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► Policy Road Map:

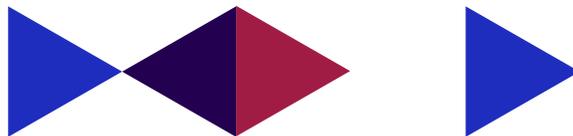
Recommendations to re-stimulate labour markets in Isingiro and Arua districts of Uganda, following the COVID-19 pandemic

▶ 1. Assessment background

The COVID-19 pandemic has caused a global slowdown of economic activity, imposing high costs on labour markets, as well as adding a new set of challenges for host communities and refugees to sustain their livelihoods and access income. In response to COVID-19, Uganda swiftly enacted restrictive measures to prevent the spread of the virus with government directives leading to the suspension of mass gatherings, temporary closing of borders, restrictions on movement, closing of businesses and schools, and a nationwide curfew. While the lockdown was instrumental in containing the initial spread of the virus, it affected economic activity and reduced access to critical services across the country. Unrelated, but coinciding with World Food Programme (WFP) reduced food assistance rations by 30 per cent to refugees and asylum seekers owing to a \$137 million shortfall in funding.¹

In partnership with the International Labour Organization (ILO), IMPACT Initiatives conducted a rapid assessment to assess the impact of COVID-19 on labour markets, livelihood gaps and the socio-economic circumstances of refugees, households, and businesses. The assessment was conducted in the two refugee-hosting districts of Isingiro and Arua to inform the ILO and PROSPECTS partners programming in those respective locations.² The assessment sought to understand the labour market dynamics prior to COVID-19, how the pandemic has impacted employment and household income, and in turn, provide evidence-based recommendations to the ILO and partners on which programmatic activities can best assist businesses and communities in the refugee settlements and the wider refugee hosting districts in reducing their current vulnerabilities during this complex time.

A mixed-method approach was used, consisting of a desk-based review, quantitative data collection at the household and enterprise/business levels with refugee (Rhino Camp and Nakivale settlement) and host community populations in Isingiro, Madi Okollo and Arua districts, and key informant interviews with local business owners and associations, UN agencies, non-governmental organizations (NGOs), and government representatives. Data was collected between September and October 2020, comprising 441 household-level surveys, 252 enterprise-level surveys and 27 Key Informant interviews (KIIs).



¹ Samuel Okiror (14 April 2020), "Food rations to 1.4 million refugees cut in Uganda due to funding shortfall," The Guardian. 2020.

² The ILO, together with the United Nations Children's Fund (UNICEF), the United Nations Higher Commission on Refugees (UNHCR), the International Finance Corporation and the World Bank, implement the PROSPECTS programme (www.ilo.org/prospects) in the Middle East, North Africa and the Horn of Africa to devise collaborative and innovative approaches for inclusive job creation and education in contexts characterized by forced displacement.

► 2. Introduction: Understanding the COVID-19 socio-economic context in Uganda

Uganda hosts the third-highest number of refugees in the world, after Turkey and Colombia. As of December 2020, Uganda hosted more than 1.44 million refugees, mostly from South Sudan, the Democratic Republic of Congo (DRC), and Burundi.³ Refugees are pushed by conflicts in neighbouring East African nations and pulled by Uganda's progressive and welcoming refugee regime.

Prior to COVID-19, employment opportunities in Uganda were generally limited, as the country struggles with low Gross Domestic Product (GDP), underdeveloped infrastructure to stimulate economic opportunities, a small formal economy, and competition for paid work among an under-educated and young population. In addition to these challenges, the COVID-19 pandemic has negatively impacted local market dynamics, including the quality and quantity of jobs, forcing households further into poverty and increasing youth unemployment. With government resources limited, major cuts to refugee food assistance, and humanitarian funding shortfalls forecasted for 2021, COVID-19 threatens to increase poverty rates and hunger, creating knock-on effects that will reverse critical humanitarian and development gains.

