

Assessment of the Small Business Environment in Northern Uganda:

OPPORTUNITIES, PROSPECTS
AND CHALLENGES

September 2018



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List of Abbreviations and Acronyms

DFID	Department for International Development
MSMEs	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organisation
NUYEP	Northern Uganda Youth Enterprise Project
OVOP	One Village One Product Programme
P.A.	Per Annum
SACCOs	Savings and Credit Cooperative Organisations
SREE	Social Reintegration of Youth Ex-prisoners
UGX	Uganda Shilling
UPS	Uganda Prisons Service
YDP	Youth Development Programme

Executive Summary

The Economic Empowerment and Social Reintegration of Youth Ex-prisoners (SREE) project is a three-year intervention implemented by Advance Afrika in partnership with Uganda Prisons Service (UPS) with support and funding from Caritas Switzerland and the European Union. The project focuses on the socio-economic rehabilitation and reintegration of 1,200 youth prisoners in 26 prison units in the Acholi and Lango sub-regions in northern Uganda. The project seeks to contribute to promoting economic development, good governance and the prevention of crime and social or political insecurity.

A survey was conducted in the districts of Gulu and Lira in August 2018 to assess business opportunities for ex-prisoners. The target respondents included ex-prisoners who have benefited from small business grants, and local businessmen and women involved in micro, small and medium enterprises (MSMEs). The survey also collected data from microfinance institutions and SACCOs that usually extend loan facilities to small enterprises. Employers of ex-prisoners were also interviewed to assess the levels of satisfaction with the performance of ex-prisoners among them. The general public was also surveyed to obtain data on the performance and survival of small-scale businesses in Gulu and Lira districts. The District Commercial Officers (DCOs) and local government leaders in Lira and Gulu were interviewed to elicit information on government support to the business community and the regulation of businesses in the districts. For all interviews, questionnaires were administered to the respondents by field assistants.

The study found that the business environment in Lira and Gulu was promising, with production and trade in farm produce being the most profitable. Retail trade in groceries, household goods and clothes was also performing well but the numerous small retailers involved in retail trade created stiff competition for customers. Businesses appeared to access credit easily from commercial banks, SACCOs and microfinance institutions. However, commercial banks were charging a higher interest rate (12-15% p.a.) compared with microfinance institutions and SACCOs (3-4 % p.a.). All the lending institutions required some form of security to access loans but SACCOs would lend to groups without any collateral because members within a group served as guarantors for the loan.

Some ex-prisoners were gainfully employed in sectors such as agricultural farms and retail trade. In one particular case, an ex-prisoner was a cleaner in a large commercial bank. However, some employers revealed that the criminal record history of an employee could affect employment decisions. Some ex-prisoners were self-employed, running their own businesses in areas such as retail trade, shoe production and farming, among others. The businesses run by ex-prisoners appeared to yield minimal profits after operational costs were deducted and their sustainability is questionable.

Ex-prisoners were found to be lacking skills in marketing and networking, which limited their ability to inform the market about their products. Transportation of goods was also a challenge owing to poor or impassable roads and high costs of transportation. Improving the welfare of ex-prisoners will require not only helping them to diversify businesses but also facilitating them to access business credit to expand their businesses. They also need knowledge of market trend assessments, marketing and business profit-loss analysis. The taxation regimes appeared to cripple a number of businesses in the region and policy changes are required to support small businesses to thrive.

Introduction

The youth labour force is largely unemployed or underemployed in Uganda owing to inappropriate skills and the low labour absorptive capacity of the economy. The situation is worse in northern parts of the country. Years of conflict left young people with severe lack of education and employment opportunities. Apart from far-reaching consequences at the individual level, youth unemployment carries the potential for social unrest. According to the Uganda Prisons Service (UPS) 81% of inmates are youth, ranging from 18 to 35 years of age (UPS 2014). After serving their prison sentences, former inmates return to their villages only to be confronted with the same challenges of lack of alternative livelihoods, and, even worse, with stigmatisation for being erstwhile criminals. This, therefore, makes them more prone to reoffending.

The Economic Empowerment and Social Reintegration of Youth Ex-prisoners (SREE) project is a three-year intervention implemented by Advance Afrika in partnership with UPS with support and funding from Caritas Switzerland and the European Union. The project focuses on the socio-economic rehabilitation and reintegration of 1,200 youth prisoners in 26 prison units in the Acholi and Lango sub-regions in northern Uganda. The project will contribute to promoting economic development, good governance and the prevention of crime and social or political insecurity. Its specific objectives include the economic and social reintegration of youth ex-inmates by i) developing their entrepreneurship and life skills; ii) establishing learning and mentorship mechanisms to support them in the development and implementation of small businesses; iii) providing them with start-up kits to launch small businesses; iv) improving their reintegration into communities; and v) strengthening the capacities of key stakeholders.

1.1 Objective of the study

The overall objective of the study was to update the extensive desk and field research/assessment of the business environment that was carried out in northern Uganda in the Acholi and Lango sub-regions in 2016, highlighting the key opportunities, challenges and prospects of small social enterprises.

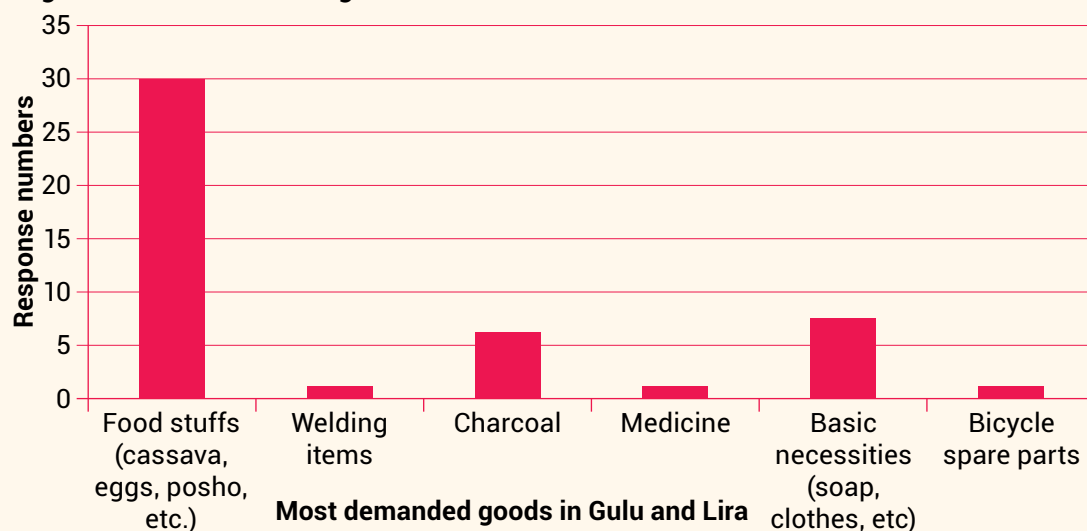
1.2 Methodology

A survey was conducted in the urban and peri-urban communities of Gulu and Lira in August 2018 to assess business opportunities for ex-prisoners. The target respondents included ex-prisoners who have benefited from small business grants, and local businessmen and women involved in micro, small and medium enterprises (MSMEs) as identified in the National Small Business Survey (2015). The survey also collected data from microfinance institutions and SACCOs that usually extend loan facilities to small enterprises. Employers of ex-prisoners were also interviewed to assess the levels of satisfaction with the performance of ex-prisoners. The general public was also surveyed to obtain data on the performance and survival of small-scale businesses in Gulu and Lira districts. The DCOs and other local government leaders in Lira and Gulu were interviewed to elicit information on government support to the business community and the regulation of businesses in the districts. For all interviews, questionnaires were administered to the respondents by field assistants. Review of literature was conducted to generate an understanding of small-scale business opportunities and prospects for northern Uganda. Reviewed documents included past studies conducted by Advance Afrika, NGOs and government agencies.

