When women grow wings: Gender relations in the informal economy of Kampala

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Preface

This report is concerned with gender relations in the informal economy of Kampala. The study was commissioned by NORAD but forms part of a larger comparative project sponsored by the Research Council of Norway.

I wish to thank Prof. Grace Bantebya Kyomuhendo at the Department of Women's Studies, Makerere University, for showing interest in the project and for facilitating my research clearance. Of a total project time of six weeks, three weeks were spent in Kampala in November 2002. I am also grateful to A. Byaruhanga Rukooko at the Centre for Basic Research who helped me recruit Nora Tukahiirwa, Violet Namayanja, Olivia Nandaula, and Gloria Nakajumba as research assistants. Their help was invaluable as many of the informants only spoke Luganda. I also appreciate support from the embassy during my stay in Kampala, and the input provided by embassy staff during a seminar I gave at the end of the fieldwork. Some of the participants at the seminar expressed a special interest in questions concerning micro-finance and tax. Although neither of these two themes was central in the original research design, they have been given some consideration in the present report.

Introduction

What people do for a living in urban East Africa has changed dramatically over the last twenty years. "Work" once meant white-collar office work or work in industry, and both sectors were dominated by men. In African cities today, informal work accounts for over 60 per cent of total employment and over 90 per cent of new jobs (ILO 2002:1). In Uganda, economic crisis, civil war and structural adjustment have ensured that women have become the prime providers, and the great majority of them earn their money in the informal economy.

While incomes among the self-employed are generally lower than those in formal employment, many single, divorced or widowed women feed and educate their families alone on the basis of their entrepreneurial activity. In households consisting of a married couple with children, the woman brings in 50-70 per cent of total household expenditures (Kyomuhendo 1999; Snyder 2000). This contrasts sharply with the situation some decades ago, when urban men were expected to cater for their family's needs alone.

While female-headed households statistically have lower incomes than households headed by men, a 1999 World Bank report concludes that "households headed by women have higher school enrolment and completion rates than those headed by men" (Snyder 2000:7). This is because women tend to give higher priority to their children and their children's education than do men. Supporting women's entrepreneurial activities is, then, a way of securing families as a whole.

This study looks into the opportunities for and constraints on self-employed women and men, such as access to capital and the tax burden. Women in Uganda have traditionally been disadvantaged compared to men because they have been excluded from owning land. They have also been limited by a patriarchal ideology, which dictates the kind of economic activities that are seen as suitable for women. Women are now in the process of entering sectors that were formally dominated by men, and some men are entering previously "female" domains such as the preparation and sale of food and hair styling. The report therefore examines the way in which new economic realities, together with the Ugandan government's efforts to enhance gender equality, have changed the perceptions of what men and women can do for a living, and how gender relations in the informal economy as well as in households are affected by women's increasing economic independence.

1.1 What is "the informal economy"?

The term 'informal sector' was first coined in the 1970s. It was introduced to describe "the activities of the working poor who were working very hard but who were not recognized, recorded, protected or regulated by the public authorities" (ILO 2002:1).

Since pre-colonial times, the informal economy of African cities has offered survival opportunities for poor and vulnerable migrants (Nelson 1999:4). In the early part of the colonial era, both wages for the employed and profit opportunities for the self-employed were relatively good, but with increased migration and economic decline things got worse and by 1940 one in three urban dwellers ate poorly and only one in ten were able to save (Illiffe 1987:171).

Up to the mid 1990s there was a tendency to see the informal economy as an *urban* phenomenon, and the bulk of research and policy making on this sector was done in cities (King and McGrath 1999:28). There is now an increasing concern with the informal economy of rural areas as well, and Nici Nelson argues that we should stop viewing the urban and the rural as separate entities and rather see the economy as a "complex, interrelated whole" (Nelson 1999:5). In a recent report, the ILO argues that the term 'informal economy' is better than 'informal sector' for encompassing "the expanding and increasingly diverse group of workers and enterprises in both rural and urban areas operating informally" (ILO 2002:2).

Informal work is characterised as being unrecognised, unprotected or unrecorded by the public authorities. Earlier, there was a tendency to define the informal economy as being *untaxed* economic activity. With donor pressure to increase revenue, however, African governments are increasingly taxing smaller entrepreneurs, and in Kampala, even street hawkers are now taxed (Muwanga 2001). Despite being registered for the purpose of tax collection, self-employed people like street vendors and micro-entrepreneurs, as well as paid domestic workers, homeworkers and workers in sweatshops perform their activities outside legal and regulatory frameworks. They lack a number of essential securities, among them employment, work and income security. This group is rarely organised and most of them are poorer than people in the formal sector, but their informal economic activities may have important network functions.

One of our informants said that even if she did not earn that much money, she knew that she could trust her fellow market women to help her in times of economic difficulty. A study of AIDS victims in Kampala revealed that people who worked in markets and other public places "were more likely to be exposed to information about services than those who operated commercial activities from their rooms" (see also Obbo 1999). As pointed out by the ILO, the term 'informal' does not imply that the activities of this sector are not regulated:

> People engaged in informal activities have their own "political economy" – their own informal or group rules, arrangements, institutions and structures for mutual help and trust, providing loans, organizing training, transferring technology and skills, trading and market access, enforcing obligations, etc. What we do not know is what these informal rules or norms are based on and whether or how they observe the fundamental rights of workers (ILO 2002:3).

Jane Seruwagi Malunga, who has completed a study of women employees in the catering business at Owino market, found that the young, unmarried women hired for this work were underpaid and exploited by their middle-aged female employers, who needed every shilling to provide for their own families (Malunga 1998).

A major characteristic of the informal economy is the tendency of entrepreneurs to invest in several sectors at the same time, or, in other words, to be "occupation pluralists" (Kyomuhendo 1999). Our material from Kampala provides three examples of this, all at different economic levels. In the first case, the female owner of a small tailor shop also sold second-hand clothes, cosmetics and cold drinks from the same room. Then, in the middle range, there was a woman who owned three enterprises: a wholesale shop, a shop for spare parts, and a catering firm. Third, a woman owning a successful beverage factory had just started a poultry farm raising a batch of 4,000 chickens. The reason for this multi-sectoral engagement is partly the wish to be financially secure in case one enterprise fails, but also the need to provide dependants with income-generating employment. In this way entrepreneurs gain extra profit at the same time as they reduce the number of people they have to support economically.

There have been many attempts at defining the informal sector economy. Most classifications have rested on the degree of informality and the size of employment, but informal activity is not necessarily small-scale, nor is all small-scale economic activity necessarily informal.

Referring to work by among others Mead (Mead 1996), King has singled out three different types of enterprise which may all be part of the informal economy: formal and small, informal and small, and survivalist (see figure 1). Participants in the informal economy may have economic success and eventually grow into formal enterprises, or they may choose to stay informal. One incentive for the latter choice is to avoid taxation and cumbersome bureaucratic procedures. Several researchers have documented that enterprises may move along the continuum, often in a rather dramatic way, from subsistence to enterprise status, and the categories should therefore not be seen as discrete segments (Robertson 1995; King and McGrath 1999).

Along the same line of thought, but specifically concerned with workers' security, the ILO suggests that we should adopt "the view that formal and informal enterprises and workers coexist along a continuum, with decent work deficits most serious at the bottom end, but also existing in some formal jobs as well, and with increasingly decent conditions of work moving up the formal end" (ILO 2002:4).

Figure 1. Different types of enterprise within the informal economy

Formal and small: Such enterprises confirm to regulations to a significant extent, exhibit high levels of human capital and are integrated into the structures of the formal economy.