► 3. Recommendations for district-level action

Following the assessment's key findings, this Policy Road Map outlines intervention areas where decision-making and policy responses should be considered to ensure inclusive jobs, education, and protection, and serve as potential avenues for ILO and PROSPECTS partners' future programming.

3.1 Implement strategic investments to strengthen agriculture sector recovery

Programming: The economies of Arua and Isingiro districts, like many in Uganda, are dependent upon agriculture, with more than 80 per cent of the working-age population being employed in agriculture in Arua and 97 per cent deriving their livelihood from agriculture in Isingiro.⁴ Given the significant portion of the economy that agriculture represents, ILO can support district-level policies that expand production, improve productivity, increase access to quality inputs (such as quality, diverse planting materials and seeds) and basic on-farm mechanization services, and strengthen collective marketing. KIs proposed a range of agriculture-related income-generating activities, such as entrepreneurial start-up capital, vegetable farming, in-kind contribution of small, motorized production and processing machinery for specific agriculture value-chains (for example, maize, banana, cassava and groundnuts), digital communication tools for businesses and associations, as well as quality seeds and other agriculture inputs.

³ UNHCR and the Office of the Prime Minister, "Uganda – Active Population by Settlement".

⁴ Government of Uganda – MTIC, "Isingiro District Economic Profile," <http://www.mtic.go.ug/2016/index.php?/The-Project/isingiro-district-economic-profile/>; Government of Uganda – Uganda Investment Authority, "Arua District: Investment Profile".

When asked the most useful income support measure, households within the Arua host community (42 per cent), Isingiro host community, (36 per cent) and refugee communities in Rhino Camp (46 per cent) commonly reported that capital is the most useful support, while refugee households in Nakivale (37 per cent) reported technology and financial management training to be the most useful.

Impact of COVID-19 on Refugee and Host Community Livelihoods - ILO PROSPECTS Rapid Assessment in two Refugee Settlements of Uganda

Findings suggested that households commonly **relied on agriculture as an alternative source of subsistence and income to make up for lost wages or jobs resulting from the COVID-19 pandemic. Additionally, enterprise KIs re-affirmed the need for strategic value-chain investments to come in the form of low-interest loans, blended financing and grant opportunities for small and medium-sized enterprises (MSMEs).**

Given the reduction in food distribution,⁵ strategic initiatives are needed to harness opportunities where the host community can utilize their land to support the food preferences and needs of the refugees. Additionally, the majority of KIs across all population groups cited transportation as another key access constraint. For both personal and business purposes, public transportation services as well as technology solutions that drive down the cost of transportation solutions should be explored.

Partnerships and collaboration: Through the district-level District Government Production Office (DPO), District Agriculture Office (DAO), and District Commercial Office (DCO), informed decision-making based on existing market monitoring from organizations such as REACH, WFP, UBOS, and FAO, can inform the implementation of policy, particularly the timely distribution of seeds and other critical agricultural inputs, to mitigate potential production and productivity gaps and inform means to bolster market linkages.

3.2 Provide social protection for workers in the informal economy and the most vulnerable

Shocks such as COVID-19 can eliminate savings of households and businesses. Indeed, assessment findings hinted at the increased financial vulnerability of workers: 76 per cent of assessed enterprises in Isingiro and 59 per cent of assessed enterprises in Arua had to reduce their workers' salaries due to the economic fallout from COVID-19. With little to no employment protection, an overall reduction in business activity, and a lack of access to healthcare services, those in the informal economy are highly vulnerable. On a global level, the ILO has pitched the COVID-19 crisis as "a wake-up call to strengthen social protection systems".

Programming: Reaching just 3 per cent of the population, the coverage of Uganda's current social protection and security framework is inadequate. Owing to the financial downturn, formal enterprises are being pushed into informality. Interventions to promote the protection of workers must be representative of and tailored to the complexities and disparities across both the informal and formal economy. Through a mutually reinforcing strategy, the ILO can advocate for improved working conditions and employment contracts in an effort to formalize the informal economy while coordinating with informal economy employers and associations on how to extend social protection measures to their workers.