The Business Environment in Northern Uganda

Interviews with local people, business communities and ex-prisoners revealed that food items constituted the most highly demanded commodities. The items highly demanded included maize flour, cassava roots and flour, eggs, beans and simsim/sesame. The demand for food items has led to an increase in the production and sale of agricultural products. These findings resonate with an earlier study of International Alert (2013) and Advance Afrika (2016), which found that economic opportunities in the regions of Acholi and Lango existed in farming. Oxford Economics (2015) earlier, too, identified the main potential activities for future growth in the North to be in agriculture, such as the cultivation of food crops and cash crops, the rearing of livestock, fishing and forestry, among other sectors, for instance energy generation and mining, highlighting the importance of crop production. Basic household necessities such as toiletries, health care and household items also appeared to have significant demand because they are essential for wellbeing.

Figure 1: Most demanded goods in Gulu and Lira



Construction materials, including steel rods, metal and welding items, were also demanded in the urban and peri-urban settings that the study reached. This is perhaps because construction of houses is common in most areas. Bicycle and motor spare parts also appeared to have some considerable level of demand and this is attributed to the large number of cycles which provide public transport in the areas. Charcoal demand was also found to be high because most households depend on biomass energy for cooking. Charcoal was reported to be preferred to firewood because it does not require a great deal of space and a kitchen to use and it does not generate soot, which can be an irritant to the cook and the neighbourhood.

2.1 Social factors affecting businesses in northern Uganda

With the end of the rebel insurgency in the region, local people appear to have returned to their normal activities in farming and trade. Social services like banking, education, health care, public transport and many others are picking up. Like other parts of Uganda, unemployment among the youth and the general productive population is high and this affects the consumption of the goods and services available in the market. Many people with post-secondary, tertiary and university education cannot find any gainful employment. People with no jobs and no income are less likely to have purchasing power. Food vendors, for instance, complained of reduced demand for food because many people cannot afford lunch and survive on only one meal per day. It was also revealed that many youth are abandoning the villages for urban areas in the hope to attain better standards of living. However, reports indicated that they end up in criminal gangs as well as getting involved in rampant sports betting where they lose all their savings to shrewd betting firms. Accordingly, rural-urban migration was reported to be depleting the labour force that used to support agricultural production through the provision of on-farm labour.

2.2 Government policies and support mechanisms

The majority of the ex-prisoners felt that government had not done anything to support micro and small enterprises, while a few felt that there was some support from the government, although no specific support from government was identified. However, the Government of Uganda (2015) highlights the support that is extended to small businesses at policy and operational levels. In June 2015, the government finally approved the Micro, Small and Medium Enterprises (MSME) Policy, which provides a framework to support the growth of the private sector in economic development through specific interventions to bolster the contribution of such enterprises:

- a. To provide an enabling environment through a policy, legal and institutional coordination framework;
- b. To promote research, product/process development, innovation, value addition and appropriate technologies;
- c. To promote product and service standards for quality assurance;
- d. To support access to markets and business information services;

- e. To increase access to credit and financial services;
- f. To enhance capacity-building for entrepreneurship, vocational, business and industrial development skills; and
- g. To enhance gender equity, inclusiveness and environmentally friendly businesses for sustainable development.

According to the Government of Uganda (2015), the government has also instituted the following programmes to support MSMEs:

A) Trade development

1. Local Government Capacity Enhancement for Trade and Investment

This capacity development programme currently targets DCOs of 15 districts. Through this, the DCOs will be supported to:

- b. Incorporate trade and investment in their respective District Development Plans;
- c. Collect the necessary information on trade and investment opportunities and challenges;
- d. Provide outreach commercial services to MSMEs; and
- e. Maintain active links with the Ministry of Trade, Industry and Cooperatives to address identified training needs.

B) Value addition

1. One Village One Product Programme (OVOP)

As at December 2015, the One Village One Product Programme had provided value-addition technologies, including grinding mills and honey processing equipment, to beneficiaries in 29 districts. The programme facilitated the training of 489 members from 16 districts in business management, value-addition skills and principles of cooperative movement.

2. MSME Directorate

According to the Government of Uganda (2015), the MSME Directorate has been established and is operational, with the recruitment of directorate staff in its final stages.

3. Cluster Programme for Micro, Small and Medium Enterprises

In the 2016/2017 Financial Year, UGX 1 billion was allocated to finance the commencement of the Industrial Cluster Programme for Micro, Small and Medium Enterprises.

4. Quality Assurance

According to the Government of Uganda (2015), a sum of UGX 2 billion was earmarked for the Uganda National Bureau of Standards (UNBS) to support MSMEs to acquire quality marks and product certification.

Comparing the field data and literature available, it would appear that the government interventions have not perhaps trickled down to impact the micro and small enterprises at the grass roots. There is also a possibility that the implementation of government programmes is underway and is not yet widespread.

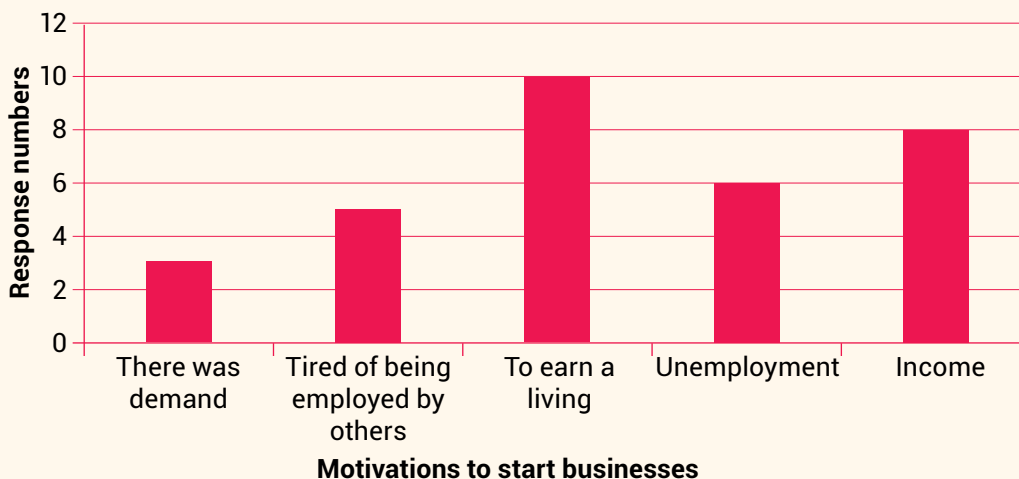
2.3 The business community

The business community was found to involve both males and females and all age groups, performing different tasks and responsibilities. Older men and women were found to be more involved in farming, hardware businesses and ownership of big retail stores and supermarkets. Women were reported to be more involved in the sale of fresh food and the management of small food kiosks, or were attendants in retail outlets. The youth, both male and female, were found to be more involved in managing mobile money outlets, vending household goods, mining and trade in sand. Young men were also involved in welding, carpentry, shoe repair, building construction, electrical installation, plumbing and the provision of casual labour services to all sectors. Generally, youth expressed keenness in finding business opportunities but were found to be constrained because they lack capital and many do not own assets such as land.