Informal and small: Those elements of the informal sector which are given descriptions such as ‘successful’ or ‘sustainable’, ‘emergent’ or ‘entrepreneurial’. It is in these enterprises that informal sector incomes can outstrip those in the lower reaches of the formal sector. Though outside formal sector structures, often the owner-operators of such enterprises have had significant exposure to both formal education and training and to formal employment.

Survivalist: Engaged primarily in commerce but also in basic and low-quality forms of production, those running these enterprises are typically at the level of subsistence, with the income earned being one of a number of resources that must be combined together for survival.

(King and McGrath 1999:32)

1.2 About this study

This report looks into the informal economy of Kampala, Uganda, with a special focus on gender relations. It is part of a larger comparative study of the informal economies of Western and Eastern Africa, headed by Dr. Ragnhild Overå at CMI. The project will look into the historical background of the informal economies in the case cities (Accra, Dar es Salaam and Kampala so far), analyse the ways various sectors have become gendered, and discuss in what ways established norms for gender-appropriate economic activities are presently changing.

In each of the case cities one hundred male and female entrepreneurs have been interviewed, using the same interview guide. The questions concern the entrepreneurs’ personal “biography” and business strategy, as well as their opinions about gender relations and constraints and opportunities in the informal economy.

To facilitate comparison, the following six sectors have been selected for closer scrutiny in all the case cities: trade in fish, vegetables, staple foods (maize/rice/plantains), textiles, second-hand clothes and prepared food. In addition, two or more sectors that appear to be particularly interesting in the local setting have been added. In the case of Kampala handicrafts (curio shops) and hair salons were selected. Handicraft shops were selected because it is one of the few sectors with relatively high returns (and investment requirements) that are totally dominated by women. Hair salons were selected because they appear to be the enterprise most commonly run by women in addition to market stalls and catering.

In line with the discussions about the informal economy above, informants operating at different levels of scale were selected for interviews. The great majority fall within the category that Ugandan policy documents label micro-enterprises. Micro-enterprises are defined as businesses employing fewer than 5 people, with an annual turnover below 10 million shillings. Small enterprises, on the other hand, are defined as employing a maximum of 50 people, with a turnover of 10-50 million shillings (Snyder 2000:7). The sample includes three small enterprises: a beverage factory, a tailor shop, and a restaurant, which have all grown out of smaller ventures.

Since women often operate their business close to their homes, a number of interviews were conducted outside the city centre, in the Wandegya, Nakivubbo, and Kabalagala suburbs. The bulk of interviews related to the fish sector were conducted at the fish market at Gaba landing site (by Lake Victoria), while handicraft shops were selected from the craft 'villages' at the National Theatre and Exposure Africa. In the Kikuubo trading area we interviewed wholesale dealers and traders in textiles. The majority of the interviews with dealers of second-hand clothes were conducted at Owino market. Owino market, established in 1972, is the largest market in Kampala, giving work to more than 20,000 people within sectors ranging from butcheries and vegetables to second-hand clothes and electronic goods (Malunga 1998:1). Interviews were conducted in Luganda, English, or Swahili.

The coming chapter briefly looks into the history of the informal sector of Kampala and changing gender relations. Chapter Three is concerned with access to capital, including micro-finance, and the income levels of the self-employed. Chapter Four focuses on taxation and perceptions of corruption. The last chapter draws the study together and briefly discusses the policy implications of the findings.

2 Changing gender relations

> "Women have now taken over. Most of the men have died, and of those remaining, many are unable to support their families, forcing the women to do so. Now the women are the ones in control. That's why they dominate the business sector. If they had decided to stay at home our children would not have gone to school!" (Man, 43).

> "Men hate women's economic independence. They say that we have grown wings" (Woman, 27).

2.1 Historical background

Gender inequality in Uganda is rooted in customary law relating to land ownership. Although women produce 70-80 per cent of the food in Uganda, only 7 per cent of them own land. As Christine Obbo has demonstrated, gender inequality was increased by colonial intervention, when men were the ones to receive education and paid employment. Cash crops, like coffee, were grown and processed by women, but sold by their husbands, who pocketed the income (Obbo 1980).

During the economic crisis of the 1970s, peasant women started marketing their produce themselves and started looking for paid work. Women appear to have been more adaptable than men at the time. Female civil servants, for example, would set up a small shop to increase their income, while senior male civil servants saw this kind of activity as way below their social status. Some of the more wealthy businessmen asked their wives to look after their business in fear of President Idi Amin, who was suspicious of well-educated and rich men who would rather do business than go into politics (Snyder 2000:19).

The eviction of the Asians in the late 1970s was emphasised as an important opportunity for African women by some of our better off informants. Their shops were usually given to men, but the men often let their wives or sisters run them. The eviction of the Asians had very negative effects on industrial employment, however. In 1971, when the economic war against Asians was started, Asians owned around 77 per cent of the nation's industries. After their eviction, many industries ceased to function. In industrial towns like Jinja, many people lost their source of income and were forced into self-employment.

Economic chaos and soaring inflation reduced real wages in the mid 1980s to one tenth of what they were in 1972. "The economic crisis", writes Winnie Byanyima Karagawa, "enhanced the position of many Ugandan women, especially poor and peasant women, and weakened the basis for men's domination" (quoted in Snyder 2000:20). The civil war, which lasted up to 1986, left many women to cater for their families alone. In addition, women who fled the country often acquired business skills and an interest in investment abroad. Upon their return from exile, they brought with them technical equipment like dry cleaning machines, popcorn machines or industrial sewing machines (Snyder 2000:17-19).

Peace was restored in 1986 and during the following year the National Resistance Movement launched the first stage of structural adjustment. Grace Bantebya Kyomuhendo notes that the "retrenchment of public servants and commoditization of traditional social welfare systems have compelled many people to participate in the informal economy" (Kyomuhendo 1999:116). Structural adjustment has meant that higher education is no longer a guarantee of work, and retrenchment of civil servants has entailed a new category of poor, referred to by the World Bank as "the new poor" (Jones 1999:9). In the course of a couple of years, the balance between informal and formal work was shifted in favour of informal work. Cost sharing for health and education, another consequence of the structural adjustment programme, ensured that most families needed at least two incomes to get by, and more and more women started up on their own.

The AIDS epidemic is another important factor in women entering the informal economy. As one informant put it: "In most cases the men die first, leaving the widows to provide for the family". National policies to enhance women's rights, and increased representation of women at all levels, have also inspired women to work outside the home and become economically independent. Several of the women whom we interviewed attributed women's economic independence to President Museveni:

> "Here our President has done a lot. In the old days women were backward. But when this President Museveni of ours came to power, he pulled us out from behind. Now even our Vice President is a woman. We are no longer sitting at home as in those days" (Woman, 27).

As Aili Mari Tripp has pointed out, however, the Museveni government "has promoted women's leadership to serve its own ends" (Tripp 2001:101). Museveni's victory in the 1986 election is attributed to women who "cast their votes for peace" and Museveni has since then taken care to support women and the women's movement to secure continued political support for his regime.

The strength of the women's movement in Uganda can be traced back to the 1985 Nairobi World Conference and a follow-up seminar that was arranged outside Kampala soon afterwards. The networks formed and the recommendations adopted at this workshop had a profound impact on Uganda for years afterwards (Snyder 2000:23). Today, Uganda has one of the most gender sensitive constitutions on the continent, but the meagre funding is by no means adequate to make the many ambitious goals a reality.

2.2 Gendered sectors in change

Recent figures from the Uganda National Chamber of Commerce reveal that women account for 70% of traders in markets and 40% in shops (New Vision 20.07.99). Trade generally requires less capital than manufacturing and this is one of the reasons why there are more women in trade. Women more often work at home or by the roadside than men; an advantage of home-based enterprises is that they can be combined with childcare, and several of the women whom we interviewed had their children with them while at work. Women who can afford it, however, often send their children to boarding schools from a young age so that they can concentrate more on the business and at the same time give their children a good education. "Because they know that education offers unique advantages" writes Snyder, "businesswomen, from those working in the burning sun to the affluent, see to it that their children make a generational leap by getting more education than the parents have" (Snyder 2000:23).