⁵ The United Nations (UN) World Food Programme (WFP) reduced food assistance rations by 30 per cent to refugees and asylum seekers owing to a \$137 million shortfall in funding.

This assessment, as well as numerous studies, highlighted the overall low savings culture in rural and refugee settings in Uganda, which compounds vulnerabilities during shocks. Less than half of the host community households in Arua (39 per cent) and in Isingiro (44 per cent) reported having participated in Village Savings and Loan Associations (VSLAs), and 46 per cent of refugee households in Nakivale and 38 per cent in Rhino Camp reportedly did not belong to any financial associations.

70 per cent of all enterprise KIs in Isingiro and 67 per cent in Arua stated that they need “access to cash/short-term finance” as the main government support to recover from the impact of COVID-19

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The ILO can design and pilot social security schemes at a district level to extend social protection to the poor and most vulnerable workers in the informal economy, such as the education, tourism or agriculture sectors, as well as promote a culture of savings.

Partnerships and collaboration: The ILO should collaborate with and apply lessons learned from social protection interventions such as the Northern Uganda Social Action Fund (NUSAF3) financed by the World Bank, and the Ministry of Gender, Labour, and Social Development (MGLSD) Expanding Social Protection Program (ESP), particularly to inform beneficiary selection and distribution of services. As a part of a policy response, the unconditional Cash Transfer Program (CTP) for elderly persons under ESP can be increased, as well as extended to other vulnerable persons such as the youth, poor, and people with HIV/AIDS. In the aftermath of COVID-19, governments globally established emergency cash funds to provide unemployment benefits to those most affected.⁶ Additionally, in partnership with MGLSD, the ILO should explore pilots to increase informal employer and employee contributions to NSSF as social protection safety net.

3.3 Engage telecommunications companies to reduce the digital divide

COVID-19 has proven the need to be “online” for work, learning and marketing, and has favoured households and business enterprises who have the access and economic means for internet connectivity. Yet, around a fifth of the population are not yet covered by a mobile broadband network in Uganda. Moreover, findings from the enterprise-level survey indicated that across all sectors and locations, only 4 per cent of assessed enterprises were reportedly engaged in any degree of remote work. There is a need to reduce the cost of telecommunications and support vulnerable communities through digital subsidies, which will facilitate skilling and upskilling of workers.

⁶ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

If coverage is not available, if businesses cannot afford to integrate these services within their operations, and if households cannot realize the value in paying for these services, then the digital divide will continue to fuel economic disparities, likely limiting the exchange of information and growth opportunities.

71 per cent of enterprise KIs across sectors and locations, stated that their biggest challenge has been that “cash flow to maintain staff and business operations is inadequate”

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Programming: Government, businesses and NGOs could work with electricity and telecom companies to improve affordable mobile and internet access and connectivity, particularly in rural settings, through the extension of infrastructure to unconnected communities. Innovative funding solutions to support infrastructure rollout, such as the Rural Connectivity Development Fund (RCDF), should be explored through incentives to stimulate rural rollout, such as tax breaks on imported equipment for rural network deployment. Other activities at a district level could include the creation of digital innovation hubs at community centres, and supporting digital literacy efforts to fuel the integration of digital technology in business operations and management to “ensure that no one is left behind in the emerging digital economy”.

Partnerships and collaboration: Responses from across government, NGOs, and enterprise representative KIs demonstrated the common need to improve infrastructure and access to internet, digital and ICT services in order to engage persons throughout the district. ILO and PROSPECTS partners can work closely with the Uganda Communications Commission (UCC), who play a role in extending connectivity through the RCDF, and support the implementation of the National Development Plan III and the National ICT Policy that recognize the socio-economic importance of empowering people and communities with ICT-based services.

3.4 Review district-level government development plans to support policy implementation

KIIs with District Local Government (DLG) officials revealed a host of operating challenges in the aftermath of COVID-19, resulting in logistical obstacles and increased operational costs, such as limitations on extension services due to gathering restrictions, more vehicles needed to enforce curfew, and increased costs in order to provide sufficient amounts of personal protective equipment (PPE).

