APRI POLICY BRIEF

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The eligibility criteria under the economic recovery interventions excluded women-led businesses: evidence from female entrepreneurs who worked in markets during the COVID-19 period

SUMMARY

In January 2022, Uganda fully reopened its economy, ending the two-year COVID-19 control measures that saw the closure of schools and the operation of other sectors constrained. According to daily COVID-19 statistics published on January 14th, 2022, by Uganda's Ministry of Health, the country had registered 158,238 cumulative cases of COVID-19 and 3,411 deaths at the time of reopening[1]. There are indications that the pandemic and the related government control measures exacerbated pre-existing gender-based vulnerabilities and inequalities.

As the country rebuilds, it was important to identify the socio-economic effects of the pandemic on vulnerable women to inform the design of appropriate policies and interventions by the government and other actors. According to the Economic Policy Research Center (EPRC), the cost of doing business for women increased by 40% during the two lockdowns, and many women quit working due to long distances to marketplaces and a restriction on public transportation. The United Nations Capital Development Fund Survey evaluated the impact of COVID-19 on Ugandan Micro, Small and Medium Enterprises (MSMEs) for a period of two weeks from April 12 to April 26, 2020[2], found that after three months of the first lockdown measures, 85% of all surveyed businesses would experience financial distress and that after just one month, about 50% of informal businesses would cease to exist or be able to support themselves.

Ace Policy Research Institute (APRI) conducted a rapid assessment of COVID-19's socio-economic implications on poor women working in markets in the Greater Kampala Metropolitan Area (GKMA). Data for the assessment was gathered through interviews with 250 women business owners who worked in 10 GKMA markets.

Recommendations

- Provide for affirmative action within the recovery plans to allow for inclusivity at all times
- Revise entry requirements that make it easy for women in markets to access financing
- Revise awareness modalities for government programmes, especially during unprecedented times
- Position women-led businesses towards formalization, including establishing annual business training and mentorship corners for women.

1 Ministry of health-Uganda on Twitter https://twitter.com/minofhealthug/status/1482649943617810432?lang=en
2 https://www.uncdf.org/article/5634/uganda-business-impact-survey-2020

Women businessowners were chosen in cooperation with the leadership of the various markets. This policy brief summarizes some of the key findings from the rapid assessment conducted in January and February 2022 as well as the policy implications.

Uganda's government implemented several macroeconomic initiatives to help firms most affected by COVID-19 shocks. According to the findings of the rapid assessment, financial trouble was the most difficult experience for female entrepreneurs in the GKMA markets during the first and second lockdowns as reported nearly universally by 98% of the interviewed women. During the COVID-19 period, just 1% of women-led businesses reported receiving government financial support for their operations.

This was ascribed to qualification requirements that kept women-owned enterprises out of the economic recovery interventions. It will be beneficial if women-led firms are better positioned to formalize or officially register to gain eligibility for benefits. In addition, it is important to continuously assess and monitor recovery and rehabilitation interventions to ensure gender-responsiveness and that women especially are being reached. Further, providing alternatives to national identity (IDs) for people who are not eligible for national IDs, such as Local Council (LC1) identification, and voter cards will be beneficial in the future to ensure inclusion.

Why are gender-responsive economic recovery strategies necessary?

Globally, women-led microenterprises play an essential role in the economic development of a country. Microenterprises are the entry point towards the success of a country and therefore form the backbone of most economies. According to Ndiaye et al. (2018) paper, this is consistent with the International Finance Corporation (IFC) study findings, which revealed that one in every three registered startups is owned by a woman, and those small and medium enterprises (SMEs) account for 80% of global employment (IFC, 2016). In economies such as China and Japan, SMEs contribute 60% of GDP. In the United States and the United Arab Emirates, they generate 65% and 52% of the GDP respectively (Kawira et al., 2019).

Regionally, the International Development Research Centre (IDRC) shows that Africa has the highest rates of female entrepreneurship, with women owning half of all non-farm enterprises (IDRC, 2016). In the same continent, SMEs account for more than 90% of African business startups, contributing more than 50% of GDP and creating more than 50% of African job opportunities (Kaberia & Muathe, 2021). In Ghana, Nigeria, South Africa, and Kenya, SMEs generate over 70%, 80%, 56%, and 78% of employment opportunities respectively (Kaberia & Muathe, 2021). This reaffirms the role of women SMEs in a country's development, particularly in developing countries where more than 400 million SMEs operate informally (Kaberia & Muathe, 2021). This means that, globally, SMEs play a pivotal role in the development of a country and therefore deserve the attention of all stakeholders to prioritize and financially support women's initiatives, especially during times of crisis.