2.4 Motivation for starting a business

Most business entities were reported to have been started to generate income for the owners through profits, besides job creation. Other businessmen recognised the demand for certain goods and services and decided to offer those products. Some businessmen revealed that they were tired of being employed and decided to employ themselves through establishing businesses.

Figure 2: Motivations to start businesses



2.5 Performance of businesses

Most businesses reported poor performance due to high taxes, untrustworthy employees, price fluctuations and stiff competition. All these factors were found to lead to reduced profitability of businesses. However, some businesses had managed to thrive largely owing to the commitment of management and the availability of customers. Most business owners indicated expectations of expanding their businesses through venturing into commercial production, starting other businesses or expanding the existing businesses. Many business owners also hoped to diversify

the stocks they had or start another business entity. A number of business entities hoped to expand by borrowing funds from financial institutions or using savings from existing businesses.

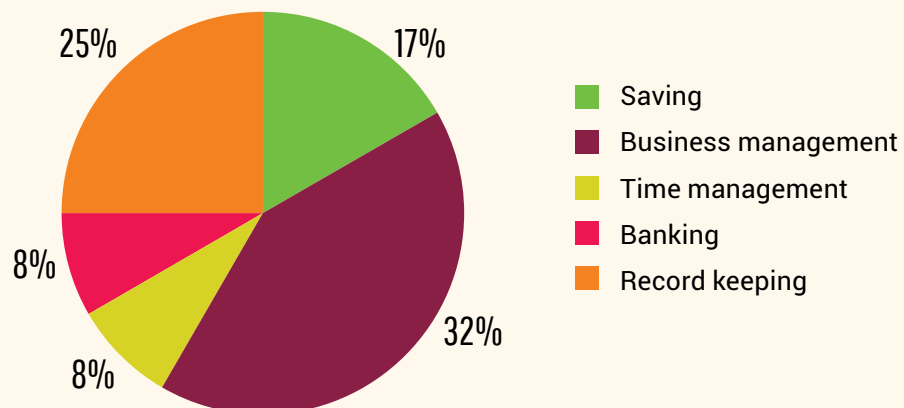
Figure 3: Expansion plans of business owners



2.6 Business management skills

Over 75% of business owners were found to have completed primary and secondary-level education while 25% had tertiary and university education. Only 67% of the traders reported having benefited from capacity-building programmes offered by NGOs and business associations. The skills gained varied, as shown below:

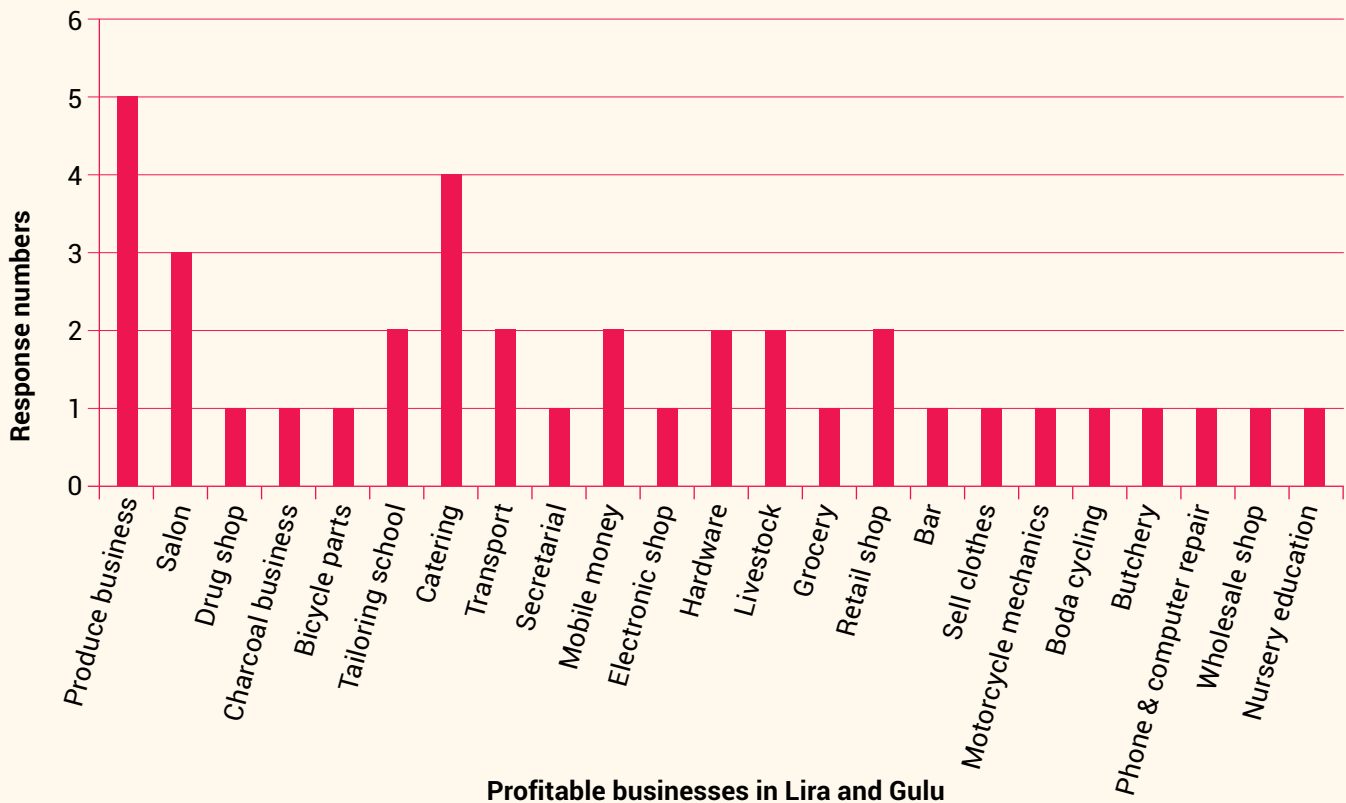
Figure 4: Skills provided to traders



2.7 Profitable businesses

The general population was able to identify the businesses they perceive as profitable. Sale of produce was reported to be the most profitable. This was attributed to excessive crop production in the area and hence the ability of businessmen to buy cheaper produce and sell it at higher prices, locally and in markets outside the region. Farm produce was also found to attract better prices because food items are the most highly demanded goods in the area. In relation to farm produce, the study revealed high demand for catering services as there is demand for cooked food in all towns for social events, including parties and funerals. Salons were ranked the third most profitable type of business, followed by mobile money vending, running retail shops, tailoring, running hardware shops and general retail trade.

