198 respondents. Out of these, 61 respondents are independent workers<sup>1</sup> among refugee and host communities who conduct economic activities in the informal and formal economy, whereas 38 respondents are dependent workers among both target groups that are informally employed in either informal or formal sector enterprises. The remaining respondents include other stakeholders and key informants from relevant institutions, member-based organizations, service providers, and so on. Owing to the COVID-19 pandemic, most consultations were conducted remotely using online collaboration tools. These included virtual meetings with NGOs, government agencies, UN agencies and international humanitarian organizations. Key informant interviews (KIIs) were also carried out mainly by telephone with independent workers and employees among refugees and the host communities. Moreover, a thorough review of relevant studies, national level policies, laws and regulations was conducted to assess the existence and adequacy of past and ongoing interventions.

---

<sup>1</sup> The term independent workers can include those without employees and those with employees (what is commonly referred to as enterprises).

### 3 Key findings on the transition to formality in forced displacement contexts in Uganda

#### ► Key finding 1

**National policy priorities integrate relevant linkages to informality, yet it would be important to make the stipulated provisions more explicit and applied in practice.**

The National Development Plan III does not only view formalization from a revenue perspective in terms of increased tax collection, but also acknowledges decent job creation as a central objective. The integrated private sector development programme contains a specific target to reduce the informal sector from 51 per cent in 2018/19 to 45 per cent in 2024/25. Moreover, the MSME Policy of 2015 states that the high incidence of the informal economy in all its aspects is a major challenge for the achievement of growth and expansion of enterprises, productivity and better working conditions in Uganda. Through the National Development Framework, the Ugandan Government recognizes the need to integrate issues affecting refugees in the national development agenda. Yet, measures to address the prevalence of the informal economy in refugee settlements and host communities are short in specifying the legal protections that workers — whether independent workers or employees — are entitled to.

#### ► Key finding 2

**Informality is very common among Ugandans and refugees, both in terms of informal jobs (as dependent or independent workers) and informal economic units, which leads to vulnerabilities and decent work deficits. Some vulnerabilities are more pronounced among refugees.**

The informal sector contributes to more than 50 per cent of the Ugandan economy, and it is responsible for more than 80 per cent of employment. Most of the informal businesses seem to offer income and survival means to people who are most vulnerable to poverty, including to women. Refugee women and girls, who comprise approximately 55 per cent of the refugee population in Uganda, suffer from heightened social and economic vulnerabilities. This includes, for instance, adopting negative coping mechanisms that can lead to female prostitution, selling of food rations or child marriage. With respect to the right to hold a bank account and to apply for a credit, the study finds that, in practice, women do not have equal access as men to the same financial services at a formal financial institution.

The labour force participation rates of refugees are lower than for the general population. The unemployment rate is estimated at 72 per cent, and those finding a job are more likely to be in casual employment in the agricultural sector. A promising observation is that unemployment rates are lower for early arriving refugee cohorts. Nevertheless, while in employment, refugees are generally engaged in occupations that provide little income without social protection and job security. Among wage workers, refugees earn wages that are 35 to 45 per cent lower compared with host community members. Better educated refugees who travel to the urban areas, especially to Kampala, earn much higher wages than those residing in other regions. Hence, substantial geographic movements among refugees and host communities involved in economic activities can be observed. Another finding is that economic activity seems to vary according to nationalities and interrelated economic and cultural backgrounds. The study indicates that, in the case of Nakivale, 88 per cent of Somali employment and 51 per cent of Congolese employment is by compatriots. For those with a job, 33 per cent of Congolese and 37 per cent of Somalis run their own businesses. Hence, own-account workers represent the most important employment status.

The majority of refugees, including those employed in formal sector enterprises, do not have any formal contracts, with the exception of a few people who are employed by microfinance institutions. Most working terms are communicated verbally, in particular the wages. In the context of this study, none of the refugees working in the host community or as own-account worker could be found registered under a social security scheme or receiving any other form of labour or social security protection.

In addition to that, employees working for refugees or for the host community (mainly in informal sector units) experience long working days and hours. Analyses further revealed a preference among Ugandan business owners to hire refugees as they provide cheaper labour than Ugandan workers.

### ► Key finding 3

**Low levels of economic growth in Uganda, low labour productivity, inequality, limited productivity of enterprises and a predominance of fragile small economic units result in a minor demand for and supply of formal wage employment, which substantially proliferates informality.**

The inability of the formal economy to absorb the existing supply of workers means that many workers resort to other survival means, leading most often to an increase in informal employment. Low levels of labour productivity across nearly all sectors and insufficient investments in productive sectors of the economy constrain the capacity of the economy to create sufficient formal jobs. This contributes to the expansion of lower-productivity activities such as subsistence agriculture and petty trade, all of which are characterized by a high share of informality. Many small-scale economic activities in Uganda are of a survivalist nature. Others have some opportunities to grow, yet they face challenges to access finance and technology and to uptake other innovations, which limits their ability to improve the quality of their products, provide decent working and living conditions for the owner or to create decent job opportunities for others. Women tend to have lower incomes, less capital and skills and are less likely to be employers than men in the informal economy. Wide regional disparities hinder the success and sustainability of poverty reduction strategies, which are essential to reduce decent work deficits in the informal economy.

### ► Key finding 4

**Although a legal framework to address decent work deficits and support the transition of workers and economic units to the formal economy is in place, it falls short of ensuring comprehensive legal coverage in terms of the benefits provided and even more in terms of the application of laws and regulations in practice for an effective access to protections.**

In view of employment formalization, it is a legal requirement in Uganda for employers to provide an employment contract (written or verbal) for each employee they employ. However, only a fraction of workers in the study areas do have in practice a written contract, and for those with a verbal contract, employers tend to keep it informal. For many, the employment relationship is largely based on trust and verbal negotiations without the use of a written contract. An emerging need arises in providing workers with information and support on how to enforce orally or implicitly established employment contracts and understand to what extent employer-employee relationships can offer them legal rights in Uganda. Moreover, the Employment Bill (2019) has set out the minimum wage for casual employees, which the Ugandan law defines as “a person who works on a daily basis where payment of wages is due at the completion of each day’s work”, at 130,000 Ugandan shillings.<sup>2</sup> However, the bill was not signed into law but, instead, returned to Parliament. Consequently, the set minimum wage has not been changed for a while, leading to a loss of value over time and a decrease in real income owing to inflation. Thus, many employees have to submit to whatever remuneration employers are willing to pay them. Work-related benefits such as provision of lunch, accommodation, transportation or payment for overtime work is often not offered on the basis of legal entitlement but only when employers view the provision as a voluntary favour to employees.

With respect to the formalization of economic units, business registration has been simplified with entry costs not being prohibitive. At the same time, informal sector operators are still hesitant to formalize, as benefits to formalize may be considered as too low, in-existent or unknown, while some believe that

---

<sup>2</sup> 3,514.89 UGX = 1 USD (exchange rate on 25 August 2021).

their small scale of business activity constrains the ability to seize benefits from formalization. They also recognize the additional costs associated to formalization: social security contributions, complying with taxes and time investments in administrative processes. The latter aspect is aggravated by the circumstance that many business owners and workers have little to no knowledge about the relevant institutions and rarely interact with them. Several respondents pointed out that they do not know the proper procedures for starting a formal business, including registration. An incomprehensible proliferation of several types of fees, charges, and licensing costs imposed on small businesses contributes to the confusion with following the right procedures. Others deliberately want to avoid the procedures of going formal, which are often perceived as complex and bureaucratic.

Ensuring access to protection is also a question of effective enforcement of and compliance with existing laws and regulations. The research finds that, within the study area, more effort needs to be done to identify opportunities on how to improve law enforcement and bring compliance within a realistic reach for those economic units where such compliance is a realistic option. The fact that compliance provides access to real benefits thanks to accountable and trusted institutions, labour inspection, for instance, could include education and awareness-raising activities for some categories of business owners. The issuing of fines could be replaced by providing training for enterprises, for example on gradual compliance with the law, or improving occupational safety and health or bookkeeping standards. In addition, in line with the demand from district officials who were interviewed, districts need to be empowered as key stakeholders in the management of refugee matters. A potential intervention can be to redefine refugee policies in order to encompass more roles, responsibilities and voice at the local level.

### ► Key finding 5

**Significant entry points to extend social security to informal economy workers (dependent and independent) exist. However, the concrete legal provisions are not clear, and the coverage of vulnerable groups is not explicitly mentioned.**

Concerning social security, the legal framework in Uganda does not yet allow for the provision of meaningful social transfers for its vulnerable population and, hence, nor to informal economy workers. The National Social Security Fund Act was amended by Parliament in 2021 to expand social security coverage to include lower categories of workers and to ensure applicability to all categories of workers, including those in the informal economy. The fund includes voluntary contributions and special contributions. Moreover, workers in informal employment (whether in the formal or informal sector or households) can voluntarily register and contribute to the fund. However, strategies for extending social security should aim at building a comprehensive and effective social security system for everyone, including informal economy workers. This shortcoming is reinforced by an African continent-wide study conducted by the ILO and UNDP in 2021, which finds that within the existing instruments, there are major coverage gaps for all workers and in particular for informal workers, despite representing the vast majority of workers. In the case of Uganda, the legal social security framework tends to cover only informal workers under alternative (often non-state or non-statutory) schemes. The Uganda NSSF Act does not make any unique and explicit provision for vulnerable groups such as refugees, asylum seekers and internally displaced persons, and therefore comprehensive extension of coverage is not yet granted.

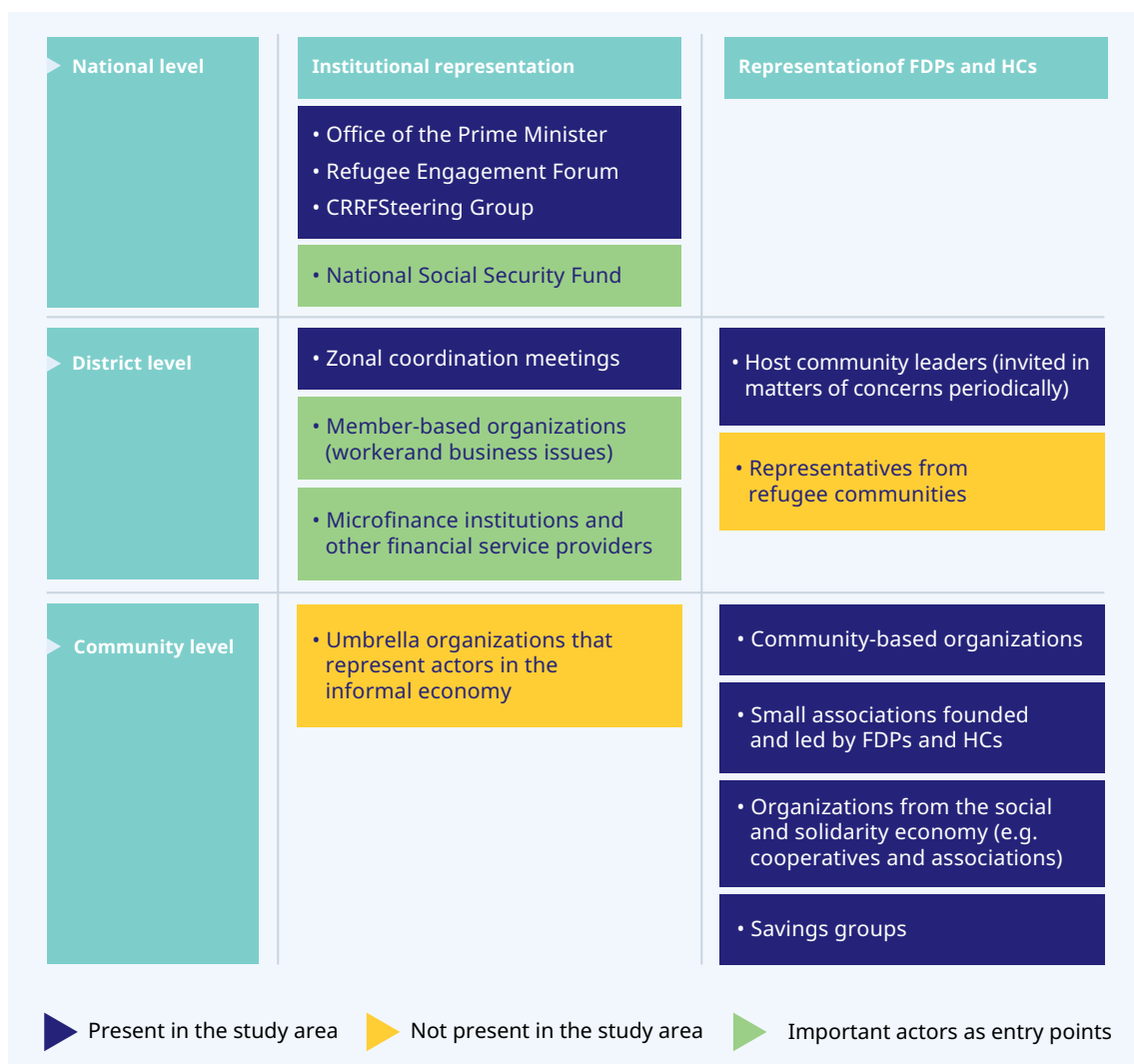
### ► Key finding 6

**Effective strategies for social cohesion, awareness raising on rights and obligations, skills development, voice, representation and anti-discrimination are essential to drive formalization in forced displacement contexts.**

Uganda's self-reliance model for FDPs has an emphasis on integrated service provision. Its combination of rural settlements and the right to reside freely in cities allows refugees and host community members to interact freely. Furthermore, public services such as health and education are available to both refugees and host communities.

The formalization agenda needs to consider policies and strategies that foster social cohesion and address discrimination, support skills recognition to match market demands, strengthen representation structures, especially the voices of women within communities, and promote the self-organization of refugees and host communities. Members from the host communities confirm that they are economically benefiting from activities conducted by refugees. One example is the cash assistance policy for refugees, which creates significant economic benefits for host communities because of the consumption of goods and services within local economies. Overall, refugee–host community relations in Rhino Camp and the Nakivale settlement are cordial, yet some members of the host community feel cheated or threatened by refugees. There is outright exploitation of workers (both refugees and host communities). simply because the job market is saturated with labour supply far outstripping demand. Further, refugees face high degrees of discrimination owing to ignorance or a wrong idea about their rights and entitlements, while in some cases, refugees are seen as fierce competitors for Ugandan citizens regarding the few jobs available. For most of the businesses interviewed in the host communities, the share of business owners who have completed secondary school or who have attained university education is very low. Because of this, and with limited information about labour laws and decent work issues, these entrepreneurs perpetuate informality both in terms of employment and how they run their businesses. This reinforces the fact that low education is a considerable obstacle to decent work and the transition to formality. Refugees have crucial qualifications that are currently not recognized in Uganda. Thus, they cannot easily access (formal) jobs aligned to their skills.

In terms of representation and self-organization of refugee and host community groups to advocate for job and enterprise formalization, various actors play a significant role on national, district and community level, summarized in the graphic below.





## ► Key finding 7

### FDPs and host communities have considerable needs with respect to reducing decent work deficits and enabling formalization in the future.

The priority needs to centre around the areas of financial services, including financial literacy, non-financial business development support, assistance in training and retraining to increase their employability, capacity-building to enhance the understanding of formalization requirements such as registration and taxation matters, as well as rights and obligations at work. Information about how to materialize the various legal rights and entitlements, most notably from the social security system, indicate another priority area that concerns all categories of workers.

Priority need	Extent for particular group	Key bottlenecks	Ability to meet the need
Financial and non-financial business services	Independent workers and business owners (among FDPs and HCs)	Lack of collateral, high costs and challenges with documentation affect meeting credit requirements	Financial service offerings from commercial banks are mainly inaccessible for the target group
		Lack of knowledge (and awareness) about how to start a business and procedures for becoming formal	Financial service offerings from commercial banks are mainly inaccessible for the target group
		Financial services are inaccessible because the financial standing of refugees is frequently perceived as risky and unstable	Lack of affordable and relevant services that meet the need of the target group
Training and retraining	Independent workers and employees (including those who changed their occupation following displacement)	Understanding of relevant regulations and norms in Uganda and (training) opportunities to access formal jobs	Language barriers make it difficult for refugees to partake in training or comprehend existing support services
	Host community members who are already economically active	Familiarization with taxation requirements and access to public and private markets	Inability to participate in fee-based training programmes (which are mostly of higher quality)
		Language skills and digital competencies were identified as key training need	
Information on rights, obligations, entitlements and benefits	Independent workers and business owners (among FDPs and HCs), with and without ambition to formalize	Lack of sensitization on decent work and labour law issues, such as establishing (oral or implicit)	Misinterpretation or inadequate practical application of provisions made by the law
	Dependent workers employed in refugee and host communities	Lack of information on social protection benefits, how to access them and how to overcome practical hurdles	Little to no availability of structured information on work-related rights and benefits
	Staff from government agencies and other representatives of institutional units	Only few and are aware of the requirements and benefits of formalization (personally and business-related)	
		Unawareness about the existence of relevant regulations favouring refugees	

Access to adequate financial services has been highlighted as a major incentive to consider formalization among business owners. Almost 90 per cent of independent workers in the settlements and host communities unanimously expressed that access to low-cost capital is a key priority. Without addressing this need, it is unlikely that many informal businesses will consider formalization. On the supply side, it is found that commercial bank funding is inaccessible to most of the businesses owned by refugees and host communities. This is mainly due to a lack of collateral, high costs and the lack of acceptable

identity and documentation in the case of refugees. With respect to skills development and recognition, refugees and host community members interviewed do not appear to be in a position to prove and match their skills to available work opportunities. On one hand, this is a consequence of minor understanding of relevant regulations and norms to make use of training opportunities. Language barriers and lack of digital competencies are other major constraints for increasing the capacity of business owners and workers to improve the prospects for formalizing their economic activity.

With respect to accessing rights and entitlements, there is a need for additional information on how refugees and host communities can benefit from the provisions made by the law. Thus, it is important to design strategies that deliver more and adequate information about rights of refugees in host communities, while also consulting and integrating local communities in a systematic way. This will help to avoid sentiments of unfairness and preferability of one group over the other. Information on which social protection benefits exist and how to access them emerged as an equally important need for refugees and host communities, as wide information gaps about the relevant entitlements persist. In addition, both groups reported practical difficulties in obtaining adequate health services which was, for example, due to a low density of healthcare facilities or high expenditures for buying medicines. The chart below provides an overview of priority needs, the relevance for each group, key bottlenecks and the ability to meet the respective needs.

## ► Key finding 8

**Adequate coordination mechanisms at the national and local level, and pro-active institutional actors, are pivotal to ensure that the intersection between the transition to formality and a durable solution to forced displacement is well enforced.**

Government actors and other social partners expressed a strong interest in working towards a holistic, multi-disciplinary and well-coordinated approach in order to foster synergies and complementarities and enhance the impact of their efforts to transition workers and economic units to formality. For some actors, this includes a shift of thinking from merely considering formalization as a source of revenue generation towards reducing vulnerabilities and enhancing economic growth and social cohesion through better regulation, implementation of laws and regulations, incentives, support and inter-agency coordination. As stated, for instance, by representatives from the local government who were interviewed, the *"focus on strengthening district commercial offices and labour offices to plan for refugees [and] training these officers to properly understand the laws and how to apply them to refugee issues"* would be an effective way to integrate refugee matters into overall local development planning. Moreover, the promotion of better coordination between local governments and counterparts at the national level (for example with the Office of the Prime Minister) would ease the implementation of a structured approach. Surveyed representatives from workers' organizations express their interest to play a critical role in the coordination process and suggest various areas of action when it comes to the extension of rights to workers. These priority areas are, most notably, social protection entitlements and effective access to benefits and a higher level of unionization. With respect to informal economic units, formalization may be incentivized by illustrating the positive linkages between enterprise and job formalization to business owners, possibly increasing incentives and motivations to formalize their activity (and the jobs that depend on it) and by acknowledging the benefits of more motivated employees. Similarly, representatives from the employers' organization identify the need to sensitize employers on the rights of refugees (and host communities). A central area of action and necessary condition would be to improve refugee documentation.

For humanitarian organizations, the focus is on the improvement of living conditions of people and the reduction of decent work deficits, beyond the reduction of vulnerabilities. However, various components of an effective "transition to formality" agenda could be more explicitly integrated in the different work streams of local and international organizations. The overview below lists some of the main institutional frameworks and policies as well as actors within the humanitarian-development nexus.

## ► Recommendations of measures to address formalization challenges and support the transition to formality in forced displacement contexts in Uganda

---

The key measures to address the causes and drivers and facilitate the formalization of jobs and enterprises among the target groups are summed up in three categories, as follows.

### 1 Measures to strengthen the capacity of the economy to absorb informal workers and economic units and facilitate transitions to formality (FDPs and host communities)

These include:

- ▶ promoting macro-economic frameworks that are employment and enterprise development friendly;
- ▶ strengthening the capacity and accountability of institutions and their ability to associate real advantages and benefits to formality;
- ▶ reviewing laws and regulations, for example, to amend employment and social protection laws for wider inclusion;
- ▶ supporting productive sectors of the economy that have a high potential to provide and create decent jobs, notably through viable and sustainable economic units;
- ▶ strengthening the business environment;
- ▶ building the capacity of relevant actors to enhance their understanding of the rights of displaced people and host communities, the ability to do regular but humane inspections, and to build trust and relationships;
- ▶ designing and implementing simple and easy to enforce mechanisms of inspection or enforcement and penalization of non-compliant entities;
- ▶ undertaking reforms to reduce the cost and increase the benefits of being in the formal economy, for example by lowering taxes and increasing benefits of market participation, inclusion in government programmes;
- ▶ promoting the development of a comprehensive and sustainable social protection system, including through innovative social security schemes that are not seen as an extra cost to the employer and a burden to low-income earners;
- ▶ designing and implementing programmes that can improve women's participation in the labour market with opportunities equal to those of men.

### 2 Measures to improve the capacity of informal workers and economic units in forced displacement contexts to enter into the formal economy

Measures for informal workers and economic units:

- ▶ providing training and retraining opportunities for workers, with a focus on occupations engaged in general merchandise trade, services and agriculture;
- ▶ helping workers and employers to build their skills and productive assets;

- ▶ introducing or supporting programmes that profile and recognize skills and education qualifications that refugees came with from their countries of origin;
- ▶ building on existing programmes that improve employability through skills development, especially via vocational training and technical training, coupled with supporting apprenticeships with potential formal employers identifying and capturing opportunities to integrate refugees and host communities in value chains and transition into the formal economy;
- ▶ enhancing the knowledge of all workers (including business owners as employers) on the role of relevant service providers and increasing familiarity with actors by organizing “structured encounters” between community groups and representatives from institutions (for instance, with providers of social services, BDS, financial services);
- ▶ establishing a community-led exchange format in which challenges and good practices about current administrative and documentation issues are discussed in a confidential circle.

Specific measures for informal workers:

- ▶ promoting schemes (such as sensitization or grievance mechanisms) that build confidence of employees (and employers) to understand and value their rights and obligations;
- ▶ raising awareness about rights, entitlements and obligations for all workers (including independent workers);
- ▶ developing know-how and agency of workers to practically advocate for their own legal rights and entitlements such as social protection benefits and provisions of labour laws and regulations (for example, terms of contract, legal wage requirements, workplace benefits);
- ▶ raising awareness of employers to support formalization of their workforce including by improving working conditions;
- ▶ organizing a series of workshops to provide information on employee-related social protection benefits and identify individual strategies (with a focus on women and families) on how to increase their social protection coverage;
- ▶ increasing personal capacities of informal workers for obtaining relevant and current information about the formal labour market;
- ▶ providing learning opportunities for informal workers about conventional and new ways to exercise collective bargaining in collaboration with people in the same community;
- ▶ making informal workers aware of what hazardous forms of employment are (for themselves and for family) and provide practical information of where they can receive support in case of need;

Specific measures for economic units:

- ▶ designing programmes towards entrepreneurship, enterprise and cooperative development to trigger the generation of decent and productive employment;
- ▶ identifying or designing and facilitating access to incentives for economic units to formalize;
- ▶ developing relevant and affordable financial products and graduation schemes that meet the needs of actors in the informal economy and that facilitate transitions to formality, including products that are suitable for the situation of refugees who face challenges with respect to identity documentation;
- ▶ training interested business owners on how to register with the Uganda Registration Services Bureau (URSB) and obtain a TIN;
- ▶ establishing a structure for a novel “business network hub” at community that is subsequently regularly organized by informal economic units;
- ▶ raising awareness about the benefits of formal enterprises and formal decent work so that entrepreneurs, especially in the host community, see its potential long-term value rather than seeing it as an additional process and another cost.

### 3 Measures to enhance dialogue, voice and social cohesion

These include:

- ▶ promotion of initiatives to enhance inclusive social dialogue, the organization and representation of actors in the informal economy — this helps to ensure that informal workers in settlements and in host communities contribute to the design of policies, reforms and measures that affect them; promoting partnerships and dialogue between local governments, social partners and key actors around thematic areas of concern for refugees as well as host communities;
- ▶ organizing joint and multilingual information sessions about legal rights, obligations and entitlements with participants from refugees and host communities to enhance collaboration and peer learning, possibly contributing to peaceful coexistence and social cohesion;
- ▶ integrating criteria that incentivize cooperation between refugees and host communities with business development support programmes.

The key players that will facilitate the implementation of these measures include:

- ▶ ministries and public bodies responsible for labour, social protection, enterprise development, finance, planning and economic development: the main public contributors and actors of the formalization process;
- ▶ humanitarian assistance organizations involved with forced displacements; several already fund and implement programmes whose broader impacts touch some drivers of informality, including addressing vulnerability impediments;
- ▶ organizations (especially on the local level) that provide services to economic units and workers (for instance, microfinance institutions, BDS service providers, training institutions and those dealing with employment issues (such as national employment services);
- ▶ the social and solidarity economy and refugee-led organizations which are already active and linked to livelihood support activities being undertaken in the settlements.

### 4 Building on existing plans or enabling others that can facilitate transitions to formality

Finally, it will be important that the actors and measures build on several existing (some of them nascent) country initiatives including, but not limited to, the following.

- ▶ The County Refugee Response Framework (CRRF), which continues to be committed to offering protection and developing long-term solutions for refugees and their host communities, especially inclusion of refugees in government planning.
- ▶ The National Development Plan NDP III (2021–2025) which has goals to foster inclusive growth in Uganda and build pathways to better and decent jobs. It also aims to increase access by the population to social protection. Formalization is a necessary condition to reach important objectives, in particular those mentioned in NDP III: decent work, better protection, poverty reduction, greater equality, competitive and productive businesses — all contributing to inclusive growth and economic stability.
- ▶ Uganda's Education Response Plan for Refugees and Host Communities (ERP), with a multi-stakeholder approach developed with support from humanitarian and development partners.
- ▶ The Water and Environment Response Plan, as well as the Jobs and Livelihoods Response Plan, which make refugee settlements and host communities important beneficiaries; the Private Sector Engagement Strategy for Refugee Hosting Districts under the CRRF which has mechanisms of drawing private sector participants into the Refugee Hosting Districts to increase employment and economic opportunities.

- ▶ The Integrated Enterprise and Market System Assessments that have been carried out on refugee and host community livelihoods in Uganda, as well as value chains being developed for critical sectors such as cassava and sesame in West Nile, in which refugees and host communities are engaged. The initiative of competitive business grants to support cassava and sesame value-chain actors, targeting host communities and refugees in Arua, Madi-Okollo and Terego, offers an adequate opportunity to support selected businesses that do not yet comply with all relevant (employment and enterprise) regulations.
- ▶ Finally, building on the recent vision of Uganda's Ministry of Gender, Labour and Social Development (MGLSD) for a future multi-tiered social security system that includes expanded tax-financed direct income support (DIS) as well as a comprehensive social insurance system.

## ► Contents

---

Acknowledgements	i
Executive summary	ii
Figures	xiv
Tables	xiv
Abbreviations	xv
<b>Chapter 1: Introduction and background</b>	<b>1</b>
<b>Chapter 2: Study objectives, scope, issues and methods</b>	<b>5</b>
<b>Chapter 3: Brief overview of the study areas</b>	<b>9</b>
<b>Chapter 4: National priorities regarding refugees and host communities and linkages to informality</b>	<b>13</b>
<b>Chapter 5: Profile of workers and economic units in the informal economy against the context of forced displacement</b>	<b>18</b>
<b>Chapter 6: Root causes and drivers of informality as part of the macro-economic context</b>	<b>44</b>
<b>Chapter 7: Drivers of informality as part of the legal and regulatory framework</b>	<b>48</b>
<b>Chapter 8: Other drivers of informality which are not related to the legal framework</b>	<b>65</b>
<b>Chapter 9: Perceived priority needs for formalization and ability to meet needs</b>	<b>72</b>
<b>Chapter 10: Mapping of actors, identification and assessment of the current policy approach to reduce decent work deficits among refugees and host communities</b>	<b>78</b>
<b>Chapter 11: Conclusions</b>	<b>85</b>
<b>Chapter 12: Recommendations</b>	<b>87</b>
References	91

## ► Figures

---

Figure 1. Refugee camps and settlements in Uganda	10
Figure 2. Refugee demographics in Nakivale	11
Figure 3. Refugee demographics in Rhino Camp	12
Figure 4. Forms of work among the working population (in %)	19
Figure 5. Distribution of employment by status in employment	20
Figure 6. Selected key labour market indicators with a gender dimension	21
Figure 7. Extent of informal employment in total employment including agriculture (total and by gender), 2017 (percentages)	23
Figure 8. Composition of informal employment by type of production unit and status in employment, 2017 (in %)	23
Figure 9. Overview of informality in Uganda: socio-demographic characteristics, 2017 (in %)	25
Figure 10. Informality and employment related features	26
Figure 11. Informality and working conditions (2017)	27
Figure 12. Level and status of unemployment in West Nile and Southwestern Uganda	30
Figure 13. Refugee and host community engagement in agriculture in the study areas	31
Figure 14. Sectors in which women from refugee communities are most engaged in Nakivale (in %)	32
Figure 15. Level of decent work deficits in Nakivale and Rhino Camp for employees working for other refugees or for the host community in formal and informal enterprises	34
Figure 16. Share (in %) of economic units possessing key formalization documents	35
Figure 17. Responses from a selection of independent workers to the question of why they did not consider formalization	42
Figure 18. Contribution to growth by sector	45
Figure 19. Uganda scores for women, business and the law (2020)	47
Figure 20. Percentage of households receiving transfers as one of the three main sources of income, by age of household head and whether the household is in a social assistance grant for empowerment (SAGE) pilot district	54
Figure 21. Overview of the social protection system in Uganda	55
Figure 22. Business registration process	57
Figure 23. Do you think that the Ugandan law allows refugees to work?	69

## ► Tables

---

Table 1. Interview stakeholder categories and numbers	8
Table 2. Primary data respondents in FDP settlements and host communities	32
Table 3. Economic activities of units run by refugees in Rhino Camp and Nakivale settlements and in host communities	36
Table 4. List of relevant social security laws in Uganda Pensions Act [Cap 286] of 1946, as amended	52
Table 5. NPD III social protection targets by 2025	55
Table 6. Overview of relevant laws and regulations for formalization of businesses	56
Table 7. Business registration and other relevant documents — fees	58
Table 8. Needs towards formalization of economic units and jobs	77
Table 9. A mapping of key actors	79



## ► Abbreviations

---

<b>CBOs</b>	Community-based organizations	<b>MIA</b>	Ministry of Internal Affairs
<b>CRRF</b>	Comprehensive Refugee Response Framework	<b>MoES</b>	Ministry of Education and Sports
<b>DCA</b>	Danish Church Aid	<b>MSME</b>	Micro, small and medium enterprises
<b>DFID</b>	Department for International Development	<b>MVIRBS</b>	Mazima Voluntary Individual Retirement Benefits Scheme
<b>DINU</b>	Development Initiative for Northern Uganda	<b>NDP</b>	National Development Plan
<b>DIS</b>	Direct Income Support	<b>NGO</b>	Non-governmental organization
<b>DLGs</b>	District Local Governments	<b>NRC</b>	Norwegian Refugee Council
<b>DRC</b>	Danish Refugee Council	<b>NSSF</b>	National Social Security Fund
<b>EAC</b>	East African Community	<b>OPM</b>	Office of the Prime Minister
<b>EFRIS</b>	Electronic Fiscal Receipting and Invoicing System	<b>PROSPECTS</b>	Partnership for improving prospects for forcibly displaced persons and host communities
<b>ERP</b>	Enterprise Resource Planning	<b>RWC</b>	Refugee Welfare Committees
<b>EU</b>	European Union	<b>ReHoPE</b>	Refugee and Host Population Empowerment
<b>EUTF</b>	European Union Trust Fund	<b>SACCOS</b>	Savings and Credit Cooperative Societies
<b>F4A</b>	Finance for Agriculture	<b>SAGE</b>	Social Assistance Grant for Empowerment
<b>FAO</b>	Food and Agriculture Organization of the United Nations	<b>SDGs</b>	Sustainable Development Goals
<b>FIA</b>	Financial Intelligence Authority	<b>TIN</b>	Tax Identification Number
<b>FSME</b>	Federation of Small and Medium Enterprises	<b>TPO</b>	Transcultural Psychosocial Organization
<b>GDP</b>	Gross Domestic Product	<b>TVET</b>	Technical Vocational Education and Training
<b>GIZ</b>	Gesellschaft für Internationale Zusammenarbeit	<b>UBOS</b>	Uganda Bureau of Statistics
<b>GoU</b>	Government of Uganda	<b>UN</b>	United Nations
<b>HC</b>	Host communities	<b>UNCCI</b>	Ugandan National Chamber of Commerce and Industry
<b>ICRAF</b>	International Centre for Research in Agroforestry	<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>ICT</b>	Information Communication Technology	<b>UNHS</b>	Uganda National Housing Survey
<b>ILO</b>	International Labour Organization	<b>UNICEF</b>	United Nations Children's Fund
<b>INGOs</b>	International non-governmental organization	<b>URA</b>	Uganda Revenue Authority
<b>KII</b>	Key informant interviews	<b>URSB</b>	Uganda Registration Services Bureau
<b>LFS</b>	Labour Force Survey	<b>VAT</b>	Value-Added Tax
<b>LG</b>	Local government	<b>VSLA</b>	Village Savings and Loans Association
<b>LST</b>	Local Service Tax	<b>WENIPS</b>	West Nile Private Sector Development Promotion Centre
<b>MGLSD</b>	Ministry of Gender, Labour and Social Development	<b>WFP</b>	World Food Programme



# Introduction and background

---

## ▶ 1.1 Context

---

According to the current National Development Plan (NDP III),<sup>3</sup> Uganda is a developing country in the low human capital development category, as it ranks 162 out of 189 countries. It has a human development index (HDI) of 0.516. In addition, a human capital index (HCI) of 38 per cent implies that, with the current state of education and health, a child born in Uganda is expected to achieve only 38 per cent of its productive potential at age 18.<sup>4</sup> The country has achieved remarkable results in reducing poverty over the past decades, mainly driven by the agriculture sector. From 1992 to 2013, the percentage of Ugandan households living in poverty has halved, but vulnerability to external shocks remains high.<sup>5</sup> In 2019, the World Bank also indicated that all regions across Uganda registered an increase in the number of poor persons, with the notable exception of the Northern region, which is the poorest, and where poverty decreased from 44 per cent to 33 per cent.<sup>6</sup> The increasing poverty is likely to worsen with the COVID-19 crisis. According to the World Bank's 2020 Uganda Economic Update, real Gross Domestic Product (GDP) grew at only 2.9 per cent in the fiscal year 2019/20, less than half the 6.8 per cent recorded in the fiscal year 2018/19, while real GDP in per capita terms contracted by about 4.5 per cent in 2020, for the first time in a decade.<sup>7</sup> The World Bank points out that at 3 per cent, the country's annual population growth rate is among the highest in the world.<sup>8</sup> It further observes that the total population of 35 million is expected to reach 100 million by 2050, while the annual urban growth rate of 5.2 per cent is also among the highest in the world and is expected to grow from 6.4 million (2014) to 22 million by 2040. According to the UNHCR, in absolute numbers, Uganda has become the third-largest refugee-hosting country in the world and

3 See NDP III p. 196 [http://www.npa.go.ug/wp-content/uploads/2020/08/NDPIII-Finale\\_Compressed.pdf](http://www.npa.go.ug/wp-content/uploads/2020/08/NDPIII-Finale_Compressed.pdf).

4 Ibid p. 167.

5 <https://www.worldbank.org/en/country/uganda/overview>.

6 Ibid.

7 <https://www.worldbank.org/en/news/press-release/2020/12/02/ugandas-gdp-contracts-under-covid-19-investing-in-ugandas-youth-key-to-recovery>.

8 Ibid.

the largest host in Africa, with 1,429,268 refugees by August 2020.<sup>9</sup> The majority of refugees originate from South Sudan, with 61.8 per cent (882,368), the Democratic Republic of the Congo with a share of 29.1 per cent (418,368), and from Burundi with 3.4 per cent (48,404). Of the total number of refugees, around two-thirds are children and adolescents aged between 14 and 24 years, making up more than 30 per cent.<sup>10</sup> Their situation is protracted and ongoing.