Although women are now slowly moving in on male arenas such as high-tech enterprise, taxi operation and real estate, informal economy sectors in Kampala are still highly gendered. According to a study by Impact Associates in 1995, women dominate the trading of food in markets, and are "heavily represented in tailoring, textiles, beverages, services and crafts" (Snyder 2000). Men dominate in carpentry, taxi and bodaboda (motorcycle) operation, wholesale shops and business related to fish. A 'new' sector like second-hand clothes, on the other hand, appears to be equally open to men and women. However, not only gender but also religious factors may determine the kind of economic activities that people judge to be appropriate for themselves or others. Some Muslim women are afraid to sell clothes or to do hairstyles that violate Muslim law (Zaamu 2002:34,58).

Just as women who have capital move in on male arenas, there are signs of a new trend, where poor men move in on previously female arenas. As a young man selling *matoke* (plantains) along the roadside told us: "Long time ago, only women used to sell *matoke*, but now it is mostly men, because there are no jobs." In sectors such as vegetables and second-hand clothing, earnings for men and women appear to depend more on capital and business skills than gender. Within prepared food, on the other hand, I found clear contrasts between men and women. Preparation of food is considered a female activity and the catering business is almost 100 per cent dominated by women. The 52 catering stalls at Owino market, for example, are all owned and operated by women, who hire female assistants (Malunga 1998).

The few men who are willing to venture into this female domain, however, may actually make a good profit. One young man had set up a small business producing and selling *chapatis* (pancakes) at a busy street corner. He operates from five in the afternoon to three the next morning. He said that many of his customers were drunk and quarrelsome and that it would have been very hard for a woman to do the kind of work that he does. But precisely because there are few other people selling snacks at this time, he is able to make Shs. 224,000 a month, from a capital of 50,000. In comparison, a woman who started out with the same capital and was selling fried fish, claimed to make only 36,000 a month.[1]

The young man selling *chapatis* at night seems to have benefited from crossing the boundary between what are considered male and female activities. Similarly, a number of young Congolese men have found a good market in Ugandan and Tanzanian hair salons. While it would be unthinkable for most Ugandan and Tanzanian men to do women's hair, these Congolese have specialised in styling. They are much in demand among female customers and they are paid around four times as much as female hairdressers.

Not all cross-gender economic endeavours end happily, however. At the Gaba fish landing site, we interviewed a middle-aged man who was busy frying fish, a typical female task. He said that he had started doing this for a living after he lost his job in the civil service. His wife, however, could not accept his new occupation and they ended up getting divorced.

Generally, sectors that require high amounts of capital are male dominated. An example is wholesale shops. A male wholesale shop owner said that most shop owners were male because the work, which included transporting bags of rice and so on, is too heavy for women. It is not uncommon for husband and wife to operate wholesale shops together. Women who have enough capital to invest in a shop by themselves seem to prefer handicrafts. This sector, which is relatively new and profitable, is completely dominated by well-educated, middle class women. The trade requires not only a fair amount of capital, but also language skills, since most of the customers are tourists or 'expats'. One of the entrepreneurs in this sector was a housewife until her husband died in 1992. She had never worked before, but was successful and is now training her son in the trade. The female domination of this sector may therefore change in the coming years.

In some sectors men dominate the capital-intensive levels while women dominate further down. An example is trade in textiles. At the wholesale level, men, often Asian, are in the majority, while retail is dominated by women. Many of the women selling African textiles, *vitenge* cloth, turned out to be refugees from Congo. Being illegally in the country, they preferred selling their merchandise directly to customers in their offices rather than on the street.

The days when men sold women's produce and pocketed the income is now gone. Women have become traders in their own right, but are concentrated at the lower level of the economic system. They work because they have to - it is necessary for the household budget - but several women also said that they appreciate the economic and personal independence that entrepreneurial activities entail and that they would not have stopped working even if their husband had been able to provide for them.

[1] The exchange rate at the time of the fieldwork was Uganda Shs. 1767 to 1 US$ (November 2002).

2.3 Household economics

Married women in Kampala contribute between 50 and 70 per cent of the household expenses (Kyomuhendo 1999; Snyder 2000). This is a dramatic change from earlier times when urban men were expected to provide for their families. Women who are economically active have greater freedom to leave abusive husbands or choose not to marry at all. As one young, university educated woman put it: “To us, marriage is the last resort”. In 1991, 33 per cent of urban households were headed by women (Snyder 2000:32). Today, a decade later, the figure is likely to be higher.

The interviews revealed great variation as to how couples arranged their private finances. At the one end of the spectrum, there were men whose wives were “housewives” and not economically active. These men would give their wives Shs. 2-3,000 a day for food and other expenses. At the other end of the spectrum were two successful female entrepreneurs who earned many times as much as their husbands in the civil service and who covered almost all household expenses. Ironically enough, these two women were among the very few women of the sample who knew how much their spouses earned. One well educated woman, when asked if she knew what her husband’s salary was, just laughed and said: “They normally don’t say”. She, and many others, shared the household expenses with their spouses without any specific arrangement. Others had divided the expenses between them. For example, a woman selling smoked fish and married to an electrician, said that she, who earned around Shs. 112,000 a month, covered food and health expenses while her husband, who earned Shs. 300,000 and tips, paid house rent and school fees. One young woman whose co-habitant had helped her set up a restaurant said that he paid for food and rent while she could use her profit for personal consumption and to support her two younger sisters.

Several female informants mentioned the needs of their extended family as an important reason why they had to work. The AIDS epidemic has placed an extra burden on the providers who remain. Some women said that their husband had so many responsibilities on his side that it would be impossible for her to ask for support for her own relatives. Very many of those whom we talked to had orphaned children living with them, often outnumbering their biological children. The burden of school fees was a constant issue when household budgeting was discussed.

2.4 Attitudes towards economically active women

As part of the interviews respondents were asked how men have reacted to women’s economic independence and if it has affected the relationship between men and women, marriage, and so on. This question often spurred lively discussions and respondents were in no way unanimous. Some women said that the men “hated” their economic independence while others said that their husbands had encouraged them. A 42-year-old married woman summed up the situation in this way:

> "Some men are happy with it, others not. Some men think that if a woman has money she will stop respecting him. Those are the men who don't want their wives to work. But if he can't manage, she has to work. Men have neglected their responsibilities and women have come in on their behalf."

Some of the 'traditionalist' men whom we talked to were very negative towards working women. They said that working women would find lovers, neglect their family, or spend their money in bars. Some men simply refuse to allow their wives to start businesses, even home-based ones. They are more worried about challenges to their position as "decision-makers" than the economic well-being of their family (see also Kyomuhendo 1999:114).

Not surprisingly, the material shows a tendency for less educated men to be more negative towards working women than the well educated. Some men who had experienced a personal loss of status over recent years seemed to direct their aggressiveness towards women. This was the case with a former soldier, now making a meagre living from selling second-hand clothes at the Owino market. He had been retrenched from the army after 18 years of service because he did not have enough education and did not know English:

> "Relations between men and women are destroyed nowadays. Women no longer listen to men, and money matters bring problems. Even if the wife earns money, she does not help out with the expenses. She spends the money herself. Some of them even build houses!"

The interviews revealed that the majority of the men appreciate women's economic contributions, but few of them are willing to share household tasks. Women's double workload was illustrated by the response of a 35-year-old married male shop owner who said (apparently without any irony at all): "Most men want working women, not parasites. But women ought to be at home in time and satisfy their husbands' needs."