Figure 5: Profitable businesses in Lira and Gulu



Other businesses that appeared to be performing well included drug shops, bicycle parts dealerships, bicycle repair, groceries, secretarial bureaus, bars, boda boda riding, butcheries, phone repair, wholesale shops and nursery schools.

2.8 The regulatory environment

Trade was reported to be regulated by division officials, sub-county chiefs and municipal authorities through the issuance of operation or trading licences. Operating without a trading licence was reported to be risky because of the likelihood of closure by authorities.

2.9 Support to the business community

The roles of DCOs included registration and supervision of all trading activities within the respective districts. The licensing of businesses was also conducted by local municipal and divisional offices. The DCOs were also involved in equipping different business entities with business skills such as record keeping, stocktaking and business management. In some cases, the DCOs attempted to stabilise market prices by advising on the minimal prices acceptable for some locally produced goods. The office also linked business communities to markets.

2.9.1 Business support networks

Many traders reported forming informal local networks to manage their business concerns. Business associations were common among boda boda riders, sand miners, traders in agricultural products and hardware dealers, among others. Such networks assisted the members in accessing market information and in some cases in lobbying local authorities to implement favourable trade regulations and policies. Some of the business associations were found to be organised as financial support networks by pooling resources, which members could borrow from whenever in a financial crisis. Groups with financial support networks included boda boda riders and retail traders.

2.10 Technology use in business

There were fewer cases reported about the application of technology in business. The commonest form was reported to be the use of mobile money transfer services, employed by some traders to pay for goods and services. Information access appeared to be mainly by word of mouth among peers and among local business associations. Mobile telephone communications were being used by groups to alert members to matters such as ongoing tax enforcement, police checkpoints on the road etc. However, none of the small-scale farmers reached reported having practised mechanised farming.

2.11 Access to business information

Peer networks provided business information to over 93% of business owners. The business people discussed amongst themselves the trends in the business sector,

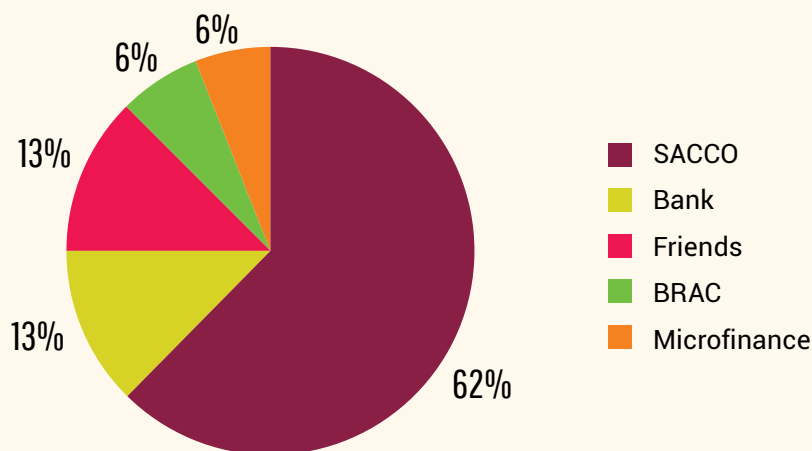
profit-making and unprofitable ventures, and advised one another on where to invest. In some cases, the DCO provided business advice on a case-by-case basis, usually to traders who approached the office for advice. Many traders reported listening to local radio stations where some business opportunities would be advertised. Newspapers were found to be read by less than 6% of the traders and many considered the opportunities advertised in newspapers to be beyond their capacity and to require documentation capacity that they do not possess.

2.12 Credit access

A number of banks and microfinance institutions were reported to be availing loans to local people, targeting groups, business entities, farmers and salaried employees. The loans were given out at interest rates ranging between 3.5% and 3.7% for SACCOs and microfinance institutions and 12-15% for commercial banks. The requirements to access loans included the availability of collateral security for individuals as well as a sound credit history. Most credit institutions preferred lending to groups because members guaranteed loans for one another. Women and salaried individuals were also highly ranked because they were found to be repaying loans in time. The risky groups for loan repayment were reported as boda boda riders and farmers as many in that category were failing to repay their loans. Many local people revealed that they could not access loans because the banks considered them too risky to lend to for reasons ranging from lack of profitable businesses and lack of adequate capital to lack of security.

In terms of amounts, loans extended ranged from UGX 50,000 to 20,000,000 for micro-finance institutions, while commercial banks gave loans ranging from UGX 500,000 to 1 billion. The period of loan repayment ranged from three months to 20 years. Lending institutions projected that future loans will be targeting women, groups and salary earners because these categories carry minimal repayment risk.