While Uganda's open-door refugee policy is one of the most progressive in the world, with refugees enjoying access to social services, land and jobs, the continued influx — coupled with limited resources — is placing tremendous pressure on existing amenities and straining the delivery of services in host communities.<sup>11</sup> The location of the refugee populations is geographically concentrated in the northwestern part of Uganda, with further settlements situated in the central and southwestern regions. Most refugees live in refugee settlements located in 13 districts across the country, where the government allocates them land, where available, for shelter and agricultural use. Almost all the areas where the refugees reside are co-inhabited by host communities. The northern area (Adjumani, Yumbe, Arua, Madi-Okollo, Terego Moyo, Obongi, Lamwo and Koboko) accounts for 62 per cent of refugees who live alongside Ugandan host communities, the southwestern region (Kyegegwa, Kamwenge and Isingiro) for 21 per cent and the midwestern region (Kiryandongo and Kikuube) for 12 per cent. The capital, Kampala, hosts 5 per cent of the registered refugee population. Close to 90 per cent of all people in employment (including agriculture) work in the informal economy (89.4 per cent), with a higher proportion among women (91.1 per cent) than men (88.1 per cent).<sup>12</sup> Agricultural activities make up 51 per cent of total informal employment, mainly subsistence agriculture within households. Linked to this, informal employment within households represents a significant share of total informal employment: 38.4 per cent of informal economy workers producing not exclusively but largely for own-use production or working as domestic workers. However, employment in informal sector units, which includes own-account workers, represents the largest share of informal employment (52.6 per cent). Finally, there are informal wage workers in formal enterprises who are not benefiting from social and employment protection (9.1 per cent).

## ► 1.2 The PROSPECTS country programme for Uganda

---

Refugees share with their host population the need to find decent employment. Nationwide, an estimated 3 out of 4 refugees do not have a job, and total unemployment is at 72 per cent.<sup>13</sup> This is substantially large in comparison to 9.7 per cent in the country as per the Ugandan Labour Force Survey (LFS) of 2016/2017. Refugees and their host communities are confronted with enormous challenges that require responses focused on durable solutions to provide more dignified, inclusive and comprehensive programmes to support them. Self-reliance and empowerment need to be facilitated, and social cohesion needs to be strengthened. One such major intervention towards building resilience, self-reliance and empowerment is the PROSPECTS programme designed for improving prospects for refugees and host communities. Started in 2018, spearheaded by the Government of the Netherlands and bringing together the International Finance Corporation (IFC), the International Labour Organization (ILO), the UN Refugee Agency (UNHCR), the UN Children's Fund (UNICEF) and the World Bank, the PROSPECTS programme aims to help transform the way governments and other stakeholders, including the private sector, respond to forced displacement crises — and in particular:

---

9 UNHCR data from [www.reliefweb.int](http://www.reliefweb.int).

10 Ibid.

11 <https://www.worldbank.org/en/country/uganda/overview>

12 Based on the ILO's harmonized definition of informal employment. ILO estimates of informal employment are based on common operational criteria (see box 2 in ILO, *Women and men in the informal economy: A statistical picture*, 2018). As a result, data presented are comparable across countries and regions, but they might differ from national statistics.

13 As per the [ILO Call for Proposals for this Diagnosis](#).

- ▶ to enhance the enabling environment for the socio-economic inclusion of forcibly displaced persons (to mitigate their plight during years of exile and to best prepare them for their return);
- ▶ to enhance access to education and child protection for vulnerable children on the move;
- ▶ to strengthen the resilience of host communities through inclusive socio-economic development that also benefits forcibly displaced persons

In this partnership, ILO brings significant expertise and experience in supporting enabling environments to underpin inclusive socio-economic growth and decent work, strengthen labour markets and promote access to improved working conditions and fundamental rights at work. The ILO stimulates labour market demand and immediate job creation through employment-intensive investment, local economic and business development and promotion of specific value chains and market systems. It provides targeted support to labour market institutions, services and compliance and monitoring mechanisms that facilitate the integration of refugees into the labour market in accordance with its strong normative foundation of international labour standards. With respect to addressing decent work deficits in the informal economy, the ILO supports policies, programmes and research around key issues on the informality of jobs and enterprises. In addition, the ILO guides interventions to facilitate formalization and develop effective tools to measure progress in formalization efforts across all world regions. In the context of PROSPECTS in Uganda, this informality diagnostic primarily builds on what exists. We highlight below some of the key studies done under the programme.

- ▶ The Rapid Assessment on the Impact of the COVID-19 Pandemic on Labour Markets in Targeted Intervention Areas of the PROSPECTS Programme has generated information that assists in understanding changes brought about by the impact of COVID-19. This includes, for example, aspects such as the (formal and informal) employment situation by status and sector (continuation or not of economic activities), incomes from labour and income replacement (social protection) when needed, needs and coping measures to address the impact of COVID-19 in workplaces and on people.
- ▶ The Integrated Enterprise and Market Systems Assessments on Refugee and Host Community Livelihoods in Isingiro District/Nakivale Settlement and Arua in Rhino Camp, based on the Approach to Inclusive Market Systems (AIMS)<sup>14</sup> that was developed by an ILO–UNHCR collaboration. The approach uses a market systems development lens to analyse the market systems in which refugees and host community members are already embedded. In both assessments, valuable data and information have been established on existing enterprises, mainly in subsistence crops and animal farming.<sup>15</sup> The assessments highlight some characteristics and the background of the target groups, the socio-economic environment, legal and enabling environment, access to finance and support services and networks such as cooperatives.
- ▶ The mapping of responses by cooperatives and social and solidarity economy organizations to forced displacement<sup>16</sup> is another work that lays out valuable information to inform organizational aspects and issues of the diagnosis. Produced as part of a wider programme on responding to forced displacement crises, the report identifies good practices, lessons learned and potential areas of innovation by cooperatives and other social and solidarity economy organizations working in displacement contexts. The mapping points out practical solutions including employment, income generation, finance and knowledge exchange, social capacity and peace-building functions such as networking, solidarity and trust-building, problem-solving, collective action, women’s empowerment, reconciliation and cultural sensitization.

14 ILO’s Approach to Inclusive Market Systems (AIMS).

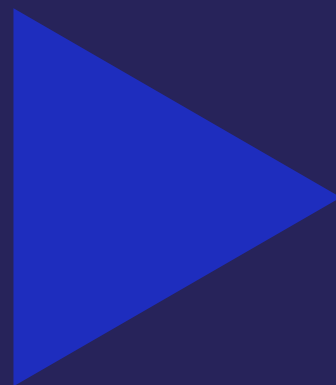
15 In the study of July 2019 for Isingiro, for example, the majority of the people are engaged in production of crops and livestock products at a subsistence level. Most of the farms are small, with very few engaged in medium or large commercial farming.

16 [https://www.ilo.org/global/programmes-and-projects/prospects/WCMS\\_742929/lang--en/index.htm](https://www.ilo.org/global/programmes-and-projects/prospects/WCMS_742929/lang--en/index.htm).

The following chapter will review the objectives of the study and the research methods applied. **Chapter 3** presents an overview of the two study areas in Isingiro District and Arua District. **Chapter 4** analyses national priorities regarding refugees and host communities and assesses how these link to informality. **Chapter 5** presents a profile of workers and economic units in the informal economy against the context of forced displacement. **Chapter 6** discusses some root causes and drivers of informality as part of the macro-economic context, before **Chapter 7** reviews drivers of informality as part of the legal and regulatory framework. **Chapter 8** then presents drivers that are not related to the legal framework. In **Chapter 9**, the perceived priority needs for formalization and the abilities to meet these needs are outlined, before **Chapter 10** presents a mapping of actors and coordination mechanisms and how these support the reduction of decent work deficits among refugees and host communities. **Chapter 11** illustrates the conclusions and **Chapter 12** the recommendations that follow from the research.



# 2



# Study objectives, scope, issues and methods

---

## ▶ 2.1 Objectives

---

This study aims to develop an understanding of workers and economic units in the informal economy within the target regions of the PROSPECTS programme in Uganda. It does so by establishing a profile of characteristics relating to informal economy activities conducted by refugees, other forcibly displaced people as well as of members within the host communities. In addition to assessing the status of the informal economy (extent, composition and working conditions), the analyses extend to comprehend the primary causes for informality as possible drivers that can facilitate the formalization of jobs and enterprises among the target groups. A third important purpose is to obtain an overview of central actors and policy approaches that are relevant to achieving the two-fold objectives: firstly, to reduce decent work deficits relating to informality, and secondly, to create conditions that enable formalization in the short and/or long term, as a means to an end to sustain job creation and decent work opportunities. The informal economy is defined as economic activities by workers and economic units that are — in law or in practice — not covered or insufficiently covered by formal arrangements.<sup>17</sup> It covers not only informal employment and informal sector units but also all informal activities carried out within the formal economy (undeclared or under-declared wages, outputs, hours, and so on). The study was specifically conducted to generate qualitative information on distinctive characteristics of forced displacement contexts. In particular it will help:

- ▶ to gain a better understanding of the informal economy in Uganda in the context of forced displacement (that is, its extent and diversity), with a focus on the causes and consequences;
- ▶ to identify ongoing activities and initiatives that support the transition to formality;
- ▶ to build a domestic consensus about the situation through a transparent and participative process (following the completion of the present study, this will involve bringing together various stakeholders in a validation workshop in a participatory process; the aim is to validate the findings and develop recommendations on how to facilitate the transition to formality);
- ▶ to build a body of knowledge that will help set a baseline to monitor progress on the transition to formality of informal economy workers and economic units in forced displacement contexts.

---

<sup>17</sup> As per (ILO) Recommendation 204 (ILO, 2015).

## ▶ 2.2 Scope and key issues

---

The study sought to cover a wide range of issues on the informal economy in Uganda, with a focus on refugees and their host communities. These issues and their scope are outlined below.

The study investigates profiles of informal economy workers and economic units in Uganda as well as the situation of refugees and host communities. It further assesses the main drivers of informality as well as incentives and opportunities for improving working conditions and formalization. The assessments shed light into drivers as part of the macro-economic context (see [Chapter 6](#)) and into the legal and regulatory framework and its application (see [Chapter 7](#)). [Chapter 8](#) reviews additional drivers that relate to the context of refugees (for example, cultural and language aspects and questions of social cohesion as regards host communities). At the macro level, the analysis identifies national priorities regarding the support and inclusion of refugees and host communities, and national priorities in the area of formalization of jobs and economic units. At the micro level, the study establishes the perceived needs of the target groups and the ability of the involved stakeholders to meet those needs. Here, relevant issues relate to the access to relevant services for refugees and host communities such as:

- ▶ registration of jobs and enterprises;
- ▶ access to social protection;
- ▶ access to markets;
- ▶ access to financial and non-financial business development services;
- ▶ establishment of employment contracts and negotiation of working conditions;
- ▶ information and awareness-raising on work-related rights, benefits and entitlements;
- ▶ recognition of prior skills and access to educational services such as language and IT training.

Finally, the study screens the profile of relevant institutional actors who are engaged in humanitarian and development responses and who can contribute to the transition to formality. The review includes actors, coordination mechanisms and main policy approaches at the national or local levels regarding informality and formalization of both economic units and jobs. In the mapping (see [Chapter 10](#)), information is given regarding the main domains of intervention, main responsibilities and capacities.

## ▶ 2.3 Methodology

---

The overall methodology for this study is based on qualitative research methods. This includes extensive desk research of existing information, semi-structured interviews with workers and employees (direct target groups), traditional KIIs and participatory methods to involve stakeholders such as focus group discussion forums on WhatsApp.

### **Desk research of existing information**

Extensive online research was completed and various information sources reviewed to cover the multiplicity of practical work done by local and international NGOs, UN Agencies and humanitarian organizations that are active in the areas of interest. By way of example, the analysis of drivers as covered in Chapters 6 to 8 was informed by desk and online research including the review of existing surveys (for instance, by the Ugandan National Bureau of Statistics) and current economic policies and laws. For the profiling of workers in the informal economy, we relied on the analysis of existing survey data that are publicly available, most importantly the Ugandan Labour Market Survey (LFS 2017) and information

from the Joint Data Center on Forced Displacement.<sup>18</sup> These sources were complemented by primary data collection using mainly the qualitative methods described further below. National level policies, laws and regulations, relevant studies and legal documents or decrees and policy papers were analysed where relevant. Moreover, national priorities regarding refugees and host communities, and priorities in the area of formalization of jobs and economic units, were identified through a mix of desk reviews of existing and selected online interviews with relevant government agencies and non-state actors.

### **Key informant interviews with institutional stakeholders**

Following an initial desk research, a sequence of KIIs took place to provide insight on relevant thematic entry points and focus areas. Throughout the field research process, additional KIIs were conducted to verify collected information and to actively interact with stakeholders. This included focus group discussions with officials of regulatory institutions as well as representatives from NGOs that work with refugees. Where adequate, in-person interviews were facilitated following strict COVID-19 protocols. Further, virtual interviews with relevant officers in these agencies and in other relevant government institutions were conducted.

### **Semi-structured interviews with workers and employees**

Semi-structured interview guidelines were used to compile in-depth interviews and to establish the perceived needs in the target areas. Owing to the social distance requirements, these mainly took place via phone calls. The categories of stakeholders interviewed by this means included refugees, some host community employees and business owners in host communities. Another reason why this approach was chosen was that most of the people targeted for interviews had limited or no access to online collaboration tools, means and approaches. Next to the individual business owners and employees, we facilitated focus group discussions with representatives of cooperatives, and other service providers (such as microfinance institutions), community-based associations, business and professional associations as well as training institutions.

### **Other participatory research methods**

Two separate WhatsApp Focus Discussion Forums were conducted. One was facilitated with area-based technical teams involved with regulatory and policy related interventions in the settlements hosting refugees and the host communities. The other was facilitated with host community and area-based organizations that were not involved with policies and regulations. Table 1 lists the categories and number of interviewees reached for the different methods.

### **Impact of social distancing measures on field research**

In the context of the COVID-19 pandemic, most of the consultations of the diagnostic process were conducted remotely using online collaborations tools to gather data and information using the technological means at our disposal. These included Virtual Zoom Meetings with NGOs, relevant UN agencies such as the UNHCR and government agencies involved with policy and regulatory frameworks.

---

<sup>18</sup> <https://www.jointdatacenter.org/?s=uganda>.



► **Table 1. Interview stakeholder categories and numbers**

Total number	Category of interviewees	Area	Target number per area	Actual number interviewed
70	Group 1. <b>Refugees carrying out informal economic activities</b> (independent workers)	Rhino Camp	30	30
		Nakivale	40	37
30	Group 2. <b>Refugees in informal wage employment in informal sector enterprises</b>	Rhino	10	10
		Nakivale	20	17
30	Group 3. <b>Refugees in informal employment working in formal sector enterprises</b>	Rhino	15	10
		Nakivale	15	11
30	Group 4. <b>Non-refugee employees (local Ugandans) employed in the host communities</b>	Rhino	15	15
		Nakivale	15	12
18	Group 5. <b>Economic units (formal and informal) in host communities and nearby cities</b>	Rhino	9	6
		Nakivale	9	9
5	<b>Social partners</b> (Zoom meetings/ telephone interviews)	National	5	3
10	<b>Relevant government agencies</b> (Zoom meetings/telephone interviews)	National	10	6
15	<b>Humanitarian organizations and INGOs</b> (Zoom meetings/telephone interviews)	National	15	9
12	<b>Area-based technical teams involved with regulatory and policy related interventions in the refugee settlements and the host communities</b> (WhatsApp FDG 1)	Isingiro	6	5
		West Nile	6	0
24	<b>Host community and area-based organizations other than those involved with policies and regulations</b> (WhatsApp FDG 2)	Isingiro	12	5
		West Nile	12	3
Total			244	198

**Note:** Response rate with FDGs was quite low, and we decided to follow them up with telephone interviews. However, the few who participated were very active and provided substantial information for the study.

Finally, addressing informality involves many players that tackle several of its drivers across various policy areas. This report does not cover all entities that are relevant for addressing informality in forced displacement contexts in Uganda, and not all of them could be interviewed. Additional institutions and organizations could be interviewed in follow-up studies that may go into a deeper analysis of any of the specific drivers.



## Brief overview of the study areas

---

The diagnostic was carried out on refugees in Nakivale settlement and Rhino Camp and their host communities. The rights and legal entitlements under the settlements and camps are outlined in [section 7.1.4](#). Suffice it to say that, according to the UNHCR, a defining key characteristic of camps is that they often limit the rights and freedoms of refugees such as their ability to move freely, choose where to live, work or open a business, cultivate land or access protection and services and their ability to make meaningful choices about their lives.<sup>19</sup> On the other hand, under settlements, refugees tend to be more integrated into the local economy, be it with or without governmental permission. The map in figure 1 shows the refugee-hosting districts and the location of the main settlements and camps.

Nakivale is located in Isingiro district, Kashumba sub-county, Kashumba parish. Until the most recent influx of refugees in the north, Nakivale was the largest and perhaps most well established and developed settlement in Uganda. The travel time to Nakivale is approximately 30 minutes from Isingiro town and an hour from the bustling trade hub of Mbarara. Thus it offers some proximity to markets outside the settlement, as well to goods and services. Nakivale was opened in 1958 and officially established as a settlement in 1960. As of 2020, it hosts 131,486 refugees and 1,214 asylum seekers.<sup>20</sup> The countries of origin of the refugees in Nakivale are first the Democratic Republic of Congo, followed by Burundi, Somalia, Rwanda and Eritrea.<sup>21</sup> The other demographic parameters are listed in figure 1.

---

19 <https://emergency.unhcr.org/entry/36256/camp-strategy-guidance-planned-settlements>. (Last accessed: 02/05/2021).

20 [https://reliefweb.int/sites/reliefweb.int/files/resources/Rhino\\_Settlement%20Profile\\_112020.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Rhino_Settlement%20Profile_112020.pdf).

21 UNHCR: Nakivale Settlement Refugee Statistics May 2020.

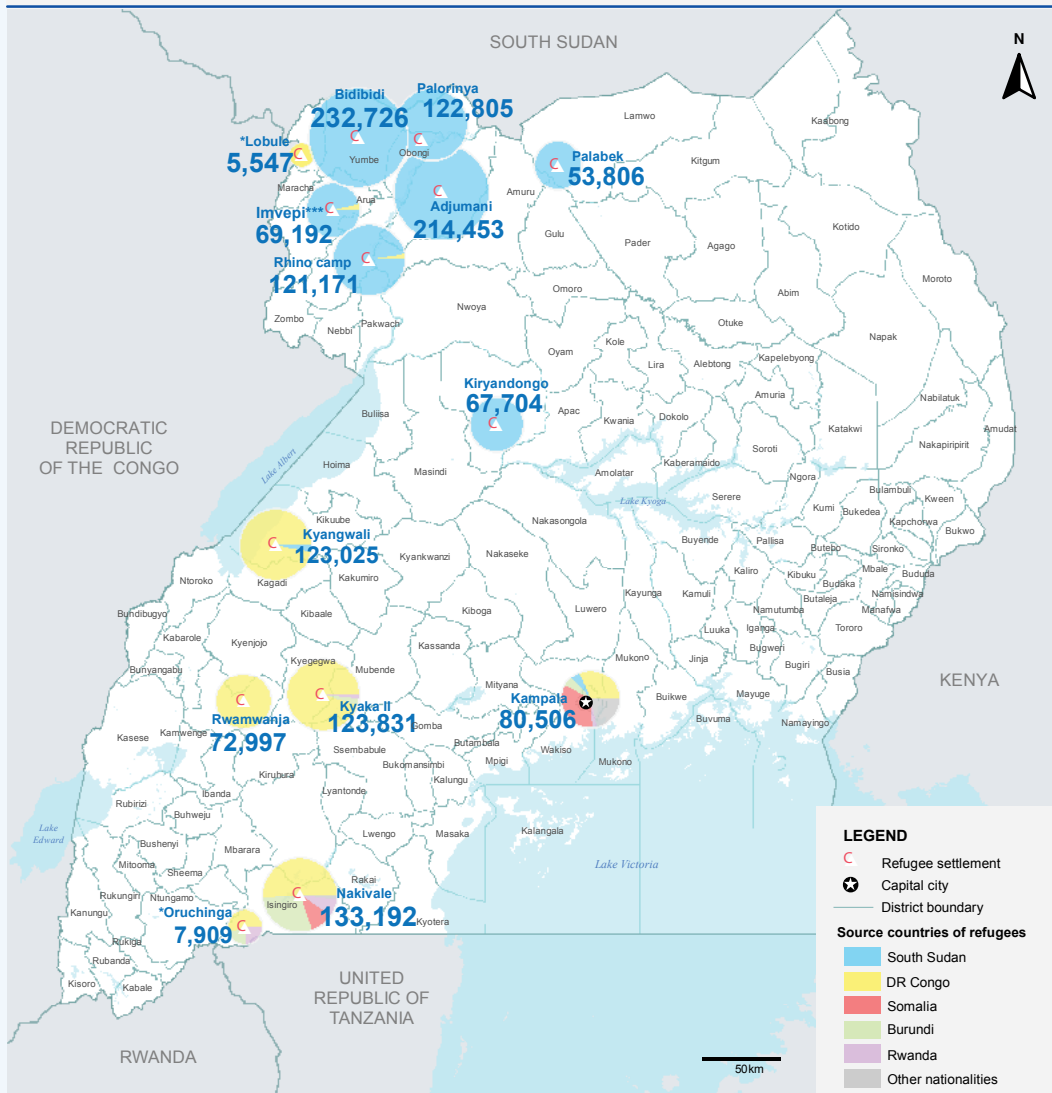
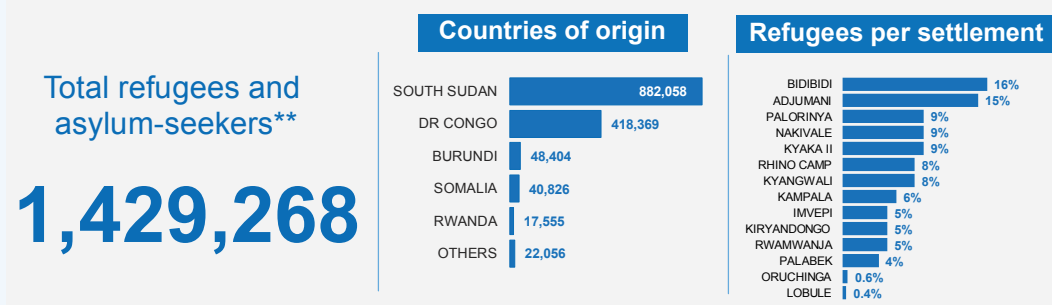
► Figure 1. Refugee camps and settlements in Uganda



## Refugees and Asylum-Seekers in Uganda

Uganda Refugee Response

31 August 2020



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

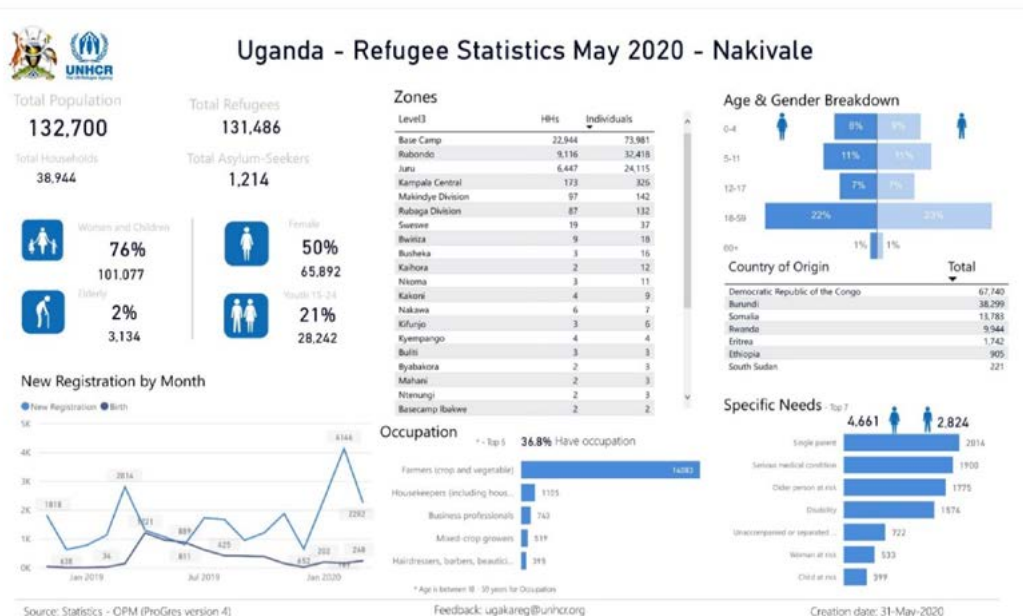
\*Oruchinga and Lobule symbols not to scale \*\*Includes 404 refugees and asylum seekers in reception centres which are not shown on the map  
 \*\*\* includes 1,753 individuals registered in Zombo following successful nationality screen of all arrivals and are pending individual registration

Population data: proGres (OPM) Author: UNHCR Representation in Uganda Feedback: ugakaimug@unhcr.org For more info, please visit: www.ugandarefugees.org

Source: UNHCR data on [www.reliefweb.int](http://www.reliefweb.int).

## ► 3.1 Nakivale refugee settlement – Isingiro District

► Figure 2. Refugee demographics in Nakivale



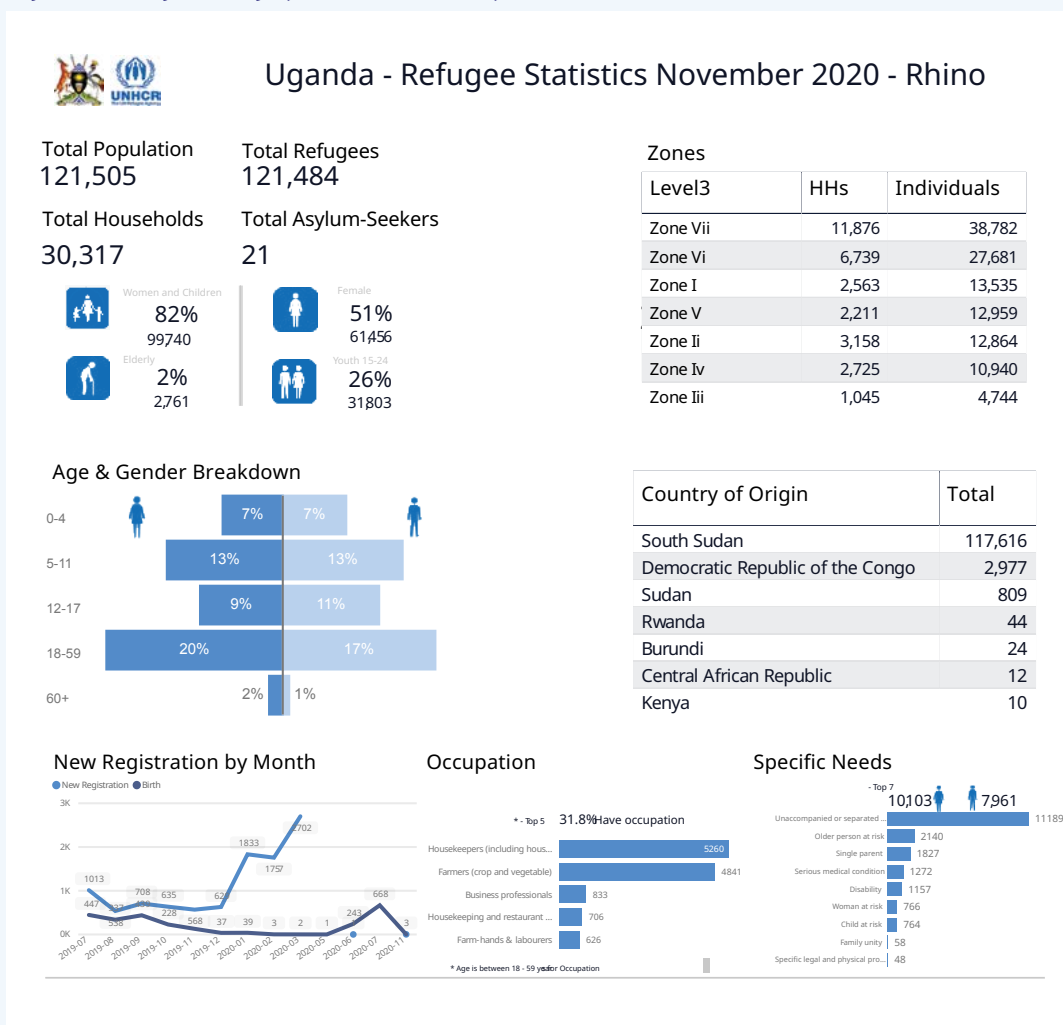
Source: UNHCR data from [www.reliefweb.int](http://www.reliefweb.int).

## ► 3.2 Rhino Camp refugee settlement – Arua District

Rhino Camp (which despite its name is actually a settlement) originally opened in 1980 and expanded after 2013. Since the expansion in the wake of the South Sudanese civil war, the camp has had a massive influx of refugees into Uganda with new persons arriving monthly. In 2017, the settlement was expanded again with the establishment of Omugo zone extension area, which presently is in Terego district. Historically, Arua district was the only hosting region of Rhino Camp. However, recent changes in district boundaries formed the new Madi-Okollo district that also splits a portion of Rhino Camp from Arua District to Madi-Okollo. Through an Act of Parliament in September 2015, the creation of 23 new districts were mandated to take place over the four fiscal years of July 2016 to July 2019. Effective in fiscal year 2019/2020 (1 July 2020), Madi-Okollo County became its own district, which reduces the number of administrative units under control of Arua District, as a result shifting a portion of the district population, as well as a portion of the Rhino Camp population into the newly formed district. UNHCR statistics from an operational portal<sup>22</sup> indicate that Rhino Camp has a total population of 121,505, of whom 121,484 are refugees and 21 asylum seekers. Rhino Camp is divided into seven zones: Ocea Zone 1, Siripi Zone 2, Eden Zone 3, Tika Zone 4, Odobu Zone 5, Ofua Zone 6, and Omugo Zone 7. The majority of refugees in Rhino Camp are South Sudanese (117,616), with fewer from the Democratic Republic of Congo (2,977), Sudan (809), Rwanda (48), Burundi (24) and other (22). The South Sudan situation remains the largest refugee issue in Uganda. The situation continues to be characterized as a children's crisis, with children constituting more than 65 per cent of the refugee population.

<sup>22</sup> [https://reliefweb.int/sites/reliefweb.int/files/resources/Rhino\\_Settlement%20Profile\\_112020.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Rhino_Settlement%20Profile_112020.pdf).

► Figure 3. Refuge demographics in Rhino Camp



Source: UNHCR data on [www.reliefweb.int](http://www.reliefweb.int).

# ▶ 4

## National priorities regarding refugees and host communities and linkages to informality

---

### ▶ Key message

The Government of Uganda, through the National Development Framework, recognizes the need to integrate FDP issues in the national development agenda. However, it needs to have explicit provisions for addressing informal economy prevalence in the settlements and the host community.

## ► 4.1 Broad priorities – displaced peoples and host communities

---

As articulated in the County Refugee Response Framework (CRRF)<sup>23</sup> — (UNHCR, 2018) –Uganda continues to be committed to offering protection and developing long-term solutions for refugees and their host communities. Formally launched in March 2017, the CRRF comprises five major pillars.

1. Admission and rights which include access to land, provision of individual documentation, freedom of movement and the right to work for refugees. [Section 7.1.4](#) of this report elaborates more on these rights.
2. Emergency response and ongoing needs, which include provision of protection, registration and humanitarian assistance to meet immediate needs of refugees.
3. Resilience and self-reliance in which humanitarian and longer-term development programming are bridged. It also includes livelihoods initiatives, enhanced service delivery and activities to promote peaceful coexistence.
4. Expanded solutions which include solutions in third countries, primarily resettlement, but potentially work placements and scholarships.
5. Voluntary repatriation which includes a focus on skills development under Pillar 3, in preparation for return to the refugee's country of origin if conditions are conducive.

Key policies for the implementation which reflect priorities for refugees are:

- the inclusion of refugees in government planning — access to territory, full enjoyment of rights, for example, registration, documentation, land issues;
- integrated service delivery — support for host-community inclusion of refugees in government planning, protection, life-saving interventions, environmental protection, solutions from the onset;
- support for refugee-hosting districts to include refugees in government planning (STA) — joint humanitarian and development programming (such as ReHoPE), private sector engagement, especially for off-farm opportunities, environmental protection.
- resettlement plan for all refugees — resettlement, job placement and scholarships abroad, travel documents, capacity-building;
- address the root causes of displacement — capacity-building and skills development for refugees, Uganda's role in the region in relation to peace and security.

It is important to point out that the National Development Plan NDP III (2021–2025) mentions displacement as one of the risks from regional conflicts.<sup>24</sup> It highlights the importance of actions to minimize and/or mitigate the risks that the country faces, including the surge in refugee numbers owing to regional conflicts. The plan places priority actions as intensifying efforts to bring peace to the region. It also, under its human capital development projects, highlights support for refugee-hosting communities to meet increasing service delivery demands.<sup>25</sup> The next sections clarify what formalization means and explore how national priorities currently aim to reduce informality or may facilitate future reductions of informality among refugees and host communities in Uganda.

---

23 Case study – [Comprehensive refugee response model in Uganda \(2018\)](#).

24 [http://www.npa.go.ug/wp-content/uploads/2020/08/NDPIII-Finale\\_Compressed.pdf](http://www.npa.go.ug/wp-content/uploads/2020/08/NDPIII-Finale_Compressed.pdf).

25 NDP III programme action 384, p. 201.

## ► 4.2 Priorities in addressing decent work deficits and supporting transitions to formality

---

Formalization of jobs means providing workers with adequate labour and social protection. Depending on the situation, this means realizing one or several of the following actions:

1. extending legal coverage to those excluded or insufficiently covered;
2. providing an adequate level of legal protection; and
3. ensuring an effective compliance with laws and regulations.

Formalization processes take time. For many workers (and economic units), transitioning to formality in a sustainable way may become a realistic option once some critical decent work deficits and other vulnerabilities are addressed.

As such, policies and priorities that aim to reduce decent work deficits and vulnerabilities in the informal economy, build progressively the capacity of workers and economic units to enter into the formal economy. For example, providing workers with basic social protection constitutes an enabling factor for their transition to formality by reducing their exposure to poverty, enhancing their access to healthcare and enabling them to seize economic opportunities complementing, in this respect, policies to develop human capital. Similarly, enhancing productivity of economic units (for instance through improved access to markets, finance, technology or property) makes it possible for them not only to cope with the cost of formalization but also to benefit fully from the opportunities associated with it. As one of its goals, the National Development Plan (NDP III) aims to foster inclusive growth in Uganda and build pathways to better jobs for young Ugandans. The NDP III job creation strategy focuses on expanding and diversifying economic growth while maintaining macro-economic stability in order to create increased demand for labour. The plan also emphasizes human capital development with the aim of increasing productivity of the population for increased competitiveness and better quality of life for all. Among the key expected results are an increased proportion of the labour force transiting to gainful employment, and increased access by the population to social protection. However, the strategy falls short on overcoming labour demand constraints, which can result in long-term growth paths.

The agriculture sector is still by far the largest employer in Uganda. Therefore, improving the productivity of jobs in the broader food and horticulture system is an emphasized priority of NDP III. Agricultural activities, such as food processing and retailing, are labour intensive and have high employment elasticities. Furthermore, many of these jobs have the potential to be inclusive and integrate groups that face particular marginalization, such as the urban poor, rural citizens, women and youth in employment. As a key demographic, the country has a large youthful population of approximately 9.6 million (23 per cent) (Authority, 2020).<sup>26</sup> According to the LFS 2016/2017,<sup>27</sup> (UBOS, 2018) about 50 per cent of the youth (defined as 18–30 years in the national survey report) were employed, with more males (60 per cent) than females (45 per cent) in employment, including only three per cent of the youth combining employment and schooling. The Youth Labour Force Participation Rate (LFPR) was 59 per cent, with a higher proportion of males (68 per cent) than females (52 per cent). This is the measure of the extent to which the current youth population is economically active. If the youth supply of labour remains unmet, the “demographic dividend” might create new challenges rather than prospects. To address this, the NDP has as a priority to invest in enhancing skills and vocational development. Investment in business and vocational training education will help address the mismatch between skills required for labour markets and knowledge produced by training institutions. As key interventions, the plan highlights, among others, rolling out improved TVET curricula for all formal TVET programmes, apprenticeship and job placement policy and

---

26 See NDP III p. 35.

27 UBOS, 2018. National Labour Force Survey 2016/17 (Main report). [https://www.ubos.org/wp-content/uploads/publications/10\\_2018Report\\_national\\_labour\\_force\\_survey\\_2016\\_17.pdf](https://www.ubos.org/wp-content/uploads/publications/10_2018Report_national_labour_force_survey_2016_17.pdf). (Last accessed the 02/05/2021.)



programmes, providing incentives to increase enrolment in skills-scarce TVET programmes to reverse the currently inverted skills triangle, and so on. With respect to increasing access by the population to social protection, NDP programme Objective 5 under human capital development aims to reduce vulnerability and gender inequality. The plan states, as a key intervention, the expansion and reform of the contributory social security schemes to the informal sector to cover more risks and provide a wider range of benefits. The NSSF Act has been amended by Parliament as recently as 2021 to expand social security coverage to include lower categories of workers and to ensure its applicability to all categories of workers (see [section 7.1.2](#)), a departure from the earlier position where small firms with fewer than five employees did not have to contribute. The Employment Act (see [section 7.1.1](#) for details of the Act) is also undergoing amendment (2019) to offer legal protection and rights to certain low-level categories of employees, such as casual and domestic workers who are normally informal workers.

## ► 4.3 Priorities in addressing the root causes of informality of economic units and supporting their transition to formality

### ► Box 1. What is enterprise formalization?

From the perspective of an informal enterprise, formalization comprises the compliance with existing requirements and procedures that formal enterprises have to observe. This includes, for example, having a formal legal status through the registration of own-account workers or businesses, following official accounting requirements, possessing and renewing necessary sectoral and professional permits, registering with the tax office, submitting declarations, making payments and complying with other fiscal requirements. It also entails paying social security contributions and complying with labour laws and regulations, particularly when the business employs workers. From the perspective of the Government, it also entails helping enterprises to develop and grow, as this enhances their chances to successfully become formal and remain so. Such productivity enhancement support measures should go hand in hand with effective measures to incentivize a transition to formality (“carrots”), along with measures to ensure enforcement and compliance (“sticks”). Suitable measures to support such transitions to formality rely on an enabling business environment, along with effective dialogue processes which include the voices of actors in the informal economy.

