Micro entrepreneurs attending a validation workshop

FROM SURVIVAL TO GROWTH

Skills, Inclusion, and Formalisation in Uganda's Informal Economy

POLICY BRIEF

EXECUTIVE SUMMARY

Uganda's informal sector sustains millions of livelihoods, particularly for women and youth in rural and peri-urban settings. Women and youth owned micro enterprises contribute significantly to employment creation, household income, food security, and local economic activity. However, the sector continues to face constraints, including low productivity, limited access to finance, inadequate business skills, weak governance systems, and persistent barriers to formalization.

Evidence from a research study conducted by the Council for Economic Empowerment for Women in Africa (CEEWA-Uganda), in collaboration with the Global Fairness Initiative (GFI) in Mayuge and Wakiso Districts demonstrated that targeted investments in skills development, inclusive finance, governance reforms, and simplified formalisation systems can significantly improve enterprise productivity, strengthen household resilience, and broaden Uganda's tax base.

The study findings, validated by local governments, SACCOs, community leaders, and women micro entrepreneurs, highlight the urgent need for coordinated and inclusive policy responses. Stakeholders emphasised that without targeted reforms, women and youth entrepreneurs will remain excluded from economic opportunities that are critical for inclusive growth, employment generation, and sustainable national development.

This policy brief calls for coordinated action among government institutions, financial actors, development partners, civil society, academia and local communities to create an enabling environment that supports productive and sustainable informal sector enterprises. Investing in women and youth is not only a social imperative but also an economic necessity for Uganda's long- term transformation.

BACKGROUND

Women and Youth owned enterprises are central to Uganda's informal sector, providing livelihoods, employment, and driving local economic activity. In the districts such as Mayuge and Wakiso, these enterprises dominate key value chains including retail trade, agriculture, food vending, tailoring and other small - scale services.

Despite their contribution to economic growth and household welfare, many micro enterprises remain trapped in low productivity activities and operate outside the formal economy. Consequently, they face systemic barriers that limit business growth, access to markets, financial services, and participation in government development programs.

To better understand these challenges, CEEWA – Uganda in collaboration with GFI conducted a research study titled ***"Women, Work and the Informal Sector in Uganda: What's Holding Business Back?"***. The study explored challenges affecting women micro entrepreneurs, especially those preventing them to engage in decent and productive work in Mayuge and Wakiso Districts, which represent a rural - urban mix with a high concentration of women and youth micro entrepreneurs.

The research adopted a participatory, grassroots driven approach that included focus group discussions with women micro entrepreneurs, as well as direct engagement with local district authorities and SACCOs. This approach enabled local communities to identify key development challenges and propose practical solutions. The findings were validated through consultations with local governments, SACCOS, community leaders, and micro entrepreneurs.

Stakeholders highlighted persistent structural gaps that continue to undermine productivity and business formalization. They also articulated key asks for the government, local leaders, development partners, and the academia.

KEY FINDINGS

This policy brief amplifies the voices and priorities of informal women and youth entrepreneurs in Uganda's informal sector to inform national policy dialogue and action.

1. Sector Productivity Constraints

Women and youth owned informal micro enterprises continue to face major productivity constraints arising from limited access to affordable finance, weak financial literacy, and exclusion from formal lending systems and government programmes. High interest rates, collateral requirements, and qualifying thresholds further restrict participation.

Weak business planning, poor record-keeping practices and limited market linkages compound these challenges. In many households, women entrepreneurs also carry disproportionate unpaid care responsibilities, often diverting business income toward household needs due to limited family or spousal support. This reduces reinvestment capacity and weakens business sustainability, underscoring the need for gender and household sensitization interventions that advance shared responsibilities and stronger family support for women entrepreneurs.

2. Enterprise Skills and Capacity Gaps

Entrepreneurship, financial literacy, business management and digital skills emerged as the most prevalent gaps, highlighting the need for strengthened competencies in marketing, branding, customer relations, innovation and product diversification. Access to mentorship and business advisory services is limited, while low awareness of existing community-level training opportunities further constrains enterprise development.

3. Barriers to Business Formalization

High registration and licensing costs, complex and bureaucratic procedures, inconsistent taxation, and the fear of tax burdens discourage formalization. Limited awareness of benefits of formalization, weak decentralization of registration services, and enforcement approaches perceived as punitive rather than supportive reinforce informality.