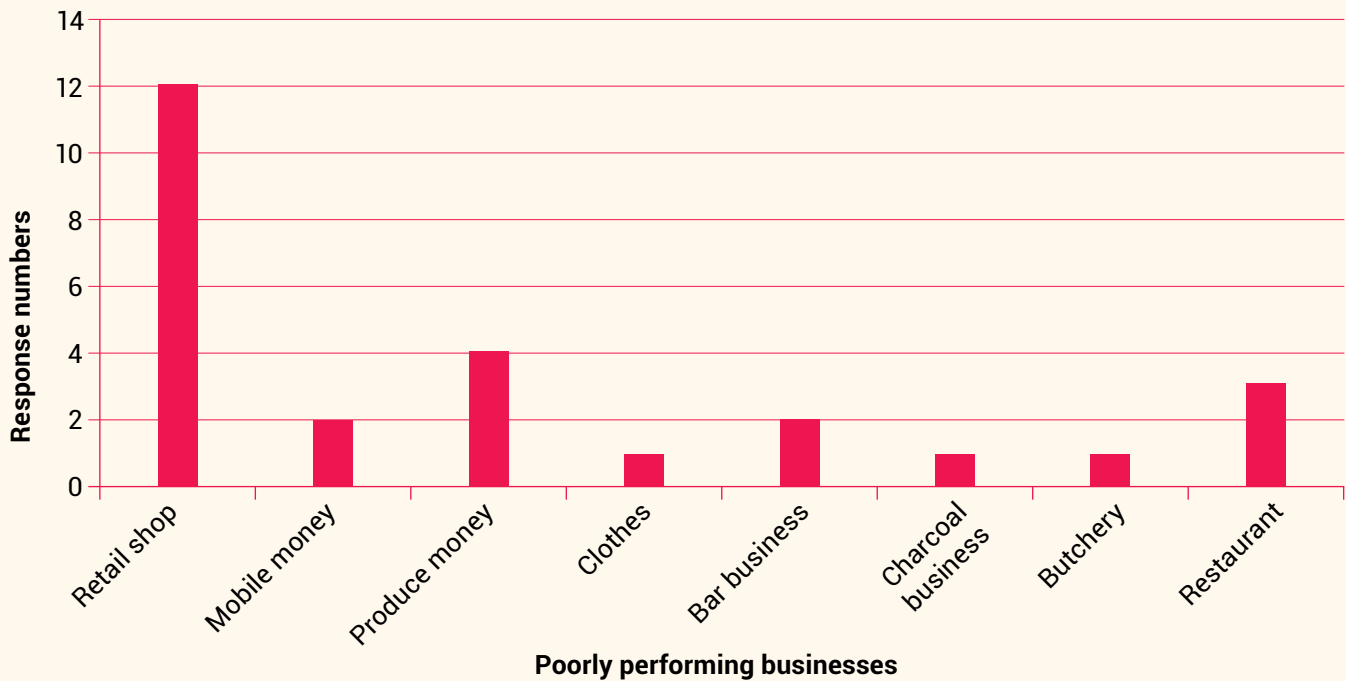
Figure 6: Sources of business financing



SACCOs provided the major sources of business financing, followed by commercial banks. SACCOs were found to be preferred because of the low interest rates they charged and flexible terms of borrowing. Over 59% of the businesspeople who accessed loans reported succeeding because they were SACCO members, 35% had security while 1% accessed loans from friends. There was an equally divided opinion on the ease of loan acquisition. An equal number of respondents found loan access both easy and challenging.

2.13 Performance of businesses

Figure 7: Poorly performing businesses



The business community revealed that retail businesses were performing poorly owing to the low prices of goods sold and competition among the many retailers for fewer customers. Farm produce businesses were also performing poorly because of oversupply in the market, which brought down prices. Restaurants also reported poor performance because most people could not afford to eat out or have only one meal per day. The sale of clothes, mobile money transfers, charcoal businesses and butcheries also registered low performance. Over 50% of the respondents reported observing business closure due to lack of customers.



3 Ex-prisoners

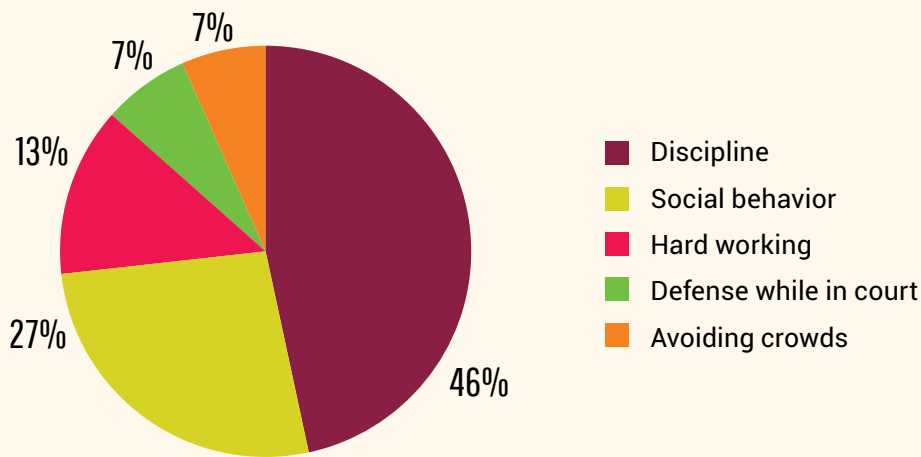
A total of 12 ex-prisoners were reached during the study, comprising nine males and three females. They had been in prison for periods ranging between three to 36 months for cases that included defilement, theft, assault, domestic violence, drug abuse, land conflicts and attempted suicide. Over 72% of the ex-prisoners had been taken to court before being imprisoned whereas 18% were only remanded. All the ex-prisoners had been held in prisons located in Lira and Gulu. Close to 67% of the ex-prisoners had completed secondary education while 33% had completed only primary education. No prisoner reached had attained education beyond secondary level.

Figure 8: Cases that led to ex-prisoners convictions



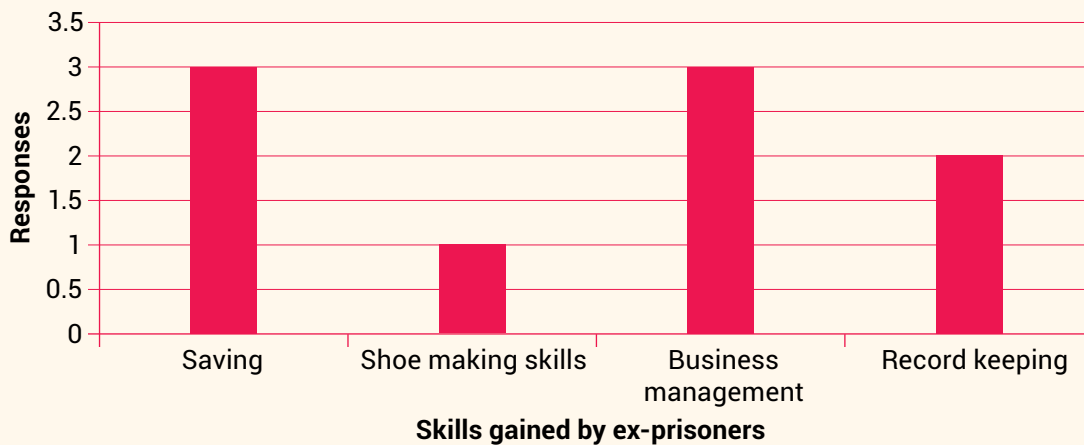
Over 86% of the ex-prisoners had reformed during prison life and after release from prison became fully integrated into their communities. While in prison, the ex-prisoners reported having learnt quite a number of lessons in life, with the largest number appreciating the importance of demonstrating discipline within communities. Many appreciated the importance of good social behaviour and hard work, while a few learnt that it is important to have a good defence in courts of law. Some ex-prisoners learnt that crowds and groups can lead one along the path of criminal activity and have since learnt to avoid crowds.

Figure 9: Life lessons learnt in prison



Of the ex-prisoners interviewed, only 42% reported having undertaken training. The skills reported included the life skills of communication, networking, planning and personal care. Other skills gained through training were reported in business management, tailoring, weaving, construction and record keeping. Some of the skills acquired were being used by ex-prisoners to earn a living. The training programmes for ex-prisoners were reported to be mainly conducted by Advance Afrika (50%), SACCOs (33%) and Hand Uganda (17%).

Figure 10: Skills gained by ex-prisoners



3.1 Businesses operated by ex-prisoners

The majority of ex-prisoners reported being engaged in retail trade of basic household items and clothes. Others rode boda bodas, operated bakeries, farmed and made shoes. The ex-prisoners were able to raise business capital through savings (40%) and borrowing from friends (40%). An equal number of respondents (10%) received donations to start a business or borrowed from SACCOs. Most ex-prisoners received business mentorship from relatives (60%) or friends (40%) and the advice given enabled them to improve their business operations.