The Government MSME Policy of 2015<sup>28</sup> states that the high incidence of the informal economy, in all its aspects, is a major challenge for the achievement of growth and expansion of enterprises, productivity and better working conditions in Uganda. Again, NDP III acknowledges that the country has lacked a clear strategy and incentive mechanism for formalization of businesses except for taxation purposes. As part of the Government response to the challenge, the plan highlights increasing competitiveness of the private sector to drive sustainable inclusive growth as a critical and necessary strategy. Among the key expected results is the reduction of the informal sector. The NDP’s private sector development programme targets reducing the informal sector (mainly informal economic units) from 51 per cent in 2018/19 to 45 per cent in 2024/25.<sup>29</sup> It intends to achieve this by the following objectives, among others:

- increasing the access to affordable credit, largely targeting MSMEs;
- increasing the access to long-term finance (for example, capitalize and strengthen the Uganda Development Bank with a functional MSME financing window);

28 <https://www.ugandainvest.go.ug/wp-content/uploads/2016/02/Final-MSME-Policy-July-2015.pdf>.

29 NDP III Private Sector Development Program, p. 117.

- ▶ fully servicing the industrial parks and increasing access to them by the local private players; and
- ▶ improving the management capacities of local enterprises through massive provision of business development services geared towards improving firm capabilities.

NDP III not only views formalization from a revenue perspective, but also from a decent job creation angle. By formalizing enterprises, the country's tax base will be wider, and the Government's revenue will increase, thus enhancing its scope of action and reducing the overdependency of the Uganda Revenue Authority (URA) on the formal sector. The SME Policy,<sup>30</sup> managed by the Ministry of Trade and Industry, indicates small businesses such as hairdressers and beauty salons, motor vehicle garages, tailors, drugstores, metal and carpentry workshops and all general traders as the trades targeted for formalization. These happen to be the enterprises where informality is highest. The NDP III seeks to encourage farmers to form groups around entrenched productivity enhancing cooperative principles. This is especially encouraged for small subsistence farmers in informal settings who dominate the country's agriculture system. Perhaps some other interventions highlighted, which might have a direct bearing on addressing vulnerabilities in the informal economy and supporting the transition to formality, include the review of tax levies and other incentives on agricultural insurance products to encourage uptake by farmers. Such uptake is likely in formal settings. It is also encouraging to note that the plan indicates as a key intervention "support women farmers to transition to agro-business, export trade, and more profitable agricultural enterprises, including skilling and financial incentives (for instance, reduced credit interest rate and finance)".<sup>31</sup> Over the years, Government policies and key programmes have been implemented aiming at mitigating the obstacles to formalization. These include the SME Policy, the Industrial Policy, Buy Uganda Build Uganda (BUBU), the National Trade Policy (in existence for more than 12 years since 2007), Operation Wealth Creation (OWC) and others. Their objectives address obstacles such as limited access to finance (including microfinance schemes), energy deficiencies, unfavourable tax regimes, poor business environment, subsistence agriculture and the lack of appropriate and adequate technologies.

There are legal requirements related to the formalization of economic units. For example, all small and micro enterprises are required to register with the URA and be issued with a Tax Identification Number (TIN) as a precondition for a business license. Also, participation in Government tenders requires formal registration as a precondition. However, the degree to which enterprises comply with these requirements is limited. Other efforts to foster formalization include online business registration to ease the registration process by reducing paperwork and curtailing movement to distant offices for registration. In conclusion, formalization of jobs and economic units is a necessary condition to reach important objectives, in particular those mentioned in NDP III: decent work, better protection, poverty reduction, greater equality, competitive and productive businesses — all contributing to inclusive growth and economic stability.

<sup>30</sup> <https://www.ugandainvest.go.ug/wp-content/uploads/2016/02/Final-MSME-Policy-July-2015.pdf>.

<sup>31</sup> See NDP III p. 74, Objective 5: Increase the mobilization, equitable access and utilization of Agricultural Finance.

# ▶ 5

## Profile of workers and economic units in the informal economy against the context of forced displacement

---

### ▶ Key message

A large population of Ugandans and refugees is stuck in a high degree of informality in terms of employment, enterprises and economic activity. Curbing the spread of informality requires first and foremost a focus on developing economic and social policies that recognize the scale of this challenge and hence make the provision of quality employment and transformation of economic units a central issue of concern.

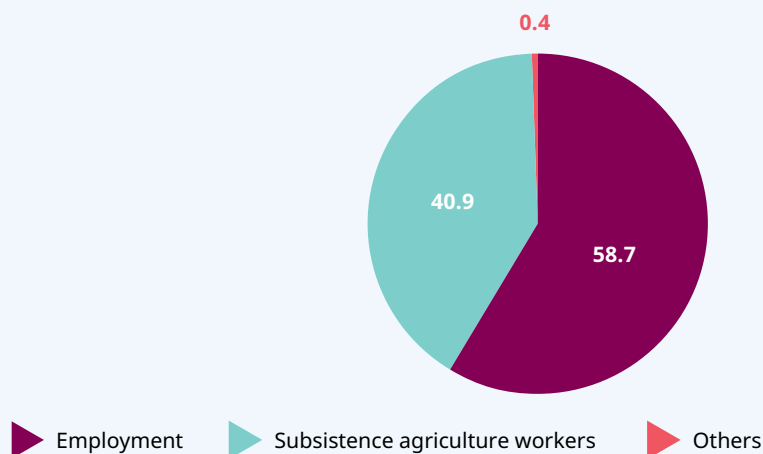
The profile focuses mainly on refugees and host communities. It also pays attention to gender dimensions. The chapter starts with a brief overview of informality in Uganda in general by highlighting key facts and figures in the national context. Informality from a national perspective is found in the works of several national institutions including the Uganda Bureau of Statistics, the Population Secretariat, and the Ministry of Gender, Labour and Social Development (MGLSD). It is also found in the works of PROSPECTS partners such as UNHCR and others.

## ► 5.1 Labour market situation and issues

The NLFS 2016/17 estimates the working age population (14–64 years) at nearly 19 million, with more females than males (52 and 48 per cent respectively). The biggest proportion (73 per cent) of the working age population was resident in rural areas. Among the working age population, 81 per cent were engaged in at least some form of work while 19 per cent were not engaged in any form of work. About 27 per cent were in purely subsistence agriculture work. The employed population was about 9.0 million, indicating that total Employment-to-Population Ratio (EPR) was about 48 per cent, with a percentage point difference of about 16 between the proportion of males and females who were employed.

Among the working population, employment in the form of work, which comprises work performed for others in exchange for pay, or as an independent worker or dependent contractor for profit, constituted a majority share (59 per cent). The rest of the working population was engaged in forms of work other than employment such as own-use production work which was purely subsistence agriculture followed by other forms of work (including volunteer work, unpaid trainee work, and others). The percentage share of each of these forms of work is illustrated in figure 4.

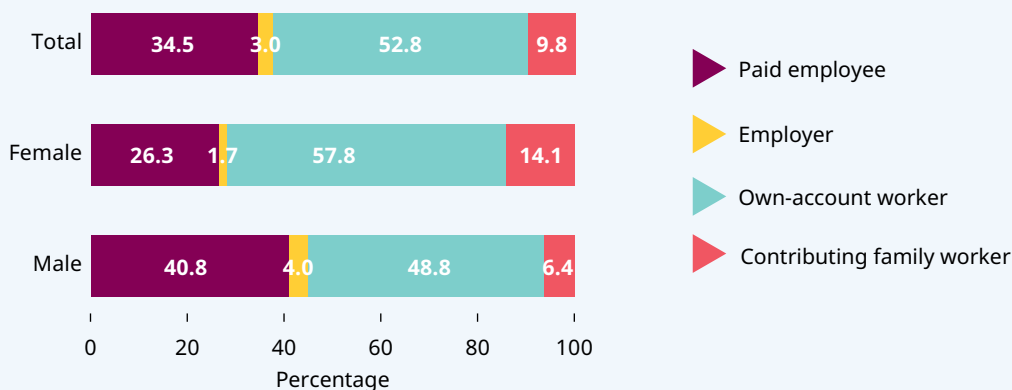
► **Figure 4. Forms of work among the working population (in %)**



**Source:** UBOS, 2018.

With a focus on employment, the status in employment showed that independent workers (which comprise own-account workers and employers) make up the largest group (56 per cent) of total employment. Contributing family workers represent an additional 10 per cent. The proportion of females who were contributing family workers was slightly more than double that of males. Employees represent 34.5 per cent of total employment (41 per cent for men and 26 per cent for women).

► **Figure 5. Distribution of employment by status in employment**



Source: UBOS, 2018.

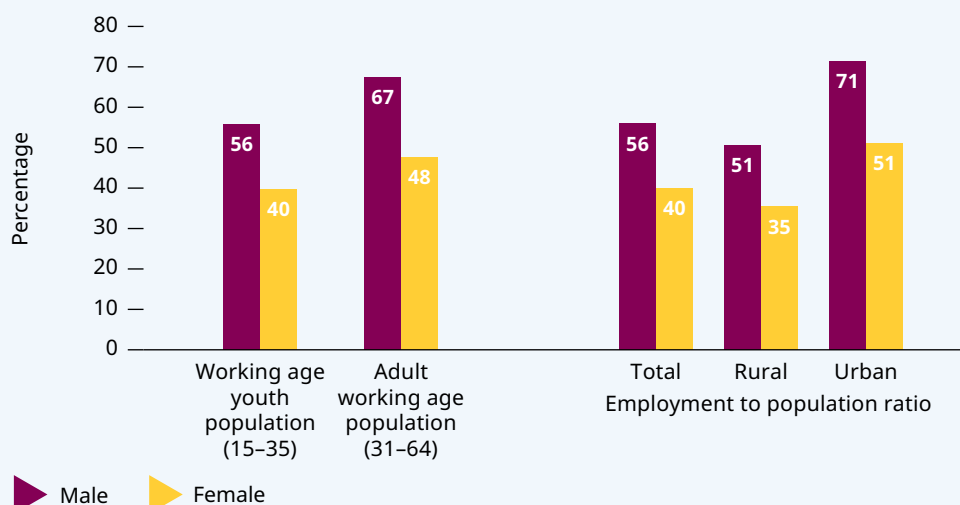
With respect to the sectoral distribution of employment, services and agriculture, forestry and the fishing industry provided about the same employment share of 42 per cent and 41 per cent respectively, while production employed about 16 per cent. By occupation, most people were employed as skilled agricultural, forestry and fisheries workers (31 per cent) followed by service work (23 per cent). About 6 per cent of the employed population were holding professional jobs. About 10 per cent of the employed population did not possess any formal education, while 67 per cent did not have any trade, technical skills or specialization.

On average, the actual daily hours worked by employed persons on their main job was seven while those employed on secondary jobs worked five hours. The median monthly earnings of persons in cash-paid employment was 190,000 Ugandan shillings (US\$1,720 on 25 August 2021). The median monthly earnings for males was 240,000 shillings and that of females was 120,000 shillings. Elementary occupation workers and agriculture workers were the least paid, with median monthly salaries or wages at 96,000 shillings and 100,000 shillings, respectively (UBOS, 2018).

With respect to informal employment, a share of 85 per cent outside agriculture (UBOS, 2018). Out of the 9.0 million employed persons, 12 per cent (or 1.1 million) were in time-related underemployment. The combined rate of unemployment and persons classified in time-related underemployment as a proportion of the labour force was found to be 20 per cent. When unemployment and potential labour force are combined and expressed as a proportion of the extended labour force (LU3),<sup>32</sup> this was estimated to be 18 per cent countrywide but higher in rural areas (22 per cent) than in urban areas (10 per cent). Out of the population of about 19 million aged 14–64 years, about 45 per cent (9.9 million people) were not in the labour force, that is, they are economically inactive and include those aged 14–18 who are still attending school. Among females, the proportion was 55 per cent, while among males it was 39 per cent. Inactivity can be a result of not seeking work, not being available for work, or both. Discouragement was the main reason reported by the inactive population for not being available for work, with a proportion of 60 per cent, whereas the main reason for not seeking work was being in school or training (33 per cent). The Ugandan LFS 2016/17 also recognizes unpaid care workers and their contribution to the economy. About nine in every ten females (88 per cent) were engaged as unpaid care workers, compared with six in every ten males (64 per cent).

<sup>32</sup> LU3 is the combined rate of unemployment and the potential labour force. See [ILOSTAT website](#) for more information.

► **Figure 6. Selected key labour market indicators with a gender dimension**



Source: UBOS, 2018.

The NDPIII acknowledges insufficient creation of quality and gainful jobs in the economy, especially for the youth, with an estimated unemployment rate of 13.3 per cent. About 78 per cent of the population is aged 30 years and below.<sup>33</sup> It is estimated that 700,000 people enter the labour market every year, of whom only about 238,000 (34 per cent) are absorbed. Further, it states that employment has expanded in lower-productivity activities such as subsistence agriculture and petty trade where informality is predominant.

From the statistics and analysis above, it appears that the ability to create enough and good quality jobs is still elusive and keeping a substantial proportion of the population trapped in the informal economy. Curbing the spread of informality must, therefore, primarily focus on making quality employment a central concern of economic and social policies. These policies need to be accompanied by an employment-friendly macro-economic framework, targeted support to productive sectors of the economy, together with initiatives to improve working conditions, employability and skills development, as well as a fair distribution of income. NDP III responds to some of these objectives with its aim to increase the proportion of the labour force transitioning into decent employment to 55 per cent between the period 2021–2025.

## ► 5.2 National level overview – informal workers and informal economical units

### 5.2.1 National level overview – informal employment

Informal economic activity is a central feature of economic life in Uganda. What is currently measured includes informal employment and informal sector units (see definition in box 2).

According to the National Labour Force Survey (2016/17) report, informal employment constituted 85 per cent of the total non-agriculture employment. There was minimal variation by gender. The results also show that the urban informal employment (81 per cent) was lower than that of the rural areas (90 per cent).

<sup>33</sup> NDPIII major outstanding challenges.

## ► Box 2. Definition of informal employment and employment in the informal sector

The statistical definition of informal employment differentiates three categories of workers: (i) employees, (ii) employers and own-account workers, and (iii) contributing family workers.<sup>a</sup>

- In the case of employees, informal employment is defined in terms of the employment relationship. According to international standards “[employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.).”<sup>b</sup> The underpinning reasons may be: non-declaration of jobs; casual jobs or jobs of a short duration; jobs with hours of work or wages below a specified threshold (for example, for social security contributions); or lack of application of law and regulation in statistical terms. The formal or informal nature of a job held by an employee is determined on the basis of operational criteria such as social-security contributions by the employer (on behalf of the employee), and entitlement to paid sick leave and paid annual leave.
- Employers and own-account workers are considered to be in informal employment when their economic units belong to the informal sector. The informal sector is a subset of household enterprises (not constituted as separate legal entities, independent of their owners) that produce goods or services for sale in the market, and that do not have a complete set of accounts and/or are not registered under national legislation.<sup>c</sup>
- Contributing family workers are, by definition, informally employed, regardless of whether they work in formal or informal sector enterprises.

a Until further revision of existing statistical standards (that will be discussed for adoption in the next ICLS in 2023), estimates of informal employment follow the definition of employment as defined according to the 13th ICLS resolution.

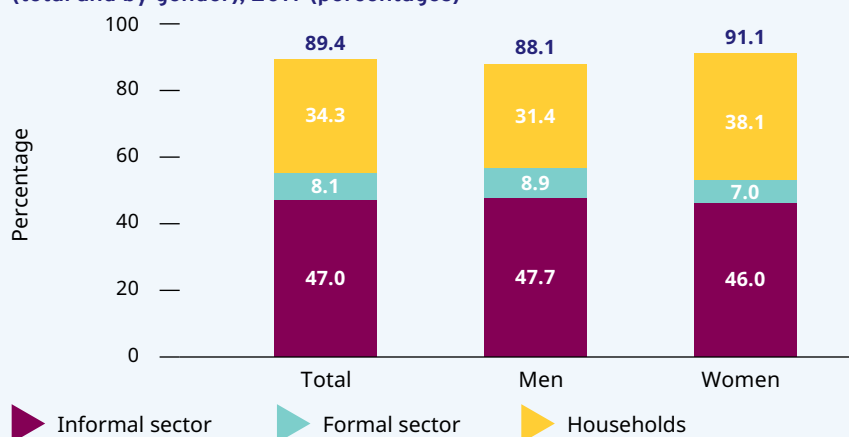
b ILO, *Guidelines concerning a statistical definition of informal employment*, 17th International Conference of Labour Statisticians (Geneva), 2003. Available at: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms\\_087622.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087622.pdf).

c ICLS, *Resolution concerning the measurement of employment in the informal sector*, ILO 15th International Conference of Labour Statisticians, Geneva, 1993. Available at: [https://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms\\_087484.pdf](https://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087484.pdf).

Including agriculture, informal employment represents 89.4 per cent of total employment.<sup>34</sup> Independent workers, and in particular own-account workers, make up the majority (59 per cent) of informal employment. Together with contributing family workers (8 per cent) they have a particular vulnerable status and are more difficult to reach with the usual employment and social security policies. The informal employment share was about the same, with 88.1 per cent of men in informality compared with 91.1 per cent of women in informality (figure 7).

<sup>34</sup> This is based on the harmonized ILO definition of informal employment.

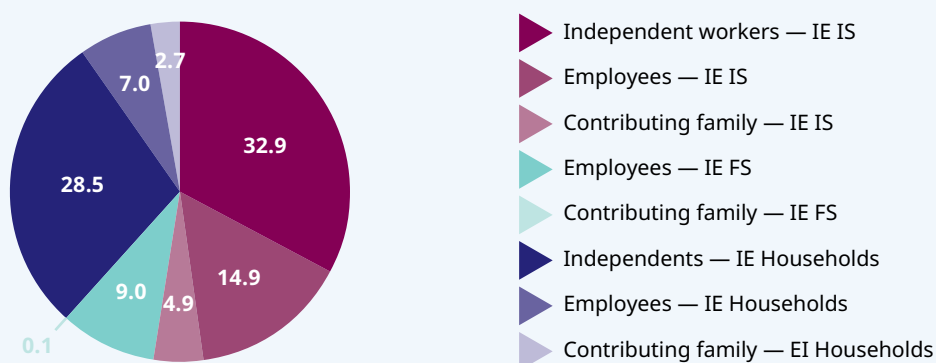
► **Figure 7. Extent of informal employment in total employment including agriculture (total and by gender), 2017 (percentages)**



**Source:** ILO calculations based on LFS Uganda 2017. ILO harmonized definition of informal employment.

Employees in informal employment represent 31 per cent of total informal employment and employers 2 per cent. More than half of informal employment (51.5 per cent) is in agriculture. Unemployment and the percentage in each status are presented in figure 8.

► **Figure 8. Composition of informal employment by type of production unit and status in employment, 2017 (in %)**



**Source:** ILO calculations based on LFS Uganda 2017.

In Uganda, just over half (52.7 per cent) of informal employment concerns employment in the informal sector calling for measures and policies to facilitate the transition of informal sector units to the formal sector. Informal employment in the informal sector includes:

- Independent workers (own-account workers and employers) represent one third of total informal employment. For them, formalization means formalizing their enterprises. This refers to policies and measures aiming at facilitating the transition of economic units to formality by reducing the cost of becoming and remaining formal, increasing the advantages associated with being formal, and/or increasing the cost of being and remaining informal. Not all of them are about “formalization” per se (being covered and complying with fiscal, social and labour obligations), but support this process. It includes a range of incentives (access to social security for them and their employees, access to markets, including public procurement, access to financial resources, assets and property). It may also include deterrent measures to detect or sanction informal behaviour. In addition, it includes a range of complementary measures to address the root causes of informality, such as improving productivity to create the conditions for formalization by providing a degree of income security in terms of stability



and predictability. For independent workers, for instance, the extension of social security as such is not about formalization; however, linking the access to social security for them and their employees to the registration of their unit can represent an important incentive for the formalization of their activity, and is, in all circumstances, an objective in itself.

- ▶ Employees in informal employment in informal sector enterprises represent 14.9 per cent of total informal employment. Formalization of jobs for employees is about the formal recognition and declaration of their employment relationship, and attached to it, effective access to social and labour protection. Depending on the protection attached to the different forms of employment agreements (or possibly work agreements), and having a contract, being declared is necessary but not always sufficient. For employees in informal employment in informal enterprises, formalizing their job calls first for the formalization of the enterprise that employs them as a pre-condition for an effective access to social and labour protection.
- ▶ Contributing family workers in informal sector units (4.9 per cent) call for a combination of measures to facilitate the shift to another employment status (possibly employee) and a reduction of decent work deficits with measures to formalize the economic unit.

An additional 9 per cent of employees are in informal employment in formal enterprises. For them, and to some extent for those working in households as domestic workers (7 per cent), formalization calls primarily for the recognition and declaration of the employment relationship and effective social and labour protection associated with it.

- ▶ Finally, more than 30 per cent are independent workers producing goods or services that are not mainly intended for the market with the purpose of generating an income or profit. For them, the question to be raised is whether this is an issue of formalization. This last category falls outside the scope of the new definition of employment (and of informal employment).

## **Workers most exposed to the risk of informality and most represented in the informal economy**

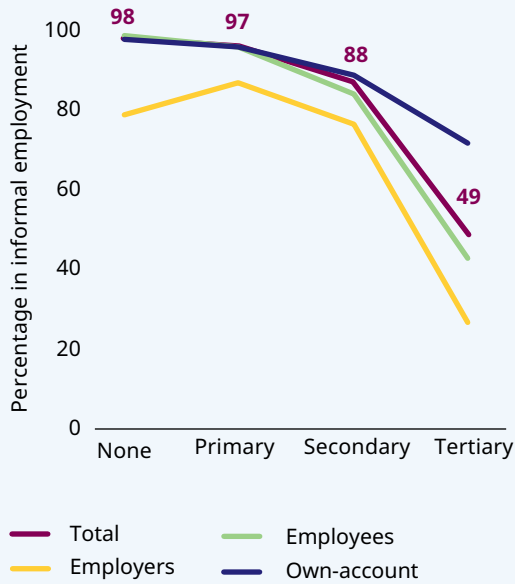
Informality was reduced with increasing levels of education completed, ranging from 98 per cent for those with lower than primary level education, to 49 per cent for persons who completed a degree (university graduates) and above (figure 9, panel A). The distribution of workers in informal employment by level of education shows that the informal economy tends to absorb workers with lower levels of education. Two out three workers in informal employment (67 per cent) have either no education or a primary level (figure 9, panel B). The corresponding proportion among workers in formal employment is about 18 per cent. By contrast, close to half of the workers in formal employment have a tertiary level compared with 6 per cent among those in informal employment. With respect to age (figure 9, panel C), the youth and senior workers are the most exposed to informality. In terms of rural or urban regions, the LFS shows that the urban informal employment (74.2 per cent) was lower than that of the rural areas (92.3 per cent).

## **Employment related features (sectors, employment status, occupations, size of enterprise)**

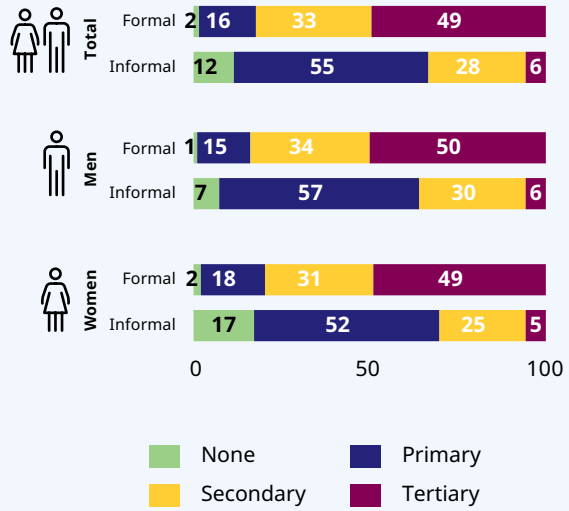
In terms of employment status, apart from contributing family workers who are all in informal employment by definition, own-account workers are the most exposed to informality. Nearly all of them (98 per cent) own non-registered informal sector economic units and are, as a result, considered to be in informal employment. Agriculture, forestry and the fishing sector, as well as the domestic work sector, have the highest shares of informal employment (over 99 per cent).

► Figure 9. Overview of informality in Uganda: socio-demographic characteristics, 2017 (in %)

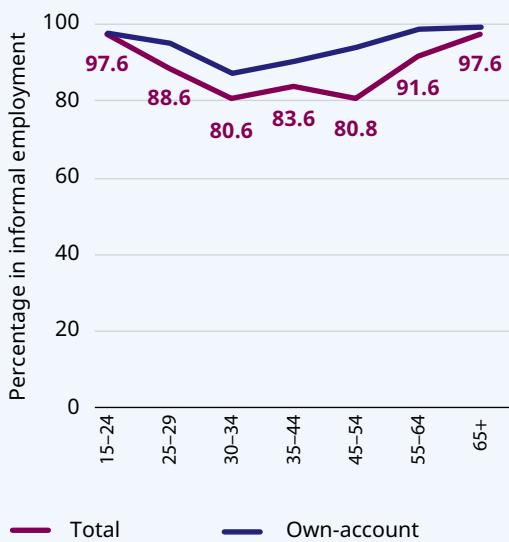
A. Percentage of informal employment by highest level of education and status in employment



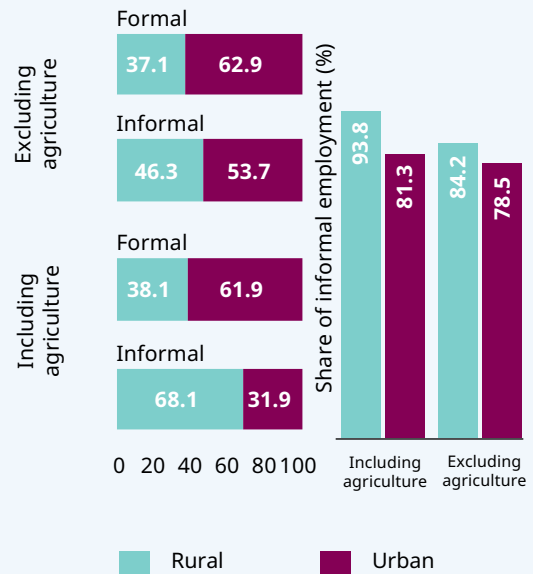
B. Distribution of informal employment by level of education



C. Share of informal employment depending on age group (%)



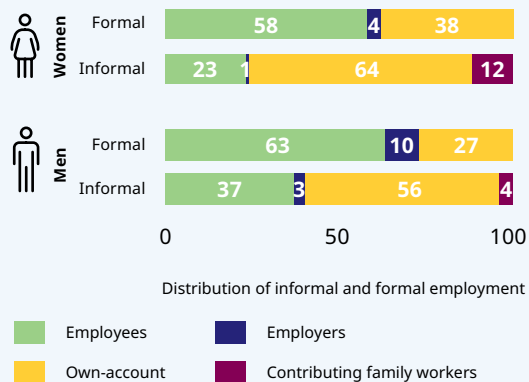
D. The rural-urban dimension of informality



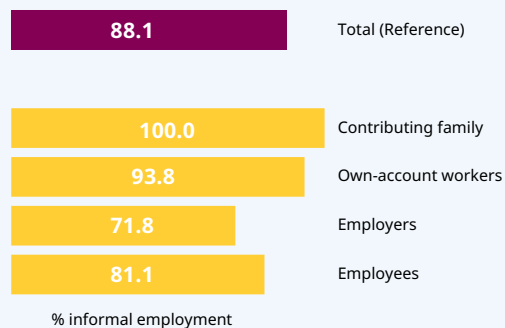
Source: ILO calculations based on LFS Uganda 2017. Panels A and C. Contributing family workers who, by definition are in informal employment, are not displayed.

► **Figure 10. Informality and employment related features**

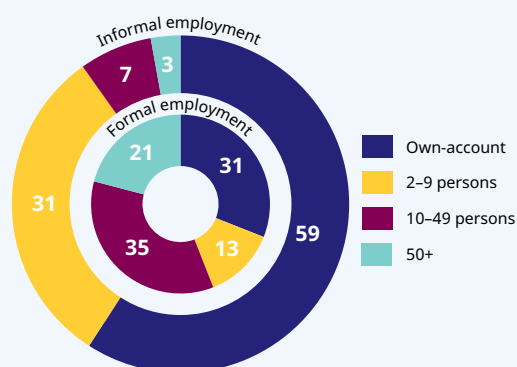
**Panel A. Distribution of informal and formal employment by employment status (%)**



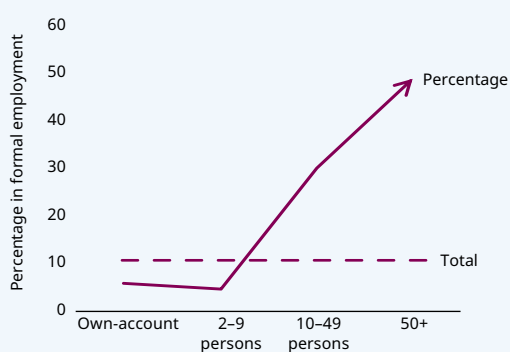
**Panel B. Informal employment depending on employment status (%)**



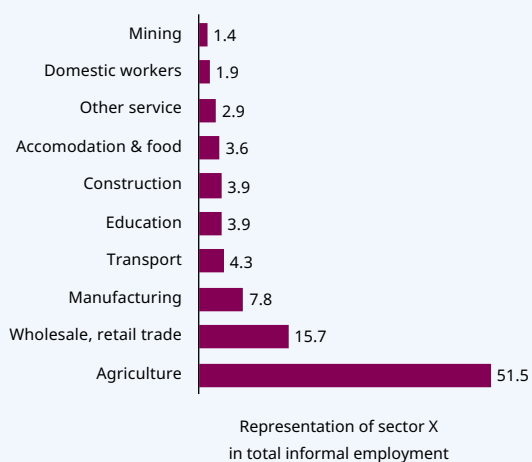
**Panel C. Distribution of informal and formal employment by enterprise size (%)**



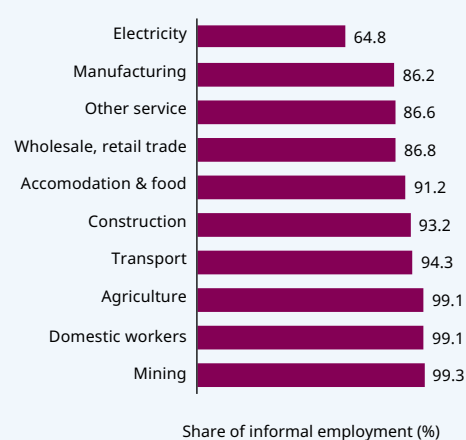
**Panel D. Share of formal employment and size of enterprises (%)**



**Panel E. The sectoral dimension: the ten most represented sectors in the informal economy**



**Panel F. The ten sectors most exposed to informality**

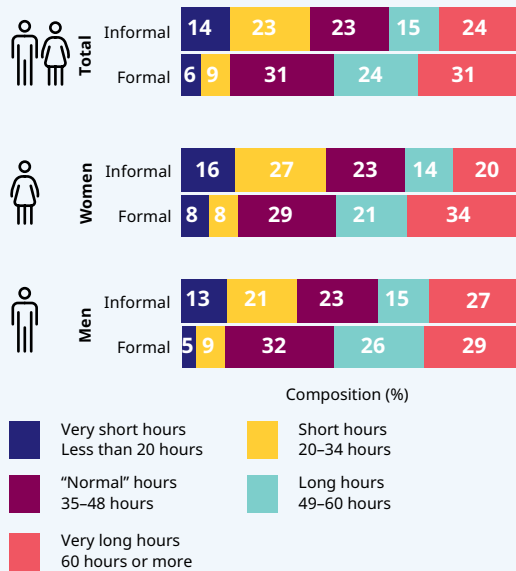


Source: ILO calculations based on LFS Uganda 2017.

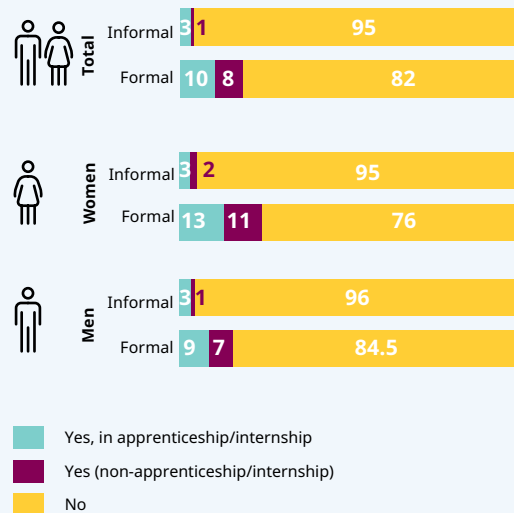
## Working conditions (place of work, working time, earnings, membership, and so on)

► Figure 11. Informality and working conditions (2017)

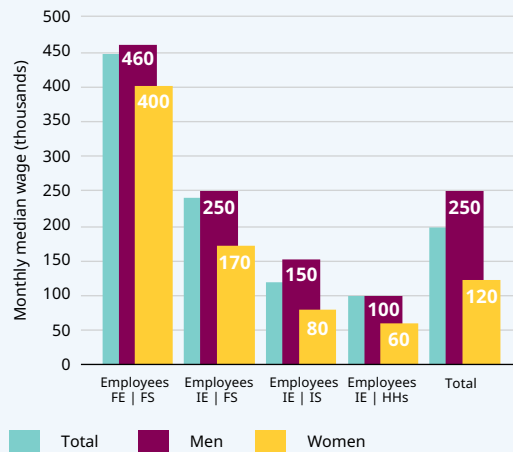
Panel A. Distribution of workers in informal and formal employment by hours of work for pay or profit, by gender



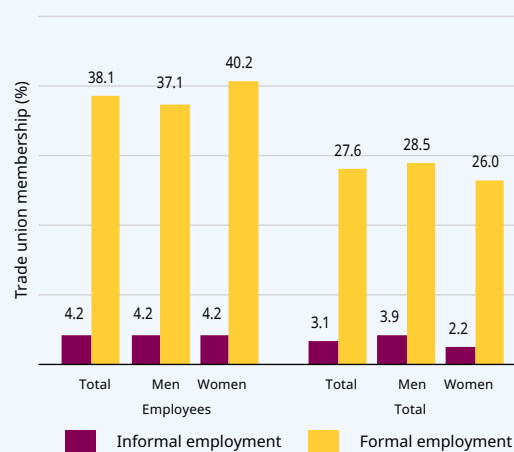
Panel B. Received any training for the current job in the last 12 months



Panel C. Monthly median wages among employees (national currency)



Panel D. Trade union membership among workers in informal and in formal employment



Source: ILO calculations based on LFS Uganda 2017.

Workers in informal employment tend to work outside the range of so-called “normal hours” of work (35–48 hours). When considering hours of work for pay or profit, less than one fourth of all workers in informal employment work “normal hours” compared with 31 per cent among their formal counterparts. More than 37 per cent are working very short (less than 20 hours a week) or short hours (21–34 hours) of work for pay or profit (figure 11, panel A). The situation is the most critical among women in informal employment (43 per cent working less than 35 hours a week for pay or profit). This has obvious consequences in terms of labour earnings (figure 11, panel C). The time spent doing unpaid work — unpaid care work and subsistence farming — explains to a large extent such high proportions of informal workers in short hours and low-paid jobs. The unpaid female care workers worked for an average of 20 hours a week, compared with 10 hours for males. Subsistence agriculture workers usually spent an average of 28 hours a week at work (UBOS, 2018).

Membership in organized labour unions is extremely low, especially for informally employed workers. Membership of employees in trade unions or similar employee or trade associations was estimated at 6 per cent in 2017 (UBOS, 2018). Only 4 per cent of employees in informal employment are members of trade unions or similar associations, compared with 38 per cent of formal employees (figure 11, panel D). About 85 per cent of the employed population are not members of any trade unions or similar associations (UBOS, 2018). Several trade unions are organized under various employment sectors and categories. Most are affiliated to the National Organisation of Trade Unions (NOTU).<sup>35</sup> We are not aware of any notable associations of informal employees. The latest Uganda National Household Survey (UNHS) showed that, despite impressive economic growth, 27 per cent of Ugandans were below the national poverty line in 2016/17 (UBOS, 2017). Reverses in poverty reduction are particularly acute in the north<sup>36</sup> — where most refugees are located.

## 5.2.2 Overview of informal economic units

The informal sector in Uganda is characterized by lack of formal registration with local or national authorities, high levels of self-employment, and mobility of the business enterprises.

### ► Box 3. Definition of enterprise informality in Uganda

In the context of Uganda, the National Labour Force Survey considers that an enterprise is informal if it is not registered by the URSB as a business, or if it was not registered by the URA for Value Added Tax or income tax.<sup>a</sup>

a National Labour Force Survey 2016/2017, Uganda Bureau of Statistics, June 2018.