What is at stake?

The Sustainable Development Goals (SDGs) and Africa Agenda 2063 aspire to reforms giving women equal rights to economic resources, including access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources.

Despite Uganda's efforts to align its development aspirations with those of global and regional missions for affirmative action, inequalities remain. The International Labour Organization (ILO) estimated that 50% of women's productive potential remains underutilized, as compared to 22% of men's potential (ILO, 2020). This means that gender vulnerabilities and discrimination continue to deter the most vulnerable women from accessing financial support for their initiatives. Similarly, according to the 2020 Mastercard Global Index of Women Entrepreneurs, women own close to 40% of all enterprises. However, women-led businesses make 30% fewer profits than male business owners, and in Uganda, women-led businesses suffer challenges to their gender, such as restricted access to finance and segregation into lower-paying businesses[3].

With the commencement of COVID-19 and its severity in most parts of the country, businesses were subjected to restrictions such as restaurant closures, transportation system closures, bar closures, and recreational centres closure. Women had to close their enterprises and reopening them required greater financial help. At the same time, when schools closed and household members required more time, particularly those who became ill, women who ran these enterprises saw their care obligations grow, limiting time devoted to their businesses. Because of higher demands on food, water, and other household necessities to feed the returned leaners and already existing family members at home, women's dependency burden rose.

In recognition of the COVID-19 situation, the Government of Uganda, with financial support from development partners, responded as follows:

3 https://blogs.worldbank.org/africacan/strengthening-ugandas-economic-growth-support-women-entrepreneurs

1. The Support to Agricultural Revitalization and Transformation (START) Facility Management Board approved UGX830 million (roughly €200,000) of initial capital for the new Small Business Recovery Fund on May 26, 2020, with financial assistance from the European Union. This funding is targeted to assist SMEs based in Northern Uganda secure money to overcome their liquidity issues as envisioned in the Government of Uganda's goal to consolidate stability in Northern Uganda and eradicate poverty and undernourishment. Through the fund, new enterprises would have access to operating capital up to UGX 40,000,000 (about €10,000) at zero interest with a flexible payback schedule not to exceed 12 months. As of December 2020, UGX320 million had been disbursed to SMEs operating in the northern region (UNCDF, 2020)[4]. This meant that businesses outside the northern region risked missing out on this package.

2. In a June 6, 2021, national address on COVID-19, President Yoweri Museveni announced that 500,000 vulnerable Ugandans affected by the country's second lockdown would benefit from a relief package of UGX100,000 per head sent through the mobile money services. This meant that citizens outside the 500,000 coverage limit and those who lacked mobile money accounts risked missing out.

3. On November 23, 2021, the Bank of Uganda, in partnership with the Uganda Bankers Association, announced a UGX200 billion recovery fund for SMEs affected by COVID-19. These funds were restricted to only SMEs employing 5 to 49 people and with an annual turnover of UGX10 million to UGX100 million (MoFPED, 2021)[5]. This meant that SMEs employing fewer than five people risked missing out on this package.

4. The Ugandan Ministry of Finance, Planning and Economic Development (MOFPED) also responded as follows:

    - Through the Microfinance Support Centre, MOFPED disbursed UGX260 billion to the Presidential Initiative on Wealth and Job Creation (*Emyooga*) Savings and Credit Cooperatives (SACCOs). The money was advanced to the SACCOs as seed capital for the vulnerable groups. The minimum number of associations per *Emyooga* SACCO outside Kampala is 05 associations; in Kampala City, the minimum number of *Emyooga* associations is 10. To join an *Emyooga* Association, each member pays a one-off membership fee of UGX.10, 000 and a one-off annual subscription fee of UGX.10, 000 to the association[6]. A copy of the Ugandan National Identification Card is also required for anyone wishing to join an association. Thus, those without national identification cards, membership fees, and annual subscription payments run the danger of missing out on these lucrative opportunities.

    - Additionally, the ministry passed a measure requiring commercial banks to 1) provide loan extensions and postponements for a set amount of time; and 2) ease the terms and conditions for non-performing loans for firms that were unable to repay their loans as a result of the COVID-19 outbreak. This meant that the benefits of this special package were not available to women-owned enterprises that had never conducted financial transactions with the affected commercial banks.

