THE WORLD BANK

DIRECTIONS IN DEVELOPMENT

Gender and Economic Growth in Uganda

Unleashing the Power of Women

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First printing

1 2 3 4 09 08 07 06

Cover image: Fabric design by Flotea Massawe, female entrepreneur.

ISBN-10: 0-8213-6384-0
ISBN-13: 978-0-8213-6384-3
eISBN: 0-8213-6385-9
DOI: 10.1596/978-0-8213-6384-3

Library of Congress Cataloging-in-Publication Data

Ellis, Amanda, 1962–
Gender amd economic growth in Uganda : unleashing the power of women / Amanda Ellis, Claire Manuel, C. Mark Blackden.
p. cm. — (Directions in development)
Includes bibliographical references and index.
ISBN 0-8213-6384-0
1. Women in economic development—Uganda. 2. Sex discrimination against women— Uganda. 3. Investments, Foreign—Law and legislation—Uganda. 4. Women—Uganda—Economic conditions. 5. Uganda—Economic conditions—1979– I. Manuel, Claire, 1962– II. Blackden, C. Mark, 1954– III. Title. IV. Directions in development (Washington, D.C.)

HQ1240.5.U33E57 2005
338.96761'0082—dc22

2005044984

Foreword

Women are already a powerful force for growth in Africa. They are economic actors: workers, property owners, and entrepreneurs. Recognizing this fact is the first step to ensuring that women have fair access to the labor market, enjoy full rights to own property, and do not face even greater barriers to doing business than men do.

The study that led to *Gender and Economic Growth in Uganda: Unleashing the Power of Women* was carried out at the request of the Minister of Finance, Planning and Economic Development for Uganda, because the government was concerned that the specific challenges facing women had not been fully addressed in existing work on Uganda's investment climate. This landmark report reflects the government of Uganda's concern that without the full economic contribution of both men and women, opportunities for job creation and economic growth are being missed. The findings of this report indicate the considerable potential for economic growth that exists if Uganda is to unleash the power of women and support their full economic participation in the private sector.

Gender and Economic Growth in Uganda assesses the legal and administrative barriers faced by women, as identified by the World Bank Group's Foreign Investment Advisory Service (FIAS) and the International Finance Corporation's (IFC) Gender-Entrepreneurship-Markets Unit. The structure of the report mirrors that of the FIAS 2003 Administrative Barriers to Investment Report and is designed to highlight the gender dimensions of that research to encourage further replication.

The primary analytical sources for the report were the World Bank's *Doing Business in 2005* (World Bank 2005a), the World Bank's Strategic Country Gender Assessment (World Bank 2005b) of Uganda, and the African Development Bank's Multi-Sector Country Gender Profile. This assessment was conducted in consultation with country office staff, client stakeholders, and other development partners. Field assessments and workshops were used to refine the draft.

Honorable Professor Ssemakula Kiwanuka, the Ugandan Minister of State for Investment, formally launched *Gender and Economic Growth in*

Uganda in May 2005 in Kampala, Uganda, in the presence of over 120 business women. A two-day workshop for key women's business and advocacy groups and government counterparts informed the participants about international best practices in public-private dialogue and advocacy. The workshop participants subsequently formed a Gender Coalition to design strategic action plans to take the report's recommendations forward.

As a direct outcome of the report, the Companies Act is being redrafted in line with international best practices, and the report's findings and recommendations have been included in the National Gender Strategy Action Plan 2005–2014 and in Uganda's Medium-Term Competitiveness Strategy 2005–2009.

The IFC is pleased to support the integration of gender issues into work on the investment climate and looks forward to this report's catalyzing greater attention to the productive role women play in private sector development.

Michael Klein
Vice President and IFC Chief Economist

Acknowledgments

This assessment was prepared by a team consisting of Amanda Ellis, Claire Manuel, and C. Mark Blackden, with support from Sarah Lubega and Mary Kusambiza.

We thank Jozefina Cutura for valuable work in drafting and finalizing the report.

Helpful comments were received from Gerry Finnegan of the International Labour Organization; Margaret Kakande of the Uganda Ministry of Finance, Planning, and Economic Development; Maggie Kigozi of the Uganda Investment Authority; Sarah Kitakule of Uganda Women Entrepreneurs Limited; Fiona MacCulloch of the Uganda Ministry of Finance Regulatory Best Practice Programme; Leila Mokadem of the African Development Bank; Vincent Palmade of the Foreign Investment Advisory Service; William Steel of the World Bank; and Richard Stern and Nigel Twose of the Foreign Investment Advisory Service.