The documents and the process of business registration are the same for refugees and Ugandans, and are covered in [section 7.1.3 Laws and regulations affecting enterprise formalization](#). According to rebased GDP figures of Uganda's economy, which were released by the Uganda Bureau of Statistics (UBOS) in December 2019, the country's total GDP amounted to 128 billion shillings at current market prices. Out of this, the informal sector contributed 65,154 billion shillings in 2018/2019 while the formal sector contributed 63,345 billion shillings in the same period. That is, the informal sector contributes to over 50 per cent of Uganda's economy.<sup>37</sup> Other studies attest to the same,<sup>38</sup> adding that the informal sector is responsible for more than 80 per cent of labour force work. As discussed in [section 5.2.1](#), the sector is a major contributor to employment. The bulk of the small informal businesses such as food kiosks, fish-selling, shoeshining, among others, are owned and run by the population with low education levels. This is because these activities may not require specialized skills to operate. Economic units of fewer than ten workers cover more than 90 per cent of all workers in informal employment (including agriculture, see [figure 10, panel C](#)). The share of formal employment within economic units increases while the size of enterprises grows, assuming that larger enterprises are not only more productive but also more visible and more exposed to labour and social inspections ([figure 10, panel D](#)). Most of the informal businesses seem to offer income and survival means to people who are most vulnerable to poverty, including women. Women-owned businesses are frequently involved in selling essential products (retail shops) and operating food kiosks. There is insufficient data on the intersection between gender and informal enterprises in Uganda. However, with respect to formal economic units, the [Global Gender Gap Report 2020](#)<sup>39</sup> indicates that only about one in ten firms holds a female majority ownership (10.2 per cent) as compared with 89.8 per cent for men. Firms indicating they have female top managers were at 15.4 per cent, compared with their male

35 See [www.notu.or.ug](http://www.notu.or.ug) for a list of Trade Unions allied to NOTU.

36 The UNHS 2016/17 confirms that: "the incidence of poverty increased by seven percentage points between 2012/13 and 2016/17" (UBOS, 2017).

37 [https://www.ubos.org/wp-content/uploads/publications/12\\_2019GDP\\_Rebase\\_Publication.pdf](https://www.ubos.org/wp-content/uploads/publications/12_2019GDP_Rebase_Publication.pdf). Also see [https://www.citiesalliance.org/sites/default/files/PB\\_Uganda\\_WEB.pdf](https://www.citiesalliance.org/sites/default/files/PB_Uganda_WEB.pdf).

38 <https://www.busiweek.com/why-uganda-hasnt-overcome-the-informal-sector-pension-quagmire>.

39 <https://www.weforum.org/reports/gender-gap-2020-report-100-years-pay-equality>.

counterparts (84.6 per cent). With respect to the right to hold a bank account and obtain credit, the report indicates that, in practice, women do not have the same access as men to the same financial services at a formal financial institution.

Other indicators, such as women's access to land use, control and ownership — all important components for formal agricultural production, also seem to affect women detrimentally as they do not obtain the same access rights as men. This is also true for the ownership of non-land assets. This kind of factor puts women in a disadvantageous position and is likely to keep their economic activities in perpetual informality. The informal sector in Uganda is also heterogeneous, with participants engaged in a variety of activities ranging from street vending and hawking to retail trading. The heterogeneity of the informal sector shapes its dynamics and evolution. Given the diverse nature of activities in the informal sector, it is important in providing gainful employment and income to the most vulnerable segments of the population.

## ► 5.3 Informality in forced displacement settlements and host communities

---

Nationally, the situation of refugees in the labour market is dominated by high levels of unemployment, with a total of 72 per cent unemployed.<sup>40</sup> Moreover, the type of employment is characterized by vulnerable forms of employment, manifested by inadequate earnings, low productivity and unsatisfying working conditions. Not only refugees, but also individuals and households in the host communities, experience the underlying demand-side deficiencies of low socio-economic development that govern most of the remote rural areas where they live. The deficiencies are of a structural nature and limit the access of both groups to decent employment. In addition, the general unavailability of formal jobs as dependent or independent workers decreases the chance of finding appropriate means to income-generating activities. On the supply side, the employment situation of the target populations is aggravated by low levels of education and formally recognized skills. Recognition of prior learning systems are still weak and not yet widely accessible. Hence, most adults are unable to demonstrate prior professional experience that would have the potential to foster the transition to productivity-enhancing economic activities or formal employment.

Children, adolescents and youth make up the majority of the displaced population. Many young people from refugee and host communities are missing basic foundational skills, which are important for proceeding towards a skills level that can facilitate decent employment. For example, around 69 per cent of young refugees have only reached the level of primary education, and the proportion is higher among young women, at 77 per cent.<sup>41</sup> In addition, refugee women and girls, who comprise approximately 55 per cent of the refugee population in Uganda, suffer from heightened social and economic vulnerabilities.<sup>42</sup> These include, for instance, adopting negative coping mechanisms that can lead to female prostitution, selling food rations, or child marriage. Moreover, the disproportionate distribution of unpaid care responsibilities, with women and girls responsible for the vast majority of activities, detrimentally affects women's access to the labour market. In the next subsections, we look into detail, with a focus on the two study areas and beginning with informal employment.

---

40 World Bank, "Informing the Refugee Policy Response in Uganda: Results from the Uganda Refugee and Host Communities 2018 Household Survey", 2018.

41 UNHCR et al. (2020). Analysis of refugee vulnerabilities in Uganda.

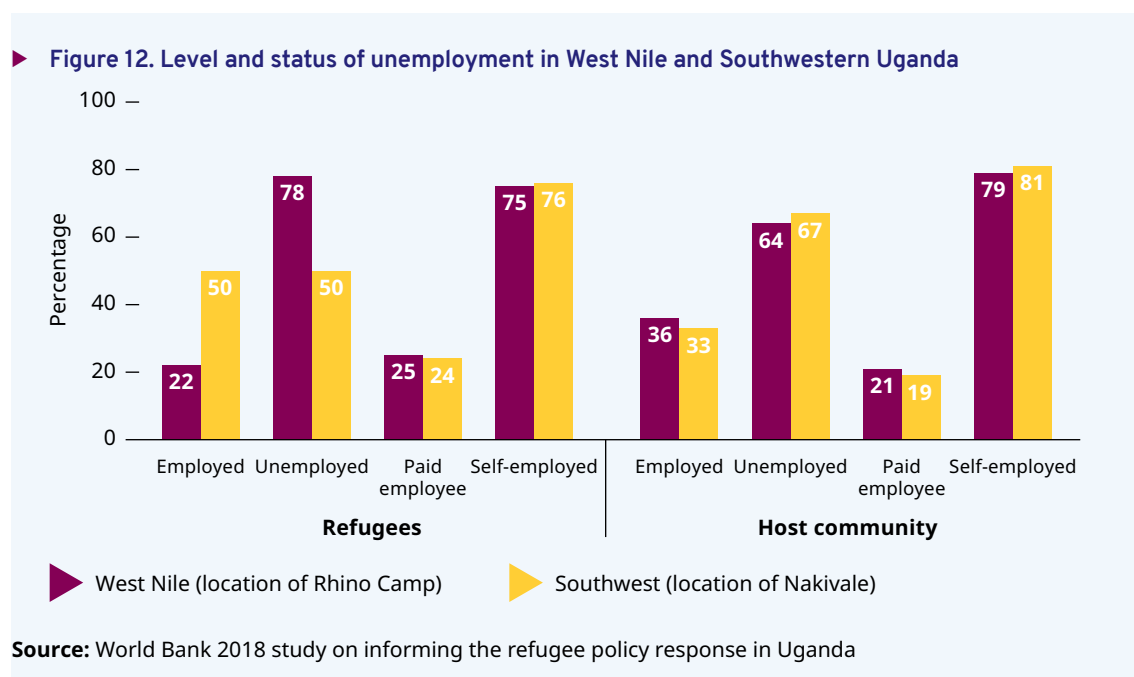
42 <https://pubdocs.worldbank.org/en/691901512451512235/Informational-Note-on-Forced-Displacement-in-Uganda-November-2017.pdf>.

### 5.3.1 Informal workers among refugees and host communities

In the context of refugees, the Employment Diagnostic Analysis<sup>43</sup> of 2018 points out that, in general, the labour force participation rates of refugees are lower than the general population, with most finding casual employment in the agricultural sector. Further, refugees are mainly engaged in occupations that provide little income, no social protection or job security. In addition, according to the World Bank study on Informing the Refugee Policy Response in Uganda carried out in 2018, only 28 per cent of refugees in Uganda are employed, with a larger 72 per cent in unemployment.<sup>44</sup> Unemployment rates are lower for early arriving refugee cohorts, suggesting that as time goes by, refugees are better able to assimilate the economic conditions of the host country. For those who just arrived or have been in Uganda less than two years, the unemployment rate was 77 per cent, while for those who have been in Uganda for five years or more, it was around 54 per cent.

In general, unemployed refugees are young (average age 25 years) and with low levels of education (more than half only completed some primary education). In addition, before arriving in the country, 45 per cent worked in agriculture and around 23 per cent in services and sales.

With a specific focus on the areas of West Nile and Southwestern Uganda, where Rhino Camp and Nakivale are located, figure 12 illustrates the levels and status of unemployment in the two regions.

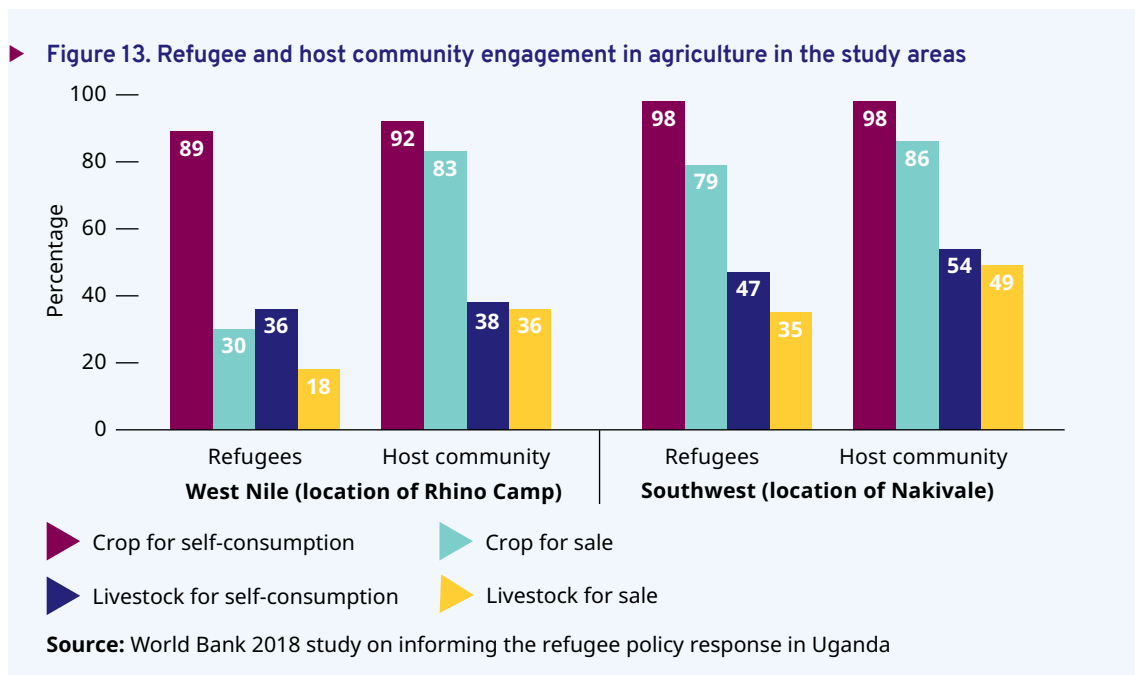


West Nile has the largest unemployment gap, with 78 per cent of refugees reported to be unemployed compared with only 36 per cent of hosts. This may be explained by the late arrival of refugees from South Sudan where the conflict remains ongoing. The report further indicates that unemployment was lowest in the Southwest region for both refugees and hosts, with unemployment rates of 50 per cent and 33 per cent respectively. With respect to wage employment, only one in four of the employed refugees is wage-employed in the West Nile and Southwest regions. This is a similar proportion to wage employed hosts in the two regions (21 per cent in West Nile and 19 per cent in Southwest). This is consistent with the fact that the differences between refugees and hosts in these two regions are less marked. Among the wage employed, refugees earn wages that are 35 to 45 per cent lower compared with hosts. As expected, better educated refugees that travel to the urban region, especially to the capital city Kampala, earn much

43 Published by the MGLSD of the GoU with the support of the ILO.

44 World Bank, "Informing the Refugee Policy Response in Uganda: Results from the Uganda Refugee and Host Communities 2018 Household Survey".

higher wages than those in other regions. Within the wage employed, refugees in Kampala are reported to earn an income that is 3.5 times higher than that of refugees in West Nile and 4.5 times higher than that of refugees in Southwest. Throughout Uganda, refugees earn lower wages than hosts: the World Bank report indicates that refugees earn around 40 per cent less than hosts. With respect to agriculture and non-agriculture employment, the same study highlights refugee occupations, putting agriculture, forestry and fishing as the lead sector. As many as 52 per cent of refugees and 68 per cent of the host community are engaged in this sector. It further points out that the majority of refugees grow crops for their self-consumption and partly for sale. Figure 13 shows the percentages for refugees and host communities involved in agriculture for self-consumption and for sale.



Complementary studies and primary data collection conducted for this study reveal additional information on employment characteristics in the settlements.<sup>45</sup> A study by the Refugee Studies Centre of Oxford University carried out in 2019<sup>46</sup> sheds some light on the employment situation inside Nakivale settlement, with a focus on Congolese and Somali nationals. It indicates that 46 per cent of Congolese and 23 per cent of Somalis in the settlement are employed mainly as own-account workers, contributing family workers and employees in the host community. A small proportion (about 7 per cent) have access to low-paid jobs working for international organizations and NGOs in a variety of positions from cleaners to electricians. It also points out that 38 per cent are engaged in non-agricultural casual labour and in market-based sources of employment. The study further indicates that in Nakivale, 88 per cent of Somali employment and 51 per cent of Congolese employment is by co-nationals. It also highlights that for those with a job, 33 per cent of Congolese and 37 per cent of Somalis run their own businesses. Hence, own-account workers are the most important employment category.

According to a UNHCR and World Vision study, in Rhino Camp, about 58 per cent of refugees are reported not to be engaged in any form of economic activity. Instead, they rely entirely on food assistance for survival.<sup>47</sup> Some refugees are reported to rent land from the host communities for their farming activities. A minority are in petty trade at 9 per cent, and others do casual work (7 per cent). The same study highlights that among the host communities, 85 per cent depend on agricultural production as the main economic activity, followed by petty trade at 10 per cent and casual labour (5 per cent). With respect to gender,

45 This includes 161 interviews with different categories of respondents including independent workers and employees (both refugees and non-refugees) in the formal and informal sectors (see table 2).

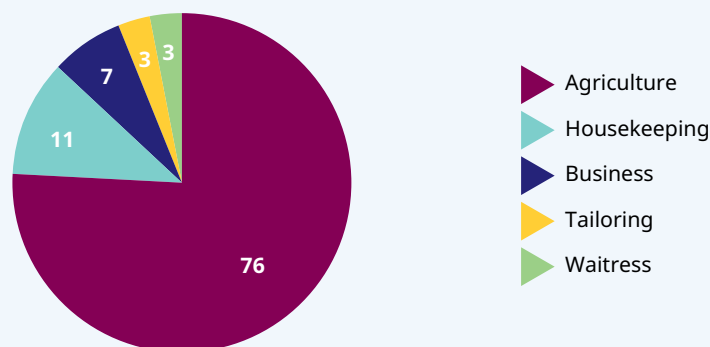
46 A. Betts et al., *Refugee Economies in Uganda: What Difference Does the Self-Reliance Model Make?* (Oxford: RSC), 2019.

47 This is according to UNHCR and World Vision – Inter-Agency Livelihood Assessment Targeting Refugees and Host Communities in Imvepi And Rhino Camp Settlements. <https://www.wvi.org/sites/default/files/Livelihood%20report-lowres.pdf>.



studies<sup>48</sup> on Nakivale show that 27 per cent of the refugee population have no formal education, of whom 72 per cent are women, with most of them engaged in agriculture and other sectors disproportionately, as illustrated in figure 14.

► **Figure 14. Sectors in which women from refugee communities are most engaged in Nakivale (in %)**



Source: Authors, with data from Asigma Capital.

The host community population is highly engaged in agriculture, as illustrated earlier (figure 13) with more than 98 per cent of the population.

► **Table 2. Primary data respondents in FDP settlements and host communities**

Total number	Category of interviewees	Area	Target number per area	Actual number interviewed
70	Group 1: <b>Refugees carrying out informal economic activities</b> (independent workers)	Rhino Camp	30	30
		Nakivale	40	37
30	Group 2: <b>Refugees in informal wage employment in informal sector enterprises</b>	Rhino	10	10
		Nakivale	20	17
30	Group 3: <b>Refugees in informal employment working in formal sector enterprises</b>	Rhino	15	10
		Nakivale	15	11
30	Group 4: <b>Non-refugee employees (local Ugandans) employed in the host communities</b>	Rhino	15	15
		Nakivale	15	12
18	Group 5: <b>Economic units (both formal and informal) in host communities and nearby cities</b>	Rhino	9	6
		Nakivale	9	9

For non-refugee employees (that is, local Ugandans employed in the host communities), engagement was mainly in economic units directly involved in agriculture or in agriculture-related trading activities around Nakivale. During interviews with this group, as well as with business owners (both formal and informal) in host communities, it was found that Nakivale offers opportunities for agriculture and, as such, most businesses were engaged in agriculture both at primary level and in agriculture trade (such as matooke bananas, cattle, maize, beans and sorghum). This is mainly due to the fact that Nakivale has relatively fertile land suitable for agriculture and related agribusiness activities.

The number of individual refugees carrying out informal economic business activities (here, independent workers) in Nakivale is also high (over 90 per cent). The availability of plots for refugees (though reducing in size) creates opportunities for self-employment in agriculture.

48 Asigma Capital, "Rapid Assessment of Refugee Employment Opportunities in Select Ugandan Settlements Report". Done for Mastercard Foundation, June 2019.

In Rhino Camp, as many as 80 per cent of refugees and host community respondents report being engaged in agriculture. This finding is derived from interviews with 76 respondents, mainly refugees carrying out informal economic activities followed by economic units (both formal and informal) in host communities. Many cultivate and trade in cassava and sesame. Others are occupied with general merchandise, mobile money transactions and motorbike transport (commonly known as *boda boda*).

In Rhino and Nakivale, market-based sources also provide employment for refugees and host communities. There are many own-account workers trading in raw and semi-processed foods, and others selling general merchandise in small shops and open markets.

Insight into the kind of contracts received was gathered during interviews with 56 individual refugees in Rhino Camp and Nakivale: refugees in informal wage employment in informal sector enterprises, and refugees in informal employment in formal sector enterprises. Those employed with NGOs received ordinary employment contracts with normal employment entitlements. For those employed in informal and formal enterprises, there were no formal contracts except in a few microfinance institutions. Most of the working terms were communicated verbally, particularly their wages. The situation of their working conditions is outlined in section 5.3.2.

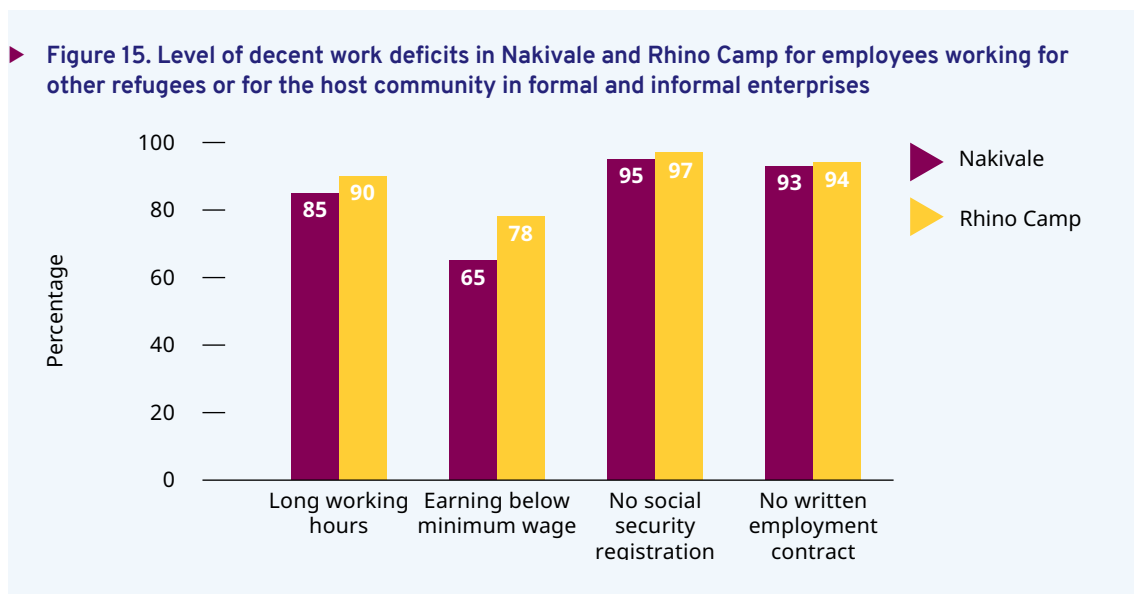
### 5.3.2 Working conditions and exposure to decent work deficits

Based on primary data collected in Nakivale and Rhino Camp, no substantial decent-work conditions as prescribed by the employment law could be found, except for very few who had placement with international NGOs and some microfinance organizations.

The majority had complaints, as highlighted below.

- ▶ For refugee employees working for other refugees and for host community units, mainly in informal sector units, hiring is closely related to acceptance of low wage. One entrepreneur expressed a preference for hiring Congolese refugees in his maize-milling enterprise. *"I hire them because they are cheaper than Ugandan labours."* For refugees who are employed in the host community, these low wages are a real source of frustration, as they do not earn enough to cover all necessary costs. They barely save anything. This finding correlates with a World Bank Study (2018) which indicated that among the wage-employed, refugees earn wages that are 35 to 45 per cent lower compared with hosts, even when controlling for workers' personal or employment characteristics (such as education, occupations).
- ▶ Employees working for refugees or for the host community and mainly in informal sector units experience long working hours and days. In both study areas, respondents pointed out that they worked a whole week, including Saturdays, from 8 a.m. to 6 p.m., for a monthly salary of between 150,000 and 250,000 shillings. This amount remains too low to cover basic needs. Ugandan labour law sets working hours at 8 per day and 48 per week, and prescribes that any hours worked over and above should be compensated as overtime. This is not done in the informal sector.
- ▶ Seasonal recruitment without a contract. Business owners indicated calling people for work temporarily. *"Whenever I need people, I call these Congolese refugees who live in my neighbourhood. I need them mainly when planting and harvesting maize or when I want to massively overhaul and manure my matooke garden."*  
  
*"We are given dead-end jobs that do not require one to have a contract in both formal and informal businesses",* said one of the employees from the refugee community.
- ▶ Lack of social security coverage. We did not find any of the refugees working in the host community or as own-account workers registered under any social security scheme or receiving any form of cover. *"Refugees always think of being around the settlement for a short period of time, therefore most of them never think of building a considerable future here, reason why they never care about being registered by employers with the NSSF,"* said one of the refugee business owners. Formality was observed in cases of placement with the UN and INGOs or in the private sector, but only about 7 per cent of households had a family member who had a job in these categories.

Figure 15 illustrates that the state of decent work is deficient in Nakivale and Rhino Camp. As can be observed, most of the study respondents experience poor working conditions, including low pay, no social security, no written employment contacts, and so on.



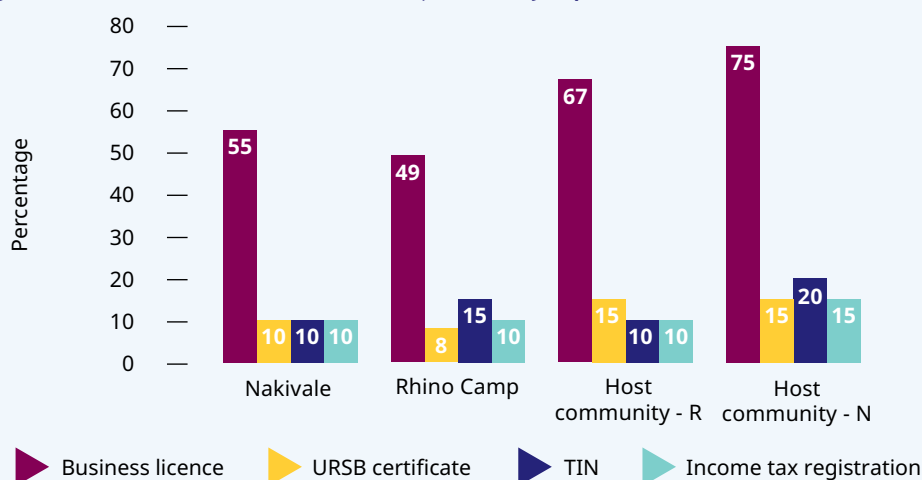
## ► 5.4 Informal economic units owned and run by refugees and the host community

Most of the refugee-owned enterprises (group 1: Refugees carrying out informal economic business activities (independent workers) — in the settlements are not formal in the broad sense of the law, that is, they have neither a URSB certificate nor a TIN. We interviewed a total of 67 individual refugees (37 in Nakivale and 30 in Rhino Camp), carrying out informal economic business activities. We also interviewed another 15 business owners in the host community — group 5: business owners (both formal and informal) — in host communities and nearby cities. While 75 per cent of economic units possess a business licence (which is primarily the trade licence), other key documents were missing for most. Details on how to obtain the trade licence are outlined in [section 7.1.3](#) — Laws and regulations affecting enterprise formalization. Less than 12 per cent of the total of 67 refugees carrying out informal economic business activities and the 15 business owners in the host community (formal and informal) had either a TIN or a URSB certificate in addition to the licence (see figure 16). The situation is not very different from that of the host community, with only up to about 19 per cent possessing a TIN in addition to the licence. Except for a few entrepreneurs who saw an opportunity in bidding for government supply tenders advertised at the district, the majority of the Ugandan business owners interviewed just had an operational licence from the sub-county.

The basic need to do business for both refugees and host communities is to prove that their business activity is legal.<sup>49</sup> This is achieved once they obtain a business licence. Beyond this, for most of them, there seems to be no motivation to take the next steps. Obtaining a business licence is easier or less costly (in the longer term) than registering with URA.

<sup>49</sup> Please note that a business licence simply recognizes or authorizes the conduct of a business activity. Although efforts are under way to ensure that only formally registered enterprises are issued the licence, it is still a common practice to offer the licence to micro and small informal enterprises or economic units.

► Figure 16. Share (in %) of economic units possessing key formalization documents



For most of the host community business entrepreneurs, they point out that the size of their business, inadequate capital, limited markets, cost and hassle of business registration, lack of knowledge, and so on, do not incentivize them to go beyond obtaining a licence. Others, especially own-account workers, say they do not see the need. Some also express total ignorance of the registration process. Refugee business owners, too, are engaged in micro business activities, especially around trade in general merchandise and agriculture (crops and animals), with little for sale. The size of the business activities does not motivate them to pursue registration. Others point out that the lack of knowledge, lack of awareness and limited guidance from relevant institutions are hindrances to business registration. *“The reason of keeping their businesses informal is the lack of knowledge”*, said one of the camp leaders who also doubles as an area refugee business leader in Nakivale camp. *“They always claim that they are registered by the UNHCR, and they do not think that they need to be registered by any other agencies”*, he added. *“We have got small groups doing businesses in Rubondo, but nobody has ever come to direct us on ways to follow for registering and securing our small businesses”*, said a resident from Rubondo. Other refugees believe that their legal status as refugees limits how far they can go in succeeding with registration processes with relevant authorities. *“Unlike the host community, our conditions are different. When we go to the district we do not understand what goes on. We probably need an office registering our businesses here in the settlement”*, said one of the refugees present at the meeting.

### 5.4.1 Characterization of the economic units

The economic units are mostly micro enterprises (between zero and four employees and an income of not more than 10 million shillings per year).<sup>50</sup> Economic activities vary with nationalities and their economic and cultural backgrounds. For example, the Congolese in Nakivale, like the neighbouring Ugandan hosts, are primarily engaged in subsistence agriculture, growing maize, beans, sorghum and vegetables for their own consumption and sale. They have solid agricultural backgrounds both as cultivators and animal-keepers. Somalis, on the other hand, are engaged in trade, and even decline plots of land offered to them for agriculture. They are known for their trading and entrepreneurial spirits. According to primary data and secondary sources,<sup>51</sup> many of the Congolese and Burundians are engaged in labour-intensive economic activities (such as subsistence farming, trade in food items), while Somalis are in capital-intensive fields (money transfer, mobile money and taxi transport service). In Rhino Camp, 20 per cent of informants indicated that they sold homemade products, 10 per cent were in the sale of bush products, 25 per cent

50 In Uganda a micro enterprise is one employing up to four people, with annual sales or revenue turnover or total assets not exceeding 10 million shillings. <https://www.ugandainvest.go.ug/sme>.

51 A. Betts, et al., *Refugee Economies in Uganda: What Difference Does the Self-Reliance Model Make?* (Oxford: RSC), 2019.

in petty trade, and 45 per cent in agricultural casual labour. In both Nakivale settlement and Rhino Camp, particularly in the fixed trading hubs and the host community trading centres, there are many types of enterprises. Table 3 highlights the key ones.

► **Table 3. Economic activities of units run by refugees in Rhino Camp and Nakivale settlements and in host communities**

Category	Description of enterprises		
	In Nakivale	In Rhino Camp	Degree of informality
General merchandise trade	Shops, tailoring units, stationery shops, groceries, clothing shops	Shops, tailoring units, clothing shops and groceries	<ul style="list-style-type: none"> <li>• Possess a business licence</li> <li>• No URSB</li> <li>• No TIN</li> <li>• No income tax registration</li> <li>• No social protection for workers</li> <li>• No formal employment contracts for workers</li> </ul>
Services	Salons, small music kiosks, small restaurants, beverage points including bars, mobile money shops, motorcycle and bicycle repair points, transportation, small clinics and drugstores	Motorcycle and bicycle repair points, transportation, small clinics and drugstores, small restaurants, mobile money shops, saloons	<ul style="list-style-type: none"> <li>• Largely as above</li> <li>• Here, others such as bicycle repairs and motorcycle transport providers, do not even have a licence</li> </ul>
Agriculture	Animal husbandry (especially cattle and goats), crop husbandry including maize, sorghum, beans and bananas, especially by the host community	Animal husbandry (especially cattle, piggery, poultry and goats) Crop husbandry including maize, sesame, cassava sorghum, potatoes and tree planting	<ul style="list-style-type: none"> <li>• As above. Much of the agriculture is subsistence. Only those who trade in agriculture have the trade licence mainly obtained from the area sub-county administration.</li> </ul>
Others	Some processing mainly involving maize and sorghum milling	Brickmaking, charcoal-making, sand collection, sale of firewood and milling of cassava flour and chips, maize, millet and sorghum.	<ul style="list-style-type: none"> <li>• Possess a business licence</li> <li>• Some in the host community have a TIN because they aim to supply to NGOs within the camps, which may require TINs.</li> <li>• No income tax registration</li> <li>• No social protection for workers</li> <li>• No formal employment contracts for workers</li> </ul>

In Rhino Camp, respondents indicated selling homemade products, jobs with private business, paid housework and selling cultivated food and other merchandise as their occupations and economic units. The business and occupations varied according to gender, although in some cases gendered patterning of casual labour opportunities existed, for example in brickmaking, men made the bricks while women supported them by fetching water. Women do small-scale trade and service provision such as hair-plaiting, alcohol-brewing or selling food close to home. Men are more mobile, providing motorbike taxi services, transporting heavy goods in wheelbarrows.

## 5.4.2 The market situation

Most of the market for small informal economic units in Nakivale and Rhino Camp is within the settlements themselves. In Nakivale, for example, there are small shops and businesses, within and outside the settlement. Three market zones within the settlement include Juru, Rubando and Base Camp (this being the business hub). Isangano, Kigali and New Congo are the business conglomerates in Base Camp, each dominated by the major nationalities in the settlements. There are also daily, weekly and monthly markets on the outskirts of the settlements. Traders from major cities come to sell in these markets throughout the host community.

The limited market size and opportunity to scale a business within the settlements make formalization less attractive for entrepreneurs. This is the case despite their awareness of the benefits of being formal. Besides, as long as they have a trade licence, nothing else stops them from conducting their business activities. Thus, registering the business at the national level does not seem to be a requirement that they have to meet in order to operate, given the current scale of economic activity. An integrated enterprise and market systems assessment with a focus Arua (Rhino Camp) and Isingiro (Nakivale)<sup>52</sup> identified value-chain potentials for host communities and refugees in predominantly agricultural economic activity such as raising cattle and the production of cassava, sesame and matooke. The assessment concluded that to capitalize from the identified sources of productivity enhancement, support functions such as access to productive inputs, market information and credit have to be strengthened. Several of the interview respondents confirmed the above conclusion, emphasizing the lack of capital (including credit — see more in [section 5.6.2](#)) and lack of awareness (including about market information) as substantial impediments to sustainable business development, access to decent working conditions and formalization.

### 5.4.3 Particular challenges faced by economic units

Agriculture-based economic activities conducted by refugees face an unexpected reduction in the size of plots they have been allocated free of charge. The land size has reduced from 50 m by 50 m to as low as 15 m by 20 m in Rhino Camp and Nakivale. Reductions occurred because of the need to cater for newly arriving refugees. The reduced sizes diminish any hopes of expanded production for the market, which is essential for achieving a minimum level of income security, decent working conditions and formalization. Apart from the reduced size, the challenges are magnified by poor soil fertility and the lack of water for irrigation. Respondents also reported increasing disputes over the ownership and use of land. In Nakivale, groups affected by this are mainly Congolese and Burundians, whose main occupation is agriculture. In Rhino Camp, there is over-reliance on the sale of bush products (charcoal, firewood, thatching material for refugee housing) and forms of casual labour that are environmentally damaging — including brickmaking, charcoal-making, sand collection and quarrying, and the sale of firewood. Refugees work as part of value chains and produce for intermediaries, and some of them go directly to the market. Continued reliance on environmentally harmful sources of income is unsustainable and likely to lead to escalating tensions and conflict with the host community. Indeed, in focus group discussions and interviews, refugees described instances of harassment from the host community when travelling out of the settlement areas to collect natural resources, including water.

There are substantial geographic movements among refugees and host communities involved in business activities. Greater mobility rights are valued because they enable refugees to adopt economic strategies that might otherwise be unavailable or expensive. For example, we learned that many Somali refugee families adopt a split-family strategy in which some members (usually women and younger children) remain in Nakivale in order to access aid and free accommodation while others live in Kampala, returning briefly when verification or food distribution is to take place. The split strategy enables some family members to work and conduct business in Kampala where there are higher wages for employed refugees and higher profits for business.<sup>53</sup> In total, 22 per cent of Congolese and 29 per cent of Somalis in Nakivale reported leaving the settlement in the last year. Most Ugandan entrepreneurs in the host community travel frequently in the region and into the camp and settlement, exploring greater economic opportunities. Several trucks from Mbarara and Kampala deliver consumer packaged foods and soft drinks. Transportation is one of the sectors that has developed as a result of the vibrancy of the settlement. There is a taxi park with taxis and trucks for hire that transport people between the settlement and nearby towns such as Kabingo and Mbarara. Some travellers are business owners who travel to source supplies. Similar movements happen in Rhino Camp with business people from Arua regional city frequenting the camp bringing various goods. In Nakivale, we noted that many Congolese take advantage of the relative freedom of movement in Uganda (see [section 7.1.4](#) for more information) to venture to markets outside

52 [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---ddg\\_p/documents/publication/wcms\\_746266.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---ddg_p/documents/publication/wcms_746266.pdf).

53 Among the wage-employed, refugees in Kampala earn an income that is 3.5 times that of refugees in West Nile and 4.5 times that of refugees in the Southwest (Kampala 2,354 shillings, West Nile 676 shillings, and Southwest 524 shillings. This is according to the World Bank 2018 study, "Informing the Refugee Policy Response in Uganda: Results from the Uganda Refugee and Host Communities Household Survey".

the settlements. One Congolese respondent indicated that he was actively exploring new markets for his Bitenge business all over the country. He said he reaches places such as Kasese in the far west, quite distant from Nakivale. He reported that sometimes they go to the border and reach Tanzania. Members from the host communities confirm that they are economically benefiting from refugee economic activities. The current cash assistance policy for refugees creates significant economic benefits for host communities because of consumption of goods and services within local economies. A similar mobility is observed in Rhino Camp with considerable interaction and truck movements between Rhino and Arua city.

## ► 5.5 Other risks faced by host communities and refugee workers and their economic units in the informal economy

---

Various assessments commissioned by the UNHCR indicate that for the past several years the quality and fertility of land has been declining. A yield of ten bags of maize (100–120 kg) in 2016/17 is now reduced to six to eight bags from the same land. This is because refugees have been using the same plot for more than ten years. The other challenge to agricultural economic units is rudimentary production means and reliance on rain-fed agriculture, which makes them vulnerable to adverse weather shocks such as drought. In West Nile, clearing scrub vegetation on small plots of land for subsistence cultivation has also been reported as a challenge and risk. The area is said to be extremely rocky and dry, thus prone to degradation.