Many women complain that men "no longer care about their families" and that as soon as a woman starts working, the man will leave the household expenses to her. Muslim women in polygamous marriages seem to be particularly vulnerable. All the women in this category interviewed by Nakamatte Zaamu reported that they carried all the household expenditures alone (Zaamu 2002).

While some men still have problems accepting that women have "grown wings" and become economically independent from men, the main trend in urban Uganda is an increasing acceptance of women's participation in the informal economy. With it comes a growing awareness that what has long been regarded as appropriate behaviour for women and men may change and that crossing traditional gender barriers may be lucrative.

3 Start-up capital and income levels

Limited capital is highlighted as one of the major obstacles for Ugandan small-scale entrepreneurs, and especially so for women (Snyder 2000:306). We will in this chapter first look at the amount of money that self-employed men and women in Kampala start out with, before we discuss the various sources of capital. The last part of the chapter is concerned with the income levels of the self-employed.

3.1 Size of start-up capital

The majority of the men and women interviewed for this study had less than US$ 60 to get their business going, and 15 per cent of the women started with less than US$ 5. The lowest levels of capital were found amongst people who produced handicrafts, sold small quantities of vegetables or second-hand clothes, or cleaned fish. Mid-range levels of capital (US$ 50-550) were reported by people who traded in handicrafts, textiles, larger quantities of vegetables and clothes, and those who run smaller hair salons and shops. The most capital-intensive sectors we looked at were restaurants, tailoring, and larger hair salons and shops (US$ 560-5660).

Figure 2. Size of start-up capital[2]

Capital in Shs.	*Capital in US$*	*Women (%)*	*Men (%)*	*Total (%)*
0-9,000	0-5	15	9	13
10,000-99,000	**5.5-56**	**34**	**27**	**32**
100- 990,000	**56.5-560**	**30**	**27**	**29**
1 mill. – 4.5 mill.	566-2,547	17	13	15
5 mill. – 10 mill.	2,830 –5,660	3	3	3
NA		1	21	8
Sum		100	100	100

3.2 Sources of start-up capital

The most commonly stated source of capital for both men and women was ‘own savings’. The savings were usually made from earlier informal sector activity, or from wage labour. There is a clear tendency for entrepreneurs to change from sector to sector in search of larger profit margins and as a result of stiff competition “as everyone deals in similar commodities” (Kyomuhendo 1999:117).

[2] The numbers are not adjusted for inflation, but most of the enterprises were started in the 1990s.

Figure 3. Source of start-up capital

	Women (%)	*Men (%)*	*Total (%)*
Own savings	**28**	**46**	**34**
Natal family	**24**	**36**	**28**
Spouse/lover	22	0	15
Gift from friends	10	6	9
Loan from friends	3	3	3
Micro credit	7	0	4
Inheritance	2	6	3
Retrenchment benefits	4	0	2
NA	0	3	1
Sum	100	100	100

A male informant selling *matoke* (plantain bananas) admitted that he had concealed some of the profits from his earlier boss until he was able to start on his own. Some of the women said that they had put money aside from the household money that they were given by their husbands.

Snyder writes that it is a common misperception that women receive their capital from husbands. Our survey confirms her data. Only 22 per cent (15 of the 67 women) named their spouse, co-habitant or lover as the source of their capital, while 24 per cent had been supported by members of their natal family.[3] However, all the women in our sample who were running larger businesses were married to or living with highly educated men who had been pivotal to their success – by providing initial capital, contacts and expertise.

One of them, Christine Luboga, accompanied her husband when he went to England to study medicine in the 1980s. She herself studied tailoring, worked in a factory, and brought with her several industrial machines upon their return to Uganda. Her business has been a success and is in continuous expansion. She now hires 6 workers and earns many times as much as her husband, but this does not bother either of them. Christine says that she looks upon the enterprise as a "family business". Julian N. Adyeri has a somewhat similar background. Married to a magistrate, she has been able to build up a large beverage factory without ever borrowing money. Both Christine and Julian are profiled members of the Uganda Small Scale Industries Association, and Christine has been awarded several prizes for her entrepreneurial activity. When I asked Julian how her husband felt about earning so much less than she did, she answered: "My husband is a proud man. He is proud because I am working, proud for what we are together".

Notably, both Christine and Julian have Christian marriages. Muslim couples have a somewhat different situation. Zaamu, in her study of Muslim female entrepreneurs in Kampala, notes that "the practice of polygamy bred mistrust between the two partners (and) as a result, husband and wife could not pool resources to a common business" (Zaamu 2002:56).

[3] Parents (10), sister (4), brother (4), children (2), and other relatives (8).

As a rule, the money provided as start-up capital by family members is a gift, but the recipient is expected to share his or her profit with needy family members. None of the people interviewed had taken bank loans. While men sometimes borrow money from each other, comparatively fewer women have money to lend to others (Snyder 2000:306). One successful female entrepreneur, however, raised her capital through an interesting informal shareholding system. In 1994, when setting up her handicraft shop at the Village Craft Centre, three male friends decided to invest together Shs. 700,000 in her business. Since the business is going well, she is now paying school fees of Shs. 600,000 per year for the son of one of them. To the two others she pays out Shs. 100,000 at Christmas time. When I commented that she had paid back many times as much as she initially borrowed, she confirmed that this was true. “Without them, I would never have been where I am today”, she said, and added that she would therefore continue giving them shares of the profit in the years to come.

In recent years, this woman had converted the profits from her curio shop into a political career. She is a member of parliament with a special women’s seat, but still takes care to tend to her shop every afternoon. When I asked if the salary from her political position wasn’t enough, she answered that her salary went back to her constituency and that it was expected from her. She was in the process of building a secondary school in her home area, a project that will not only boost her political popularity, but also give her an additional income.

3.3 Saving clubs

The ‘traditional’ method of raising capital for small-scale female entrepreneurs in Africa is rotating savings and credit associations (ROSCAs). They are known under a number of different names and are arranged informally, usually without involving banks (Ardener and Burman 1995). The main principle of these associations is that a group of women get together and agree that they will all save a given amount every day, week or month. The total sum is given to the members in turn. Many clubs hire a non-member (sometimes male) to administer the collections and allocations. During the years of civil war and mistrust in Uganda ROSCAs fell from favour, but when peace was restored they resurfaced (Snyder 2000:27-29). The associations are characterised by their mix of ethnicity and religion, and very few are organised around primary affinity (Tripp 1994).

Five of the women in our sample are members of rotating saving clubs. They are active within different sectors (vegetables, prepared food, second-hand clothes, handicrafts and a shop) and are running enterprises of various sizes. The arrangements reflect the financial status of the members. Most women use their savings to buy new stock or to expand their business in other ways – but accumulated savings are also used for other large expenditures like school fees, burials and house rent (house owners tend to demand house rent for 6 months in advance). None of the respondents mentioned ROSCAs as the source of their start-up capital, but some of the women who answered “own savings” may well have saved their money in this form of saving club.

Figure 4. Examples of ROSCA arrangements

Daily: A market woman dealing in vegetables saves around half of her profit, Shs. 1,000, every day together with a group of fellow market women.

Weekly: A 27 year old woman who sells handbags and shoes in a shopping centre down town has joined a group of ten women who save Shs. 10,000 every week. She uses the Shs. 100,000 that she receives after ten weeks to buy new stock.

Monthly: A 19 year-old woman who has joined her mother's catering business on the street saves Shs. 100,000 at the end of every month. Since there are three members in the group, she receives Shs. 300,000 every third month.