The assessment draws on numerous interviews with public and private sector stakeholders. The important contributions to the report made by the Council for the Economic Empowerment of Women in Africa, lawyers, and the staff of the Ministry of Finance, Planning and Economic Development; the Ministry of Gender, Labor and Social Development; the Uganda Investment Authority; and the Justice, Law and Order Sector are appreciated. We are grateful for their comments and suggestions.

We thank the Private Sector Foundation Uganda for coordinating consultations with relevant private sector groups, including the Uganda Women Entrepreneurs Association Limited, the Uganda Investment Authority, the Women Entrepreneurs Network, and the Council for the Economic Empowerment of Women in Africa. For special contributions, we thank the Women Entrepreneurs Network, Africa Women Economic Policy Network, and the Association of Uganda Women Lawyers.

We would also like to thank Honorable Professor Ssemakula Kiwanuka, Uganda's Minister of State for Investment; Grace Yabrudy, World Bank Country Manager for Uganda; Dr. Maggie Kigozi, the Executive Director of the Uganda Investment Authority; and Nigel Twose of the Foreign Investment Advisory Service for their support throughout this project.

Finally, the team would like to acknowledge the participation of the Uganda Private Sector Donor Group and the Gender Donor Group. We also thank the representatives of the Gender Coalition for taking the report's recommendations forward.

Acronyms

AMFIU	Association of Micro Finance Institutions of Uganda
CADER	Center for Arbitration and Dispute Resolution
CEEWA-U	Council for the Economic Empowerment of Women in Africa-Uganda
FIAS	Foreign Investment Advisory Service
FIDA	Ugandan Association of Women Lawyers
IFC	International Finance Corporation
IICT	Inter-Institutional Committee on Trade
ILO	International Labour Organization
JLOS	Justice, Law and Order Sector
MDG	Millennium Development Goal
MFPED	Minister of Finance, Planning and Economic Development
NAADS	National Agricultural Advisory Services
NGO	nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
PEAP	Poverty Eradication Action Plan
PSFU	Private Sector Foundation Uganda
RIA	Regulatory Impact Assessment
TEA	total entrepreneurial activity
UIA	Uganda Investment Authority
UMACIS	Uganda Manufacturing Association Consultancy and Information
UP3	Uganda Public-Private Partnership
URA	Uganda Revenue Authority
UWEAL	Uganda Women Entrepreneurs Association Limited
VAT	value-added tax
WEN	Women Entrepreneurs Network

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Overview

Uganda is a leader in Sub-Saharan Africa in recognizing linkages between economic growth and gender issues. These linkages are critical for achieving a variety of development goals:

- *Meeting the Millennium Development Goals (MDGs).* While the third MDG relates specifically to promoting gender equality and empowering women, research indicates that gender equality is critical for achieving all the MDGs.
- *Attaining the Poverty Eradication Action Plan growth targets of 7 percent.* Unequal education and employment opportunities for women in Sub-Saharan Africa are estimated to have retarded annual per capita growth by 0.8 percentage points between 1960 and 1992. This is significant, as a boost of 0.8 percentage points per year would have doubled economic growth over the period. Applying these aggregate results to Uganda suggests that the country could gain as much as 2 percentage points of GDP growth a year by eliminating gender inequality (World Bank 2005b).
- *Reducing poverty.* Poverty in Uganda has a predominantly female face. Households headed by widows are particularly vulnerable to asset depletion and impoverishment. As the 2004 Poverty Eradication Action Plan notes, "It is now clear that removing constraints caused by HIV/AIDS, the environment and above all gender inequalities is key to achieving Uganda's poverty eradication goals" (Government of Uganda 2004c, p. 4).
- *Reversing the recent spike in inequality.* The percentage of Ugandans with income below the poverty line rose from 34 in 2000 to 38 in 2003 (World Bank 2005b). Removing the legal barriers that prevent women from participating more directly in monetized economic activity has significant implications for improving family welfare (Dollar and Gatti 1999).
- *Increasing agricultural productivity and strategic exports.* Almost 70 percent of the Ugandan labor force was employed in agriculture-related activities in 2003. Women provide the bulk of this labor, but they lack control over resources, especially land, and have little incentive to provide additional labor for cash crops, given the gender division of resources.

- *Reducing Uganda's very high fertility rate.* Gender inequality in employment, earnings, and bargaining power within families plays a significant role in keeping Uganda's fertility rates among the highest in the world. At current fertility rates, Uganda's population could reach 100 million by 2050.
- *Attaining Uganda's long-term vision of becoming a middle-income country.* Developed countries are increasingly recognizing and benefiting from the economic potential of providing a level playing field for women. In the United States, for example, with its Equal Credit Opportunity and Women's Business Ownership Acts, businesses owned by women generated $2.46 trillion in annual sales in 2004 and employed 19.1 million people—1 in 11 Americans (National Women's Business Council 2005).