Food insecurity is reported to be high and poses a risk to the development of sustainable livelihoods and potential formalization of economic activity in the future. The UNHCR (2020) reports that only 2 per cent of refugee households in Uganda are classified as food secure.<sup>54</sup> The remaining 98 per cent are marginally or severely food insecure. With challenges in finding employment or livelihoods sufficient to meet their needs, many depend on aid as their main source of income. Food security is a concern for both refugees and host households in Uganda. Five out of ten in the host population are food insecure (World Bank, 2018). Food assistance is not enough, because among others, the food rations keep fluctuating, and sometimes the little food that is received from the World Food Programme (WFP) is sold by the refugees for money to buy other basic needs. Moreover, weather variations have sometimes led to catastrophic crop failures at refugee farms. Poverty is another major risk. According to the World Bank (2018), almost half (46 per cent) of the refugee population in Uganda lives in poverty. This means that affected people do not have enough resources to satisfy their minimum daily needs. This is considerably higher than the poverty incidence for the host population, which stands at 17 per cent.<sup>55</sup> It is also higher than the official national poverty rate of 21.4 per cent reported in 2016/17. A larger proportion of West Nile refugees are poor, compared with the Southwest region. The poverty rate reached 57 per cent among refugees in the West Nile, while it was 28 per cent for refugees in the Southwest region. The same pattern is true for the host population: poverty among hosts in the West Nile (29 per cent) is also significantly higher than in the Southwest (11 per cent).

---

54 Analysis of Refugee Vulnerability in Uganda. Working Paper Jan 2020 realised by Development Pathways for UNHCR, WFP and OPM.

55 Ibid – See p. 34 with this comparative analysis.

## ► 5.6 Main challenges faced by refugees and host communities and how they perceive the advantages or disadvantages of formalization

---

### 5.6.1 Education

The vast majority of refugees in Nakivale (82.8 per cent) (World Bank, 2018) have levels of education at primary or below, and 17.2 per cent have reached secondary education or higher. For those with primary education, basic literacy and numeracy can be expected, but these are less likely to have been mastered than by those with secondary education. The 35.8 per cent with primary education may be able to receive and interpret information; however, literacy is tied to their primary language skills, which may or may not be consistent with the languages in use throughout the host community. Our qualitative research reveals that refugees in Uganda experience a range of other constraints in accessing education, including cost, geographical distance and language barriers (for instance, Congolese, Burundians, Somali and Sudanese refugees). The greater requirement on children to engage in agricultural work is another significant barrier to point out.<sup>56</sup> These dynamics have an effect on the primary and secondary education enrolment rates in Rhino Camp and Nakivale, as detailed in the Refugee Education Response Plan.<sup>57</sup> Host communities also face education challenges, especially with respect to high costs. Several studies by the World Bank and UNHCR indicate that both refugees and hosts report elevated costs as the main constraint to staying in school. In some cases, for children between 4 and 18 years old, a higher percentage of host communities (61 per cent) than refugees (36 per cent) reported high costs as the main reason for leaving school.<sup>58</sup> In an interview with UNHCR officials, it was highlighted that considerable efforts are being made by the UNHCR and other humanitarian organizations to increase access to education under the durable solutions programming. Primary schools and technical institutions are being constructed, for example, and given to the Government of Uganda (GoU) as part of local integration solutions. These schools provide education for the local host community and FDPs. A new Education Response Plan for Refugees and Host Communities (ERP) was developed by MoES, with practical technical support from a range of international actors, particularly UNHCR and UNICEF, in late 2017 and early 2018. Donors and implementing partners (including members of the Education Development Partner Working Group and Education in Emergencies Working Group), as well as ministry staff at the national and district levels, were heavily involved in development, prioritization and review of the plan. The plan includes a set of overarching objectives that equate roughly to improving access, quality and strengthening systems. The scope of education including TVET and skills training for adults is mapped out in the Education Response Plan for refugees and host communities mentioned above.

### 5.6.2 Access to credit

Credit sources exist, especially in registered microfinance institutions. Locations are easily found and spread across the settlements and host communities. However, financial services are most often inaccessible because the financial standing of refugees is frequently perceived as risky and unstable. Furthermore, the lack of collateral prevents refugees from entering the formal credit market. Refugees are regarded as temporary aliens. However, they can open bank accounts by using their refugee cards or attestation cards. It is also reported that some microcredit institutions take refugee cards as security for micro loans. This is an undesirable practice as it may endanger their refugee status and lead to the abuse of fundamental rights.

---

56 <https://data2.unhcr.org/en/working-group/158?sv=0&geo=220>.

57 Ministry of Education and Sports, *Education response plan for refugees and host communities in Uganda*, 2018.

58 <http://documents1.worldbank.org/curated/en/571081569598919068/pdf/Informing-the-Refugee-Policy-Response-in-Uganda-Results-from-the-Uganda-Refugee>.



Owing to the maximum capacity of the Office of the Prime Minister (OPM) of issuing 100 cards per day, some refugees only have attestation cards and no refugee cards. This poses identification challenges for refugees at bank transaction stages. Moreover, attestation cards expire after a given period and therefore need to be renewed to uphold their active registration at the bank. Because of the hesitation of formal financial institutions to lend to the refugees and the limited availability of targeted financial services, most refugees have not only joined but also formed their own Village Savings and Loan Associations (VSLAs) and Savings and Credit Cooperatives (SACCOs), including secondary-level cooperative organizations such as cooperative unions.<sup>59</sup> Nakivale, for example, reports that it has 1,296 SACCOs and 2,709 VSLAs. There is also a Moral Brotherhood and Neighbourhood (MOBAN) SACCO which serves the whole of Nakivale settlement. A few lenders and banks, for example the Centenary Bank, and well developed microfinance institutions, such as Vision Fund and BRAC, are designing solutions for refugees, including opening accounts, but these are limited to savings accounts rather than providing loans. Reports indicate that in the West Nile region, 37 per cent of refugees have a loan (either personal, from friends or relatives, or from money lenders), in marked contrast with hosts at 60 per cent.<sup>60</sup> The use of financial services is very low in the West Nile, especially for refugees. For West Nile, only 20 per cent of refugee households have a loan, and fewer than 10 per cent receive any form of credit. These rates are much lower than the 56 and 27 per cent, respectively, reported by refugees in the Southwest. However, members of the host communities also experience financing challenges, in different ways from refugees, and to a different extent. The difference is especially marked in terms of access; in West Nile, for example, 54 per cent of hosts are able to access loans, while the percentage is 62.4 in the Southwest. The concern of hosts is more about the high cost of finance (than credibility challenges experienced by refugees).

### 5.6.3 Access to social services

Refugees in Uganda report challenges relating to accessing services. Refugees are supposed to enjoy the same access to social services, mainly healthcare and education, as Ugandan nationals. This means that refugees usually have to pay to access services that Ugandan nationals also pay for. Uganda's social health protection system is based on a national health service whereby medical services are free of charge at the point of service in all public facilities. FDPs are meant to access those public services on a par with nationals. Respondents observed that for minor diseases, consulting doctors can be free of charge. However, in most cases, refugees have to pay for medicine that cannot be provided in government hospitals (in varying amounts depending on the disease) — mainly drugs for complex conditions. Otherwise, the Government provides free healthcare at the local level via government-run and managed health centres, with health centre II providing a first level of interaction between the formal health sector and the communities. However, health service provision to refugees is not delivered through the national service delivery system. Refugees living in the settlements benefit from the humanitarian response coordinated by the OPM and the UNHCR, in collaboration with UN agencies and partners. It should be noted that there is a new plan to ensure more integrated health service delivery for refugees, driven by the Uganda Ministry of Health.<sup>61</sup> Interview respondents in Nakivale complained about geographical access to healthcare. A respondent from Rubondo zone in Nakivale complained that there was only one clinic in the entire zone, and often availability of drugs is limited, even for common diseases such as typhoid. The situation in Rhino Camp in Ocea C and Ofua was similar, where a respondent said that most of the health units run by the humanitarian agencies within the settlement do not provide drugs for complicated infections. When they go to privately run drugstores within the settlement, the drugs are not available, and they have to seek treatment from Arua city, which is very expensive.

---

59 ILO COOP 100 – ILO PROSPECTS Webinar: The role of cooperatives and social and solidarity organizations in forced displacement contexts.

60 World Bank, 2018.

61 <https://www.health.go.ug/download-attachment/E-MK6T00pO7xT8poe0a8jt0C07IY55XT5SGp6xhsewM>.

## 5.6.4 Market challenges

While there are vibrant markets within the settlements and refugees have the freedom to sell in markets outside, the sales markets remain small. One respondent observed, “*Small market is synonymous with small opportunity*”. In addition, lack of formal registration excludes refugees from government contracts where participation requires a TIN, proof of payment of income tax, and so on, in addition to the licence. Displaced people are active agents, looking to take as much control of their own lives as they can. Vibrant and viable markets are avenues for them to achieve this control. Many of those interviewed desire to see expanded market opportunities. Therefore, investments in suitable value chains and markets for various enterprises, to ensure that markets work better for local hosts and refugees, are worthy and needed. There is evidence that with some support, refugees and/or host communities can win a government tender or run vibrant enterprises able to supply goods or offer a service to the Government. An example to illustrate is Mandela Millers, run by a Somali refugee entrepreneur, which has the largest mills and stores for processed maize and wheat flour in Uganda. They supply to the Government as well as to the private sector.

## ► 5.7 Potential benefits and views of economic units and workers on the advantages and disadvantages of formalization

---

### Formalization advantages for economic units

- For economic units, formalizing may offer co-entrepreneurs the opportunity to pool resources with some legal protection. Registering a company allows for a legal platform on which people gather to do business and to establish and enforce commercial contracts. In Uganda, the Company Act gives legal protection to rights and obligations set out in the above contractual documents (Articles and Memorandum of Association) by allowing the shareholders the security of enforcing their obligations in courts.
- Formal businesses have a better access to financial institutions. Indeed, business loan applications require documents demonstrating the credibility of the entity, such as the certificate of incorporation, the TIN and the trading licence. Banks usually require business owners to offer collaterals or guarantee to repay the loan if the business is unable to. Refugee businesses may want to expand their impact to other markets, including winning government tenders, supplying to formal local and international NGOs, or even by exporting their products. This requires registration with the URSB and the URA and a certificate of origin for those reaching the level of export.
- Access to business networks is another advantage of formalization. For example, a formal business can be a member of the Ugandan National Chamber of Commerce and Industry (UNCCI), of the Private Sector Foundation (PSFU), or the Federation of Small and Medium Enterprises (FSME), and so on. This would confer upon the business credibility and other membership benefits that may derive from formalization. In a wider sense, this advantage also includes the access to business services, either through membership-based organizations or via government-run programmes.
- Formalization also offers effective benefits of access to public procurement and to larger private sector markets that are formal because they meet the minimum eligibility requirements. Economic units that are already part of the formal sector, and thus covered under the provisions of the law, have the primary objective of interacting with formally registered economic units, making it an incentive to become formal.

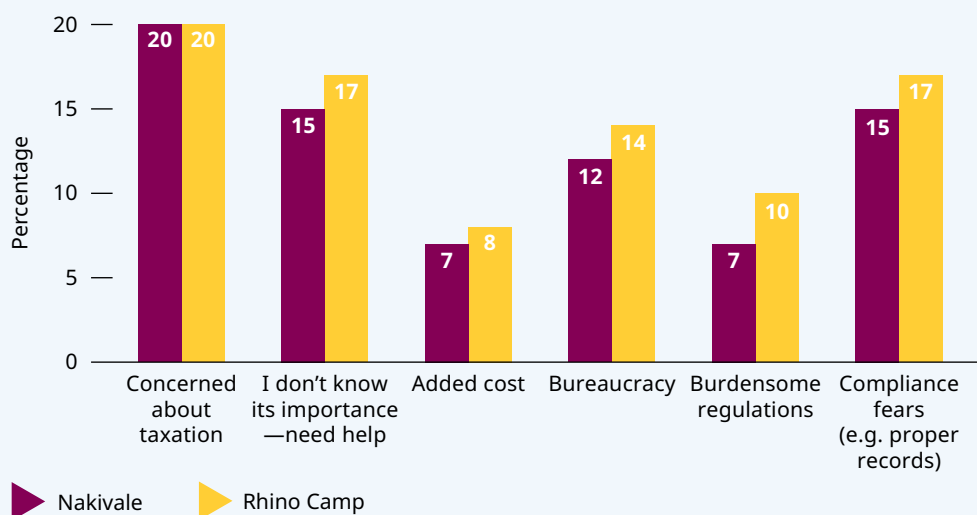
## Formalization advantages for workers

- ▶ For host community members and refugees (who by law have the same rights as nationals, whether as employees of independent workers), formalization brings benefits to workers and their employers. For example, the use of contracts is an important feature to establish and specify employer–employee relations. Expectations on either side can be clarified within the scope of work. Subsequently, the interests of each party are protected (for instance, salary expectations for employees, regularity of work and disciplinary procedures).
- ▶ There are also income benefits for workers (that is, fair wages and social protection income replacement benefits when needed which result in improved spending power of workers). Employees also achieve recognition, which promotes a sense of fairness and well-being among the workforce. This, in turn, is important from a psychological and social perspective.
- ▶ Security in the workplace and access to health care, freedom for people to express their concerns, to organize and participate in the decisions are other benefits for workers and affect their lives and the general work environment. Recognized employees, whose employment relationship is regulated and protected under labour legislation and social protection, will enjoy their work and become a lot more committed and productive.

## Reservations of economic units against formalization

- ▶ Despite the obvious advantages, most of the interview respondents are not positive and enthusiastic about formalization. Interviews with independent workers and business owners, both in the settlements and in host communities, revealed that generally formalization was viewed as another possible source of taxation burdens, burdens with regulation, compliance concerns such as records, added costs, and so on (see section 7.1.3). Moreover, many shared the view that they did not know why formalization was important. Figure 17 illustrates reasons for not considering formalization when own-account workers and employers were asked why they did not consider formalization.

▶ **Figure 17. Responses from a selection of independent workers to the question of why they did not consider formalization**



**Note:** Numbers of respondents: 32 in Nakivale and 28 in Rhino Camp.

Fears are not far-fetched, as starting a formal business in Uganda is not easy. The World Bank Group's Doing Business Index 2020<sup>62</sup> ranks Uganda at 116 among 190 economies compared with Rwanda at 38, Kenya at 56, South Africa at 84 and Zambia at 85. Ugandan authorities have been taking initiatives aimed at easing the process of starting a business. For instance, the URSB offers various online services, including access to registration forms and applications for trading licences. The URA also provides an online system for applying for a TIN, among other services. These developments reduce business incorporation fees and eliminate some unnecessary requirements. With a considerable number of respondents indicating they do not know the importance (figure 17, "need help"), and others worried about bureaucracy and added costs, it clearly shows that these online measures are not yet well understood and appreciated.

- ▶ Some informal business owners in the host community believed that operating in the informal sector might disadvantage them. For example, about half of those interviewed indicated they were aware that the absence of financial information about the business may be more detrimental to their business, as few banks will deal with business without formal records. They also said they were unable to bid on government contracts. They believed they would be less prone to any possible bribes they may pay in their quest to evade taxes. Despite all this, they still thought that because of their small-scale business, it was not worth pursuing formalization.
- ▶ For informal business owners interviewed in the host community, there was a fear of contracts and a lack of understanding what they signify for their businesses. For the latter, this related to why decent work issues were important or how to address them. This was attributed notably to the lack of education and exposure on these issues in the informal sector. For those who were afraid, the single most important factor was giving employees the power of an agreement: *"with disagreements even minor ones, they can use these agreements against us. I have also been told by my friends that such contracts increase demands on us from government institutions,"* observed one of the entrepreneurs with casual employees at a maize store in Isingiro town. This kind of observation shows that there is not only limited knowledge of formal employment issues, but also that informal businesses do not look at potential benefits of formal employment.

## Reservations of workers about formalization

- ▶ With respect to employment, for most of the workers interviewed, firstly, most practices are based on common behaviour and less so on officially verified sources of information. Almost everything is by word of mouth, and both entrepreneurs and workers learn through observing, copying and conforming to others. More than 90 per cent of respondents, that is, independent refugees (group 1); refugee employees (groups 2 and 3) non-refugee employees (group 4) as well as business owners in the host community (group 5) were in this situation. In short, formal contractual issues and decent work aspects are not at all in the mind, nor are they reflected in daily practice. Secondly, there is little or no knowledge of formal aspects in this category of respondents. When asked about contracts for their workers, one respondent engaged in basic processing and packing of juices in the Nakivale settlement said, *"I don't know contracts, when I need people to work with, I just call them and we support each other and I agree with them what I will give him in return for working with me"*.
- ▶ The WhatsApp Focus Group Discussions further revealed some interesting opinions. Participants pointed out that in refugee settlements and in the host community, the high supply of labour coupled with the low availability of jobs creates an imbalance in favour of entrepreneurs. Hence, the perception prevails that employers are not pressured to assure decent working conditions because there is a low risk of losing employees for better jobs. It should be noted that it was very challenging to obtain differentiated perceptions of employees regarding formalization and the willingness, opportunities and main constraints to an effective access to protection. The main cause for this is because many of the provisions are non-existent. [Sections 7.2–7.4](#) detail some of the perceptions.

---

62 <http://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>.



# 6

## Root causes and drivers of informality as part of the macro-economic context

---

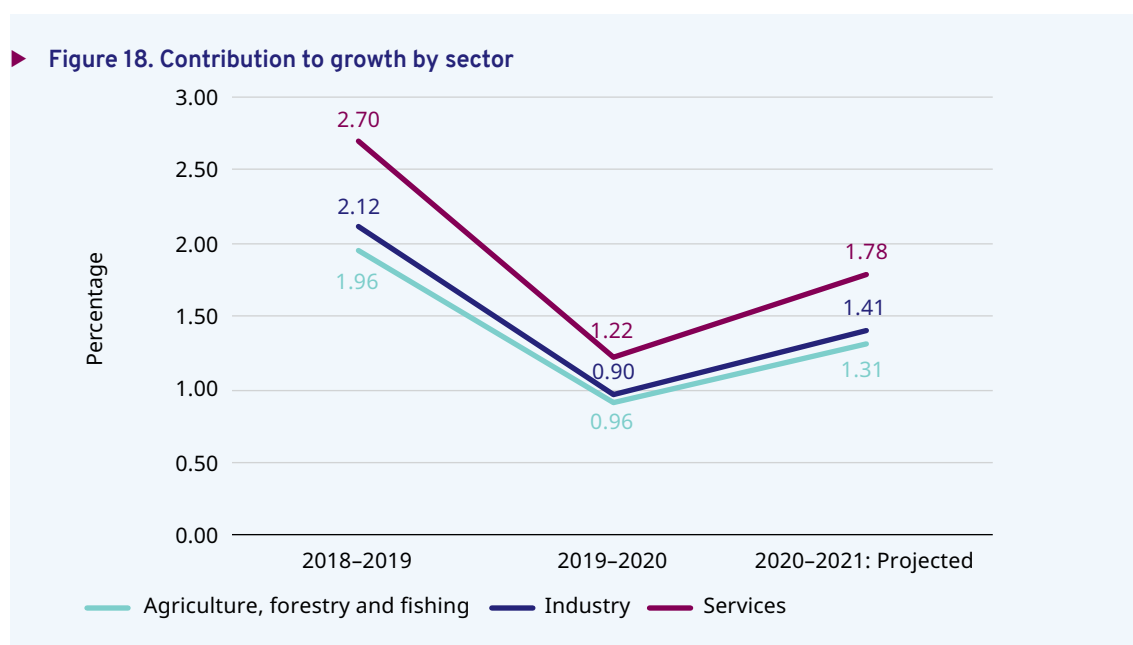
▶ Key message

The slowing of economic growth in Uganda, low labour productivity, limited productive enterprises and predominance of small business units in the private sector all point to low demand for formal wage employment. There is a need for policies that promote faster economic growth and for the transformation of economic units to be able to create higher productivity jobs. Such policies should pay attention to the particular situation of women, who tend to engage in occupations where informality is deeply rooted, especially family work and subsistence agriculture.

This chapter includes information and highlights on economic growth and its sectoral composition, as well as labour productivity. It also outlines the state and size of economic units; inequality and gender; and limited sustainable productive enterprises. Other aspects of the labour market at large, including labour force participation, unemployment and under-employment rates, and so on, have been described in [Chapter 5](#).

## ▶ 6.1 Economic growth and sectoral composition

As discussed in Chapter 1, existing data indicates that the real Gross Domestic Product (GDP) grew at only 2.9 per cent in the fiscal year 2019/20, less than half the 6.8 per cent recorded in the fiscal year 2018/19. The NDP III projects that it will recover slightly to reach 4.51 by the end of 2021. The slowdown is mainly due to the triple effects of the COVID-19 pandemic, floods and a locust plague. In the previous years, the GDP grew at an impressive rate of about 7 per cent. In recent years, the services sector has been the main contributor to GDP growth, followed by industry and agriculture in that order, as illustrated in figure 18.



Decelerated economic growth means slower growth in the demand for quality labour, and therefore limited prospects for improved real and stable earnings for workers and better working conditions. The inability of the formal economy to absorb the existing supply of workers means that many will resort to other survival means and most likely aim to find employment in the informal economy.

## ▶ 6.2 Labour productivity highlights

In its publication *Uganda: Jobs Strategy for Inclusive Growth*, the World Bank points out that Uganda's growth in added value is not accelerating, and as a result, aggregate labour productivity growth (GDP per person employed) has fallen quite significantly. It indicates that the average Total Factor Productivity (TFP) growth has been negative in agriculture for the last two decades in Uganda. This is said to be due to the combined result of workers being slow to leave the agricultural sector and slow growth in average yields. According to the strategy, the national agricultural output has grown at only 2 per cent per year

over the last five years, compared with 3 to 5 per cent in other East African Community (EAC) member States, and a 3.3 per cent annual growth in Uganda's population. Slower labour productivity growth in all sectors has meant the economy did not create sufficient jobs and consequently increased the prevalence of informality in the economy.

## ▶ 6.3 Scarcity of sustainable and productive enterprises

---

NDP III points out that there has been inadequate investment in the productive sectors of the economy, resulting in low returns on infrastructure investments and thus limiting optimal economic growth rates. The limited investment in productive sectors is caused by many reasons, the main one being a weak and uncompetitive private sector unable to drive growth sustainably. It is weak because of the high cost of doing business (due to inefficiencies in the form of timely access to electricity, water and information and communications technology (ICT), and so on), limited production and organizational capacity, and the absence of a strong supporting environment, among others. Limited productive enterprise has meant that employment has expanded in lower-productivity activities such as subsistence agriculture and petty trade, all of which are characterized by a high share of informal economic activity. Going forward, NDP III prioritizes investment in the productive sectors (particularly in agriculture, manufacturing and ICT), in order to optimize the use of the infrastructure capacity that has been put in place in the form of increased electricity generation capacity, all-weather roads and telecommunications services.

## ▶ 6.4 Predominance of small economic units

---

The private sector in Uganda is dominated by about 1.1 million MSMEs, employing approximately 2.5 million people altogether.<sup>63</sup> Generally, Ugandan firms face various growth and survival constraints on several fronts, and this undermines their development, thereby limiting their impact on the economy. The NDP III points out that most small economic units in Uganda have low levels of technology and a limited uptake of innovations to improve product quality continuously; furthermore, they possess inadequate entrepreneurial ability and are, in principle, low skilled. The Uganda Job Strategy for Inclusive Growth suggests that it is important to support small domestic firms to grow into large firms by providing more intensive technical support to fewer entrepreneurs in productivity (technology, choice of markets, business practices). In so doing, the country will be fostering the structural transformation of the SME sector and the jobs it produces.

## ▶ 6.5 Inequalities and gender disparities

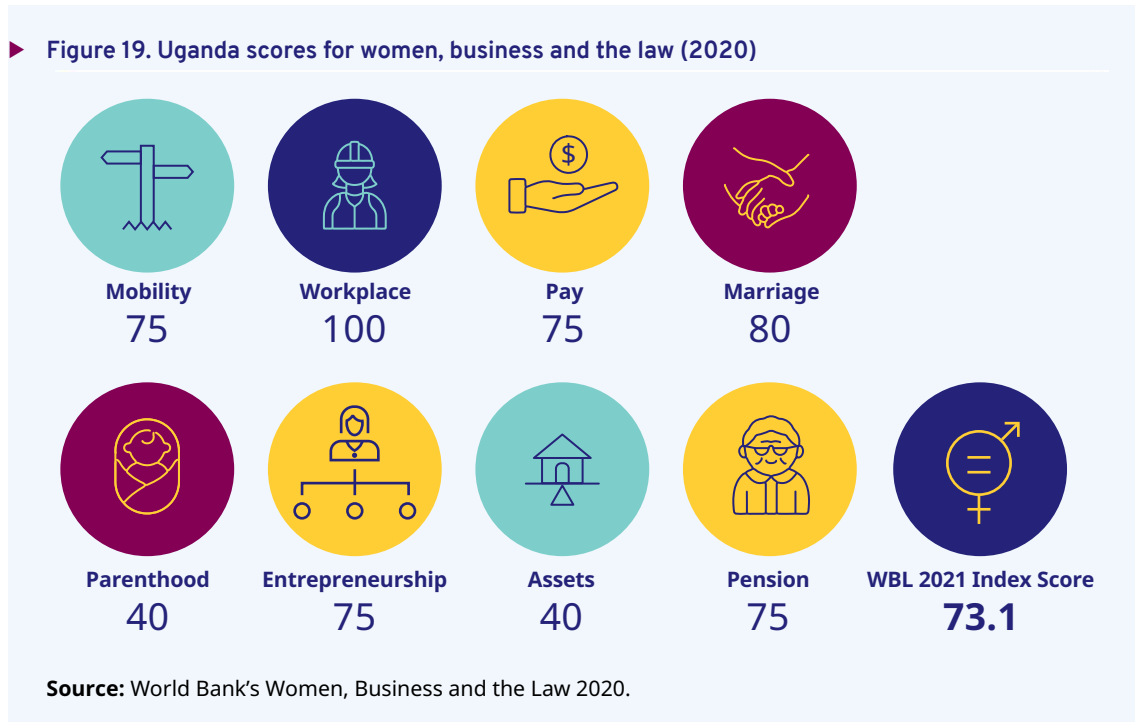
---

NDP III states that persistent vulnerabilities and region-wide disparities in the country are hindrances to attaining the required poverty reduction targets. Income Inequality (as per the Gini coefficient) is still high at 0.41, and the NDP III targets reducing it to 0.37 between 2021 and 2025.

---

63 <https://www.development.go.ug/private-sector-development>.

With respect to gender, the World Bank's *Women, Business and the Law 2020* presents an index covering 190 economies structured around the life cycle of a female worker. Uganda scores 73.1 out of 100. The overall score for Uganda is higher than the regional average observed across Sub-Saharan Africa (69.9).



When it comes to laws affecting women's decisions to work, or those affecting women's pay, Uganda achieves a high score. With respect to business making, women can — just like men — register a business freely and without the legal requirement to obtain their spouse's permission. They can do so via online business registration or through local registration points. Moreover, they can obtain a business licence for all types of businesses. While the above indicators are promising for Uganda, the ILO observes that women tend to have lower incomes, less capital and skills and are less likely to be employers than men in the informal economy.<sup>64</sup> They also tend to be clustered in certain vulnerable activities, including homework, street vending and domestic work and this is true for Uganda. Part of the explanation for the preponderance of women in the informal economy lies in their unequal burden of unpaid family responsibilities and being in rural subsistence agriculture, a fertile ground for informality.

64 ILO, *Transitioning from the informal to the formal economy*, 2014





# Drivers of informality as part of the legal and regulatory framework

---

## ▶ Key message

The legal framework to support and address decent work deficits and support the transition of workers and economic units to the formal economy is, to some extent, adequate. However, there is still some room for improvement to ensure comprehensive legal coverage in terms of benefits provided and people included under the scope of laws and regulations, and even more to support the effective application of laws and regulations in practice.

This chapter reviews and analyses the legal and regulatory frameworks, and their application. The goal is to understand how the existing frameworks limit or enhance the transition of workers and economic units from the informal to the formal economy. The analysis looks at Uganda's relevant legislations, rules and regulations. It is also informed by KIIs with relevant Institutions and agencies such as the Ministry of Labour, social security institutions, MSME institutions, employers' representatives, local government officials in Isingiro and West Nile and informal workers in refugees' settlements and host communities.

## ► 7.1 An inventory of relevant laws and regulations for the transition to formality

---

There is a sufficient body of laws, rules and regulations that govern and regulate employment and economic activities in Uganda. Below we select and outline the most relevant ones that concern formalization.

### 7.1.1 Laws and regulations affecting the formalization of employment

The main law governing employment relations in Uganda is the *Employment Act of 2006*.<sup>65</sup> It aims at protecting employees, creating a safe workplace, and ensuring non-discrimination. The following is a non-exhaustive list of statutory labour rights covered by the law: minimum wages; maximum number of working days per week; paid annual leave; maximum probationary period; notice period and severance pay for redundancy dismissal; equal remuneration for work of equal value; and paid maternity leave. In addition, labour laws require employers to insure their employees against injuries or diseases that may be incurred in the course of their paid work. It is a legal requirement in Uganda for employers to provide an employment contract (in writing or oral) for each employee whom they employ. There are two main types of employment contracts under Ugandan law. The first is common with civil service, and is a permanent employment contract where employees are hired for an indefinite period. Under this arrangement, the employees are pensionable. The second type is a fixed-term contract under which employees are hired for a definite period. Limited employment contracts are common in the private sector and in various local and international NGOs. They normally have the benefit of time flexibility (especially for employers) and are known for providing better remuneration terms, which is subject to the reputation and the size of the employing organization or company, or the individual employer.

At the local level, where refugee camps and settlements are governed, the District Labour Office is mainly responsible for inspections to ensure that employers are compliant with the law. The law requires the registration of employers and employees with NSSF and the revenue authorities for mandatory taxes and social security contributions. For those who cannot do this online, it can be carried out at the local level if the NSSF has offices. This applies to both nationals and registered refugees, as long as they are employers or employees. Some common forms of deductions include Pay As You Earn (PAYE) and social security deductions under the NSSF Act, and for that purpose, the employees must be registered with the two relevant institutions, that is, the URA and the NSSF for qualifying employees.

---

<sup>65</sup> See <https://mglsd.go.ug/laws/> for some key laws, regulations and policies.

## To register with revenue authorities

- ▶ Every taxpayer is expected to register with the URA for tax purposes. Registration enables the URA to issue the taxpayer with a TIN, which is the key identifier of the taxpayer.
- ▶ Employees are also required to register should their income exceed the taxable threshold, which currently stands at 235,000 shillings per month.
- ▶ Registration can be done in person at a nearby revenue office or online via the URA website, where PAYE forms can be searched, filled and submitted.
- ▶ The required documents are a company TIN copy, an accurately filled application form and an employee TIN.

## To register with the NSSF

- ▶ Employers register online at: <https://nssfgo.app/register/company>.
- ▶ An eligible employee should register online at: <https://nssfgo.app/register/new-member>. This applies mainly to the category of workers who can opt for a voluntary membership. Otherwise, the employers are responsible for registering their employees.
- ▶ An eligible employee may also visit any NSSF branch to complete the registration.

Employees' registration does not require the submission of any documents other than personal information. As for the employer, only the company registration certificate and company deed number are required. The other key law regarding employment is the *Person with Disabilities Act 2006*. This law protects people with disabilities and ensures that they are not discriminated against during job application procedures, hiring, promotion, compensation, training or any other privileges of employment. It is also important to point out the *National Social Security Fund Act 1985*. While this is mainly for social protection, and therefore important for job formalization, and to some extent for enterprise compliance with the law, the social security scheme is mandatory for employees between the ages of 16 and 55 working in private sectors, NGOs and governmental bodies that are not covered by the government pension scheme. Under this Act, all employers with more than five employees are obliged to pay an NSSF contribution of 10 per cent of the employee's gross monthly salary. Under the current law (undergoing legal amendment), employees in enterprises of fewer than five employees do not fall under the scope of social security laws. Supplementary laws cover other common risks at the workplace, placing liabilities under labour law on the employer. One important regulation is the Workers Compensation Act 2000 which establishes employer liability for employment injury. Coverage is explicit for formal employees, and they would lodge an insurance claim in the event of the risk. However, it is not explicit for informal employees, who would first have to prove an employer-employee relationship before the law. Finally, the *Human Rights Enforcement Act 2019* is relevant: while it covers broader human rights issues, any aggrieved employee can seek redress from a competent court in the event of a human rights violation or infringement at the place of work.

## Highlights of the labour law in Uganda

In the following, a few key provisions of the labour law in Uganda pertaining to the transition to formality are pointed out.<sup>66</sup>

- ▶ No written contract is mandatory. The law recognizes that a contract of service (or a contract for employment) can be oral or in writing. The contract can also be established when the employer asks someone to work for pay and this person agrees. Another way to establish an employment contract implicitly is the existence of a dependency relationship between employer and employee without an oral agreement, but where the person who works for the other is paid or expects to be paid. These hypothetical examples of establishing a non-written employment contract are important to consider because most informal workers find themselves in this situation. Workers need information and support on how to enforce orally or implicitly established employment contracts and understand how

---

<sup>66</sup> <https://chapterfouruganda.org/resources/reports-analysis/ngo-guide-labour-law-uganda>.

employer-employee relationships can offer them legal rights in Uganda. Likewise, it should be pointed out that unwritten contracts are often applied in lower category jobs normally attracting low levels of remuneration, which will not legally require registration either for taxation or social security because they fall under the threshold of 235,000 shillings per month. Therefore, it is unlikely that they will have the same benefits or entitlements attached to written duration contracts.

- ▶ **Casual employees.** The Employment Act defines a casual employee as a person who works on a daily basis where payment of wages is due at the completion of each day's work. According to the definition, the casual labourer is a person working and being paid on a daily rate. The type of activity does not matter. The person has the same rights as other workers, as long as he or she is still employed or has rights accrued from the employment relationship. Casual employees have the right to wages. They should be paid according to the agreed wage and time. The Employment Bill (2019) set out the minimum wage for this category of employees at 130,000 shillings. However, it was not signed into law but returned to parliament. The determination of the minimum wage is governed by the Minimum Wages Advisory Boards and Wages Councils Act 1964. Because the set minimum wage has not been changed for a while and has consequently lost value over time, employees in this category must submit to whatever employers are willing to pay them. Casual employees are protected by Employment Regulations 2011.<sup>67</sup> A person cannot be employed as a casual employee for a period of more than six months. This means that the moment someone is employed as a casual employee for six months or more, they automatically become a full employee with all the benefits. Under the Constitution of Uganda and the Employment (employment of children) regulations 2012, child labour is against the law. No one should employ a child in work that would interfere with their education or one that is beyond the physical or mental capacity of the child. The Employment (Sexual Harassment) Regulations of 2012 require any person who employs 25 people or more to have a sexual harassment policy. Though organizations that employ fewer than 25 people may not be required by law to have this policy, it is normally good practice for every organization to observe it. Other relevant laws include the Employment (Recruitment of Ugandan Migrant Workers Abroad) Regulations, No. 62 of 2005, whose main objective is to protect every Ugandan desiring to work abroad by securing the best possible terms and conditions of employment and by providing a mechanism for issuing licences to recruitment agencies. The Labour Unions Act No. 7 of 2006 grants employees the right to organize themselves into labour unions and participate in their management. The main purpose of the Labour Disputes (Arbitration and Settlement) Act No. 8 of 2006 is to provide for avenues of resolving disputes involving workers.

### 7.1.1.1 Assessment of the adequacy of the legal provisions for employment

The Employment Act was amended in 2019, though it has not yet been accepted, to cover both skilled and unskilled workers to meet the standard of the ILO provisions so that domestic workers can be regulated. In addition, as most women in Uganda fall under this working category, this is an important legal development from a gender perspective. The amendment provided for a minimum wage especially for domestic workers (at 150,000 shillings per month). However, the law has not been approved by the President and was returned to Parliament in 2020 to have it aligned with the Minimum Wages Advisory Boards and Wages Councils Act 1964. There are suggestions that the Employment Act should be reformed further, to oblige employers to employ a certain quota of qualified females in their organizations in an attempt to curtail the high unemployment levels among women. With respect to formalization, the legal framework is satisfactory to a large extent, even for refugee workers, especially if the employment law is viewed alongside the Refugees Act and its provisions on the employment rights of refugees.

---

67 [https://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=&p\\_isn=86721&p\\_classification=01.02](https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=&p_isn=86721&p_classification=01.02).

## 7.1.2 Laws relating to social protection

Ensuring access to social protection to everyone is an important goal. It can also be a good incentive for enterprise formalization if access to social security for owners and employees can be facilitated. It is also a direct contribution (for contributory social security) to the formalization of jobs among employees. Social protection can contribute towards reducing vulnerabilities and increases the capacity of workers and enterprises for entering the formal economy. It constitutes an enabling factor for the transition of workers (whether employees, contributing family workers or independent workers) to formality by reducing their exposure to poverty, enhancing their access to healthcare and enabling them to seize economic opportunities. In this respect, the assessment of social protection laws and regulations should be broader, by referring to contributory and non-contributory schemes, including access to healthcare. For this purpose, it is important to understand social security contingencies or branches covered in Uganda (that is, what benefits do existing schemes provide?) and what the eligibility conditions and criteria for exclusion are — for instance, according to sectors, status in employment, type and duration of contract, size of enterprises, level of earnings, and so on). These distinctions also need to be analysed in general for FDPs and refugees in particular, compared with others. A number of national laws are relevant for social protection (as shown in table 4).