Programming: ILO can support DLG to review district-level development plans, particularly to ensure alignment with the CRRF-approved Jobs and Livelihoods Response Plan (JLRP) and the Education Response Plan (ERP) for Host Communities and Refugees. This review will ensure that policy implementation is demand-driven and recognizes sectors that have been most negatively affected. Both government as well as business KIs emphasized the need for the government to refocus their energies on labour-intensive public works (LIPW) activities to address water access constraints, provide irrigation, improve access to power, and build and rehabilitate community roads. Civil infrastructure-related projects that were planned by the district could support the unemployed through cash-for-work programmes.

Partnerships and collaboration: The ILO should work closely with the Uganda Development Response to Displacement Project (DRDIP) funded by the World Bank, as well as with DLG staff including but not limited to the District Engineers, DCO, DPO, and DAO. Beyond DLG, OPM and UNHCR play critical roles in the implementation of the overseeing policy in refugee-hosting districts.

3.5 Offer financial stimulus for small and medium-sized enterprises (MSMEs)

The majority of enterprise KIs reported substantial decreases in revenues following COVID-19 restrictions. In Isingiro, 52 per cent of KIs reported estimated revenue decreases of 50 to 74 per cent, whereas 33 per cent of Arua enterprises reportedly experienced a decrease of 25 to 49 per cent when compared with their usual monthly revenue before the onset of COVID-19. In Uganda, micro, small and medium-sized enterprises (MSMEs) are a critical component of the economy, making up approximately 90 per cent of the private sector, and are directly linked to more than 80 per cent of manufactured output, according to the Uganda Investment Authority. MSMEs, particularly those in the agriculture sector, and small shop owners who operate in the formal and informal economy, are essential to Uganda's post-pandemic economic recovery and play a crucial role at the district level in helping to preserve jobs.

Programming: To effectively impact a range of businesses and households with diverse financial needs, a comprehensive approach is needed for enterprises in the formal and informal economies to access low or interest-free loans, blended finance options, and tax incentives and holidays that could stimulate new and existing businesses. Across the assessed locations and population groups, households, enterprises and KIs commonly reported facing a lack of finances, reduced purchasing power and slowed sales as high-priority obstacles. Given the inaccessibility of formal financial institutions for many refugees or enterprises operating in the informal sector, informal lending groups such as Village Savings and Loan Associations such as VSLAs and Savings and Credit Co-Operatives (SACCOs) represent critical actors for financial stimulus. Greater support should be provided that improves the access of SACCOs to credit and builds their internal capacity.

Partnerships and collaboration: At a district level, ILO and PROSPECTS partners could consider working closely with SACCOs and other microfinance institutions. ILO can partner with district-level financial institutions to reduce onerous barriers and offer expedited products and services for MSMEs, subsidize associated costs such as high interest rates, and gain access to affordable credit with formal financial institutions. In addition to financial barriers, financial institutions are often not physically accessible, and many staff do not have the skills to adequately explain and market their services to potential customers within the district. Beyond the district, greater advocacy efforts are needed with critical financial regulatory and policymaking institutions. This would enable greater access to financing for vulnerable persons, households and MSMEs, reducing their financial burden, and even promote MSME business activity.

3.6 Promote a broader understanding of labour rights

While refugees contribute to their local economies as consumers and suppliers, a recent World Bank survey noted that around 72 per cent of refugees are unemployed in Uganda, compared with 36 per cent of hosts.⁷ Refugees represent a large percentage of the districts' population in Isingiro and Arua and thus can serve as an important part of the overall workforce, creating jobs for fellow refugees and Ugandan nationals alike. Research from Nakivale, Mbarara, and Kampala found that social stigma against refugee job seekers is relatively common among national employers and that employers' knowledge on refugees' rights, such as the right to move and work freely in Uganda, is limited.