Figure 11: Businesses operated by ex-prisoners



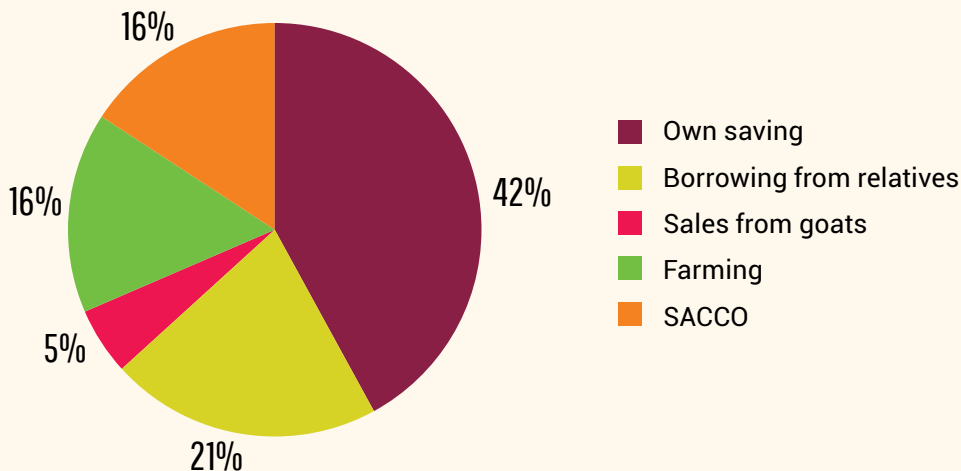
Most businesses owned by ex-prisoners reported employing two people, the ex-prisoner and an assistant and salaries per month ranged between UGX 36,000 and 45,000 for employees. However, it was observed that business profitability per month ranged between UGX 20,000 and UGX 100,000, implying that even for the best performing businesses, profitability was a challenge after paying salaries.

Although the financial aspects of ex-prisoners' businesses revealed serious challenges, all the ex-prisoners expressed optimism about the progress of their businesses. Over 78% were satisfied with the number of customers they had while 22% revealed that the profits earned were good. All the ex-prisoners involved in business had plans to expand their businesses through expanding their market coverage (20%), starting wholesale businesses (20%) and increasing production outputs (50%). Close to 10% of the ex-prisoners hoped to increase their savings before considering other investments or business expansion.

3.2 Sources of business start-up capital for ex-prisoners

The majority of ex-prisoners reported starting a business with their own savings while another large number reported borrowing from either relatives or SACCOs. Many also obtained capital from agricultural activities, which they said required little investment to start, unlike retail trade.

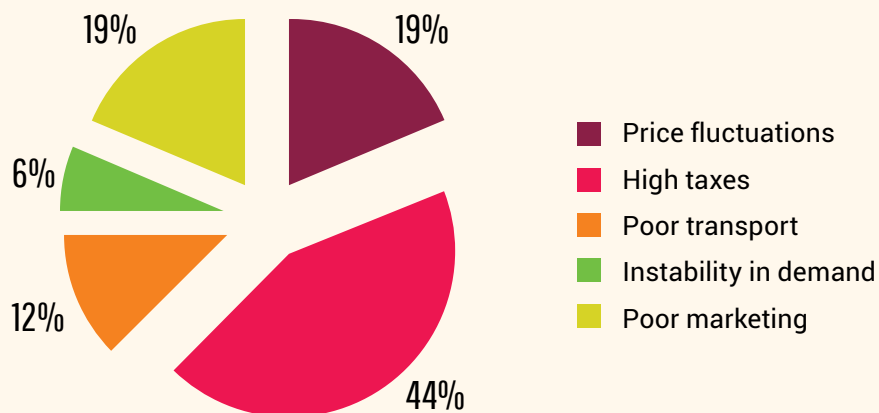
Figure 12: Sources of business startup capital



3.3 Challenges facing ex-prisoners' businesses

High taxes were reported to be affecting many businesses and hence reducing profitability. Price fluctuations and lack of marketing also featured prominently, while transport challenges and unstable markets also contributed significantly to poor business performance.

Figure 13: Challenges facing ex-prisoners' business



3.4 Loan access

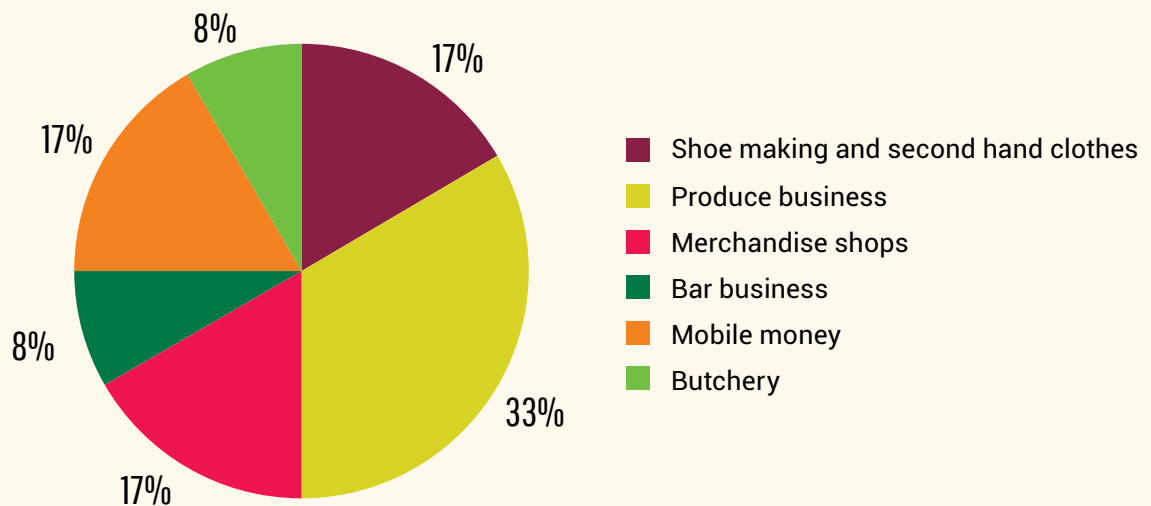
Most ex-prisoners reported having started a business using their savings as access to loans was not guaranteed. In many cases, the period between loan access and receiving funds was also said to be too long. Similar findings were made earlier by Oxford Economics (2015) and the National Small Business Survey (2015), which established that the vast majority of businesses in the North rely on their own limited internal funds as start-up financing, with only up to 10% of businesses accessing funding from banks or non-bank financial institutions.

Over 50% of the ex-prisoners reported having been able to access loans mainly from SACCOs, enabled by the availability of collateral, membership of SACCOs and the availability of referees. It was reported that without collateral it was difficult to borrow from many of the credit institutions. The National Small Business Survey (2015) also found that the proportion of small businesses borrowing from microfinance institutions was negligible, citing lack of collateral.