Compared to bank saving, rotating saving and credit clubs have both advantages and disadvantages. On the negative side, this system does not provide interest and the members may risk losing their money if one or more of their fellow members fails to pay when it is their turn. Two of the informants had indeed left saving clubs after being cheated. The advantage of this system compared to individual saving in banks is that the women are "forced" to save a certain amount regularly. Without this social pressure, it would probably be much harder to set aside a fixed amount, since most women are constantly in need of cash to provide for their families.

3.4 Micro-finance

Acknowledging the difficulties small-scale entrepreneurs and especially women face accessing bank loans, both donors and the Ugandan government have set up micro-finance institutions. In year 2000, there were 79 registered operators offering micro-finance in the country, and many unregistered (Hannig and Katimbo-Mugwanya 2000). Micro-finance is not only a question of credit, but includes savings, insurance, hire-purchase and so on. Micro-credit institutions have in common with saving clubs the fact that members work in groups (usually of five) where each loan-taker is responsible for the group as a whole. The combination of "individual liberty within a context of community supervision" has proved popular among women (Pankhurst and Johnston 1999:172).

We will not here go into the details of the various arrangements of the many micro-finance institutions. Common to most schemes, however, is the fact that the loan takers have to have an already well-established business – to prove that they are capable of running an enterprise. Some institutions also require of their members that they first open an account and save a certain amount before they can get a loan. Usually the women go through a training programme before they are given their first loan. Conditions are quite tough. Repayment is to be started immediately, and the interest is higher than in banks. In 2000, the Treasury bill rates were at 7.6 per cent while the average lending rates of micro-finance institutions were 25 per cent (Hannig and Katimbo-Mugwanya 2000). When every member of the group has been able to repay, the group can advance to the next levels, taking progressively larger loans.

Ten of the 67 women whom we interviewed had made use of micro-finance.[4] The most successful of them was running a restaurant with 6 employees. Her start-up capital had been Shs. 3 millions, and she reported that her monthly profit was now around 300,000. Other loan takers had taken smaller loans but made comparatively better profits from it. A woman who was selling *vitenge* textiles, for example, had taken a loan of Shs. 90,000 and now made a profit of Shs. 70,000 every month. A vegetable seller who had taken a FINCA loan had a monthly profit of around Shs. 210,000, about twice as much as that of the other vegetable sellers of the sample who had less capital. She was among the top 30 per cent of the total sample when it came to income. Another FINCA member had taken a loan of Shs. 200,000 to run her second-hand clothes business and earned Shs. 120,000 in a good month. She said that she preferred FINCA to PRIDE because the interest of the latter was too high.

An interesting finding is that the majority of the people interviewed were negative towards micro-finance. A female fish seller said she left PRIDE for fear of being imprisoned, and a 19 year old woman said that “whoever joins them (micro-finance institutions) get problems paying back”. She added that it would be better if the government administered loans that didn’t have as tough terms. A common complaint was that micro-finance was only given to “rich” people, people who own property such as land and houses. This issue has also been hotly debated among academics:

> Critiques of micro-finance programmes argue that socio-economic and political structures underpin the differentiation separating rich from poor. According to this view, unless underlying causal constraints are addressed, the financial micro-finance tool is more likely to work within existing inequalities, exacerbating the risks to the poor. From ACORD’s experience, the danger is real and some poor urban people have suffered. However, the overall assessment from different internal and external evaluations is clearly that poor people have benefited significantly (Pankhurst and Johnston 1999:100).

Several of the people interviewed had heard about loan takers who had lost their property when they failed to repay the loan. Many respondents also mentioned that the interest rates were too high and the grace period too short. While this is also a common complaint against micro-finance among scholars, others have argued that if NGOs involved in micro-finance refuse to charge real interest rates, they undermine existing financial systems (Pankhurst and Johnston 1999:97).

Some of the more well off respondents said that they liked the idea of micro-finance but that they did not have time to attend the meetings and training. Some of the women also reported having difficulties finding partners who

[4] 5 from PRIDE, 3 from FINCA/UNHCR, and 2 from FAULO.

could join them for micro-finance loans. Of the ten women of my sample who have taken micro-finance loans, two were Muslim. To many Muslim women, however, the Islamic teaching prohibiting interest has proved to be a very limiting factor in accessing credit. In her study of Muslim female entrepreneurs in Kampala, Nakamatte Zaamu found that they were actively discouraged by Imams from taking loans (Zaamu 2002:ix, 57). In Sudan, the micro-finance institution ACCORD solved this problem by giving loans in kind (Pankhurst and Johnston 1999:95).

3.5 Income levels for the self-employed

More than one third of the self-employed people we interviewed for this study claim to earn less than Shs. 100,000 a month (US$ 57). Since they are all family providers, this income places them in the category of "working poor" – people who earn "less than enough to generate a family income of US$1 per day per capita" (ILO 2002). Their income is considerably lower than that of civil servants at the bottom scale, who earn around Shs. 300,000 – 400,000 a month, but about equal to semi-formal positions such as operators of public telephones and toilets (Ssenkaaba 2002). Some of the interviewees may have under-reported their income in the hope of attracting economic support, or because they feared a tax increase (see also Malunga 1998). However, the uniform character of the responses indicates that this is not the case.

Since few of the respondents had any idea of what they made in a month, we would ask them to tell us their profit on a "bad day" and a "good day". The majority answered that they had a profit between Shs. 1,000 and Shs. 4,000 a day. In many sectors (especially hair salons) weekends are the better days, and 65 per cent of the respondents said that they worked every day, while 33 per cent worked six days a week. Working days were also longer than in the public sector, often around 12 hours. Another disadvantage, compared to formal employment, is the lack of social security. Grace Bantebya Kyomuhendo has demonstrated that female entrepreneurs often sacrifice their own health for the well-being of their family. Rather than going to hospital when they fall sick, they choose to be treated at home so that they can continue monitoring their business. Women also tend to prioritise buying inputs for their business rather than medicine for themselves. When their children fall sick, women face even tougher dilemmas. In one case, a woman had to accompany her child to hospital for a week. Meanwhile, her business, which the whole family depended upon, collapsed (Kyomuhendo 1999:122).

As figure 5 reveals, most sectors offer both low and high profit opportunities, according to the money invested and the business skills of the individual. Moreover, there was no clear relationship between the money invested and the profit made. One female fish seller, for example, had started with a capital of Shs. 50,000 in 1998 and had a monthly profit of around Shs. 48,000. Another woman, who had specialised in buying and reselling smoked fish from the islands in Lake Victoria, had started out with about the same capital (Shs. 40,000 in 1993), but had a monthly profit which was twice that of her colleague (Shs. 112,000). The explanatory factor in this case may be the number of years each of them has been in the business, and the level of education. The woman with the lower profit has primary education only, while the more successful entrepreneur is a senior 4 graduate. She started her business after she was made redundant at the office where she was working.

Figure 5. Monthly profit by sector

Monthly profit in Shillings	*Shs. 40,000 – 199,000*		*Shs. 200,000 – 1 million*		*Shs. 1 million 1.5 million*	
Monthly profit in US$	***US$ 22-112***		***US$ 113-566***		***US$ 567-849***	
	M	F	M	F	M	F
Fish	5	2	1			
Vegetables	1	8	1	1		
Prepared food	1	6	1	5		
Textiles	1	3		4		
Second-hand clothes		3	1	2		
Rice & maize	3	1	3	2	1	
Hair salons	2	3	2	3		
Handicrafts		4		2		
Tailoring		3				1
Miscellaneous	2	5	1	3	1	1
Sum by sex	15	38	10	22	2	2
Per cent by sex	**56%**	**62%**	**37%**	**35%**	**7%**	**3%**
Sum	53		32		4	
Per cent in total	**60%**		**36%**		**4%**	

Self-employed people may earn both more and less than day labourers who work for others. Shop assistants (male and female) and women who are hired to cook for others, for example, earn Shs. 2,000 a day or around Shs. 54,000 a month. Bar girls are paid Shs. 1,500 a day or Shs. 40,500 a month. It is not uncommon for the "boss" to buy lunch for his or her employees, and some also give money for transport on top of the salary. There are cases where day labourers earn more money than the people who hire them. Kajokaya reports that one of the men who helps women smoke fish at Gaba landing site makes Shs. 30,000 a day, adding up to Shs. 840,000 a month (Kajokaya 2002).