► **Table 4. List of relevant social security laws in Uganda Pensions Act [Cap 286] of 1946, as amended**

Relevant social security laws	Civil servants, local government employees, police personnel, prison officers, members of the judiciary, doctors, and teachers
Pensions Act [Cap 286] of 1946 and Armed Forces Pensions Act [Cap 298] of 2000	Military personnel
National Social Security Fund Act [Cap 222] of 1985	Compulsory: Employees working for registered employers with five or more employees (including in executive agencies of the government)./ Voluntary: Persons previously covered under compulsory system, and workers in establishments with fewer than five employees./Includes as well non-Ugandans such as refugees, as long as they have refugee cards and are employed. Also, are other foreign employees provided they have work permits./Contributions: employee 5% of earnings,/employer 10% of payroll; a return on investment of the savings; benefits — lump sums (value of contributions plus accumulated interest)./Qualifying conditions for access to benefits — age 50 and retired; or age 55
Parliamentary Pensions Act of 2007	Members of Parliament
Uganda Retirement Benefits Act of 2011 / Trust Law	Formal employees in companies offering plans
Uganda Retirement Benefits Act of 2011	For informal economy workers, it is voluntary; contributions from individual workers; lump sum benefit (account balance plus accumulated interest); any age after a minimum contribution period (e.g. at least one year for Mazima, one of the voluntary schemes)
Equal Opportunities Act 2007	Equal treatment or consideration including for social protection
NSSF Amendment Act 2021	Benefits same as above in National Social Security Fund Act [Cap 222] of 1985/The amendment seeks to broaden coverage to all workers including those in small businesses with fewer than five employees, and to introduce mandatory contributions for informal sector workers.

Although most people are ready to contribute to health benefits (pensions being seen as a very remote contingency), health is managed mostly outside the social protection framework. In addition, the issue of covering costs for medicine within the principal health system remains unaddressed. There has been a project of national health insurance law in Uganda for more than a decade. Only recently (2021), Parliament passed a Health Insurance Bill,<sup>68</sup> which establishes the National Health Insurance Scheme which all Ugandans aged above 18 will be mandated to contribute to before they can access health services. It provides for a 4 per cent deduction on the salaries of employees in the formal sector, and

68 <https://www.parliament.go.ug/news/5054/affordable-medical-care-offing-health-insurance-bill-passes>.

a 1 per cent contribution from their employers. Individuals in the informal sector will contribute an annual payment of 100,000 shillings. It is important to point out that the bill only caters for residents or citizens of Uganda and, therefore, refugees remain excluded.

### 7.1.2.1 Assessment of the adequacy of social protection provisions

Recent reports on Uganda's social security system have pointed out that relevant schemes operating in the country — contributory or otherwise — are inadequate in terms of the following.

- ▶ Scope of the benefits — a lack of comprehensiveness, as not all contingencies are provided for, such as the minimum internationally recognized life-cycle risks, including old age, disability (including employment-related disabilities), survivorship, health, parenthood (including maternity or paternity benefits and child or family benefits) or unemployment.<sup>69</sup>
- ▶ Population coverage for contributory benefits — women are particularly under-represented in NSSF, the largest social protection scheme.
- ▶ Benefit level — said to be low overall, and cash benefits have been losing real value as they are not systematically indexed on inflation. For healthcare, the cost of medicine remains high since many medications are not included in the free service provision in public facilities.
- ▶ Periodicity of benefits — with a prevalence of lump-sum benefits.

To achieve the best results, it is important that the strategies for extending social security aim at building a comprehensive social security system for everyone, including formal and informal economy workers. While there is a wealth of regulations that require the country to establish a social security scheme that caters for all workers, the previous NSSF Act is limited to workers in companies that employ five or more employees as eligible to contribute for retirement. The current social protection framework has a legal gap (for all workers) in terms of social security branches of maternity benefits, sickness benefits, family benefits, employment injury, unemployment benefits. The set-up focuses on lump-sum payments of savings. In a continent-wide study in Africa<sup>70</sup> by the ILO and UNDP, published in 2021, it was concluded that within the existing instruments, there are major coverage gaps for informal workers, despite representing the vast majority of workers. The legal social security framework tends to subsume the coverage of informal workers under alternative (often non-state or non-statutory) schemes. Examples of these include the Mazima Voluntary Individual Retirement Benefits Scheme (MVirBS), which is a for-profit scheme that allows withdrawal after one year and only pays lump sums. Another is the Kacita Uganda Provident Fund, which is a voluntary contributory scheme where any person with income can save, regardless of whether they are self-employed or formal employees in government institutions or the private sector. Membership is open to those individuals who are already contributing to mandatory and non-mandatory licensed retirement schemes. It also caters for pensioners and persons below 18 years and can have supplementary accounts run by their guardians. These schemes encourage retirement savings for informal sector workers. Their capacities are, however, still doubted, and there are strong arguments that it would be worth considering their integration into mainstream schemes.<sup>71</sup>

The Uganda NSSF Act and its recent 2021 amendment includes voluntary contribution and special contribution. Section 13A (5) and (6) of the Act provide that any person who is self-employed or not may apply for membership and shall make voluntary contributions to the fund. This means that workers in informal employment (whether in the formal or informal sector, or households) can voluntarily register and contribute to the fund. However, the procedure for voluntary contributions is not yet clear. Secondly, the amendment states that every employer, irrespective of the number of employees, shall register with the fund as a contributing employer and shall make regular contributions for his or her employees in accordance with the Act and respective regulations. However, the Act falls short of being specific on the categories of workers for whom the employer is required to contribute, to avoid discrimination against certain categories,

---

69 See <https://www.developmentpathways.co.uk/our-work/expanding-social-protection-in-uganda/>.

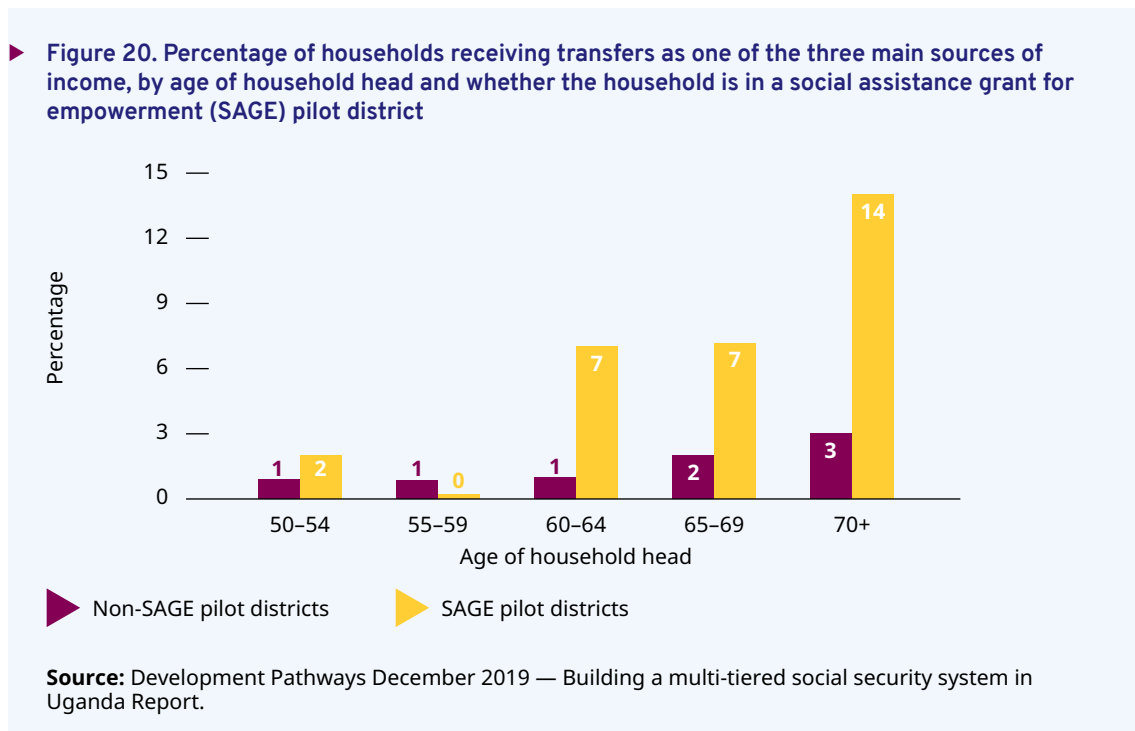
70 UNDP and ILO, *Informality and Social Protection in African Countries: A Forward-looking Assessment of Contributory Schemes*, 2021.

71 See <https://urbra.go.ug/retirement-benefits-schemes/licensed-retirement-benefits-schemes> for the full list of licensed retirement schemes at January 2021, and the benefits they offer.

such as casual workers. Furthermore, the Act does not make any unique and explicit provision for vulnerable groups such as refugees, asylum seekers, or internally displaced persons, among others. Yet, from the structure of the Act, it can be assumed that there is no explicit exclusion of these groups, since the amendment specifies that all employees will be covered, irrespective of the size of the employer. In addition, the Act expands the definition of employer to include the Government, a company registered or incorporated under the Companies Act of 2012, a partnership registered under the Partnership Act, 2010, a trustee incorporated under the Trustees Incorporation Act, a business registered under any other law, the governing body of an unincorporated association, and a manager or subcontractor who provides employees for the principal contractor. This broad definition now ensures that by law, almost every worker is provided with social protection.

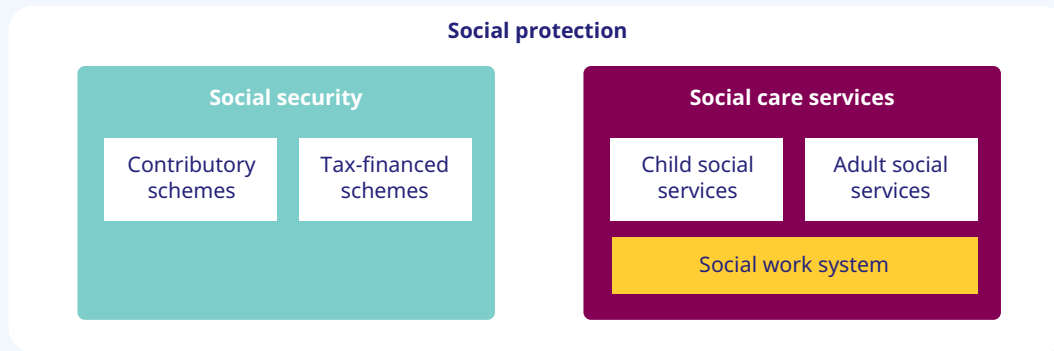
### 7.1.2.2 Assessment of the ability of social transfers to secure income

In Uganda, the relevant policy frameworks, particularly the National Social Protection Policy and various other laws (see section 7.1.2), are in place. However, the extent to which they are being implemented is not satisfactory. The funds allocated to social protection are insufficient, which is the reason the coverage of non-contributory benefits is also limited. The number of households receiving cash transfers is low: only 14 per cent of the elderly receive a transfer (see figure 20). It can be concluded that the actions taken by the institutions responsible for social protection are inadequate.



However, the country is making progress on a multi-tiered social security system as embedded within its expressed objectives for expanding social protection coverage and in its vision for national development. For example, NDP III aims to achieve an increased percentage of vulnerable people with access to social insurance, from the current 7 per cent to 15 per cent by 2025. The broader goal is expanding direct income support schemes for poor and vulnerable groups and expanding contributory social security schemes to the informal sector. The National Social Protection Policy (NSPP) of Uganda defines the social security pillar (comprising all income transfers) of social protection as a combination of contributory (social insurance) and non-contributory direct income (tax-financed) support, while social care services comprise a second pillar, as shown in figure 21.

► **Figure 21. Overview of the social protection system in Uganda**



**Source:** Development Pathways December 2019 — Building a Multi-tiered Social Security System in Uganda Report.

There is progress on an expanded Senior Citizen's Grant (SCG). This offers a crucial source of income support for pensioners in SCG pilot districts, where around 14 per cent of households headed by persons aged 70 and over have this as their main source of income, compared with only around 3 per cent of the same group of households in pilot districts that do not benefit from the social assistance grant for empowerment (SAGE). There is no information on whether refugees can benefit from this provision.

While the above provisions are commendable, social transfers made in cash or kind to persons or families need to be provided for, in order to lighten the financial burden of protection from various risks. However, the responsible public structures in Uganda have inadequate ability to do so. For example, NDP III indicates that only about 153,704 older persons from 47 districts have benefited from the SAGE to reduce their vulnerability. The full national roll-out of the SAGE programme has not been possible because of inadequate funds and the limited capacity of social care programmes.<sup>72</sup> Even the projections that the plan aims to achieve by 2025 are still very modest, as illustrated in table 5.

► **Table 5. NPD III social protection targets by 2025**

Social protection area	Percentage of population receiving protection by 2025
Social insurance	20 per cent
Health insurance	25 per cent
Direct income support (non-contributory, including social assistance)	8 per cent
Eligible population with access to social care services	12.5 per cent

**Source:** NDP III.

It can be concluded that other than the few provisions being made to expand social security coverage, the social protection landscape and framework in Uganda do not yet possess the ability to provide meaningful social transfers for its vulnerable population. The situation of refugees and informal workers has not yet been set as a priority.

<sup>72</sup> NDP III Social Protection situation, p. 171.



## 7.1.3 Laws and regulations affecting enterprise formalization

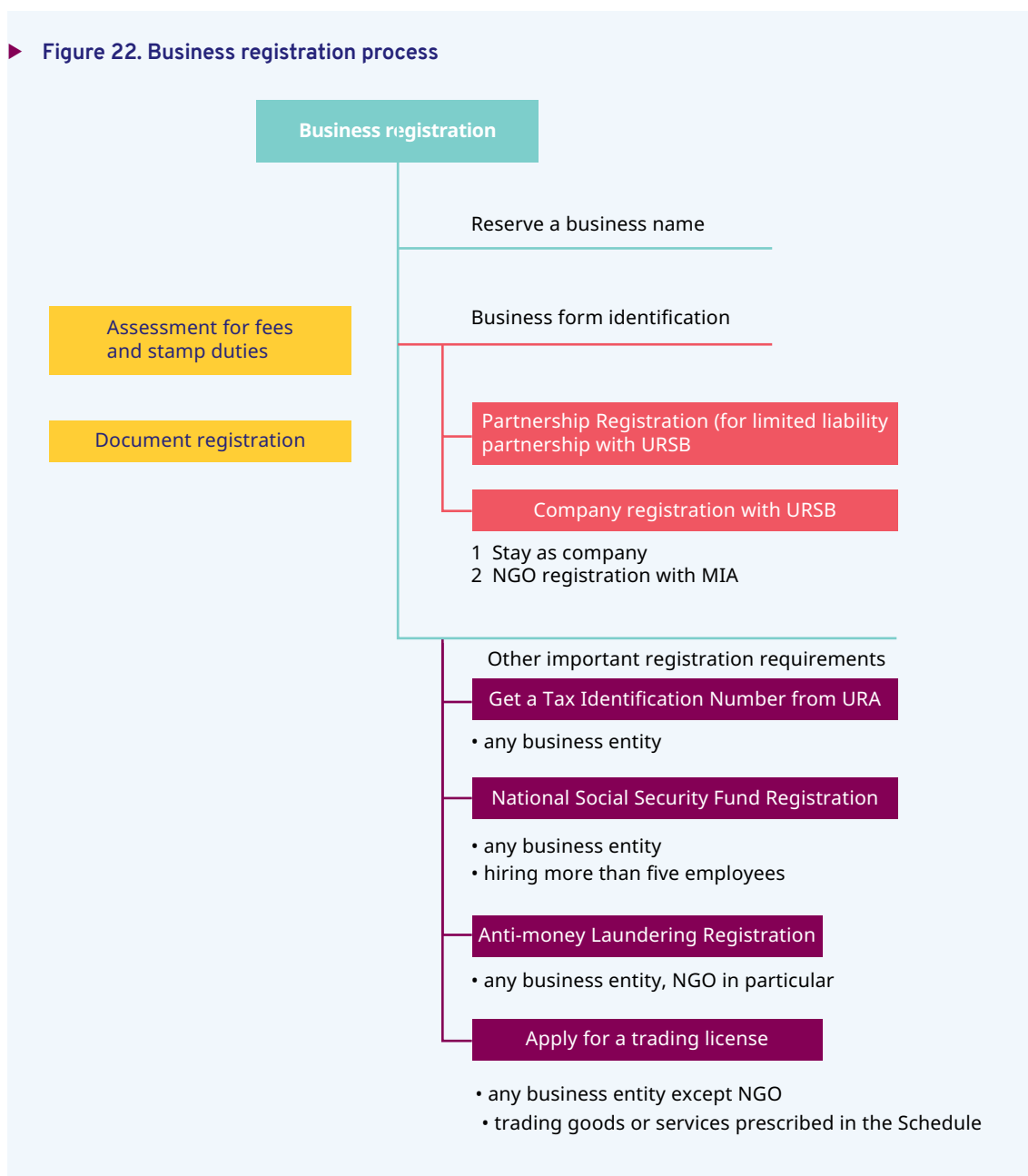
Under Ugandan law, sole proprietorships, partnerships, private companies and public companies are all recognized as legal entities.

► **Table 6. Overview of relevant laws and regulations for formalization of businesses**

Law or regulation	Formalization aspect
Uganda Business Names Registration Act 1918	Relevant for registration
Uganda Companies Act 2012	Relevant for registration
Uganda Partnership Act 2010	Relevant for registration
Security Interests in Movable Property Act, 2019.	Relevant for financing — using movable property as collateral
Value Added Tax-Amendment Act 2019.Pdf	Relevant for taxation. Recently intertwined with business licensing
Stamp Duty-Amendment Act 2019.	Tax Procedure Code — Amendment Act 2019
Tax Procedure Code — Amendment Act 2019	Relevant for taxation compliance
Anti-Money Laundering (Amendment) Act, 2019	Relevant for financial transactions especially in relation to declaration of sources
Excise Duty-Amendments Act 2019	Taxation — consumption/service taxes
Investment Code Act 2019	Investment regime of incentives
Cooperative Societies (Amendment) Act, 2019	Registration of cooperatives
Income Tax — Amendment 2019	Income tax categories and schedules
Uganda Insolvent Act 2011	Winding up
Uganda Partnership Regulations 2016	Registration and running a partnership
Uganda Income Tax Act 1997	Income tax assessments and administration
Uganda Value Added Tax Act 1996	Value-added tax issues
Uganda Tax Procedures Code Act 2014	Tax compliance
Uganda Stamps Act 1915	Registration
Anti-money Laundering Act 2013 and the Anti-money Laundering Regulations 2015	Regulation
Uganda Registration of Documents Act 1922	Registration
Uganda Non-Governmental Organizations Act 2016	Registered an NGO
Uganda Non-Governmental Organizations Regulations 2017	Running an NGO, CBO

Uganda has many laws that govern how an economic unit may be formed and how it should be run, including meeting other obligations such as taxation. The main laws and their application are outlined in figure 22. Business name reservation is a requirement for all businesses in Uganda under the Uganda Business Names Registration Act 1918. Under the Partnership Act 2010 and the Partnership Regulations 2016, the registration process for a partnership is different from that for a company. Ugandan law does not require registration of a general partnership at the URSB. However, registering a business name is generally requested if one would like to conduct business under a name.

► **Figure 22. Business registration process**



Based on the Uganda Companies Act 2012, there is no paid-in minimum capital requirement in Uganda. This means that an entrepreneur does not have to put any money into the company at the registration stage. The law requires an entrepreneur to prepare several mandatory documents in order to obtain a certificate of incorporation. Once these documents are completed, the company must present them to the registration window within the URSB or online. Registration and other follow-up costs at the URSB are summarized in table 7.<sup>73</sup>

<sup>73</sup> See details at <https://ursb.go.ug/business-registration-fees-2/>.

► **Table 7. Business registration and other relevant documents — fees**

Service	Details	Costs
Continuous filing on companies	Registration of documents	20,000 UGX*
	Company resolutions	20,000 UGX
	Company forms	20,000 UGX
	Stamp duty on transfer of shares	1.5 per cent of amount being transferred
	Registration of transfer of shares	20,000 plus 1% of the amount of shares being transferred
	Annual returns	50,000 UGX
Registration of legal documents	Powers of attorney and constitution	50,000 UGX
	Affidavits and statutory declarations	30,000 UGX
Other services	Search fees	25,000 UGX
	Certification of company documents	20,000 UGX
Registration	Registration fees	24,000 UGX
	Change of particulars	10,000 UGX
	Search	2,000 UGX
	Filing fees	1,000 UGX per copy
	Cancellation of entry	5,000 UGX per copy
	Change of address	5,000 UGX per copy
	Rectification of register	10,000 UGX per copy
	Notice of cessation	10,000 UGX per set
	Certification	5000 UGX
Incorporation of companies with share capital	Name reservation	20,000 UGX
	Registration fees of nominal capital of 1–5 mio.	50,000 UGX
	Registration fees of nominal capital exceeding 5 mio.	1% of share capital
	Stamp duty	0.5% of share capital on new companies with share capital above 5 mio.
Incorporation of company without share capital	Registration fees of a company limited by guarantee	80,000 UGX
	Stamp duty of company limited by guarantee	35,000 UGX
	Registration of annual returns of a company limited by guarantee including a copy of balance sheet	30,000 UGX
Foreign companies	Registration of certified copy of memorandum or equivalent	\$250
	Any other document (forms)	\$55
	Certification, per copy	\$10
Registration of charges	Registration of mortgage/charge	50,000 UGX
	Registration of series of debentures	50,000 UGX
	Inspection of register	20,000 UGX
	Registration of receiver or manager of property	25,000 UGX

Source: Uganda Registration Services Bureau (URSB)

In general, the process of registering a business in Uganda is depicted in the flow chart in [figure 22](#).

- ▶ Starting with name reservation, any business in Uganda must have a lawful business name to identify itself.
- ▶ Next, the type of business entity will determine which kind of registration to follow.
- ▶ Another mandatory step is to obtain a company seal. This is used to issue a sense of security and authenticity, to protect documents against forgery and to show proof. The Companies Act provides that every company shall have its name engraved in legible letters on its seal.

Under the Uganda Non-governmental Organizations Act 2016, a legally constituted NGO is a private voluntary grouping of individuals or associations established to provide charitable services to the community, not for profit or commercial purposes. The laws and regulations require that all NGOs register with the NGO Registration Board in the Ministry of Internal Affairs (MIA). Moreover, the Financial Intelligence Authority (FIA) obliges accountable persons to register with it in accordance with the Anti-money Laundering Act 2013 and the Anti-money Laundering Regulations 2015.

There are other important laws besides those relating to registration. According to the Public Finance and Management Act 2015, each for-profit business in Uganda is required to have a TIN. The TIN application can be completed online on the URA website: <http://www.ura.go.ug>. The company also registers for Value-Added Tax (VAT) if the company has a threshold of more than 50 million shillings according to the Value Added Tax Act 1996. Income tax, administered under the Income Tax Act 1997, is charged annually on every taxpayer with a chargeable income. Chargeable income and residency are two pillars used to calculate the corporate income tax. Chargeable income includes business, employment and property income. By law, certain incomes are not taxed; they are referred to as exempt income and are listed in Section 21 of the Income Tax Act, CAP 340.<sup>74</sup> The Pay-As-You-Earn scheme is an individual income tax paid by the employees but collected by every employer. It is calculated based on each employee's earnings from the time the business becomes operational. The Income Tax Amendment Act 2015 seeks to widen the tax base to include many small informal businesses. This Act includes a presumptive tax regime that enables the URA to tax SMEs and keep the costs for the administration and the taxpayers as low as possible. The amount of income tax that these businesses are required to pay varies, depending on the size of the business and the sub-sector in which it operates. For example, a hair salon or a garage that has a gross income of 50 million shillings a year is required to pay only 100,000 shillings income tax if it falls under Grade III of the business licensing bracket. That is the monthly equivalent of 17,000 shillings only. Most small and micro informal enterprises fall in this sector. Stamp duty is payable on every document that confers any right or liability as it is created, transferred, limited, extended, extinguished or recorded. The Stamps Act 1915 and its amendments is the relevant law governing this. Local excise duty is imposed on the consumption of specific goods and services. This tax is administered under the Excise Act 2014. The current rates of excise duty are listed in the second schedule of the Excise Duty Act 2014 as amended. According to the Tax Procedures Code Act 2014, tax evasion, and any other non-compliance with Uganda tax law, may lead to the following consequences: 1) liability to pay the tax, together with any penal tax and interest thereon; or 2) liability on conviction to a fine; or 3) liability on conviction to imprisonment not exceeding two years.

The Uganda Trade (Licensing) Act 1969, with several of its amendments, prohibits trading in any goods or services specified in the Schedule of the Act without the possession of a trading licence. This applies to any person or registered entity carrying out business under the jurisdiction of Uganda, except those who are exempted under Section 8(2) of the Trade (Licensing) Act. Exempted businesses include the following: any trade carried on in a market; the trade of a planter, farmer, gardener, dairy person or agriculturist in respect of sale of his or her own dairy or agriculture produce; the trade of a person in respect of goods made by him or her. An entrepreneur can apply for a trading licence at the Municipal Authority, Council Authority or sub-county where the business premises are located. The relevant fee structures are published in the Trade Licensing Amendment of Schedule Act Instrument No. 2,<sup>75</sup> published on the

<sup>74</sup> <https://www.ura.go.ug/Resources/webuploads/INLB/Income%20Tax%20Exemption%20Regimes.pdf>.

<sup>75</sup> See <http://www.mtic.go.ug/download/trade-licensing-amendment-act-2017/> for a schedule of the licences and fee ceilings.

Ministry of Trade website [www.mtic.go.ug](http://www.mtic.go.ug). After the incorporation of a business, a company may need to register certain legal documents with the URSB, including power of attorney, deed poll, constitution, affidavit, statutory declaration, memorandum of understanding, agreement, guarantee and promissory notes. The URSB provides document registration services based on the *Registration of Documents Act 1922*.

### 7.1.3.1 Assessment of the adequacy of the laws for the formalization of economic units

The thematic coverage of the existing laws is comprehensive. In some cases, simplified regimes for small business exist that can facilitate formalization. However, application and motives, scale of knowledge and awareness about laws, as well as trust in the legal provisions and whether being registered provides real access to the listed advantages, seem to be the main concerns. Tax law in Uganda attempts to formalize informal enterprises in order to bring order to this sector and increase revenue collection. A “small business tax” is implemented by the URA. It is a presumptive tax for businesses with a turnover of between 10 and 50 million shillings a year. These businesses pay a small amount of tax following a categorized schedule and corresponding absolute amounts. There is, however, a gap in its applicability, as many of the target businesses are not registered. Efforts are continuously undertaken by the URA to mobilize them to self-register. While a schedule with different income brackets and the corresponding amount of taxes they can pay exists, it still poses challenges on reaching these businesses. The laws also allow small businesses to obtain key documents to operate any business (the licence) via a decentralized regulatory framework. For example, small business located up-country can be licensed at the sub-county level. While this is commendable, there are gaps on the motive of licensing. While the principal goals of formalization and better regulation should be to ensure that economic units are engaged in legal activity permissible under the law, to enhance the protection of workers and economic units and to support their growth and contributions to the economy, local authorities primarily look at formalization as a source of revenue generation. One of the district commercial officers observed that this approach is to be amended when targeting potential taxpayers in refugee settlements and host communities.

Another identified gap of adequate governance is the incomprehensible proliferation of several types of fees, charges, and licensing costs imposed on small businesses by local governments. The Local Government Act, 1997 (as amended) empowers LGs to levy, charge and collect fees and taxes, including rates, rents, royalties, stamp duties, Local Service Tax (LST) and Local Government Hotel Tax (LGHT), registration and licensing fees and taxes. Among the fees commonly charged in host communities and settlements are local market dues, road tolls, local service taxes, and so on. While these may be low in value, their multiplicity is abhorrent and their collection can be degrading. Besides, people see them as double taxation since they believe they already pay many indirect taxes. Tax exemptions represent another issue that have led to some controversy regarding the Ugandan tax system. Some political leaders are in favour of exemptions on the grounds that they facilitate investment, encourage processing and enhance long-term economic growth. Local businesses and NGOs such as Southern and Eastern African Trade Information and Negotiations Institute<sup>76</sup> have expressed their concerns, highlighting that these are to the detriment of local businesses. This is because the exemptions mostly consist of corporate income tax breaks, which are mainly offered to large domestic or foreign investors. A further concern is the bulky URSB documentation, which includes complicated legal jargon that ordinary business owners cannot comprehend. Nor do most of them have the resources to pay for legal experts that can help them. The URSB has recently introduced a one-page memorandum and articles of association known as the “lean Memarts” which enable a potential business to open without necessarily drafting bulky documents for the memorandum and articles of association.<sup>76</sup>

---

<sup>76</sup> <https://www.bowmanslaw.com/wp-content/uploads/2018/12/Guide-Doing-Business-in-Uganda-1.pdf>.

## 7.1.4 Laws and regulations affecting refugee employment and their economic units

Uganda's *Refugee Act of 2006* represents its main source of legislation relating to refugees. It provides refugees with the right to work, to move around the country, and to live in a community with local citizens. Section 29(e) explains that refugees shall enjoy "the same treatment accorded to aliens generally in similar situations", including the right to (iv) "establish commercial and industrial companies in accordance with applicable laws".

The Act further provides that refugees have the right to own and dispose of movable property and the right to lease and sublease immovable property, such as land. Moreover, refugees are entitled to dispose of assets and personal belongings from wherever acquired, including while in Uganda. The law also stipulates that if a refugee is engaged in gainful employment or fully integrated and has a source of income, taxes need to be paid in accordance with the applicable tax laws of Uganda. The 2010 Refugees Regulations further elaborate this point by according refugees residing in "designated settlements" or "refugee areas" with reasonable access to land (not ownership) for the purpose of cultivation or pasturing. Refugees do not, however, have the right to sell or lease the land allocated to them "strictly for their individual or family utilization". Refugees residing outside the designated areas may legally acquire leasehold titles, but not freehold, just like other resident aliens, and they may freely dispose of their occupancy interest or sublease on commercial terms.

With respect to employment, the Act also grants refugees the right to:

1. engage in agriculture, industry and business, whether as workers or proprietors;
2. practise their profession, provided they are properly qualified with recognized certificates; and
3. have access to employment opportunities and engage in gainful employment wherever available in the country and without the need to first obtain work permits, as is strictly required of all who are not East African citizens. The 2010 regulations stipulate that refugees have the right of access to employment on par with the most favoured aliens –for example, East African citizens. Accordingly, refugees are exempt from the payment of high fees for obtaining work permits, a move clearly intended to facilitate local integration and self-reliance.

Detailed provisions in the 2010 regulations are designed to operationalize provisions of the Refugees Act regarding the registration of refugees with the Commissioner for Refugees, the OPM and the issuance of identification and travel documents. This has been observed to be an area of concern as it affects the ability of refugees to exercise freedom of movement for their economic empowerment with regard to opportunities within or outside Uganda. This is because of delays, burdensome scrutiny and regular reporting requirements.

## ► 7.2 An assessment of enforcement systems and effective implementation of the provisions

---

While informality is commonly understood in a legal context as activities that fall out of the reach of the law, it is also an issue of governance and the capacity to implement and enforce existing laws and regulations. Good laws and regulations are useless in the absence of strong and effective institutions for their implementation. This does not only include the capacity to ensure compliance, but more importantly the ability to provide meaningful benefits and to be accountable or trustful. With respect to employment regulations and social protection, the inspection capacity in the studied areas is low compared with the vast size of the informal economy. Results of interviews suggest that interaction between enforcement

institutions with informal economy actors is generally quite low. In the event of an enforcement action being threatened, execution is poor quality and, as such, many issues would still pass unattended mainly because of insufficient capacity to follow up. Labour officers at the district level indicated that while there is increasing complexity of enterprises, production systems and employment relationships, the resources allocated for labour inspection are already insufficient for the inspection of formal medium-sized and large enterprises. It would therefore be impossible to take on the additional mantle of inspection in an informal sector with so many diverse activities.<sup>77</sup>

Most of the business owners and workers interviewed know little about the relevant institutions. Nor have they been interacting with them. Asked about whether they have been in contact with any labour inspector in the past year, a big supermarket business owner in Mbarara city (which is the closest city to Nakivale) said, *"I have seen URA officers here three times this year, a NSSF officer once but I have never seen a labour officer here. I don't think I even understand what they do and its relevance"*. Inconsistent and discriminatory application of the provisions was also pointed out as an important aspect. Various entrepreneurs indicated that they actively avoid complying with legislative requirements because they seem to be the only ones that are targeted among many. Among those asked, several shared a similar concern with relation to the URA. *"URA only visits those who are organized with visible business locations yet we earn little money. Meanwhile those whose operational environments look unappealing are left even when we actually know they earn a lot more money than we do."* A hotelier observed how frustrated it makes him feel that he cannot receive tax invoices from non-tax-compliant informal businesses that interact in the vicinity of his hotel site. This limits the capacity of his business to file for VAT tax returns. Meanwhile, the non-compliant businesses continue to trade without any hindrance. He said that, at times, this has discouraged him from complying with VAT regulations and even led him to consider deregistering permanently for VAT. Another issue that was frustrating for the businesses consulted in Mbarara city was the introduction of the Electronic Fiscal Receipting and Invoicing System (EFRIS).<sup>78</sup> While the business owners found it was a good system, they felt the regulations favour more the tax authority and less the taxpayer. They cited as an example how the URA wants VAT to be paid immediately when the invoice is issued in the EFRIS system. It does not consider what happens to the taxpayer if the issued invoice turns out to be among a bad debt. Would they go back to the URA for refunds? They suggested that the regulations should be amended to allow payment of VAT after the invoice has been settled.

From the above, it looks as if more needs to be done to improve enforcement and compliance. There seem to be more concerns than compliments. The literature suggests various solutions, with a focus on approaches that are educational, persuasive, transparent and participatory. It follows that labour inspection could include education and awareness-raising activities for business owners, their employees and families. Fines could be replaced by providing training for enterprises, for example on regulatory compliance, improving occupational safety and health or meeting bookkeeping standards. There is also a need for system-based enforcement mechanisms for labour inspections that follow clear, traceable steps to promote awareness of laws, monitor compliance and carry out enforcement. In sum, regulations are more likely to be effective when different options are available for their enforcement, including innovations in workplace inspection, combined with the provision of advice, dispute settlement and training programmes that target informal enterprises.

---

77 This is according to interviews with district labour officers of Isingiro and Madi-Okollo districts.

78 EFRIS was launched by the URA in 2020 to be implemented in the financial year 2020/2021. It is to be used by all businesses to manage issuance of e-receipts and e-invoices. See more at <https://efris.ura.go.ug/>.

## ► 7.3 Transparency and accountability of public institutions and the associated trust from workers and entrepreneurs

---

To achieve transparency, an organization must provide information about its activities and governance to stakeholders that is accurate, complete and made available in a timely way. Transparency enables accountability which alludes to the extent to which the State is answerable for its actions. According to recent studies, Uganda's accountability environment is said to have improved only between 2003 and 2008; since then it has been steadily deteriorating. Uganda's capacity to control corruption is deemed as weak, and only above the performance of Kenya, East Africa's worst performer. The high prevalence of bureaucratic corruption negatively affects the poor and is considered the most significant obstacle to doing business in Uganda in the latest *Africa Competitiveness Report*.<sup>79</sup> Other analyses, including those of Transparency International's Global Corruption Barometer Survey, have consistently found that Ugandans pay bribes to one of the eight institutions (judiciary, education, tax services and customs, permits or registries, medical services, police, land services or utilities).<sup>80</sup> In addition, the fact that public sector wages are low compared with their private sector equivalents may encourage public servants to seek supplementary sources of income to the detriment of performance, and incentivize corruption. Given this context, a lack of trust among entrepreneurs and workers in institutions engaged in enforcing formalization would be common, as would a lack of confidence that services can be delivered efficiently and regulations enforced transparently.

Surprisingly, however, respondents in the host communities in both Isingiro and Arua did not seem concerned about transparency and accountability issues around the main institutions of the NSSF, URSB, Ministry of Labour and URA. Seven out of the ten respondents in Nakivale and six out of ten in Rhino Camp had never been asked for bribes or inducements by any of these agencies. Nevertheless, we also learnt from them that they have hardly seen these institutions come to teach them or enforce the regulations. Thus, irregular or minimal interaction with the relevant agencies can be another reason for the non-negative responses. Some had concerns about poor services, and yet they believed that the URA collects a lot of tax, especially via VAT. They felt that the Government needed to be more transparent on how national revenues are used. While the URA has intensified tax education with increasing automation, it is important that these awareness campaigns be complemented by information on taxes and how compliance benefits the population. Workers interviewed had little trust in the social protection institutions, especially the NSSF. Several of them believed that their earnings were too small to support any deductions for contributory pension schemes. One respondent in Isingiro observed, *"I earn a paltry 180,000 shillings. I do not want my employer to reduce it by 5 per cent. Even if he added for me 10 per cent to save for the future, there will not be any good savings after so many years that I have to wait. I would rather have all my little salary and save in my village savings group rather than have so little money to wait for over 20 years in a Government Institution"*. Another respondent in Mbarara city observed the following, *"We believe that NSSF gives workers' money to government to finance political programs. At one time they invested in a bogus land purchase scheme to benefit some politicians and unscrupulous business men in Kampala."* This shows that people's perceptions of how well contributions are used to provide services or invested are important factors to address.

In general, it appears that apart from the URA, most of the other institutions are less involved in the business life of small economic units. This is due to weak institutional capacity (including inadequate inspection). Interviews with business owners and workers in the host community and entrepreneurs in the neighbouring cities revealed that for both workers and economic units in the informal economy, the legislation does not apply or is not enforced. Therefore, they are not aware or are not interested

---

79 <https://www.afdb.org/en/knowledge/publications/africa-competitiveness-report>.

80 In 2020, Uganda ranked 142nd out of 180; 69 per cent of the population indicated that corruption had increased in the last 12 months. <https://www.transparency.org/en/countries/uganda>.



in accountability and transparency issues for the time being. In bigger trading cities such as Mbarara or Arua, trust seems to be constrained by the limited information these institutions provide about the benefits of cooperation or compliance.