Programming: As part of the ILO's core mandate, the ILO should work with MSMEs, sector trade unions or labour centres and employers' organizations or business associations at a district level to disseminate information on worker and employer rights. Through these bodies, the ILO can increase understanding of the legal rights of refugees and promote awareness among employers to honour these rights. Specifically, the ILO can collaborate with the Ministry of Labour through a media campaign to ensure greater awareness about Uganda's Refugee Act of 2006 and the 2010 Refugee Regulations that offer displaced persons freedom of movement, the right to work, and access to national health and education services.

3.7 Create education and skills building opportunities

As a result of the COVID-19 pandemic and related restrictions, many schools and businesses were closed, while unemployment rates rose. As educational institutions remained closed during the data collection period, KIs reported perceiving an uptick in youth labour, as youth have been helping their households survive during this pandemic. When schools reopen, some Ugandan youth may not return to school to complete their education, which will likely have long-term negative consequences on human capital development and poverty.

Programming: The government should consider re-enrolment initiatives of youth in school that would provide subsidies or incentives to households. ILO and PROSPECTS partners could support advocacy and communication campaigns. Thus, it is critical that youth, particularly those who were in the final two years of upper secondary school, get a chance to graduate and are encouraged and, where possible, supported to attend higher education.

In addition to ensuring re-enrolment of youth in primary and secondary education, initiatives should focus on strengthening the skills of the workforce. KIs reported that the most common hard or vocational skill needed was digital literacy, followed by retail and cottage industries, such as carpentry, bricklaying and masonry, sandal- and shoemaking, and tailoring. Additionally, KII findings suggested a lack of business and entrepreneurial skills among refugees and Ugandan nationals alike, as well as business development service (BDS) providers, particularly in Isingiro.

The ILO should work with livelihood partners and vocational schools and training institutes to ensure that livelihoods and income-generating activities supported with donor and grant-based funding do not fuel market distortions. NGOs and private sector groups have engaged in numerous efforts across both refugee and host communities to improve financial literacy, particularly given the poor savings culture, lack of basic financial planning at the household and business level, high interest rates, and predatory practices of informal (for example, money lenders) and formal financial institutions. Greater hands-on training and

⁷ World Bank, "Informing the Refugee Policy Response in Uganda: Results from the Uganda Refugee and Host Communities 2018 Household Survey", October 1, 2019, <https://www.worldbank.org/en/news/factsheet/2019/10/01/informing-the-refugee-policy-response-in-uganda-results-from-the-uganda-refugee-and-host-communities-2018-household-survey>

apprenticeship opportunities that are both long-term and provide mentoring are needed within the settlements and can lead to skills development and support labour market transitions.

Partnerships and collaboration: ILO and PROSPECTS partners should work closely with the Business, Technical and Vocational Education and Training (BTJET) sector, the Ministry of Gender Labour and Social Development, the Ministry of Education and Sports' Uganda Skills Development Project (USDP), as well as development partners like ENABLE. Areas of collaboration and programming can include efforts to improve digital connectivity and digital literacy training, increase the employability of youth through improving practical skills development linked to market needs, and improving the perception of, access to and enrolment in BTJET. Owing to market saturation, skills programmes will also focus on re-skilling to align to market needs.

4. Conclusion: The path forward

Given sensitivities of COVID-19 responses, it is critical that all responses be participatory, transparent and supported by a robust communications strategy. Interventions that are informed by timely evidence and adopt a coordinated, multi-stakeholder approach that is inclusive of the communities they are meant to serve will likely be the most impactful in stabilizing the labour market, stimulating economic growth, and building resilience.

IMPACT Initiatives is a leading Geneva-based think-and-do tank that shapes humanitarian practices, influences policies and impacts the lives of humanitarian aid beneficiaries through information, partnerships and capacity building programmes. IMPACT's teams are present in over 20 countries across the Middle East, Latin America, Africa, Europe and Asia, and work in contexts ranging from conflict and disasters to regions affected by displacement and migration. The work of IMPACT is carried out through its two initiatives – REACH & AGORA – and through the provision of direct support to partners regarding Project Assessments and Appraisals (PANDA).