As a result, many micro enterprises remain outside formal systems, restricting access to finance, markets, legal protection, and government programmes.

4. Gender and Youth-Specific Constraints

Women and youth entrepreneurs face additional barriers linked to unequal care and household responsibilities, restrictive gender and social norms, limited mobility, and weak gender-responsive implementation of development programs. Discrepancies between official program guidelines and actual local implementation also undermine trust in government and financial inclusion initiatives. During the validation workshop one participant observed that:

"They formed groups to benefit from the Parish Development Model (PDM), which is intended to provide each beneficiary with UGX 1 million in capital support. However, most beneficiaries reportedly received only UGX 700,000, with the remaining amount allegedly lost through bribery of officials in order to access the programme."

(Female, Micro entrepreneur)

STATISTICS

Indicator	Key Statistic
Informal sector employment	*Approximately 92% employment in Uganda*
Contribution to GDP	*Approximately 54.5%*
Informal employment	*Dominates employment market with Kampala accounting for 73.5%*
Women owned informal busi-nesses	*56.5%*
Youth owned informal businesses	*33%*
Women's contribution to informal sector revenue	*Approximately 76%*
Financial exclusion	*Approximately 43% of adults lack access*
Business formalization	*Registration costs remain a barrier for micro and small businesses 91.7% informal businesses are not Registered with Uganda Registration Service Bureau.*

Sources: *UBOS (2021:2024), ILOSTAT (2024), FinScope Uganda Survey (2023), NDP III (2020/21- 2024 study findings (2025/26)and EPRC (2024), URSB (2025/26)*

POLICY CONTEXT

Uganda has prioritized inclusive economic transformation under the Development Plan III (NDP III), the Parish Development Model (PDM), the Uganda Women's Entrepreneurship Programme (UWEP), Emyooga, and the National Financial Inclusion Strategy. These frameworks are designed to raise household income, advance enterprise development, and reduce poverty. In particular, the PDM has expanded grassroots access to finance, although its impact on the informal sector continues to be constrained by implementation and governance challenges.

Despite these efforts, the informal sector continues to expand due to persistent structural barriers including limited access to finance, high business registration costs, weak implementation systems, and the exclusion of women and youth from economic opportunities.

The findings from this study underscore the need for more inclusive, transparent, and locally responsive interventions that strengthen enterprise productivity, facilitate formalization, and advance equitable economic participation.

POLICY IMPLICATIONS

The findings highlight several critical policy concerns that require urgent attention:

- **Close the Financial Inclusion Gap:** The absence of tailored financial products or programmes for the informal sector entrepreneurs, limits access to credit, savings, and growth opportunities. Women and youth in peri-urban and rural areas remain disproportionately excluded.
- **Governance Weaknesses:** Weak accountability and poor communication in government programmes reduce trust, hinder uptake, and undermine effectiveness of interventions aimed at formalisation and enterprise support. Women and youth entrepreneurs are disproportionately affected when such accountability failures disrupt programme delivery.
- **Skills and Capacity Deficits:** Limited investment in entrepreneurship, financial literacy, and business development services constrains enterprise competitiveness, productivity and sustainability.
- **Gender Inequalities:** Persistent gender norms and unequal care responsibilities continue to restrict women's economic participation and business growth.

The five recommendations that follow are directly responsive to these structural gaps.

RECOMMENDATIONS

1. Expand Inclusive Financial Services

- Establish collateral-free, low-interest loans tailored to informal sector entrepreneurs.
- Strengthen governance and accountability systems within Savings and Credit Cooperative Organisations (SACCOs) and community savings groups.
- Integrate financial literacy into local development programs.
- Adopt blended financing models that combine low - cost funding and guarantee schemes to reduce lending risks for informal enterprises.

2. Strengthen Skills Development and Enterprise Support Services

- Scale up decentralized entrepreneurship and financial literacy training.
- Establish community-based business incubation and mentorship hubs.
- Equip entrepreneurs with digital literacy, innovation, marketing, and business management skills.
- Strengthen market linkages and participation in local value chains.

3. Simplify and Incentivise Business Formalisation

- Streamline business registration and licensing procedures.
- Reduce excessive registration costs and multiple taxation burdens.
- Decentralize registration services to district and community levels.
- Introduce progressive and productivity-sensitive taxation systems.
- Conduct nationwide awareness campaigns on the benefits of formalization.