This assessment considers the relationship between gender and economic growth in Uganda in the context of promoting women's participation in business and entrepreneurship. Men and women both play substantial, albeit different, economic roles in the Ugandan economy. Each contributes about 50 percent of GDP, and women represent 39 percent of businesses with registered premises (Government of Uganda 2002b). A growing body of microeconomic empirical evidence—and emerging macroeconomic analysis—shows that gender inequality directly and indirectly limits economic growth in Uganda. A recent World Bank study suggests that the country could gain as much as 2 percentage points of GDP growth a year by eliminating gender inequality (World Bank 2005b). The Government of Uganda's Poverty Eradication Action Plan 2004 indicates that a one-time benefit of up to 5 percent of GDP could be realized (World Bank 2005a). Labor and time constraints differentially affect women's and men's capacity to engage in business activity, with significant consequences for strategic exports. It is important for Uganda to unleash the full productive potential of female as well as male economic actors if it is to achieve high and sustained rates of pro-poor growth.

Most female workers in Uganda are either unpaid family farm workers or self-employed in the informal sector. Women account for 80 percent of all unpaid workers. Research suggests that Ugandan women are highly entrepreneurial, contribute significant amounts of labor to the Ugandan economy (much of it unpaid), and are extremely creditworthy. (World Bank 2005b; UPPAP 2002; Global Entrepreneurship Monitor 2003) What is constraining women from contributing more to private sector–led growth in Uganda?

Key Findings

Building on the findings of *Uganda: Administrative Barriers to Investment Update* (FIAS 2003), this assessment identifies specific legal and administrative barriers to investment that have a gender dimension. Key findings and recommendations include the following:

- Barriers to formalization of a business appear to have a disproportionate effect on women entrepreneurs, in some cases creating an absolute barrier to their ability to formalize their businesses. A more radical approach to deregulation and to reform of the Companies Act and Chattels Transfer Act than is currently being considered by the Law Reform Commission may therefore be required to facilitate the entry of women entrepreneurs into the formal economy.
- Land allocation practices are a fundamental constraint to women entrepreneurs, especially as they affect access to credit. While there is scope for amending the Land Act, the Succession Act, and the Divorce Act to give women enhanced rights over land, the key issue is the inability of many women to enforce the rights they have.
- Women face barriers in using nonland assets as collateral because of the undeveloped personal and moveable property securities law.
- Poor people in general, and women in particular, lack information about their legal rights and access to mechanisms to enforce them. Reliance on the Local Council Court system to resolve commercial disputes puts women at a particular disadvantage because of traditional attitudes and the application of customary law.

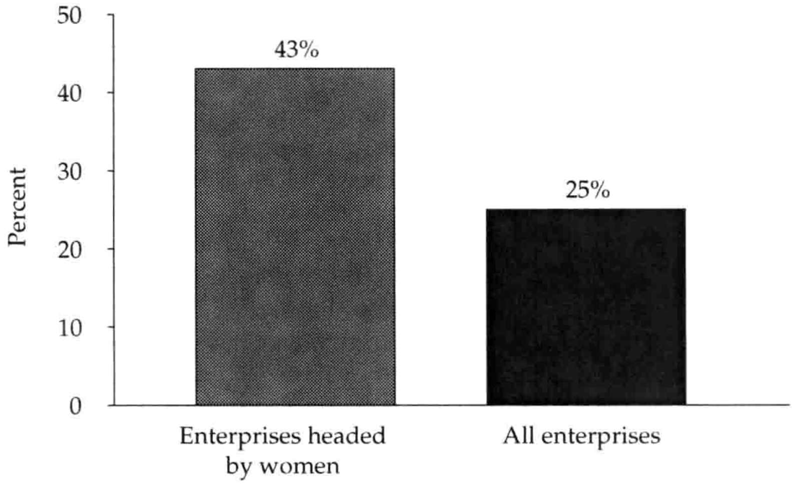
Reducing the cost of business registration and approvals

Formalizing a business is a critical step in facilitating business growth. Company formation is particularly important because the limited liability status of companies encourages risk taking, and the share structure facilitates the pooling of resources.

While the delays and costs of registration and licensing processes impose a burden on all businesses, there is emerging evidence from the Government of Uganda's Regulatory Best Practice Programme that such requirements impose a disproportionate burden on enterprises headed by women. Evidence suggests that women perceive the regulatory burden as greater than men do, that women are "time poor" and therefore less inclined to formalize their businesses, and that enterprises headed by women are much more likely to be subject to harassment and to pay bribes than businesses head by men. Women are seen as "soft targets." (figure 1).