Around the refugee communities, the Biometric Information Management System (BIMS), a system to improve transparency and accountability, is being implemented to support biometric verification across all refugee hosting districts. The CRRF Secretariat, with support from the UNHCR, has a dashboard to ensure that the data is available or collectible for refugees and host communities in government-led or government-authorized systems. It provides a cross-sectoral overview that will allow interested parties to understand the general direction of progress and achievements. In conclusion, the institutions will need to intensify investing in proactive education campaigns about their services and how they benefit workers and economic units, in order to build trust and create enough awareness and uptake of these services. The campaigns would need to be customized for each group. In addition to this, they will also need to improve compliance through training, information and support, along with humane enforcement measures so as not to force people further underground. Finally, they will have to improve the efficiency of government services and clearly demonstrate to the public that they care to offer them more knowledge and awareness about these regulations and associated benefits. Building trust and collective incentives is vital.

## ► 7.4 The level of awareness of public institutions

---

From interviews with public institutions, and in particular the Ministry of Trade, URSB, NSSF and local government officials, relevant public institutions in Uganda are generally aware of the extent of informal economy workers and informal economic units. The NDP III acknowledges that informality is substantially prevalent in the country and is accounting for more than 69 per cent of employment. However, in the context of forced displacement, the level of awareness is very low. Lack of awareness is not only a concern in public institutions but also among business owners, especially with regards to enterprise and employment rights of refugees. The Ugandan law is open and generous to refugees, allowing them all rights except voting. However, very few officials and business owners interviewed in the host communities and cities know the laws to the full extent. When asked about whether the current law allows refugees to move or to work anywhere freely in Uganda, only 25 per cent of our respondents in Isingiro and 21 per cent in Arua gave the correct answer. About 75 per cent thought that refugees are not allowed to move outside their settlements or that they are not allowed to work.

At the Ministry of Trade, when asked whether they have any specific programmes to support and integrate refugees in trade and industrial activities, one official observed, *“We have not planned any programmes for refugees in our SME policy. I am not aware of the extent to which we are allowed to provide for them. However, we would welcome ILO programmes for capacity-building to help us understand how to support refugees. I am happy also if you can share with me the laws that allow refugees to do business.”* The previous revelations clearly show that awareness of economic activity and rights of refugees is very low, and it is unlikely that support for formalization of refugee employment and economic activity would feature in the priority actions of the different institutional stakeholders. The NDP III recognizes that it is important to integrate refugees and host community issues in the broader development plans, requiring the integration of refugee and host community programmes in departments and local district planning frameworks. This is already being done in some areas such as water, education and health.<sup>81</sup> However, it is aimed at broader challenges of refugee and host community welfare issues, and not directly on addressing the question of informality.

---

81 See Integrated Health Response Plan, Water and Environmental Refugee Response Plan 2019 – 2022 and [Uganda's Education Plan for Refugees](#).



# Other drivers of informality which are not related to the legal framework

---

## ► Key message

The formalization agenda needs to consider policies and strategies that foster positive social cohesion, support alignment of education documentation to suit Uganda employment requirements, encourage voice and representation (especially voices of women within communities), promote self-organization and address exclusion or discrimination tendencies.

## ► 8.1 Drivers that relate to the context of refugees

---

The drivers that are covered in this section are mainly a result of constrained cultural and social capabilities of refugees caused by their experience of conflict and displacement. The prominent ones established by this diagnosis are outlined in the following sub-sections.

### 8.1.1 Cultural and language barriers

With respect to cultural issues, refugees have the right to organize themselves in social, cultural and religious platforms. The most notable issue was the tendency by refugees to live and relate according to their nationalities. People with the same nationality traded more with each other, and some, such as the Somalis in Nakivale, traded almost under anonymity with their compatriots in trades such as money transfer transactions. The tendency not to open up to people of other nationalities seems to drive informality because there is no desire to exchange information outside their own circles, discouraging the access to new markets or finding new business leads. Beyond the economic activity relations, the structural setting of the cultural environment can also lead to disruptions in social relationships at community levels and can easily give rise to discrimination or inequity. During interviews, problems were noted related to culture and gender. In both Nakivale and Rhino Camp, South Sudanese and Congolese women shared with us that cultural factors may limit their participation in mobile economic activities compared with men. Several women respondents said that their engagement is generally oriented to supporting their household needs, which rarely allows for involvement in matters beyond their immediate environment and livelihood concerns.

In Nakivale, one female refugee leader reflected on the cultural characteristics that had for some time limited her involvement in leadership in the settlement: *“According to my culture background in Congo, women should not be elected to village level leadership positions and it may be disrespectful to be quite vocal in the presence of men. I am happy that I have a role here since 2017 as a Refugee Welfare Officer. Despite this, I know many more women here in the camp especially Somali women cannot participate in leadership. This disadvantages us before men in pursuit of live improvement goals including in formal employment while here and when we return home in future.”* With respect to languages, barriers were mainly said to be threatening learning outcomes for refugee children. Beyond that, respondents also pointed out their inability to express themselves in English when they visited local authorities for trade documentation, including licensing.

### 8.1.2 Resettlement elsewhere overshadowing employment formalization

It was also noted that a focus on resettlement to other countries diverted mindsets from focusing on regularizing and seeking formalization in the host country. Up to 97 per cent of the refugees are officially registered in Uganda. However, the majority desire to move somewhere else, especially to be re-settled in the western world. This is especially the case for those who have some formal education above secondary school level. This mindset makes them feel less enthusiastic for pursuing formal employment in Uganda.

### 8.1.3 Social cohesion with regard to host communities

Uganda's self-reliance model has an emphasis on integrated service provision. Its combination of rural settlements and the right to reside freely in cities allows refugees and host community members to interact freely. Furthermore, public services such as health and education are generally provided by the national government and are available to both refugees and host communities. In Nakivale, for example, it was observed that refugees come and go freely, and many Ugandan nationals come to the settlement to buy and sell goods and services. Some even run businesses in the settlement. Meanwhile the main Nakivale schools and hospitals serve both refugee and host populations. In Nakivale and Rhino Camp, subsistence

farming is the key economic activity generating low incomes for refugees and host communities. There is, therefore, less inequality between refugees and hosts. This creates greater opportunities for interaction and increases levels of social cohesion. A Ugandan government official in Isingiro district also highlighted the peaceful coexistence of refugees and host communities in Nakivale, although he mentioned some recent, albeit low-level, tensions relating to land access, sparked by the large influxes of refugees.

Overall, refugee–host community relations in Rhino Camp and Nakivale settlements are cordial, a view corroborated by interviews with UNHCR and OPM staff. Notwithstanding, refugees and hosts in Nakivale often undertake the same economic activities. This leads to a greater perception of competition, and it can affect social cohesion if it is not addressed. While inter-communal violence is relatively low, there are many first-hand experiences of hosts feeling cheated or threatened by refugees. In Rhino Camp, particularly in Madi-Okollo, there have been incidents of refugee–host community violence. The worst took place in 2020, and lives were lost because of a dispute over a water resource. A representative for UNHCR in Uganda responded, *“the disproportionate violent reaction by the host community to a communal dispute signals a threat to the delicate balance of peaceful coexistence in the rural villages where refugees live alongside their hosts”*. He observed further that *“in an environment of increased scarcity, even the generous policy of the Ugandan government has its limits as both the host and refugee communities face increased hardship and decreased access to basic services and livelihoods”*.

There appear to be problematic boundary issues between the newly created districts of Madi-Okollo and Terego. Business owners are not sure who handles their registration processes and to whom they should pay the revenue or tax collections. Unresolved issues such as these make the business environment less conducive to formalization, both for workers and economic units. One emerging conclusion is that the formalization agenda needs to consider policies and strategies that foster positive social cohesion and, hence, address both refugee and host communities while discouraging social tension. A World Bank study<sup>82</sup> suggests paying attention to the make-up and content of community and narratives about social identity within the host community; considering pre-existing relationships between the displaced and host community; capacity or readiness of the government and communities to host, including access to and capacity of infrastructure and services; tackling economic deprivation and inequality within the host community. Uganda is making progress in this direction with some of these factors being addressed in the *Private Sector Engagement Strategy for Refugee Hosting Districts*. Its main rationale is to put in place mechanisms of drawing private sector participants into the Refugee Hosting Districts to increase employment and economic opportunities. Alongside this is the Jobs and Livelihoods Sector Response Plan recently adopted by the CRRF SG and launched by the Government in May 2021. During the study validation workshop, the OPM representatives highlighted that these revelations would be used as input for government plans that aim at increasing social cohesion.

## ▶ 8.2 Transversal drivers associated with the characteristics of workers and units

---

This section briefly analyses micro-level determinants of informality. Included here are mainly the level of education, poverty, voice and representation, exclusion or discrimination and cultural factors.

### 8.2.1 Education as a driver of informality

As observed in [Chapter 5](#), one of the challenges of refugees is that the vast majority have low education. Here we look at it again as a driver of informality. In Nakivale, for example, 82.8 per cent have levels of education at primary level or below. Because of this limitation, most of the refugees find it hard to

---

82 *Economic Informality, Causes, Costs, and Policies—A Literature Survey*, World Bank Working Paper Series 167.

obtain formal employment, thus opting to be own-account workers and daily workers. Low education also complicated their ability to comprehend labour laws and rights with respect to decent work for the few that cared to pursue it. At one of the meetings, a woman working as a cook at one of the construction sites in Nakivale complained of having never seen any written document with information about her salary or working terms. Further asked whether she considered any written document as important, she responded positively but added that she would neither read it nor understand the contents. However, she was confident that it would have a record of her salary and other benefits. For most of the businesses interviewed in the host communities, the number of business owners who have completed secondary school or who have attained university education is very low. Because of this, and with limited information about labour laws and decent work issues, these entrepreneurs perpetuate informality in terms of employment and how they run their businesses. Registration, especially of workers, is nowhere on the list of their priorities. The only subject in which they expressed an interest is taxation. Questioned about registration of workers with relevant district officials, one entrepreneur asked us if it was necessary, and why the workers cannot register themselves if they wished to. There are efforts to increase adult literacy for some refugees, especially women, in order to empower them for better managing their small informal businesses. The German Development Service, for example, had introduced cost-free adult literacy courses in Rhino Camp. Women refugees spoken to agreed that this was a useful intervention to increase their knowledge and help them better run their businesses.

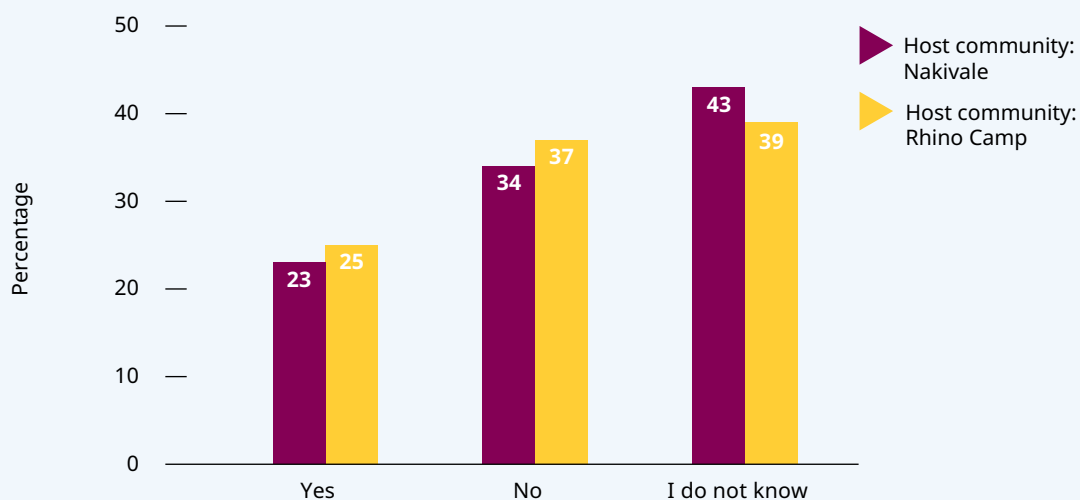
## 8.2.2 Documentation

Closely related to education was the lack of formal education documentation and other job search support documents. Few refugees possess the documents requested by potential employers, either because they do not match host country requirements or they were lost. In both Rhino Camp and Nakivale, the refugees spoken to do not appear to be able to prove and match their skills to available work opportunities. Many of the refugees surveyed said that the livelihoods they engaged in were not the same as before they became refugees. Challenges matching qualifications to Ugandan standards and requirements are prevalent. In an interview with the UNHCR, this was an area of concern under the durable solutions programme. Together with the World Bank and UNESCO, they are in discussions with the Government to support mechanisms that can allow easier labour mobility for teachers and nurses from the refugees' home countries to offer labour services in FDP settlements in Uganda. At the same time, they are looking into equating education certificates across the East African Community, to ease labour mobility for FDPs. It was also pointed out that potential employers generally ask jobseekers to bring an introductory letter produced by a local authority, especially the "Local Council 1 Letter". The letter is a simple reference filled and signed by a local authority (usually the village level authority). Employers use it to ascertain trustworthiness and overall conduct of the potential employee at his place of domicile. It is not a legal obligation under employment law. If it is requested, it may not be easily obtained by the refugees. In instances when it can be obtained, potential employers still doubt the refugees' reliability and trustworthiness, considering that their backgrounds are not well known. In the end, when employers decide to offer the job, they choose to keep it informal, probably with a verbal contract and in an inferior category. This can perpetuate precarious work and all sorts of informality.

## 8.2.3 Discrimination

Refugees face discrimination when they enter the job market. This is because of the limited knowledge by the host community of the law that allows refugees full rights. When we asked Ugandan nationals working in the host community about whether they were aware that the law allows refugees to move freely or to work in Uganda, the majority did not know (see figure 23). Others went further to suggest that refugees should not be allowed to move to work in Uganda (about 30 per cent). Those with negative opinions were concerned about job competition with nationals. Others feel that refugees do not need to work, given that they already receive aid. Therefore, informal discrimination against refugee jobseekers is real, based on this kind of perception.

► **Figure 23. Do you think that the Ugandan law allows refugees to work?**



**Note:** Number of respondents: 12 in Nakivale and 15 in Rhino Camp.

An illustration of discriminatory behaviour was shared by a Congolese research assistant who told how an employer in the host community refused to reimburse his lunch on the grounds that he knew he lived in the settlement and was receiving food aid. *“He openly told me to consider the job offer a privilege enough and stop asking for entitlements meant for the locals.”* Situations such as these were frequently voiced by the refugee employees we surveyed. Potential employers and Ugandan employees are concerned with the overall shortage of jobs in the country and competition for the few available opportunities for foreigners. Many potential employers and business owners also have a wrong idea about the entitlements and other services that are provided for refugees in Uganda. If some of the above characteristics of discrimination are not addressed, they can be considerable drivers of informal employment characterized by decent work deficits for vulnerable refugee populations.

## 8.2.4 Poverty

In [Chapter 5](#), poverty was highlighted as a major risk. Here, the issue is reviewed again as a driver of informality. The dependence on subsistence agriculture for livelihoods and the lack of social safety nets implies that most people in most households cannot create sufficient incomes. They will thus enter the informal economy not by choice, but out of a need to survive and to have access to basic needs. In Uganda, a large proportion of households is still in this category, barely earning enough income to survive. NDP III puts absolute poverty (less than US\$1 per day) at 21.4 per cent and aims to reduce it to 18.5 per cent by 2025. Most refugees are living in extreme poverty when well-being is measured by per capita expenditures. More than 25 per cent of refugees live on less than 1,000 shillings per person per day and 69 per cent on less than 2,000 shillings per person per day.<sup>83</sup> This corresponds to around US\$1.68 per day in Purchasing Power Parity (PPP) terms (US\$0.56 per day in actual dollars), which is below the internationally recognized extreme poverty line. A small number of refugees have household per capita expenditures above 5,000 shillings, which may indicate some form of “self-reliance”. However, these expenditure figures consider the food assistance transfer. When food assistance is discounted, the figures increase to 60 per cent of refugees living in households with daily per capita expenditures below 1,000 shillings. Most respondents, especially own-account workers and small business owners, were more concerned about livelihoods than formalization of work and enterprise issues. This was more so for those engaged in subsistence agriculture. Asked whether he thought about registering his business, a refugee in Nakivale open food market responded by asking, “What is there for me to register?” He felt his daily attendance at the market was for the sole purpose of earning an income to meet his basic family needs.

<sup>83</sup> Analysis of refugee vulnerability in Uganda, [https://reliefweb.int/sites/reliefweb.int/files/resources/WFP-0000115731\\_0.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/WFP-0000115731_0.pdf).

## 8.2.5 Voice, representation and self-organization

At a national level, the Refugee Engagement Forum is the national platform to represent the refugee voice in Uganda and to ensure refugees play a vital role in the refugee response.<sup>84</sup> The forum ensures that refugees participate in the CRRF Steering Group, which is the platform that represents the views of key stakeholders involved in the refugee response in Uganda. It allows refugees to express their actual needs. It relates to the local level in the sense that the host community holds five representative seats at this decision-making table. These include two district local government chairpersons and three district chief administrative officers from refugee-hosting districts. The Steering Group meetings bring together key decision-makers from the OPM (Department of Refugees), local government and other key ministries, hosting district leadership representatives, other high-level representatives from the Government, international development partners, local and international NGOs, the civil society and the private sector (see [chapter 10](#) for further information). Host communities' voice and representation is mainly facilitated via the local government leadership of the host districts.

At the settlement levels, zonal coordination meetings are held for each zone in the settlement. They are attended by the OPM, UNHCR, Refugee Welfare Committees (RCWs) and the Implementing Partners (IPs). The host community leaders are only invited in instances where there are issues that concern them. The issues raised in the zonal coordination meeting are then taken to another higher meeting — the inter-agency coordination meeting, which is attended by the OPM, UN, IPs, district officials, but no host community member, because they are already represented by the district officials.

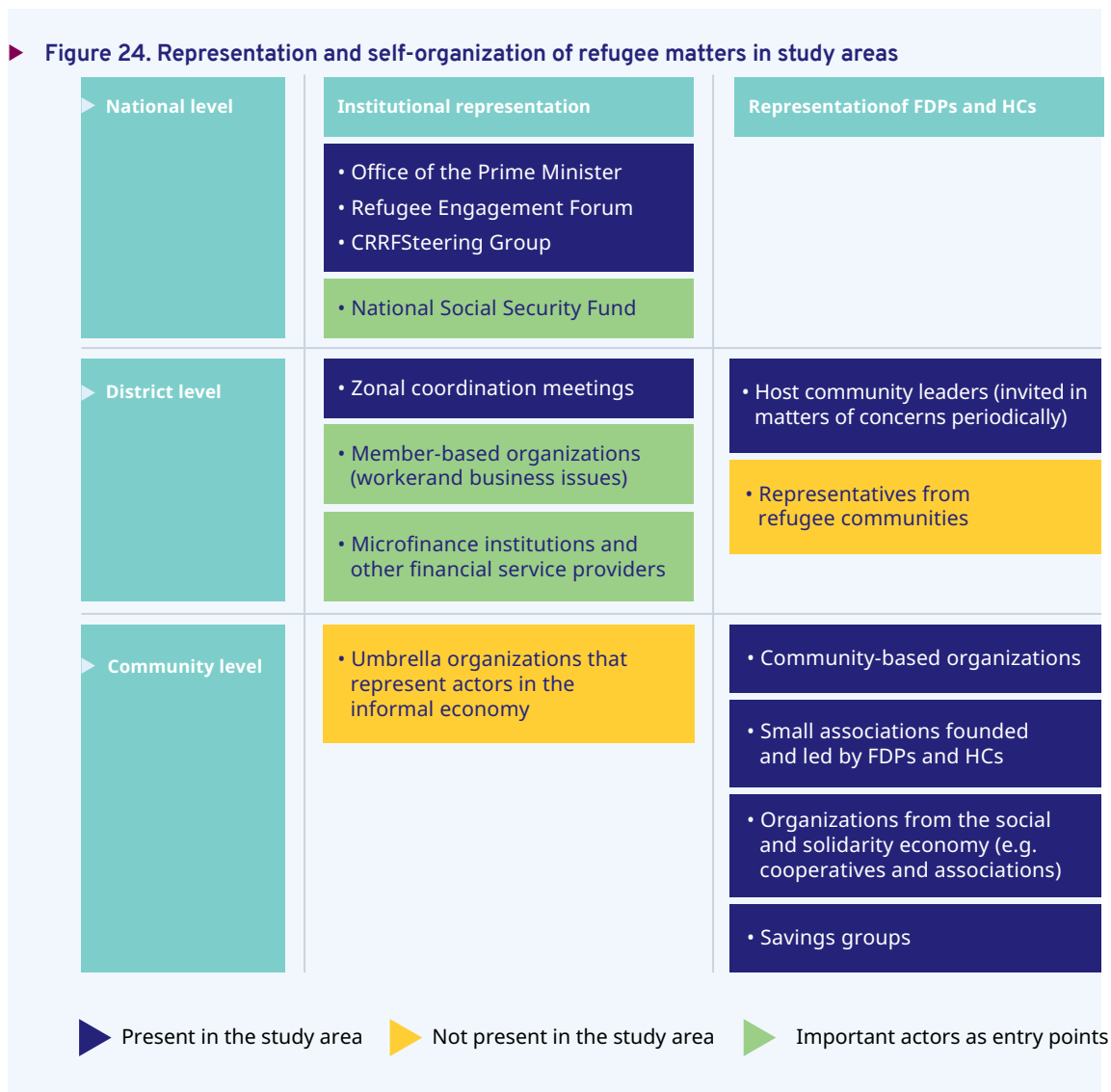
At the settlement level, district authorities are invited to co-chair the inter-agency coordination meetings and sector working-group meeting, but interviews with host district officials revealed some dissatisfaction with the levels of interaction and possibly the voice of hosts. The OPM is seen to hold the responsibility for managing the activities of refugees; however, the district officials feel that more needs to be done to empower the districts as key (host community) stakeholders in this capacity. They feel that the refugee policy needs redefining to encompass more roles and more voice for all the contiguous communities. This implies that although the OPM has maintained positive control of the refugee policy, the local districts, which are the first responders to refugee inflows and face the day-to-day challenges and issues of sharing local based resources with refugees, do not always receive the required level of support from the Government. Officials added that this is equally the case with humanitarian aid and development partners, whose projects do not include them strongly.

At the community level, refugees and host communities have small associations built around occupations and needs. In Nakivale, for example, the Refugees Victims of Chronic Diseases Association has more than 450 members and works to advocate for the better health and wealth of its members. They also help their members to start and improve their businesses and create employment for themselves. There are also savings groups such as *Hakiba na Mkofo*, which has 31 members. They save to support their own businesses by lending among themselves. The Association of Community-Based Organizations in Nakivale () is a platform which empowers CBOs in good administration, searching for investors and donors, registering them with the local government, linking them to possible donors, investors and other partners and training them in financial literacy. Asked whether it is playing a recognizable role as a voice of the members and if it has achieved anything in the area of formalization, many did not believe it was able to do much. Three members said it had helped them obtain a licence at the sub-county level. However, they appreciated that through the association, they can try to lobby for their needs, including looking out for skilling programmes and donors for their projects. Another issue to be addressed is the repression of women's voices within communities, and their lack of space to engage in wider economic activities. In the host community, cooperatives such as Ankole Cooperative Society, Abeterine SACCO, OPIMA SACO Ltd. are scattered across the region. Other refugee-led organizations include YIDA, Da Vision, Stand for Change, Wakati Foundation, Opportuneege, Tomorrow Vijana and YAD. In Rhino Camp, the Village Savings and Loan Associations (VSLAs) are the most common; they are formed by refugees pursuing similar income-generating activities. The main objective behind the formation of SACCOS and VSLAs is the need by refugees to access financial services, and by creating them they increase their voice and

---

84 <https://globalcompactrefugees.org/article/enhancing-refugees-voices-refugee-response-process-uganda>.

representation. VSLAs are formed on the basic principle of self-selection, and therefore groups in the host community are made up of host community members, and those in the settlements have a mixed membership of refugees and hosts. However, of late, mixed groups have been encouraged in order to promote local integration. The most recent groups were formed with the help of PALM Corps through the Finance for Agriculture project (F4A). They adopted a savings policy in early 2017 with the aim of raising resources and promoting investments in the member projects. Examples are the farmers' groups in Siripi, Ocea and the Kwatabango farmers' VSLA groups in Zombo. These were all created so that the refugees and the host community can save, borrow and start an insurance. "With the good record management, we have been taught to save regularly, to take short-term (three months) loans from the savings, and to share out the savings and profits. This has taught me to keep records of all activities I do. In addition, the social funds also provide us with grants when we encounter serious problems. The VSLA is now our village bank that helps us to save and to borrow," said a refugee from the Siripi savings group. There is no substantial evidence of any structured dialogue between these representative organizations of actors in the informal economy and local government, perhaps suggesting a disconnect or minimal service delivery from district to refugees. Other broader forms of association that could be used as entry points to raise awareness, and possibly implement certain measures, include the Federation of Small and Medium Enterprises (FMSME), which has regional chapters supporting enterprise formalization programmes including training and advocacy. They are already involved with refugees in post-COVID-19 enterprise support projects; in particular they are managing an ILO-funded COVID relief programme offering small grants to MSMEs in selected refugee settlements. Section 10.1, with the mapping of actors, lists several other groups such as the Rural Initiative Alliance for Development, a refugee-led organization active in West Nile. Some of those groups linked to livelihood support activities are assisted by the UNHCR.





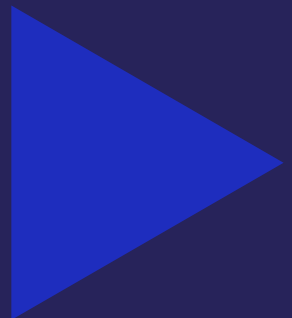


# Perceived priority needs for formalization and ability to meet needs

---

## ▶ Key message

Both FDPs and host communities have considerable needs, mainly in key areas of financial services including financial literacy, business and market opportunities enabling them to better manage their economic units, increasing their employability and having a better understanding of formalization requirement such as taxation. The need to empower refugees and host communities through training, retraining and information provision is large. However, appropriate approaches which optimize outcomes for sustainability and avoid duplication are important.



This chapter highlights the key needs of refugees and host communities towards formalization of employment and economic units. The focus is on needs related to the following:

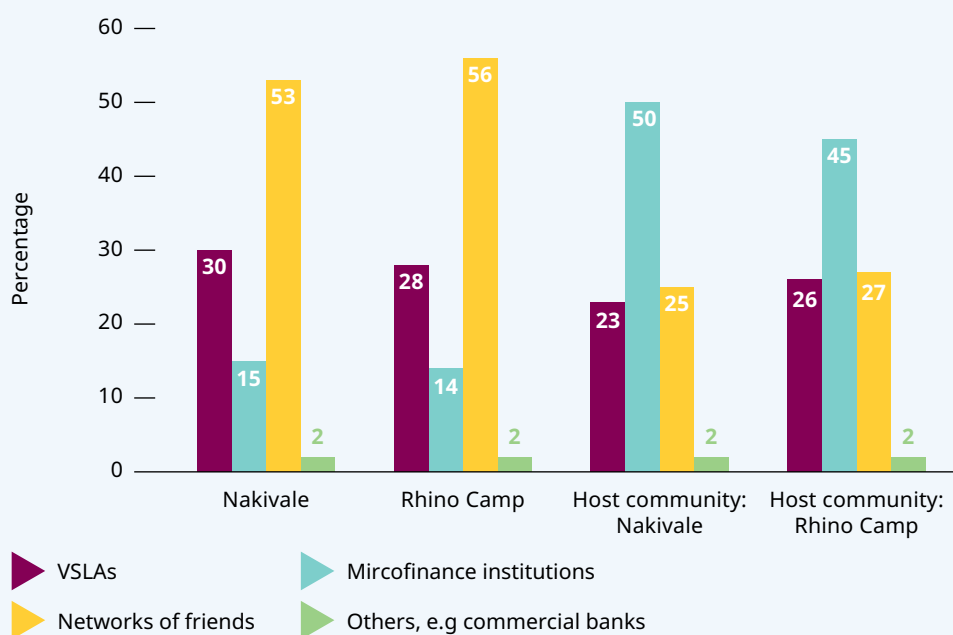
- ▶ financial and non-financial business development services;
- ▶ training and retraining;
- ▶ information on rights, entitlements and benefits;
- ▶ support for the formalization of economic units and of jobs.

In all four cases, we focus on understanding the extent to which FDPs and host communities express their needs, levels of awareness and extent of access to services responding to these needs.

## ▶ 9.1 Financial and non-financial business development services

The main need, expressed by almost 90 per cent of independent workers and employers in the settlements and host communities, was low-cost capital. The available and easily accessible financial products for small businesses were small or micro loans offered by microfinance institutions. While these could be accessed easily, they attracted high interest rates ranging from 15 to 20 per cent per month and were offered for very short periods of time. Commercial bank funding was inaccessible to most of the businesses owned by refugees and host communities, mainly for reasons ranging from lack of appropriate collateral and high cost to lack of acceptable identity and documentation in the case of refugees. Without addressing this need, it is unlikely that most informal business will consider formalization. Relevant and affordable financial products should be developed, including those that are suitable for the situation of refugees, and in particular those that consider their identity documentation and those that are based less on collateralization. Figure 25 illustrates where refugees and host communities obtain financing for their businesses.

▶ **Figure 25. Sources of capital for refugees and host communities**



**Source:** Authors with information from 40 refugees as independent workers and 15 host community business owners

The most easily accessible capital for refugees is provided through friends and VSLAs. In these associations, 15 to 30 people save together and take small loans from the accumulated savings. VSLA activities run in cycles of about a year, after which the financial assets (savings plus fines and interest) are shared out among the members according to the amount each one has saved. New models are being piloted by some agencies (such as Gesellschaft für Internationale Zusammenarbeit (GIZ)) which is supporting Savings With a Productive Purpose Model (SWAPP) being piloted in the RISE project (2019–2022). For host communities, microfinance institutions are the main source of capital. It is noteworthy that for both groups, access to finance from commercial banks is virtually absent. With respect to business development services, most needs rotate around financial intermediation (that is, support to obtain access to finance, such as information and referrals, and support to develop a business plan). Others are business opportunity identification and help with starting and growing their business. During interviews, several respondents pointed out that they did not choose to operate their businesses informally, but they did not know the proper procedures for starting formal businesses, including registration. Others operate informally simply because they want to avoid the hassle of excessively complex and bureaucratic procedures of going formal. They would therefore welcome and find relief in any business services that would ease these processes for them.

## ► 9.2 Training and retraining

---

In the context of addressing decent work deficits and supporting enterprise and job formalization, the needs for training and retraining were mainly those that could reorient refugees towards their new occupations in a new environment. Most of the independent workers interviewed said that they had changed occupations as a result of displacement and that they needed to improve their understanding of the regulations, procedures, norms and ways of doing business in Uganda. In Rhino Camp, close to 82 per cent of all the small business owners to whom we spoke expressed these needs, while 76 per cent did so in Nakivale. Host community respondents were more interested in a familiarization with current URA taxation requirements and finding markets for their products, including winning tenders from the Government and others, including international organizations. *“I believe my business would grow and be formal if I was able to get onto the list of those who supply their agriculture products to the World Food Program. I would appreciate any training that would prepare me for such a lucrative market,”* said an entrepreneur trading in maize and matooke in Isingiro. The needs of refugees and the host community seem to vary substantially except in one area — financial literacy — a need expressed by 90 per cent of all our respondents. This perhaps reflects how access to finance and the ability to handle and save money remain a substantial challenge to all. In Rhino Camp and Nakivale settlements, we asked specifically whether they received any technical training on issues of business formalization. Almost all responded negatively. This may be an indication that issues of formalization have never been addressed head-on in most of the training they have been offered.

With respect to employees, the majority of the refugees working for others we spoke to hoped for entry into the formal job market of NGOs and organizations active in supporting FDPs, while others contemplated relocation to third countries. The issues of language skills, matching their competences with Uganda education standards, and IT skills were priority needs. Ugandans working in the host community were more inward-looking, keenly interested in the workspace of NGOs and international organizations in the settlements. More than 85 per cent of Ugandans we interviewed kept an open eye on this space as they believe it offers better pay and other benefits. Surprisingly, many did not express substantial training or retraining needs in the agricultural area, despite this being a key occupation for both refugees and host community members. This may reflect the subsistence nature of agriculture in the area, mainly engaged in basic survival needs than business growth. A few expressed needs for extension services and addressing drought.

It is important to point out that the importance of training has also been singled out by other agencies as a critical intervention area. In its report, *Informing the Refugee Policy Response in Uganda (2018)*, the World Bank highlights the urgent need for skills and job training among refugees. The report shows that only 8 per cent of all refugees have received skills or job training, and this rate varies between regions. In the West Nile and Southwest regions, training has been offered to only 5 to 7 per cent of the refugees much of the time. The report also suggests that programmes targeted at refugees should consider that only 44 per cent have some primary education and 41 per cent have a background in agriculture. The main barrier to training is affordability. Because most refugees are poor, potential trainers with good programmes often do not target this population if they have to pay to follow them. As a result, refugees will wait for fully sponsored training programmes of INGOs and humanitarian organizations.

Finally, we established that considerable training is taking place in the settlements, much of it by humanitarian agencies active on the ground. The Norwegian Refugee Council (NRC), Finnish Refugee Council (FRC), GIZ, Danish Refugee Council DRC, Danish Church Aid (DCA), PALM Corps, the Food and Agriculture Organization of the United Nations (FAO) and Transcultural Psychosocial Organization (TPO) all have some training components in their projects that look at some aspects of skilling. Some, like NRC, even run training programmes that do not only skill refugees but also support them with job placement.

## ► 9.3 Information on rights, entitlements and benefits

---

Uganda's *Refugee Act of 2006* is the main source of legislation on refugees' rights. As mentioned earlier, it provides refugees with the right to work, move around the country, and live in the community. Section 29(e) explains that refugees shall enjoy "the same treatment accorded to aliens generally in similar situations", including the right to (iv) "establish commercial and industrial companies in accordance with applicable laws" and (vi) "the right to have access to employment opportunities and engage in gainful employment". While these rights are quite clear in the law, a sizeable number of respondents seemed not to know them. For example, 45 per cent of the host community respondents we asked about this issue did not know that the law allows refugees to work anywhere in Uganda. With respect to refugees, 65 per cent of independent workers and employees we spoke to were familiar with the rights to work and do business. However, at a workshop organized in Nakivale by the FSME,<sup>85</sup> we asked refugee business leaders whether they felt confident that they could work and do business anywhere without any encumbrances. This time, 30 per cent responded in the affirmative. This showed how these rights are internalized and enjoyed in reality, as compared with the existing information deficit on the practical application of the law. Asked why they did not have enough confidence, answers and questions were many and point to their information needs. The key points related to informality are outlined in box 4.

The questions and observations listed in box 4 highlight the need for more information on how refugees and host communities can experience the rights as enshrined in the law. It is important to design strategies that deliver more information about the rights of refugees in host communities so that they are not seen as encroachers on their reserved entitlements and rights. It is also important to continue reviewing the self-reliance model to ensure that refugees do not see settlements as devoid of opportunity for advancing their economic units and decent employment ambitions. The refugees' lack of confidence that they can fully enjoy their rights will perpetuate informality if it is not addressed. Strategies and models around local integration are important. Local communities must also be consulted in a more meaningful and systematic way. It is also necessary to deliver information on policies that are more attuned to the daily realities and needs of refugees and host communities, clearly pointing out that these are not favours to the refugees and host communities but rights and entitlements under the law.

---

<sup>85</sup> The workshop was organized by FSME on COVID relief financial support to selected refugee enterprises under a PROSPECTS programme.

► **Box 4. Key information needs of refugees about their rights**

- *How does the law protect my property when I go back or get relocated to a third country? My friend was one day followed to the airport and keys for his house demanded from him under unclear circumstances.*
- *Some get land and others don't get. And the size being given now is small. If the law entitles us, why don't we all get?*
- *The law allows work anywhere in this country? I'm not sure I can get a formal job in government. Even where I currently do small work in Rubondo, I experience challenges as I am seen as taking away work for the locals. I'm not sure the law protects me from discriminations tendencies.*
- *Life out of the settlement is difficult if you don't have enough money. Why doesn't the law allow that I get relief support if I live outside the camp. It is not fair. Life out there can be more difficult than in a settlement.*
- *I was once doing some work for a herdsman and he was paying me less because I was a refugee.*
- *If we have the right to work. Where is the work here? We are camped here where there are no opportunities.*

► **Figure 26. Priority needs for (future) formalization support in forced displacement contexts**

Priority need	Extent for particular group	Key bottlenecks	Ability to meet the need
Financial and non-financial business services	Independent workers and business owners (among FDPs and HCs)	Lack of collateral, high costs and challenges with documentation affect meeting credit requirements	Financial service offerings from commercial banks are mainly inaccessible for the target group
		Lack of knowledge (and awareness) about how to start a business and procedures for becoming formal	Financial service offerings from commercial banks are mainly inaccessible for the target group
		Financial services are inaccessible because the financial standing of refugees is frequently perceived as risky and unstable	Lack of affordable and relevant services that meet the need of the target group
Training and retraining	Independent workers and employees (including those who changed their occupation following displacement)	Understanding of relevant regulations and norms in Uganda and (training) opportunities to access formal jobs	Language barriers make it difficult for refugees to partake in training or comprehend existing support services
	Host community members who are already economically active	Familiarization with taxation requirements and access to public and private markets	Inability to participate in fee-based training programmes (which are mostly of higher quality)
		Language skills and digital competencies were identified as key training need	
Information on rights, obligations, entitlements and benefits	Independent workers and business owners (among FDPs and HCs), with and without ambition to formalize	Lack of sensitization on decent work and labour law issues, such as establishing (oral or implicit)	Misinterpretation or inadequate practical application of provisions made by the law
	Dependent workers employed in refugee and host communities	Lack of information on social protection benefits, how to access them and how to overcome practical hurdles	Little to no availability of structured information on work-related rights and benefits
	Staff from government agencies and other representatives of institutional units	Only few and are aware of the requirements and benefits of formalization (personally and business-related)	
			Unawareness about the existence of relevant regulations favouring refugees

## ► 9.4 Support for the formalization of economic units and jobs

Many of the respondents pointed out that they were not informal by choice but because of their challenges and the rigours of undertaking processes of formalizing, whose end benefits were not obvious to small businesses. Addressing these challenges and supporting the formalization process were their priority needs. At the validation workshop for this study, the Isingiro local government representatives advised that one way to overcome these challenges is for refugees to register their economic units as CBOs and/or cooperatives run by refugees at the district level for recognition and support.