4. Improve Transparency and Accountability

- Enhance transparent and traceable digital disbursement systems such as mobile money platforms, and strengthen monitoring, accountability, and beneficiary tracking mechanisms to reduce leakages in PDM funds.
- Eliminate exploitative practices in government and financial support.

5. Advance Gender & Household Sensitization

- Embed positive gender and household relations training into school curricula and community programmes.
- Recognise shared household responsibilities as a driver of national economic productivity, given women's disproportionate unpaid care burden constraints.
- Encourage active male engagement in supporting women entrepreneurs.

EXPECTED OUTCOMES

Short term (1-2 years)

- **Increased access to affordable and inclusive financial services:**
  Indicators - % of women and youth with access to formal financial services, disaggregated data on number of new accounts opened, average cost of access to financial services.
- **Improved financial literacy, innovation capacity, and basic business management skills among women and youth entrepreneurs:**
  Indicators - % completing training, improvement in pre/post training scores, % applying at least one new business practice within 6 months.

Medium Term (3-5 years)

- **Stronger community savings and enterprise support systems:**
  Indicators - number of functional savings groups/SACCOs, volume of savings mobilized, % linked to formal financial institutions.
- **Increased participation of the informal sector entrepreneurs in government programs and formal financial support schemes:**
  Indicators - % enrolled in government programmes, number accessing formal credit facilities, proportion of beneficiaries from informal sector (sex/age disaggregated).
- **Improved transparency and accountability in economic empowerment initiatives:**
  Indicators - % of programmes with published beneficiary lists and selection criteria, number of grievance mechanisms used, beneficiary satisfaction levels.
- **Reduced fraud and corruption in capital- based programmes:**
  Indicators - number of verified fraud cases, % resolved within set timelines, audit compliance rate.

Long term (5+ years)

- **Increased business formalisation and enterprise productivity:**
  Indicators - % of enterprises formally registered, revenue/profit growth, tax compliance rate.
- **Stronger and more resilient MSMEs with accelerated transition from formal to informal economy:**
  Indicators - business survival rate (2–3 years), % with diversified income sources, % with access to savings, average months from supported to registered, % of newly formalised firms compliant with tax/trading fees, SDGs 1,8, 9 trends.
  Improved gender equity and recognition of unpaid care work:
  Indicators include - % of contribution to GDP, time-use survey data on unpaid care work, gender perception index, SDGs 4, 5 trends, % of policies integrating unpaid care work considerations.
- **Accelerated inclusive economic growth and household resilience.**
  Indicators include- household income changes, poverty incidence among women and youth-led households, % of households with diversified income sources, resilience index, SDGs 1, 8 trends.

CALL TO ACTION

Transforming Uganda's informal sector requires moving beyond survival-based entrepreneurship toward productive, resilient and growth-oriented enterprises.

Government institutions, development partners, financial actors, civil society organisations, academia, and local communities must work collaboratively to dismantle barriers facing informal sector entrepreneurs, especially women and youth.

Targeted investment in skills development, inclusive finance, transparent governance and simplified formalisation systems can unlock the productive potential of informal enterprises and accelerate Uganda's socio- economic transformation.

Coordinated action today will strengthen livelihoods, expand economic inclusion, broaden national tax base, and contribute to national sustainable development.

The following calls to action begin with shared and inclusive appeals that are complemented by targeted asks outlining the specific leadership roles and actions expected of key stakeholders.

INCLUSIVE STAKEHOLDER ASKS

- **Capacity Development:** Government, private sector, civil society and academia should jointly address capacity gaps with tailored, community driven solutions.
- **Entrepreneur Sensitization:** Use simple, effective communication channels to reach micro entrepreneurs at the community level.
- **Social norms and individual mindset shifts:** Strengthen gender inclusive sensitization, advance equitable sharing of household responsibilities, and secure recognition of care work as a critical economic contribution and strategic lever for jobs, productivity and gender equality.

TARGETED INSTITUTIONAL ASKS

1. Ministry of Gender, Labour and Social Development

- Expand community-based entrepreneurship, livelihood and financial literacy training programmes targeting women and youth in the informal sector.
- Strengthen awareness of government economic empowerment programmes and ensure earmarked funding reaches the intended women and youth informal entrepreneurs.
- Enhance the promotion of gender-responsive economic empowerment approaches that address unpaid care work and restrictive social norms.
- Lead the reinforcement of the "Gender in Education Policy 2016" by providing technical guidance and gender standards to the Ministry of Education and Sports to mainstream gender equality across national curriculum content, teaching standards, and learning materials.