The data collected in Kampala confirms the major propositions about the informal economy discussed in chapter one. Self-employed people generally earn less than people in the formal sector, they work longer days and longer weeks, they lack basic security, and they feel inhibited by lack of capital to expand their business or move into a different and more lucrative sector.

4 Revenue and perceptions of corruption

As discussed in the introduction, the informal economy in Africa remained largely untaxed for many years. In recent years, the government of Uganda and the Kampala city authorities have put greater effort into tax collection, in the form of licences, market dues, graduated tax and income tax. In the period 1990 to 2001, Kampala City Council (KCC) increased their revenue from a little more than Shs. 4 million per year to Shs. 21 billion (The Monitor, 8 Sept. 2001). For self-employed people who pay tax, almost a third of profits goes to income taxes (Snyder 2000:309). We will briefly consider the different forms of tax before we move on to peoples' perceptions of taxation and corruption within the revenue authorities.

4.1 Licences

Self-employed people within most sectors are required to have a licence from Kampala City Council, which must be renewed yearly. Almost half of the people interviewed for this study had obtained a licence for 2002. The price of the licence is meant to reflect the size of the business and the profit made. Fishmongers and people who sell vegetables at the market, for example, pay from Shs. 5,000 to 20,000. Owners of smaller tailor shops and hair salons pay around Shs. 30,000, while larger establishments like restaurants and more up-scale salons pay double. The most expensive licences in our sample were obtained by owners of wholesale shops (Shs. 100,000 – 250,000) and the owner of a beverage factory (Shs. 500,000).

In addition to revenue collection, the licences have a control function. People serving food have their premises inspected by a health officer, and in larger markets the authorities use the issuing of licences to restrict the number of people competing within one sector. At Gaba landing site, for example, only fishmongers who have obtained a licence are allowed to buy fish at the auction (Kajokaya 2002:59).

4.2 Administration of markets

The administration of all the major markets in Kampala is in the process of being privatised. Earlier, the daily administration of the larger markets was performed by so-called "Market Masters" and "Resistance Council Officials", who worked directly under the Kampala City Council (Malunga 1998:5). The market masters were responsible for allocating stalls and for collecting the monthly rental fee for Kampala City Council (Shs. 3,450 or US$ 3.45 in 1994). In addition, vendors paid a daily security fee to the market security guards (Shs. 200 or 20 cents), as well as a fee to the Resistance Council offices for waste disposal and renovation of the market (Shs. 600 or 60 cents). However, people working at the market complained that this money was never used for its proper purpose since it was the vendors themselves who cleaned the market and renovated the stalls:

> All the employers complained bitterly about the Resistance Council Officials, the market management committee and the Kampala City Council officials who collected money from the market vendors without putting it to proper use (Malunga 1998:23).

Today, interested parties are invited through newspaper advertisements to bid for tenders for market administration. Successful bidders become responsible for the collection of taxes on behalf of KCC and for keeping the markets clean. The new system has caused some controversy. First, the market dues are set by KCC, but they are not always stated in the contracts. There is therefore reason to fear that the companies will overtax the vendors (The Monitor, 15.11.2002). Secondly, some companies have started collecting taxes from businessmen and women even before they have won the tender (Muwanga 2001, Ntabadde 2002). There are also cases where bidders have been accused of bribing personnel within KCC to secure the contract (The Monitor, 20 Sept. 2001).

The largest market in Kampala, Owino Market, with more than 5,000 stalls, was "sold" to a private company for Shs. 1.6 billions in 2002. The vendors at the market were never consulted. They now fear that the company will attempt to charge rent for the stalls and shops at the market, constructions that have been set up by the vendors at their own expense (The Monitor, 15.11.02).

In the case of the Gaba landing site, the situation is quite different. Here, a group of 8 successful boat owners and fishermen (all male) took over the administration of the market in 2000.[5] The leader of the group is a 34-year-old senior 5 graduate who started fishing at the weekends to help his parents pay school fees. He found fishing lucrative and bought his own boat and nets, which he now hires out. Since the new market administration has grown out of the market community itself, the relationship between them and the vendors is likely to be better than at Owino market, where the new market management is an outside company.

4.3 Graduated tax and income tax

Graduated tax in Uganda is a "head tax" to be paid annually by all able-bodied men. Women and the old are exempted, a relic from the time when only men were expected to have cash income.[6] In urban areas, economically active women are supposed to pay the tax as well, but in our sample the majority of the 40 per cent of the respondents who had paid this tax (ranging from Shs. 18 000 to 30 000) were men. That the 'gendered' targeting of this tax is unfair is illustrated by the following cases.

An 18-year-old woman who had invested Shs. 2 millions in a small 'supermarket' had paid a licence of Shs. 75,000 but had never been asked to

[5] The name of the company is "Gaba Market Property Owners Uganda LTD".

[6] It is not uncommon for women to pay their husband's tax. They fear that if they don't, their husbands will sell off land to meet the cost of Shs. 18 000 (The New Vision, 15.05.01).

pay graduated tax. A 20-year-old man selling *matoke* (plantains) along the roadside, on the other hand, did not have a licence, but at the beginning of the year he had paid Shs. 13,000 in graduated tax. Unfortunately, he lost the receipt, and had to pay a Shs. 8,000 fine to have a new receipt issued. Compared to his capital of Shs. 50,000, the tax burden from graduated tax was heavy.

Only seven of the respondents had paid income tax and all of them belonged to the upper crust of the sample. They were running shops and restaurants and paid from Shs. 100,000 to 200,000 in income tax annually (in addition to licence and graduated tax). They reported that the tax collectors would pass by their establishments and simply estimate the tax due. Considering their profits, and compared to people at the lower levels, their tax burden does not seem unreasonable.

4.4 Problems with the present revenue system

Despite recent efforts to increase tax collection, half of the self-employed people whom we talked to do not pay any taxes at all. People who move about with their merchandise, such as women who sell *vitenge* textiles or second-hand clothes directly to people at their offices, can easily evade the tax collectors. But the low percentage of taxpayers in our sample is not only the result of people actively hiding from tax collectors. Even among respondents who operated stalls in public places there were many who did not pay tax. Tax collectors, despite their bad reputation for ruthlessness, do seem to take people's economic situation into consideration, leaving alone people who are visibly poor and living from hand to mouth.

In some cases non-taxpayers earn so little that tax enforcement would put them out of business, but there are also cases where people earn considerable amounts without contributing to the common good. One example is a young man whose parents had helped him invest Shs. 1.5 million in a computer, to record CDs for music stores. Since his business was home-based, he did not pay any taxes. Some respondents said that they did not have to get a licence because their business was still small, but that they would have to pay for one if it grew bigger. This consideration keeps them from expanding, since they fear that their actual profit will be lower if they do.

Similarly, entrepreneurs may choose to move around with their merchandise rather than operate from a stall or shop. One of our respondents earned around Shs. 250,000 a month from selling *vitenge* clothes directly to customers working in offices. She did not pay any taxes. One of her colleagues, on the other hand, who had rented space in a shop with eight other vendors, paid a licence fee of Shs. 18,000 and Shs. 17,000 in graduated tax. As pointed out in a recent ILO publication, informal enterprises often "create unfair competition for formal enterprises by not paying taxes or social security contributions for workers or avoiding other business costs incurred in the formal economy" (ILO 2002:4).