    - Furthermore, the Ministry took action that resulted in a decrease in the amount of reserve funds that commercial banks must maintain with the central bank. A special liquidity facility had to be created as part of the action to save businesses that couldn't cover their operating expenses because of COVID-19's induced poor demand or reduced production. Additionally, this meant that this bundle was not advantageous to women-led businesses that do not use commercial banks.

What is the policy issue?

Much as the government's recovery interventions were welcomed by key players in the economy, this study revealed that the financial support was not inclusive and gender-responsive. This was because:

- First, the recovery interventions did not appear to actively prioritize or take extra implementation actions to reach women-owned businesses, which may face additional barriers to accessing benefits. As a result, women-owned businesses were at a disadvantage in receiving recovery financial support, further compounding existing gender inequalities.

- Second, the conditions for accessing the financial support the government made available through commercial banks required formally established entities with bank accounts to properly file returns and have formal books of account. Women-led businesses that lacked formal business documentation and active bank

4 https://www.uncdf.org/article/5668/start-board-approves-shs-830m-small-business-recovery-fund-to-support-smes-during-post-covid-19

5 https://www.finance.go.ug/press/press-statement-government-uganda-intervention-provide-affordable-financial-support-small

6 https://www.msc.co.ug/formation-of-emyooga-saccos/#:~:text=The%20Minimum%20number%20of%20associations,of%2010%2C000%3D%20to%20the%20association

accounts (depositing and withdrawing funds) were barred from participating.

- Third, women-led businesses in the markets that were found to have less than five employees and could not raise an annual turnover of UGX10 million to UGX100 million were excluded from some financial packages.

- Finally, women who lacked basic requirements like national IDs, membership, and subscription fees to join the Emyooga SACCOS and were unable to register for mobile money services to expand their chances of receiving the COVID-19 financial relief package from the government were excluded.

A study conducted by Ace Policy Research Institute found that because of being disqualified to benefit from the recovery interventions, majority (72%) of women who worked in the GKMA markets were unable to obtain loans to expand or even sustain their businesses during the COVID-19 period, implying that they either depleted their savings (11%), negotiated, or rescheduled delayed payments with suppliers (13%), and those that introduced new ways of doing business (12%). All these actions had unprecedented effects on women-led businesses and put them in a more vulnerable economic situation than before.

Policy recommendation

Provide for affirmative action within the recovery plans to allow for inclusivity at all times. With 40% of the Ugandan microenterprises operating in the informal sector owned by women, including the women operating in the markets, women's share should be spelt out whenever the government comes out to financially respond to business shocks. Without this stance, women will continue to miss such financial opportunities to boost their microenterprises. The government will also fail to meet its affirmative action goal, as outlined in its Third National Development Plan (NDPIII), the global United Nations SDGs, and the African Agenda 2063. This policy action should be prioritized to directly include women in such financial recovery programs.

Revise entry requirements that make it easy for women in markets to access financing. New measures like using the LC1 identification cards, LC1 introductory letters, citizen voter cards, and driving permits as alternatives to national IDs will ensure undocumented women will not lose out on financial benefits in the future.

Revise awareness modalities for government programmes, especially during unprecedented times. The revised modalities such as the use of village-tailored speakers ("*mukalakasa*")/local village radios aired in local languages, in addition to national television, radio, and newspapers, will ensure information reaches all eligible populations, including vulnerable women. This will make the common citizens deep in the villages know about new government programs because the information would have been brought nearer to the targeted beneficiaries.

Position women-led businesses towards formalization, including establishing annual business training and mentorship corners for women. The proposed mentorships, coaching, and training will provide small business owners with new knowledge on business registration, proper bookkeeping, filing returns, new business skills, and new ways of doing business post-COVID-19. Also addressed should be psychosocial support for those women who have given up on operating their businesses due to pandemic shocks and those who have lost business partners and relatives.

Conclusion

The Ugandan government, with financial support from development partners, continues to implement poverty eradication interventions such as the "*Emyooga*" SACCOS and the Parish Development Model, which aim to deepen the decentralization process, improve household incomes, and enable inclusive, sustainable, balanced, and equitable socio-economic transformation. However, in practice, there are areas in these programs that need to be improved so that they can benefit the most vulnerable businesswomen, especially those who are not formally organized and lack the basic entry requirements to tap into the benefits of the financial recovery interventions.

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