3.5 Profitable businesses as viewed by ex-prisoners

Ex-prisoners revealed that profitable businesses in their locality included sale of produce, retail trade, shoemaking, mobile money outlets, bars and butcheries.

Figure 14: Profitable businesses



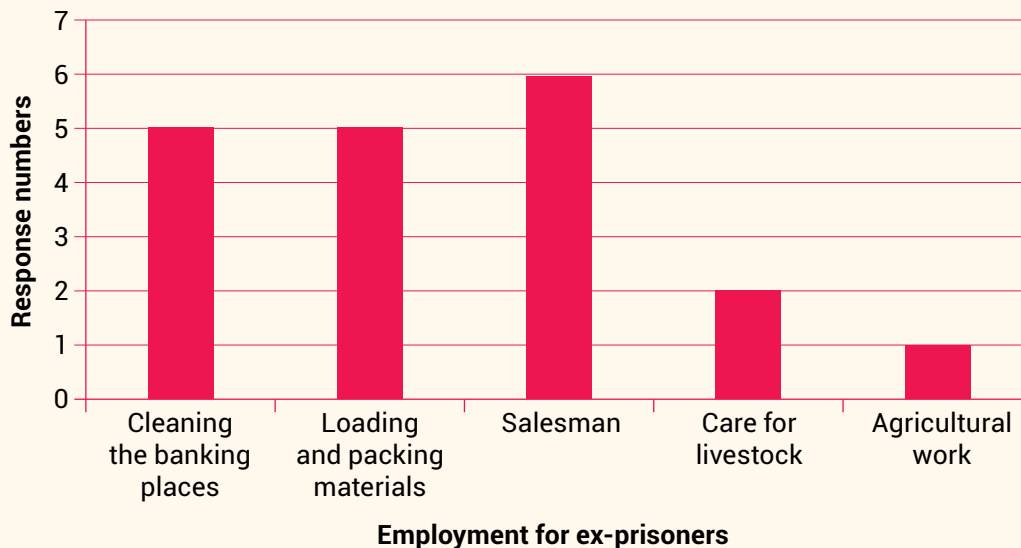
Goods and services offered by merchandise shops, mobile money outlets and bars were said to be highly demanded among the population while agricultural produce was bought from farmers cheaply but fetched higher prices in the market. The market perception of ex-prisoners did not differ much from that of the general population, confirming the trends earlier indicated by the general public. However, it was revealed that some of the businesses were struggling and this was attributed to lack of markets, high costs of production and high taxes. In fact, many ex-prisoners reported having witnessed retail shops (20%) and catering services (20%) close in

their neighbourhood. However, there were other reasons cited for business closure, including poor location, poor management and low demand for the goods and services. Earlier, the UNDP (2015) had also identified the challenges facing the private sector in the northern region, which is dominated by informal MSMEs that operate with no formal business premises and no record keeping. A number of businesses were also said to have closed after running out of capital due to expenditures which exceeded incomes or interest on borrowed funds which dug deep into operating capital. Other reasons that were causing business closures included poor customer care, increase in rent, lack of trading licences or failure to renew the licences, thefts and change of business.

3.6 Employment for ex-prisoners

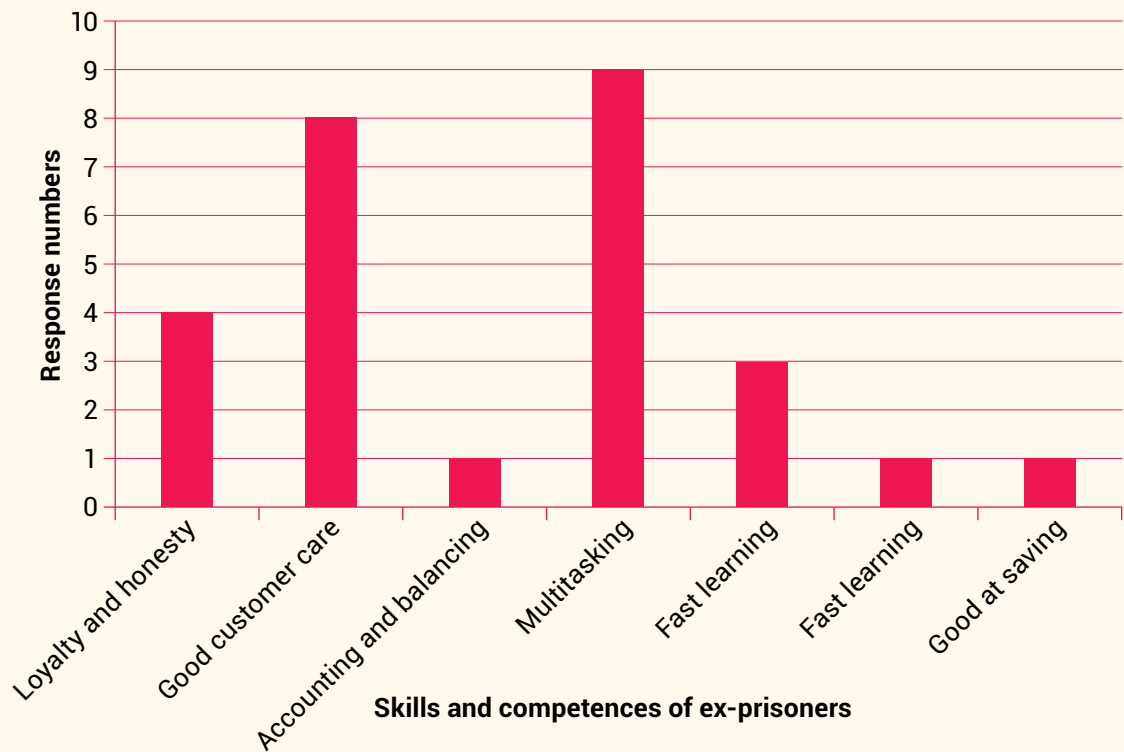
Many ex-prisoners reported being gainfully employed in diverse enterprises. There appeared to be no systematic bias against employing ex-prisoners but some potential employers (20%) revealed that they would be reluctant to employ ex-prisoners with a criminal record.

Figure 15: Employment for ex-prisoners



Some ex-prisoners reported being employed in different organisations such as banks, warehouses, retail business units and farms. They performed tasks including cleaning, loading and packing goods, sales, care of livestock and the provision of farm labour. The majority of ex-prisoners’ employers (62%) said that they recruited ex-prisoners basing on word of mouth by getting recommendations from friends while 19% had locally advertised for those jobs to be filled and ex-prisoners had applied. Employers revealed that the ex-prisoners were bringing various skills and competences to the workplace.

Figure 16: Skills and competencies of ex-prisoners



Ex-prisoners were highly regarded for their ability to multi-task, ably performing different roles at different times. They were also said to demonstrate good customer care and loyalty to business owners. Others were reported to possess unique skills, including book-keeping, time management, being fast at learning and being good at cost-cutting, which made them appealing to their employers.