One of the main problems with the present system is that since few business people keep books, tax collectors estimate the profits of the entrepreneurs on the basis of what they see as the potential income of the business. There is a tendency for them to judge the profit of a given business from the money invested in it, rather than from the actual output. There is no “grace period” for new establishments. A comparison between four different entrepreneurs may illustrate this problem.

Two young women, 18 and 26 years old, had recently invested Shs. 2 millions each in a small ‘supermarket’ and a hair salon respectively. Since they were new in the market, they did not yet have many customers, and they both complained bitterly about being overtaxed. The hair salon owner, for example, claimed to have a gross income of only Shs. 150,000 a month. She paid Shs. 65,000 a month in tax, adding up to Shs. 780,000 a year.

This is in stark contrast to a 54-year-old woman who had run a successful tailoring shop since 1987. In 2001 her turnover was Shs. 100 million, and she had paid altogether Shs. 270,000 in tax.[7] She concluded that for her, the tax authorities were no problem at all. Similarly, a 45-year-old man, who had invested Shs. 5 million in a hardware shop in 1994 and now had a monthly profit of Shs. 500,000, said that he did not really think the tax authorities asked him for a lot of money. There is little doubt that the two of them suffered less than the two young women mentioned above, who had just started out and were struggling to get their businesses going.

4.5 Corruption within tax the administration

In 2001 KCC was ranked the third most corrupt institution in Uganda by the Inspector General of Government, after the police and the judiciary (The Monitor, 23.10.2001, and 24.10.2001). The Town Clerk defended KCC staff by referring to their low salaries, which he claimed lasted for one week only (The Monitor, 08.09.2001). The Uganda Revenue Authority (URA) also has a bad reputation when it comes to corruption, but is currently going through a restructuring to combat the problem.[8]

While corruption in the URA mainly concerns importers and large-scale businessmen/women there are also examples of smaller entrepreneurs who have contacts with officers in charge of tax collection and who are therefore able to evade taxes (Malunga 1998:53). As a result, competition may become unfair and people may have very different profits from the same kind of business.

Less than one fifth of the people interviewed trusted the tax authorities. “They are cheats”, “They cheat us but we can’t do anything”, “They are 300% corrupt!” were typical responses when we asked respondents if they had faith in the revenue authorities.

[7] Shs. 50 000 to KCC for licence, 100 000 to the URA and Shs. 30 000 in graduated tax. She also paid graduated tax for her six employees, Shs. 15 000 for each.
[8] Interview with the Commissioner General of the URA, Annebritt Aslund, 29.11.02.

Figure 6. Trust in tax authorities

	Yes	Mixed	**No**	NA
Do you have faith in the tax authorities?	18%	12%	**54%**	16%
Does tax money come back to the people in the form of social services?	19%	12%	**58%**	11%

A male wholesale dealer in textiles differentiated between the various tax institutions: "The ones who collect income tax are trustworthy but not the ones who collect graduated tax". There was a tendency for better off people to be more positive than the more disadvantaged. While the poor referred to tax collectors and the URA as "those big people", two teachers who had started up a wholesale shop argued that "the URA people are corrupt because their salaries are too low". A 45-year-old woman, who was selling *vitenge* textiles from a shop, complained:

> "The revenue people come here, but they don't have fixed prices. They ask you if you have paid the revenue, but even when you show them the receipts, they continue to bother you. They want bribes. They can even take you somewhere and you bse your customers."

Respondents were also asked if they believed tax money came back to the people in the form of social services. Again, the great majority were negative. They complained that they had to pay for medicine at the hospitals and that school fees were too high. The most common complaint was about corruption among tax collectors. A young male vegetable seller, for example, said: "It never comes back. They just use it to satisfy themselves". Some of the informants argued that the tax money was used to fight "endless wars" rather than to provide services. A well educated woman who was running a curio shop, had this to say:

> "If they used it for free schools and medicine in the hospitals then we wouldn't have minded. But there are a lot of thieves. The country gets into debts that our grandchildren will be unable to pay."

Together with difficulties in accessing capital, a heavy tax burden is what urban entrepreneurs most often mention as a major obstacle (Snyder 2000:309). Corrupt tax officials, a low level of social services, and the corresponding low level of tax compliance has become a vicious circle in Uganda, as in many other African countries. Since the privatisation of the market administration in Kampala is still recent, it is too early to tell whether the new system will increase revenue to the state and city authorities, and to what degree privatisation will represent an improvement when it comes to cleaning and waste collection.

5 Ways forward

The government of Uganda has been hailed for its achievements in improving the national economy. However, despite the fact that there is a direct link between the productivity of the small-scale economy and the economy as a whole, the men and women who struggle to make ends meet in the informal economy do not feel that they are part of a national strategy or that the authorities do anything to help them (King and McGrath 1999). On the contrary, the tax authorities and a cumbersome bureaucracy are mentioned as being among the major obstacles that they face. African governments, donors and the ILO agree that in order to be genuinely capable of contributing to lasting growth in Africa, the small-scale economy must be formalised:

> For a country as a whole, informality stifles the more efficient use of resources and improvements in productivity. As a result, the economy functions below its potential, with negative impacts on rates of economic growth (ILO 2002:7).

Formalisation will increase state income from revenue, but also requires governments to "invest heavily in the structures of good governance to ensure enforcement of contracts, protect property rights, guarantee personal safety and social stability, reduce environmental and public health risks and so on" (ILO 2002:7). From the viewpoint of the self-employed, however, there are several incentives to remain informal, among them the wish to escape taxation and time-consuming bureaucratic procedures. As Snyder has pointed out, entrepreneurs in Kampala "have had to contend with 120 bylaws and their amendments" (Snyder 2000:309). One must therefore take care to ensure that formalisation by the interventions suggested above does not entail even more cumbersome bureaucracy. The tax system also needs to be reformed to reduce corrupting practices and tax evasion. Our case studies have demonstrated that the tax system is highly unfair – high income earners sometimes pay less tax than people with meagre incomes. Graduated tax, targeted towards men on the basis of their sex rather than on income, is a case in point.

If tax collection were to be enforced more generally, the incentive to stay informal, or to stay small rather than to expand, would be decreased. Increased tax enforcement would have to be accompanied by strict measures to control the collected money and transparency when it comes to government and city council expenditure. Tax compliance would most probably improve if people saw concrete results from their contributions. The majority of the people interviewed for this study doubted that tax money resulted in improved services.

Free education and free or subsidised health services would not only improve tax compliance, but also ease the economic burden of poor women considerably. School fees were mentioned by many informants as being the greatest economic burden for their household (and in real numbers higher than the money they spend on tax). Several women participated in rotating saving clubs to be able to meet this expense. Although UPE (Universal Primary Education) was introduced in 1997, a universal claim by informants was that one still has to pay for government primary schooling in Kampala. Those who could afford it paid extra for private schools, hoping to give their children a better future. An improved public school system would decrease the mushrooming of private, expensive, and often low-quality schools, and reduce the economic burden on women.

Margareth Snyder's research in Kampala has shown that women invest their earnings in "child and family requirements" while men tend to spend more on personal consumption (Snyder 2000:10). Her findings are confirmed by a World Bank study which found that children of female-headed households had higher school enrolment and completion rates than children who grew up in male-headed households. This information is a major argument in favour of targeting support and loans specifically to female entrepreneurs. Unfortunately, exactly the opposite is taking place. Of World Bank loans managed by the Bank of Uganda, only one per cent went to women in 1995. A study of the World Bank funded programmes intended to provide credit for the private sector proved that they had not benefited the operations of small and medium enterprises, despite the fact that these are the kind of enterprises that "produce four fifths of the country's manufactured goods, contribute 20 per cent of GDP and provide the principal source of employment" (Snyder 2000:307).