A pilot project in Entebbe to simplify the trade licensing system suggests that women respond well to simplified, speedy procedures and will come into compliance once it becomes feasible for them to do so. It is therefore recommended that registration and licensing procedures in Uganda

Figure 1. Enterprises that Responded Government Officials Have "Interfered" with Their Businesses



Source: Kirkpatrick and Lawson (2004).

be simplified in line with best practice in high-performing Commonwealth countries that originally had the same regime as Uganda.

Specific recommendations include the following:

- The blanket requirement for registering business names under the Business Names Registration Act, which applies to most unincorporated (and therefore micro and small businesses) should be abolished. International best practice requires prior approval for a business name only in restricted, defined circumstances.
- A more fundamental reform of Uganda's Companies Act should be undertaken than currently proposed in the Companies Bill. This should include the introduction of a simple registration form and the abolition of the requirement for lengthy memoranda and articles of association.
- The costly virtual monopoly of lawyers on company formation should be abolished.
- The Trade Licensing Act should be fundamentally reformed.

Increasing women's access to finance

A key constraint on businesses headed by women is the difficulty they face accessing finance. Although women make up nearly 40 percent of businesses with registered premises, they receive only 9 percent of all credit. Banks often require land as collateral, but as a result of land allocation practices that favor men, women hold only 7 percent of registered land in Uganda. Nonland securities law and practice is undeveloped in Uganda, particularly for micro and small businesses that are not registered as companies. The lack of credit information (such as that provided by a credit reference bureau) means that the excellent repayment rates by women in the microfinance system are not recognized.

Specific recommendations for increasing women's access to finance include the following:

- The ability of women to use nonland assets (such as stock or machinery) as collateral should be enhanced by putting in place a coherent legal framework for moveable personal property securities. The proposed Chattels Securities Bill is a step in the right direction, but it is flawed because it would allow for two concurrent registration regimes and a dual registration system.
- As a first step toward making credit information more accessible, the government should establish a publicly available register of judgment debts encompassing Magistrates and Local Council Courts.

Increasing women's access to land and site development

Land allocation practices operate as a fundamental constraint to women entrepreneurs, affecting not only their access to credit but also their ability to find business premises. Formal succession laws give women inheritance rights over land, but customary patrilineal practices (and the inability of many women to assert their legal rights) mean that formal legal provisions are rarely adhered to. Only about 15 percent of land is actively registered in Uganda, and it is rare for women to be registered as owners or for their rights to be noted on the register. A proposed amendment to the Land Act, contained in the Domestic Relations Bill, would make spouses automatic co-owners of family land. The Land Act gives some protection to spouses, requiring their consent before family land can be sold or mortgaged. Whether the act is enforced is in some doubt, however.

Specific recommendations for increasing women's access to land and site development include the following:

- More emphasis should be put on enabling women to assert their existing land rights when land is registered for the first time (under the Ministry of Water, Land and Environment's Systematic Demarcation Project, for example). If co-ownership is culturally unacceptable, one option would be for women to register a caveat on the title to protect their interest.

- The Registration of Titles Act should be reformed to create new modes of registration that protect a spouse's interest in the matrimonial home.
- The concept of giving a spouse a statutory life interest in the matrimonial home should be explored. This would chime with customary law provision for widows, unlike the automatic co-ownership proposal, which appears to conflict with cultural norms.
- Regulations should be developed to give more specificity to the duties of lenders and purchasers to obtain the consent of spouses to dispositions of family land.

Streamlining tax administration and customs

Women entrepreneurs face particular difficulties with taxes and customs. Recent evidence suggests that businesses headed by women are forced to pay significantly more bribes and are harassed more than businesses headed by men. Because Ugandan women tend to have less education and fewer formal business skills than men, they find it harder to deal with tax issues, and time-poor women find it difficult to comply with complex tax registration requirements. It is recommended that the Uganda Revenue Authority develop policies for assisting women entrepreneurs, through tax clinics and open discussions, for example.

Reforming labor laws

Fish processing and textiles and garments are among the sectors selected by the Government of Uganda as strategic exports. More than 30 percent of workers in fish factories are women, and women make up the vast majority of workers in garment factories. Improving working conditions for women would help increase output in these critical sectors.

Uganda's labor laws date from colonial times. They fail to address key issues for women workers, including discrimination, sexual harassment, and maternity leave and pay. Standards that are in place are not effectively enforced. Transparent and well-enforced labor standards would benefit both workers and investors.

Specific recommendation for reforming labor laws include the following:

- Bills should be prepared to enact health and safety standards to protect workers, provided such standards are affordable. Provisions that have proved controversial—such as maternity pay, which has been criticized as being unaffordable and potentially resulting in decreased employment opportunities for women—should be put off until a later stage.
- Realistic enforcement mechanisms should be put in place.