2. Ministry of Finance, Planning and Economic Development

- Collaborate with microfinance providers and regulators to expand access to microfinance for micro entrepreneurs through low collateral products, flexible repayment and proportionate regulation.
- Review and streamline fees, charges, and administrative requirements associated with business registration and basic compliance for micro-entrepreneurs transitioning from informal to the formal economy.

- Ease the tax burdens on micro enterprises by removing multiple taxes and introducing progressive turnover and productivity-linked rebates under the presumptive tax system.
- Strengthen low-friction digital financial inclusion infrastructure, mobile money enabled savings, credit scoring systems, and simplify onboarding processes for low-income economic actors.

3. Ministry of Information and Communication Technology

- Expand the deployment of affordable, mobile-first digital service delivery platforms designed for informal micro enterprise payments, savings and market information.
- Scale up digital financial literacy interventions and localise content to improve uptake of digital financial services among informal sector entrepreneurs.
- Reduce the digital divide by ensuring underserved peri-urban and rural trading ecosystems have access to affordable and reliable digital infrastructure.
- Enhance productivity and financial inclusion for women and youth micro entrepreneurs through securing of lower costs of essential digital services, including data, airtime, and transaction-related charges from service providers.

4. Ministry of Trade, Industry and Cooperatives

- Collaborate with the Ministry of Finance, Planning and Economic Development and local governments to ensure grants under PDM Pillar 3 – Financial Inclusion for parish and village level entrepreneurship training are conditional on verified training plans and beneficiary business outcomes.
- Develop targeted SME support packages tailored to women and youth led enterprises.
- Improve access to affordable financing, markets and public procurement opportunities.
- Strengthen women led cooperatives, and local enterprise networks.
- Advance innovation, business incubation, and enterprise development services.

5. Uganda Registration Services Bureau (URSB)

- Simplify and scale business registration requirements for micro enterprises, apply fee waivers for voluntary formalisation, and fast track processing to drive formalisation.
- Decentralize registration services at district and community levels, including use of mobile or outreach registration points.
- Deepen awareness of the benefits and procedures of formalisation using simplified communication materials.

6. Local Governments

- Simplify and harmonise trading licenses, market dues, and related business charges into a single progressive annual permit for micro entrepreneurs, through model by-laws under Section 191 of the local Governments Act.
- Improve dissemination of government programmes and strengthen oversight by removing inconsistent implementation guidelines.
- Strengthen transparency, accountability, and public trust in government economic empowerment programmes by digitising beneficiary verification and selection through national data bases, reducing corruption through intermediary free processes, and guarantee full capital allocation to beneficiaries.
- Collaborate with local leaders, SACCOs, civil society, and private sector actors to strengthen enterprise development and mentorship.
- Strengthen and scale community dialogues that engage men and women in advancing positive gender norms and economic inclusion.

7. SACCOs and Financial Institutions

- Expand access to affordable financial products for informal entrepreneurs.
- Remove restrictive collateral requirements and simplify lending procedures.
- Strengthen governance, transparency and financial literacy within community saving systems.
- Build trust through transparent and inclusive lending practices.

8. Civil Society Organisations (CSOs)

- Deepen community-level entrepreneurship, and business management training.
- Amplify government programmes, financial inclusion opportunities, and formalisation processes.
- Continue to advance accountability and citizen feedback mechanisms.
- Enhance mentorship, peer learning, and market linkage opportunities.
- Sustain and scale up advocacy for inclusive and gender-responsive economic policies.

9. Academia and Training Institutions

- Generate evidence-based solutions for informal sector development.
- Conduct localized research on barriers affecting women and youth enterprises.
- Develop practical, community-responsive entrepreneurship training programmes.
- Strengthen mentorship and continuous skills development systems.
- Contribute to policy dialogue and public awareness on inclusive economic growth and formalisation.

10. Informal Sector Women and Youth Micro Entrepreneurs

- Start small by using your own savings as start-up capital. Do not take expensive loans, and open a separate bank account for your business so it is easier to manage your money.
- Take part in local training, learn from each other, share knowledge, and seek support from experienced peers.
- Form and register groups, save together, pool money, open low- cost bank accounts, and engage in sensitization exercises.
- Use support services to help you register your business and access financial services.

For more information contact: Email address: info@ceewa.org. **Website:** https://www. ceewa.org.