Table 8 outlines the needs related to their specific challenges and to business registration.

► **Table 8. Needs towards formalization of economic units and jobs**

Towards their specific challenges	Towards registration process obstacles
• Access to low cost capital	• Registration process training
• Skills training for jobs	• URSB and labour office in the settlements
• English language training for jobs	• Tax and business education support
• Recognition of their qualifications by the Ugandan education system	• Free business registration for start-ups
• Markets beyond camps and the host community	• Cut down the tax burden ( <i>host community submission</i> )
• Set up serviced parks in the settlement for artisans	• Business clinics offering business growth training
• Mentorship programmes	• Awareness programmes for informal enterprises

Addressing the broader infrastructure issues cannot escape mention. Irregular energy, inadequate water supply and poor road networks are considerable impediments to the formalization agenda.

Responding to these needs also requires investing in improving the capacity of relevant institutions in order to reach refugees and host communities with the relevant response policies, strategies and programmes. As things stand, these institutions, even at the local government level, including district commercial departments, labour offices, social security and social transfer institutions, and so on, are thin on the ground and do not seem to deliver any substantial interventions. Their interventions are spontaneous, quite often tagged on development partner programmes. There are visible efforts and programmes delivered by development partner projects; however, these, too, are delivered unsustainably, with all the partners having their own independent approaches and results. This may not be appropriate to optimize outcomes for sustainability and avoidance of duplication. It may also be important to explore opportunities for enterprise development with a focus on commercial farming investments in these settlements. This, however, is an area that may require further study. Asigma Capital has carried out a snapshot study,<sup>86</sup> funded by the Mastercard Foundation, on where opportunities may lie. It also encourages the Uganda Investment Authority to profile investment opportunities adequately in the host districts and disseminate this information to the public.

86 Asigma Capital, "Rapid Assessment of Refugee Employment Opportunities in Select Ugandan Settlements Report". Done for Mastercard Foundation, June 2019.

# ▶ 10

## Mapping of actors, identification and assessment of the current policy approach to reduce decent work deficits among refugees and host communities

---

### ▶ Key message

Government actors need to work towards the complementarities and synergies that could be derived from a well-coordinated holistic approach to facilitate the transition of workers and economic units to formality. For humanitarian organizations, reducing vulnerabilities (improving working and living conditions and reducing decent work deficits) is key. This contributes to formalization processes and may be considered as the first step in a longer-term process to transition to formality.

## ► 10.1 Mapping of actors

The ILO theory of change on the *Transition from the informal to the formal economy* points out that tackling informality requires acting on several of its drivers, some of them being beyond the world of work. This calls for coordinated action between several ministries and other public bodies, as well as close consultation with and participation of the social partners and the informal economy organizations concerned. The ministries and public bodies responsible for labour, social protection, enterprise development, the social and solidarity economy, finance and economy, welfare, rural development and industry are the main public contributors and actors of the formalization process. In Uganda, the key actors, what they are involved in, and how their work supports transition from informality to formality, directly or indirectly, is described in table 9.

► **Table 9. A mapping of key actors**

<b>A) Government</b>	
<b>Institution</b>	<b>Role</b>
Ministry of Labour, Gender and Social Development	Labour laws, policies, regulations, social protection (including social security and social transfers)
National Social Security Fund	Social security
Ministry of Education and Sports, and constituent agencies of BTVET and DTI	Responsible for Refugee Education Response Plan Technical and vocational skilling certification under BTVET and DTI
Ministry of Justice	Legal advice, arbitration, and so on. Key agency for the delivery of justice.
Office of the Prime minister	Land in settlements and Country Refugee Response Framework secretariat host. Already coordinating refugee protection activities of the Government. Also has Private Sector Engagement Strategy for Refugee Hosting Districts
Uganda Registration Services Bureau	Business registrations and formalization
Uganda Revenue Authority	Tax administration — Tax Identification Numbers as part formalization. Compliance enforcement and tax education
Uganda Bureau of Statistics	National statistics, business and labour force surveys and analysis
Ministry of Trade Industry and Cooperatives	Trade policy, cooperatives and SME policy with formalization agenda
Ministry of Health	Implementing the refugee integrated health plan
Ministry of Agriculture	Transformation of agriculture in refugee settlements including addressing water for production challenges
Ministry of Local Government	Local level commercial regulations, licensing as part of formalization, local labour ordinances and inspection. Also host of refugee camps and settlements
<b>B) Other relevant stakeholders: Social partners and other member-based organizations and service providers</b>	
<b>Institution</b>	<b>Role</b>
Federation of Small and Medium-sized Enterprises — Uganda (FSME)	Business training and advocacy for micro, small and medium businesses Implementing partner for PROSPECTS programme
Uganda Cooperative Alliance Ltd	Could play a role in refugee self-organizations development
National Organization of Trade Unions (NOTU)	Surveillance of acceptable labour laws or standards and employment policies for sustainable human rights of all working people in Uganda
Private Sector Foundation Uganda (PSFU)	Focal point for private sector advocacy as well as capacity-building, including for informal sector enterprises
Uganda National Chamber of Commerce and Industry	Could play a role in business (B2B) networking opportunities for FDPs and host communities



Federation of Uganda Employers (FUE)	Fostering best employment relations and provision of business development services.
Uganda Small Scale Industries Association	Grassroots-based association representing MSME processors.
West Nile Private Sector Development Promotion Centre (WENIPS)	Capacity-building, advocacy, group selection and formation. Involved with PROSPECTS in some value chains
Arua District Farmers Association (ARUDIFA)	Capacity-building of farmers, agricultural input provision and formation of agricultural groups
FINCA Microfinance	Example of micro credit provider to FDPs in west Nile.
Nile Microfinance Limited	As above
Brac Microfinance	Example of Microfinance Institution with financial solutions for FDPs
Vision Fund	Good examples for financial inclusion for FDPs
Rural Initiative Alliance for Development	Example of a refugee-led organization active in livelihoods programmes and refugee youth capacity-building
Nile Institute of Management Studies Arua	Example of a private vocational institute offering comprehensive courses aimed at developing innovative practices including for FDPs in the region
Young African Refugees for Integral Development	Refugee-led small informal organization offering language instruction, internet access and vocational training to refugees in urban Kampala

### International organizations

Institution	Role
Dan Church Aid	Livelihoods, market development, environment and energy and cash for work.
GIZ	District local government capacity-building, tertiary institutional training, and linking the refugee beneficiaries to employment opportunities, support for start-ups\Support with agriculture input and bee-keeping, training in VSLA schemes.
Norwegian Refugee Council	Livelihoods — focus on vocational skills training and linking the beneficiaries to employment opportunities.
International Rescue Committee	Livelihood support or activities and protection programming.
Finnish Refugee Council	Livelihood and business training, financial literacy programmes
AVSI	Improving food security and nutrition and building self-reliance and resilience among extremely poor households in a refugee settlement and host communities
ALIGHT — American Refugee Committee (Uganda)	Support towards overcoming obstacles of displacement and development of sustainable livelihoods
PALM Corps	Agriculture or livelihoods, education — integration in primary education, and natural resource conservation
TPO	Psychosocial support and livelihoods support –formation of VSLAs group and support with start-up kits
Danish Refugee Council	Livelihoods — vocational skills training, VSLA and business skills training, cash-based interventions
Windle International	Supports refugees, IDPs and others affected by conflict to get access to education, training and employment for the promotion of peace and development in the communities
Finn Church Aid	Supports quality education, the entrepreneurship of women and youth, and builds links between learning and earnings for both refugees and Ugandans

### United Nations

Institution	Role
UNHCR	Livelihoods support programmes with activities that indirectly impact formalization
UNICEF	Contributes to refugee education programmes

## ► 10.2 Coordination mechanisms

---

In terms of coordination mechanisms in government, NDP III acknowledges that previously, under NDP II, uncoordinated approaches to implementation planning have been a challenge. Government institutions continued to operate in “silos”, with little integrated approaches as to how to deliver on their pledges and policies. The planning and implementation of government programmes remained largely confined within sectors and MDAs, along sectoral or MDA mandates. As a result, the synergies and complementarities that could be derived from a more holistic approach were often forfeited. This also has an impact on current or future efforts to transition workers and economic units to formality, which requires a multi-disciplinary and well-coordinated approach. Under NDPIII, the programme-based approach to planning has been adopted, in the hope that fully functional sector working groups around specific priority programmes will result in more coordination. Emphasis is also put on strengthening results-based planning and implementation. In the context of FDPs, Uganda has brought together the different partners in refugee protection under the Country Refugee Response Framework (CRRF), with a Secretariat in the OPM. The CRRF ensures a comprehensive coordinated response, including the engagement of many development actors as key thinking partners in the refugee response interventions in Uganda. It also includes key government ministries and departments, for example, local government ministries for water, education, national planning authority, and so on. Multilateral and bilateral actors are also engaged with the CRRF for effective coordination of the refugee response. Livelihood programmes are being implemented under this framework.

## ► 10.3 Role of humanitarian interventions in facilitating the transition to formality

---

Tackling informality in refugee settlements and host communities is not the primary objective of most of the humanitarian assistance organizations involved with situations of forced displacement. However, reducing vulnerabilities forms part of their objectives, while running programmes whose broader impacts end up touching some drivers of informality. To this end, they contribute to the broader objectives and goals of formalization, especially when they focus on the improvement of working and living conditions, the reduction of vulnerabilities and decent work deficits.

Many funding programmes focus on refugee and host community assistance. Examples include the EU Trust Fund (EUTF) with 20 million euro signed in 2015 to respond to refugee influx; the Development Initiative for Northern Uganda (DINU) supporting development in Northern Uganda through a 150 million euro programme; the World Bank, with support of US\$268 million through a new IDA18 sub-window to finance medium- to long-term investments in a combination package of soft loans and grants for host communities and refugees; Norway with funding to UN Women; Caritas to work in Northern Uganda on empowerment and livelihood with 20 million Norwegian krone (about 2 million euro) in a World Bank Trust Fund to advance CRRF goals in Uganda; Germany with 10 million euro for economic opportunities for refugees and host communities; Ireland with an additional 3.2 million euro for 2016–18 for influx response from its development fund.

USAID assists livelihood programming and education through its “Power Africa” programme. The Joint Humanitarian Development Framework and DANIDA focus on the resilience of refugees and host communities. The FAO runs programmes on agriculture and education for refugees and host communities. UNICEF programmes are present in all refugee-hosting districts, focusing on education in particular.

The programme funded by the Department for International Development (DFID) on the sustainable use of natural resources and energy in the refugee context in Uganda includes actors such as GIZ and International Council for Research in Agroforestry (ICRAF), helping to transition the refugee response over to the development sector for longer-term planning. The UK is working with diverse actors to engage the private sector in refugee response through GiveDirectly for cash-based intervention, NGO consortium, and Smart Communities Coalition for public-private-partnerships.

Some development partners or humanitarian organizations have programmes that address informality issues. Box 5 describes a programme run by the Norwegian Refugee Council (NRC) which focuses on skilling and employment support for refugees.

► **Box 5. Youth employability and enterprise development programme of the Norwegian Refugee Council**

Under the Livelihood and Food Security Sector, the NRC runs a programme focusing on two areas:

- enterprise development for youth and women
- employability support programme for youth

The programme is run in several settlements, including Rhino Camp in West Nile and Nakivale in Isingiro.

Under enterprise development, groups of youth and women are identified in the settlements and host communities. If such groups do not exist, their formation is encouraged and supported. They are then engaged in capacity-building, focusing mainly on financial literacy, small-scale business management, group dynamics and cooperation, how to save and invest. A market analysis is undertaken to identify opportunities for the groups. It looks into competition issues, and how they would sell in the markets through an assessment of several market factors. The programme includes capacity-building in VSLA methodology, and support to lend to other groups. A key element of formalization is that the NRC also helps the groups to register with the sub-county and LG districts. This is essential for opening a group bank account, which is necessary because NRC provides a small start-up capital.

Under the employability programme, the focus is on vocational skills training for refugees and host communities. Training is for six months, in bakery, bricklaying hairdressing, and so on. This training is complemented by an entrepreneurship course, and when completed, assistance is given to find apprenticeships in the public or private sector. The apprentices are encouraged to interact and learn mainly customer-care skills and are then linked to relevant businesses, including hotels, catering firms, and so on, and in most cases, they find employment. Another key element of the programme related to formalization is that the NRC works with the Government, particularly the Directorate of Industrial Training, to award a certificate upon qualification, which helps in the job search. It can also be used by those who wish to pursue further studies.

The NRC pointed out an urgent need to find ways of supporting refugees who lost their education papers, especially those originating from South Sudan.

**Source:** Interview with NRC Field Team

Box 5 gives an example of the kind of work humanitarian organizations are involved with. Others that we were able to interact with, and who are running relevant programmes, include the UNHCR, GIZ, DRC, DCA, PALM Corps, FAO, TPO, AVSI and Windle International.

It is important to note that most of them do not run explicit programmes focusing on facilitating the transition to formality as their main objective. Their work is mainly about improving livelihoods. However, the reduction of vulnerabilities and addressing decent work deficits are not only the results of formalization but contribute to the process. In this respect, humanitarian actions on livelihoods make an important contribution towards the formalization agenda.

## ► 10.4 Transition to formality in previous policy and technical assistance interventions

---

With respect to government, previous policies have identified informality as a key challenge that needed to be tackled, especially in order to raise tax revenues and foster decent employment in the private sector. Previous policies, including the *National Trade Policy (2015)*, the immediate past NPDII, the *National Strategy for Private Sector Development 2018–2022*,<sup>87</sup> the *National Social Protection Policy (NSPP 2015)*, all identified informality and proposed measures to tackle it. Success was, however, limited, mainly because of the scale of the issue, limited resources and inadequate legal provisions.

With respect to displacement, Uganda's revised *CRRF Road Map — 2018–2020* sought to support the private sector with a focus on encouraging entrepreneurs to invest in economic activities and industry in host communities. This would enhance local employment opportunities, including for refugees. The plan also sought to improve the participation of refugees in the local and district economy, to link qualified refugee youth with employment opportunities, and to enhance their social interaction with the wider Ugandan community. It is not clear whether the plan was implemented or to what extent it achieved the private sector objectives. It did not identify priority sectors or activities within these sectors.

Regarding technical assistance programmes, the PROSPECTS partnership programme, under which this informality diagnostics study has been realized, provides a comprehensive framework to address different dimensions on the transition to formality. Among the ongoing activities of the programme in Uganda, access to finance for entrepreneurs, for example via matching grants, market system analyses and business development support, signifies relevant programme components. With respect to strengthening the local structure of support provision, training of business development trainers was implemented (for instance through the Start and Improve Your Business programme), which helped to establish a local business support organization and extend a network of BDS trainers in Arua and Isingiro. In addition, small business grant schemes have been put in place by various donors including the EU, World Bank and FCDO. Many of these interventions continue to run with the Kampala-based Private Sector Foundation Uganda (PSFU), which is the main implementation partner. In all cases, however, there is no evidence that they targeted addressing transition to formality, especially in displacement contexts. Certain interventions can facilitate building blocks for the formalization of economic units and informal employment in the context of displacement. These derive from several plans and strategies either currently being implemented or under design. The notable few are as follows.

- Uganda's Education Response Plan for Refugees and Host Communities (ERP) launched on 14 September 2018. The plan — the first of its kind worldwide — represents a huge policy step forward for refugee education. It is the exemplary work of a multi-stakeholder approach with the Ministry of Education and Sports in the lead and has been developed with support from humanitarian and development partners.
- The Government, supported by humanitarian and development actors, is developing two comprehensive sector plans, the Water and Environment Response Plan and the Jobs and Livelihoods Integrated Response Plan for Refugees and Host Communities in Uganda,<sup>88</sup> launched in April 2021. The key objectives relating to the formalization of economic units and jobs are: promoting competitiveness of the private sector to drive inclusive growth; and the increase in commercialization and competitiveness of agricultural production and agro processing
- The CRRF secretariat is developing a Private Sector Engagement Strategy for Refugee Hosting Districts. Its rationale is to put into place mechanisms for drawing private sector participants into the refugee hosting districts to increase employment and economic opportunities. This development has progressed in 2021, with further consultations being undertaken, hoping for a roll-out in the same year.

---

87 [https://www.finance.go.ug/sites/default/files/Publications/NSPSD%20BOOK%20WEB\\_0.pdf](https://www.finance.go.ug/sites/default/files/Publications/NSPSD%20BOOK%20WEB_0.pdf).

88 Available at <https://data2.unhcr.org/en/documents/details/86295>.

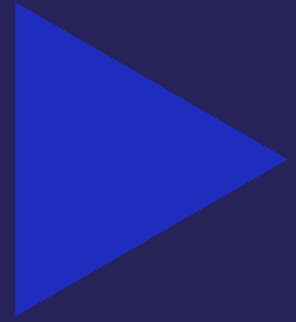
- ▶ Uganda's MGLSD has recently put forward a strong draft vision for a future multi-tiered social security system that includes expanded tax-financed direct income support (DIS) as well as a comprehensive social insurance system, both covering a range of risks across the life cycle.
- ▶ The latest amendments of laws include the NSSF Amendment Act 2021 and the Employment Amendment Bill 2019. These provide expanded social security to include more workers. They also extend decent work benefits to certain categories of workers, including domestic workers who are largely informal. They are, however, to progress into laws. If that happens and they are ratified, they may provide a window of opportunity to trigger formalization.

▶ **Figure 27. Institutional enablers for facilitating the transition to formality (in forced displacement contexts) in Uganda**

<p>▶ <b>Role of national coordination mechanisms</b></p> <p>Provide the framework for integrated approaches through which different causes of informality and drivers of formalization can be addressed.</p> <p>Strengthen results-based planning and implementation of programmes by coordinating a multiplicity of governmental and non-governmental actors.</p>	<p>Relevant institutional frameworks and policies</p>	<p>Country Refugee Response Framework (CRRF)</p> <p>Education Response Plan for Refugees and Host Communities (ERP)</p> <p>National Strategy for Private Sector Development</p> <p>National Social Protection Policy (NSPP 2015)</p> <p>National Trade Policy (2015)</p>
<p>▶ <b>Role of social partners and other member-based organizations and service providers</b></p> <p>Facilitate stronger engagement and social dialogue in order to overcome inadequate and/or incomplete provision of services to target populations</p> <p>Can play a proactive role in building internal capacity to support job and enterprise formalization and through integrating relevant services targeted at informal economy actors into work streams.</p>	<p>Relevant actors and areas of activity</p>	<p>Providers of non-financial business development services</p> <p>Financial service providers</p> <p>Social partners and other representative organizations</p> <p>Organizations from the social and solidarity economy</p>
<p>▶ <b>Role of humanitarian-development actors</b></p> <p>Tackling informality in refugee settlements and HC is not yet the primary objective of most humanitarian and development assistance organizations.</p> <p>Contribute to broader objectives and goals of formalization, especially with a focus on improving working and living conditions of vulnerable people.</p>	<p>Relevant actors and development programmes</p>	<p>Actors: ILO, World Bank, USAID, FAO, UNICEF, FCDO, UNHCR, ICRAF, NRC</p> <p>Programmes: EU Trust Fund, PROSPECTS</p>



# 11



## Conclusions

---

The key conclusions we arrive at with this diagnosis are as follows.

- ▶ The National Development Framework recognizes the need to integrate FDP issues in the national development agenda. However, it needs to have explicit provisions for addressing informal economy prevalence in the settlements and the host community.
- ▶ The legal framework to support and address decent work deficits and support the transition of workers and economic units to the formal economy is, to some extent, adequate. In some cases, social protection laws and employment laws have been amended to offer protection to vulnerable groups and workers. However, there is still room for improvement to ensure comprehensive legal coverage, in terms of benefits provided and people included under the scope of laws and regulations, and even more to support the effective application of laws and regulations in practice. Some respondents expressed a lack of trust, in particular with respect to contributory social security. In addition, social protection laws and employment laws still fall short on the specifics for displacement context.
- ▶ FDPs have little knowledge of their rights with respect to social protection, and they remain quite reliant on humanitarian interventions rather than the national social protection and health systems.
- ▶ The informal economy remains largely uncovered by social protection schemes, either contributory or non-contributory, and the administrative procedures and level of benefits make contributory schemes relatively hard to access, even when information is made available.
- ▶ The procedures and requirements for registering a business in Uganda have been simplified, but there are still opportunities for improvement. Entry costs are not prohibitively high. However, many informal sector operators are still hesitant, as they do not see benefits in formalization — only additional costs in social security, tax compliance — and thus consider formalization as a process not worth undertaking.
- ▶ There is a lack of explicit focus or objectives on transition to formality in some government plans and policies, as well as a lack of knowledge among some actors on the legal rights of refugees.
- ▶ Fear of taxation levels and compliance mechanisms is the major impediment to formal registration of informal businesses, especially in host communities. Although a presumptive tax system for small informal businesses has been put in place, compliance is still low, mainly because it is not readily seen in corresponding services.

- ▶ The benefits of formalization are often unknown or not well understood in many of the businesses. Even when these benefits are appreciated, formalization is not among the priorities of small informal businesses, faced with challenges of low capital and subsistence operations for agriculture.
- ▶ Low education is a considerable obstacle to decent work. Moreover, some refugees have qualifications that are not recognized in Uganda, which means they cannot easily gain work aligned to their skills. The study also found that documents and requirements are often full of legal jargon, making the information difficult to understand.
- ▶ Refugees expressed a clear interest in training and retraining opportunities to increase their employability, whereas respondents from the host communities were interested in learning more about market opportunities and understanding the URA taxation and formalization requirements. Both groups expressed a strong interest in financial literacy training.
- ▶ For employed refugees and Ugandans in the host communities, workers' rights were largely based on trust and verbal negotiations, without the use of contracts. Pay was often low and infrequent. Decent work and benefits such as provision of lunch, accommodation, and so on, are not offered based on the law; employers consider them to be favours to workers. Long working hours are a key issue, too.
- ▶ In some cases, there is outright exploitation of workers simply because the job market is saturated with labour supply that far outstrips demand. Workers do not ask for formal contracts because they are afraid of losing their jobs, and employers are not concerned about a formal relationship with their employees.
- ▶ Albeit very few, some entrepreneurs in the host community offer employment opportunities to displaced persons and provide work benefits such as free lunch, transportation, overtime allowances, and so forth. It is heartening to see entrepreneurs acting this way and thinking about the well-being of employees. These actions could be building blocks towards formalization.
- ▶ It emerged through the research that poverty, low productivity, lack of opportunity, little understanding of relevant procedures, laws and regulations and lack of affordable and relevant finance for economic units were the main barriers to providing decent work and formalizing economic units and jobs.
- ▶ Services for refugees are not readily or consistently made use of. For example, none of the entrepreneurs and employees interviewed had ever received any services or guidance from the labour offices. Host communities, too, share similar experiences, including those operating in larger cities.
- ▶ The disproportionate burden of family responsibilities on women to support household needs and family care, together with cultural bias, disfavours the participation of women in economic activities beyond their immediate environment and livelihood concerns. Considering that most of these livelihood concerns are rooted in subsistence agriculture, women refugees and in host communities are most likely to remain stuck in informality.
- ▶ Refugees face some degree of discrimination mainly because there is ignorance about their rights, but also, in some cases, they are seen as competitors taking what should be reserved for nationals, who see themselves in poorer conditions than those of refugees.
- ▶ Some humanitarian organizations already offer interventions that support the gradual process of sustainable formalization by acting some of the drivers, reducing vulnerabilities and enhancing opportunities to enter productive decent employment. While formalization may not be the direct goal, they contribute to the formalization process indirectly, for example as part of their livelihood support programmes.
- ▶ It is important to emphasize that this research should be understood as a starting point. Additional research would be required to fill any information gaps, for instance on informality in non-PROSPECTS regions in Uganda. There is also a critical need to understand more about the practices of the informal sector in order to learn how best to strive for decent work for all. Furthermore, it would be worthwhile to carry out more research which compares rural and urban refugee settlements to discover how these dynamics influence decent working conditions.

# ▶ 12

## Recommendations

---

### ▶ Recommended measures to address formalization challenges and support the transition to formality in forced displacement contexts in Uganda

---

Key measures to address the causes and drivers and facilitate the formalization of jobs and enterprises among the target groups are summed up in three categories.

#### **1 Measures to strengthen the capacity of the economy to absorb informal workers and economic units and facilitate transitions to formality (FDPs and host communities)**

These include:

- ▶ promoting employment and enterprise development-friendly macro-economic frameworks;
- ▶ strengthening the capacity and accountability of institutions and their ability to associate real advantages and benefits to formality;
- ▶ reviewing laws and regulations, for example to amend employment and social protection laws for wider inclusion;
- ▶ supporting productive sectors of the economy that have a high potential to provide and create decent jobs, notably through viable and sustainable economic units;
- ▶ strengthening the business environment;
- ▶ building the capacity of relevant actors to enhance their understanding of the rights of displaced people and host communities, the ability to do regular but humane inspections, and to build trust and relationships;



- ▶ designing and implementing simple and easy to enforce mechanisms of inspection or enforcement and penalization of non-compliant entities;
- ▶ undertaking reforms to reduce the cost and increase the benefits of being in the formal economy, for example by lowering taxes and increasing benefits of market participation, inclusion in government programmes;
- ▶ promoting the development of a comprehensive and sustainable social protection system, including through innovative social security schemes that are not seen as an extra cost to the employer and a burden to low-income earners;
- ▶ designing and implementing programmes that can improve women's participation in the labour market with the same opportunities as men.

## 2 Measures to improve the capacity of informal workers and economic units in forced displacement contexts to enter the formal economy

Measures for informal workers and economic units:

- ▶ providing training and retraining opportunities for workers, with a focus on occupations engaged in general merchandise trade, services and agriculture;
- ▶ helping workers and employers to build their skills and productive assets;
- ▶ introducing or supporting programmes that profile and recognize skills and education qualifications that refugees obtained in their countries of origin;
- ▶ building on existing programmes that improve employability through skills development, especially via vocational and technical training, coupled with supporting apprenticeships with potential formal employers, identifying and capturing opportunities to integrate refugees and host communities in value chains and transition into the formal economy;
- ▶ enhancing the knowledge of all workers (including business owners as employers) on the role of relevant service providers and increasing familiarity with actors by organizing structured encounters between community groups and representatives from institutions (for instance, with providers of social services, BDS, financial services);
- ▶ establishing a community-led exchange format in which challenges and good practices about current administrative and documentation issues are discussed in a confidential circle.

Specific measures for informal workers:

- ▶ promoting schemes (such as sensitization or grievance mechanisms) that build confidence of employees (and employers) to understand and value their rights and obligations;
- ▶ raising awareness about rights, entitlements and obligations for all workers (including independent workers);
- ▶ developing know-how and agency of workers to advocate for their own legal rights and entitlements, such as social protection benefits and provisions of labour laws and regulations (for example, terms of contract, legal wage requirements, workplace benefits);
- ▶ raising awareness of employers to support formalization of their workforce, including by improving working conditions;
- ▶ organizing a series of workshops to provide information on employee-related social protection benefits, and identify individual strategies (with a focus on women and families) on how to increase their social protection coverage;
- ▶ increasing personal capacities of informal workers for obtaining relevant and current information about the formal labour market;

- ▶ providing learning opportunities for informal workers about conventional and new ways to exercise collective bargaining in collaboration with people in the same community;
- ▶ making informal workers aware of hazardous forms of employment (for themselves and their family) and provide practical information on where they can receive support in case of need;

Specific measures for economic units:

- ▶ designing programmes of entrepreneurship, enterprise and cooperative development to trigger the generation of decent and productive employment;
- ▶ identifying or designing and facilitating access to incentives for economic units to formalize;
- ▶ developing relevant and affordable financial products and graduation schemes that meet the needs of actors in the informal economy and that facilitate transitions to formality, including products that are suitable for the situation of refugees who face challenges with respect to identity documentation.
- ▶ training interested business owners on how to register with URSB and obtain a TIN;
- ▶ establishing a structure for a novel business network hub at community that is subsequently organized regularly by informal economic units;
- ▶ raising awareness about the benefits of formal enterprises and formal decent work so that entrepreneurs, especially in the host community, see its potential long-term value rather than seeing it as an additional process and another cost.

### 3 Measures to enhance dialogue, voice and social cohesion

These include:

- ▶ promoting initiatives to enhance inclusive social dialogue, the organization and representation of actors in the informal economy, which helps to ensure that informal workers in settlements and in host communities contribute to the design of policies, reforms and measures that affect them;
- ▶ promoting partnerships and dialogue between local governments, social partners and key actors around thematic areas of concern for refugees as well as host communities;
- ▶ organizing joint and multilingual information sessions about legal rights, obligations and entitlements with participants from refugees and host communities to enhance collaboration and peer learning, possibly contributing to peaceful coexistence and social cohesion;
- ▶ integrating criteria that incentivize cooperation between refugees and host communities with business development support programmes.

The key players that will facilitate the implementation of these measures include:

- ▶ ministries and public bodies responsible for labour, social protection, enterprise development, finance, planning and economic development — the main public contributors and actors of the formalization process;
- ▶ humanitarian assistance organizations involved with forced displacements — several already fund and implement programmes whose broader impacts touch some drivers of informality including addressing vulnerability impediments;
- ▶ organizations (especially on the local level) that provide services to economic units and workers (for instance, microfinance institutions, BDS service providers, training institutions and those dealing with employment issues, such as national employment services);
- ▶ the social and solidarity economy and refugee led organizations that are already active and linked to livelihood support activities being undertaken in the settlements.

## 4 Building on existing or enabling plans that can facilitate transitions to formality

Finally, it will be important that the actors and measures build on several existing (some of them in their early stages) country initiatives including, but not limited to, the following.

- ▶ The County Refugee Response Framework (CRRF) that continues to be committed to offering protection and developing long-term solutions for refugees and their host communities, especially the inclusion of refugees in government planning.
- ▶ The National Development Plan NDP III (2021–2025) which aims to foster inclusive growth in Uganda and build pathways to better and decent jobs, and to increase access to social protection. Formalization is a necessary condition to reach important objectives, in particular those mentioned in NDP III: decent work, better protection, poverty reduction, greater equality, competitive and productive businesses — all contributing to inclusive growth and economic stability.
- ▶ Uganda's Education Response Plan for Refugees and Host Communities (ERP), with a multi-stakeholder approach developed with support from humanitarian and development partners.
- ▶ The Water and Environment Response Plan, as well as the Jobs and Livelihoods Response Plan, which make refugee settlements and host communities important beneficiaries.
- ▶ The Private Sector Engagement Strategy for Refugee Hosting Districts under the CRRF, which has mechanisms for drawing private sector participants into the refugee hosting districts to increase employment and economic opportunities.
- ▶ The Integrated Enterprise and Market System Assessments that have looked into refugee and host community livelihoods in Uganda, as well as value chains being developed for critical sectors such as cassava and sesame in West Nile, in which refugees and host communities are engaged. The initiative of competitive business grants to support cassava and sesame value-chain actors, targeting host communities and refugees in Arua, Madi-Okollo and Terego, offers an adequate opportunity to support selected businesses that do not yet comply with all relevant (employment and enterprise) regulations.
- ▶ The MGLSD's recent vision for a future multi-tiered social security system that includes expanded tax-financed direct income support (DIS), as well as a comprehensive social insurance system.

## ▶ References

---

- Asigma Capital. 2019. Rapid Assessment of Refugee Employment Opportunities in Select Ugandan Settlements Report.
- Betts, A., et al. 2019. *Refugee Economies in Uganda: What Difference Does the Self-Reliance Model Make?*, Oxford, Refugee Studies Centre.
- Bowmans. 2018. *A Brief Guide to Doing Business in Uganda, 2019*.
- Cities Alliance. n.d. *Uganda: The Role of the Informal Economy in City Growth*, Policy Brief for Decision Makers.
- Development Pathways. n.d. *Expanding Social Protection in Uganda by implementing a pilot and making the case*.
- EABW News. 2019. *Why Uganda Hasn't Overcome The Informal Sector Pension Quagmire*.
- Government of Uganda. 2019. *Health Sector Integrated Refugee Response Plan (HSIRRP)*.
- ILO. 1993. *Resolution concerning the measurement of employment in the informal sector*, ILO Fifteenth International Conference of Labour Statisticians, Geneva.
- . 2003. *Guidelines concerning a statistical definition of informal employment*, Seventeenth International Conference of Labour Statisticians, Geneva.
- . 2014. *Transitioning from the informal to the formal economy*, Report V (1), International Labour Conference 103rd Session 2014.
- . 2015. *R204 - Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)*.
- . 2020. *Mapping responses by cooperatives and social and solidarity economy organizations to forced displacement*.
- . 2020a. *Paving the Way for Better Jobs and Improving Livelihoods for refugees and Host Communities in Arua, Uganda — An Approach to Inclusive Market Systems (AIMS) for Refugees and Host Communities.*, Geneva.
- . n.d. *ILO's Approach to Inclusive Market Systems (AIMS)*
- . n.d. *Uganda — Labour Codes, General Labour and Employment Acts*.
- Joint Data Center. n.d. *Joint Data Center on Forced Displacement — Uganda*.
- Kintu, D. and I. Aheisibwe. 2019. [Exploring the Effectiveness of Informal Apprenticeship in a Community of Practice: A Case Study of Katwe, Kampala-Uganda](#).
- Livingstone, I. and S. Kemigisha. 1995. "Some Evidence on Informal Sector Apprenticeship in Uganda", *The Journal of Modern African Studies*, June, 33: 2 pp. 339–342.
- Ministry of Finance, Planning and Economic Development. 2018. *The National Strategy for Private Sector Development 2017/18-2021/22: Boosting Investor Confidence for Enterprise Development and Industrialization*.
- Ministry of Gender, Labour and Social Development. n.d. *Laws*.
- Ministry of Trade, Industry and Cooperatives. 2015. *Uganda Micro, Small and Medium Enterprise (MSME) Policy — Sustainable MSMEs for Wealth Creation and Socio-Economic Transformation*.
- . 2017. *Trade (Licensing) (Amendment of Schedule) Instrument, 2017 [SI No.2 of 2017]*.
- Mugabi, Enock. 2014. *Women's Entrepreneurship Development in Uganda: Insights and Recommendations*, ILO, Geneva.
- National Planning Authority Uganda. 2020. *Third National Development Plan NDP (III) 2020/21 — 2024/25*.
- National Population Council. 2019. *The State of Uganda Population Report 2019*.
- NOTU (National Organization of Trade Unions) (n.d.). *Unions affiliated to NOTU*.
- Office of the Prime Minister, Government of Uganda, UNHCR and WFP (2020). *Analysis of Refugee Vulnerability in Uganda*. Working paper.
- Teal, Francis. 2016. *Are apprenticeships beneficial in sub-Saharan Africa?*, IZA World of Labor, ISSN 2054-9571, Institute for the Study of Labor (IZA), Bonn, Issue 268.
- Transparency International (n.d.). *Countries — Uganda*.
- UBOS (Uganda Bureau of Statistics). 2017. *Uganda national household survey 2016/17 report*.
- . 2018. *National Labour Force Survey 2016/17 (Main report)*.
- . 2019. *Rebased GDP Estimates 2016/17 Reference Period*.
- Uganda Business Registration Services Bureau. n.d. *Business Registration Fees*.
- Uganda Investment Authority. n.d. *Small & Medium Enterprises*.

- UNDP and ILO. 2021. *Informality and Social Protection in African Countries: A Forward-looking Assessment of Contributory Schemes*.
- UNHCR. 2018. *Case study — Comprehensive refugee response model in Uganda*.
- . 2020. *Nakivale Settlement Refugee Statistics May 2020*.
- . 2020a. *Uganda Country Refugee Response Plan. The integrated response plan for refugees from South Sudan, Burundi and the Democratic Republic of the Congo, January 2019 — December 2020*.
- UNHCR. 2020b. *Uganda — Refugee Statistics November 2020 — Rhino*.
- . n.d. *Camp Strategy Guidance (Planned Settlements)*.
- . n.d. *Enhancing Refugees' Voices in the Refugee Response Process in Uganda*.
- World Bank. 2009. *Economic Informality Causes, Costs, and Policies - A Literature Survey*, World Bank Working Paper Series 167.
- . 2018. *Informing the Refugee Policy Response in Uganda: Results from the Uganda Refugee and Host Communities 2018 Household Survey (English)*, Washington, D.C.: World Bank Group.
- . 2018a. *Closing the Potential-Performance Divide in Ugandan Agriculture*.
- . 2019. *Uganda: Jobs Strategy for Inclusive Growth*. Jobs Series, Issue No. 19.
- . 2020. *Doing Business 2020 — Comparing Business Regulation in 190 Economies*.
- . 2020a. *Uganda's GDP Contracts under COVID-19, Investing in Uganda's Youth Key to Recovery*.
- . n.d.. *The World Bank in Uganda- Overview*.
- World Economic Forum. 2017. *The Africa Competitiveness Report 2017*.
- . 2019. *Global Gender Report Gap Report 2020*, Insights Report.
- World Vision. 2017. *Inter-Agency Livelihood Assessment Targeting Refugees and Host Communities in IMVEPI and Rhino Camp Settlements Arua District, Northern Uganda*.



International  
Labour  
Organization

Made possible by support from the



Kingdom of the Netherlands