3.7 Business start-up for ex-prisoners

To start a business, one was required to register the business and obtain a licence which permitted operations. Licences were said to be issued at sub-counties, municipal divisions and municipal councils. The sub-counties enforced compliance through regular inspections of business premises and effecting closure of businesses which were not licensed.

The minimum start-up capital for ex-prisoners was indicated as UGX 20,000 while the maximum was UGX 4,300,000. All business owners reported to belong to some SACCOs as they were provided with an incentive to save as well as access to affordable credit. However, membership of SACCOs required payment of a membership fee, compulsory savings and required time invested in meeting and participating in SACCO activities.

3.8 Challenges facing ex-prisoners' businesses

Overcrowding was reported as the challenge facing businesses as very many individuals engaged in the same type of business, making competition high and affecting profitability. ILO market assessment (2015) and Advance Afrika (2016) also found an acute lack of information on available business opportunities, attributed to the general trend of necessity-based entrepreneurship that is heavily based on the copycat culture and that is generally devoid of business innovation and response to market needs. There were also reports of various forms of taxation which reduced the profitability of business ventures. In addition, the poor road networks were found to affect many businesses, especially during rainy seasons.

4 *Conclusions*

Generally, the business environment in Lira and Gulu was good, with trade in farm produce being the most profitable. Retail trade in groceries, household goods and clothes was also reported to be performing well. Thus, trade in farm produce will continue to offer the most viable business opportunity if micro and small enterprises are to thrive.

Without trading licences, business operations were likely to be interrupted. The DCOs supervised trade activities within a district but also provided market information and played advisory roles. Based on this finding, it can be concluded that the regulation of business ventures remains an imperative if micro and small enterprises are to sustain their operations.

Businesses appeared to access credit easily from commercial banks, SACCOs and microfinance institutions. However, commercial banks were charging higher interest rates compared to microfinance institutions and SACCOs. All the lending institutions required some form of security to access loans but SACCOs would lend to groups without any collateral since members within a group served as guarantors for the loans. It can be said that membership of SACCOs will continue to provide a less costly form of security if micro and small enterprises are to access cheaper credit for their businesses.

Some ex-prisoners were gainfully employed in a variety of sectors, such as agricultural farms, retail trade, banking etc. Many employers did not consider conviction and imprisonment as serious concerns when recruiting staff. However, some employers revealed that the criminal record of an employee could affect employment decisions. Employed ex-prisoners were commended for their ability to multi-task, their loyalty to employers and their high propensity to save. This finding led to the conclusion that ex-prisoners are able to thrive in business or in employment if they are appropriately supported to reintegrate into society.

Some ex-prisoners were self-employed, running their own businesses such as in retail trade, shoe production and farming. The businesses run by ex-prisoners appeared to be profitable but the profit margins were small after salary payments. This could call into question the sustainability of the ex-prisoners businesses. It was revealed that

many businesses were doing the same type of trade, which had increased competition and lowered profits. Arising out of this finding is the conclusion that diversification of enterprises will still be necessary if businesses owned by ex-prisoners are to remain competitive.

Ex-prisoners lacked skills in marketing and networking, which limited their awareness of profitable markets for their products. Ex-prisoners were failing to market their businesses, perhaps because of limited knowledge or resources.

Ex-prisoners were also not doing business analysis to fully understand the profits, losses, profitability and sustainability of their businesses. In some cases, ex-prisoners revealed that their businesses were performing well even when the performance figures given for profits and expenditures revealed losses. Drawing on these findings, it can be concluded that entrepreneurial ventures will continue to offer a sustainable economic mainstay for ex-prisoners if their capacity in aspects of a) marketing and b) business analysis is enhanced.

Transportation of goods was also a challenge owing to poor or impassable roads and high costs of transportation. Delays in transportation were responsible for losses of perishable agricultural produce, causing losses to the businesses. In view of this, trade in perishable agricultural produce will continue to suffer setbacks if the poor road infrastructure is not addressed.

On the whole, it should be noted that, compared with the past study done in 2016, the business environment in Lira and Gulu has not changed much in terms of dominant income-generating activities. The leading income-generating activities remain agriculture, retail trade in groceries and household ware and small-scale service sectors such as mobile money services, carpentry, welding and tailoring. Some of the observed differences in the responses from the 2018 study could be attributed to the characteristics of respondents that were involved in this particular study. The 2016 study covered both rural and urban areas and it was quite common to find large-scale farmers and rural-based enterprises. However, this study covered more of urban and peri-urban communities, thus attracting more respondents involved in enterprises related to service provision in urban settings.

5 Recommendations

5.1 Diversification

As the study indicated, ex-prisoners have tended to concentrate on specific enterprises even when they turn out to be continuously less profitable. Consequently, the scale of competition reported among small enterprises in Lira and Gulu districts bodes ill for business growth. It, therefore, seems most viable that diversification rather than concentration on particular businesses will offer prospects of improving returns for small enterprises. Achieving this will require Advance Afrika to continually sensitise small business vendors to the long-term economic benefits of diversifying enterprises. It is upon this foundation that Advance Afrika can progressively mould a framework to guide the expansion of small enterprises in the region. As it is, agricultural production seems to be more promising than retail trade and boda boda riding, areas where most ex-prisoners are venturing. However, since agricultural production is seasonal, traders need to appreciate that they cannot thrive on produce sales throughout the year. As such, venturing into new areas of business where the providers of goods and services are very few is likely to improve the prospects of small enterprises.

5.2 Access to credit facilities

Unlike more established businesses, it is even more pressing that budding micro and small enterprises are able to plug into existing sources of support. Broadening access to cheap sources of credit for small enterprises must, therefore, remain an ongoing effort for Advance Afrika. This endeavour necessitates Advance Afrika rallying the self-employed ex-prisoners to sign up for membership of SACCOs within their localities. These institutions, as findings revealed, have proved helpful in backing small businesses to overcome endemic problems that exclude them from the available sources of credit facilities.

5.3 Capacity development

The findings of this study pointed to some gaps in the business acumen of ex-prisoners. As a private entity serving a public interest function, Advance Afrika retains a vital and irreplaceable role in advancing the capacity of ex-prisoners in the following areas so as to enhance their competitiveness in business:

- a. market trends analysis so that they can make prudent judgment of where demand is high;
- b. skills in marketing in order to promote the goods and services they offer; and
- c. skills in business analysis so that they are able to relate sales, profits, costs and business sustainability.

5.4 Advocacy

This study suggests that the various forms of taxes that businesses face continue to hurt micro and small businesses in Gulu and Lira districts to the extent of crippling operations. Micro and small enterprises, however, do not operate in isolation of the rest of the private sector. A supportive ecosystem for entrepreneurial growth ought to take care of the peculiarities of small and big enterprises across the private sector. As a private entity serving a public interest function, Advance Afrika retains a vital and irreplaceable role in continuously engaging government to create an environment that reduces the vulnerability of small enterprises in the country.

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