As the sub-chapter on micro-finance in this report reveals, many female businesswomen in Kampala are sceptical about micro-credit institutions, and findings from other African countries do indeed reveal that some loan takers suffer badly. Still, a number of our respondents had improved their business on the basis of micro-finance loans, some of them substantially. A study of the services offered by FINCA, FOCCAS and PRIDE in Uganda concludes that these programmes reach their target groups and that positive changes are more likely to occur with participation in the programmes than without (Barnes, Gaile et al. 2001).

A recent large-scale evaluation of the effects of micro-finance in several countries found a positive impact on poverty reduction, but cast doubt on the ability of the programmes to reach the poorest of the poor (Morduch and Haley 2002). The authors argue against the thesis that only people with an existing entrepreneurial activity can benefit from micro-finance and proposes that micro-finance can be effective also for the poorest. This is contrary to earlier proposals, which held that it may be more efficient in the long run "to target those who have the greatest potential to employ others" rather than the poorest of the poor (King and McGrath 1999). The challenge, then, is to find a proper balance between the three objectives of micro-finance programmes: financial sustainability, institutional ownership, and social targeting (Pankhurst and Johnston 1999), and to adapt the programmes to different categories of loan taker. Whereas poorer borrowers may need flexible arrangements with bite-size loans, better-off households should receive larger loans (Cohen and Sebstad 2000).

At the present time, the demand for micro-finance products and services in Kampala is higher than formal banking institutions, non-bank micro-finance institutions and government ministries can meet (Snyder 2000:306). Support to female entrepreneurs through micro-finance institutions, if properly adapted to local needs, may help not only the loan takers, but also poorer women who are hired by them. To facilitate formalisation and avoid exploitation of hired labour in the informal economy, micro-finance institutions should preferably include in their training and contracts with loan takers the rights of workers, including minimum pay.

Snyder's research has shown that women's enterprises survive longer than those of men (Snyder 2000:306). One reason may be that they operate smaller enterprises and that they take fewer risks. Since there is often a positive correlation between risk and profit, however, more women should be given the chance to take risks – without fear of ending up on the street.

Women's economic independence in Uganda was born out of crisis – they started entrepreneurial activities when their men were at war, had died, lost their job, or simply didn't earn enough money to provide for their family. While the process has been positive for gender equality, there is little doubt that many women and their children suffer from the long working days and the often hazardous work environment of the informal economy.

When efforts are made towards formalisation, be it through national regulations, local government institutions or urban planning, it is of central importance to invite actors within the informal economy to take part in the process. A group that constitutes more than 60 per cent of the workforce cannot, and should not, be ignored in the social and economic development plans of African countries.

Appendix 1. Schedule of fieldwork in Kampala November 2002

Date	Place/Institution	Activity/People met
Tuesday 12 11 02	Royal Norwegian Embassy	Olive Bwanika, Assistant Programme Officer
	Friedrich Ebert Stiftung	Nina Richner
	Royal Norwegian Embassy	Ambassador Tore Gjøs and Torill Iversen, NORAD
	Makerere University	Interviews with four prospective research assistants selected by Dr. Rukooko.
Wednesday 13 11 02	Uganda Small Scale Industries Association	Interview with Vincent Ssennyondo, Executive Director
	Department of Women and Gender Studies, Makerere University	Prof. Grace Bantebya, Head of Department
	Uganda National Council for Science and Technology	Application for Research Clearance
	Nakivubbo Mews	Interviews with entrepreneurs (2, of which 1 by assistant)
	Nakivubbo Park Yard	Interviews with entrepreneurs (8, of which 5 by assistant)
Thursday 14 11 02	Makerere	Instructing assistants
	Gaba Landing Site	Interviews with entrepreneurs (10, of which 5 by assistant)
	Kabalagala Market	Interviews with entrepreneurs (2, of which 1 by assistant)
	Kabalagala commercial area	Interviews with entrepreneurs (3, of which 2 by assistant)
Friday 15 11 02	Nakulabye	Interviews with entrepreneurs (10, of which 6 by assistant)
Saturday 16 11 02	Makerere	Revision of interview guide
	Uganda Arts and Crafts Association, National Theatre	Interviews with entrepreneurs (3)
Monday 18 11 02	Kikuubo	Interviews with entrepreneurs (8, of which 3 by assistant).
Tuesday 19 11 02	DFID	Tim Williams, Advisor on Governance
	Uganda National Council for Science and Technology	Finalising of Research Clearance
	Exposure Africa Marketing and Information Centre	Interviews with entrepreneurs (3)

Wednesday 20 11 02	DANIDA	Request for interview with Thomas Djurhuus
	Delight Uganda Ltd, Kawempe	Request for interview with Julian N. Adyeri
	Karere, Kalarwe, Wandegya	Interviews with entrepreneurs (4)
	FINCA Uganda (Foundation for International Community Assistance, micro-finance)	Interview with Magala Lule Robert, Marketing Officer
Thursday 21 11 02	Chris-Sams Designs Ltd.	Interview with Christine Luboga
	DFID	Decentralisation Donor Sub-Goup Meeting
Friday 22 11 02	Makerere	Organising field data
	DANIDA	Interview with Thomas Djurhuus, Sous Chef
Saturday 23 11 02	Makerere	Finalising work with Gloria Nakajumba and Olivia Nandaula (research assistants)
Monday 24 11 02	Makerere	Making appointments for further interviews. Organising field data. Finalising work with Norah Tukahiiwa (research assistant).
Tuesday 25 11 02	Uganda Debt Network	Augustine M. Muserero, Programme Officer
	DANIDA	Meeting on DANIDA's anti-corruption programme
	Centre for Basic Research	Research in newspaper archives
	Kawempe	Interview with Julian N. Adyeri, owner of beverage factory
Wednesday 26 11 02	Makerere	Organising field data, preparations for presentation
Thursday 27 11 02	Royal Norwegian Embassy	Presentation of findings
	City Centre	Interview with Technical Advisor Darryn Jenkins, Uganda Revenue Authority
	Centre for Basic Research	Collection of photocopies from newspaper archive
Friday 28 11 02	Makerere	Interview with Commissioner General Annebritt Aslund, Uganda Revenue Authority
	Library, Department of Women and Gender Studies, Makerere	Study of relevant BA and MA theses
	Entebbe	Departure for Norway

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Summary

In urban Africa, informal employment constitutes 90 per cent of all new jobs. Informal work is characterised by being unrecognised, unprotected or unrecorded by the public authorities, and a larger percentage of women than men earn their living in the informal economy.

This study looks into the gender relations of the informal economy of Kampala. A combination of internal war and unrest, economic crisis, the AIDS epidemic, economic restructuring, and government policies enhancing women, have changed gender relations in Uganda over the last decades. Urban men were once expected to provide for their families, but today married women bring in 50-70 per cent of household incomes.

While some men feel threatened by women's economic independence, others realise that female entrepreneurship is needed in the present economic realities. Many women complain that since they started working, the men have stopped contributing to household expenses.

The bulk of women are engaged in sectors traditionally defined as female, but some venture into male arenas where profits are generally higher. Similarly, men with limited capital have started going into 'female' domains (such as catering and hair styling), changing the landscape of the urban informal economy.

Informants interviewed for this study cited lack of capital as a major obstacle. Almost one in two started their enterprise with less than US$ 55, and more than one third claim to make less than US$ 57 a month. Some female respondents had benefited from micro finance loans, but the majority were deeply sceptical of micro finance institutions.

While increased formalisation would enhance both the national economy as a whole and enhance worker's security, an unfair and random tax system functions as an incentive for the self-employed to stay informal and avoid expansion.

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