

Government inaction chokes local entrepreneurship spirit

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Ugandan women are said to belong to the most active entrepreneurs in the world but this entrepreneurial spirit could be wasted if government does not do more to create an enabling environment for it to survive according to the Global Entrepreneurship Monitor (GEM) Report 2004. For the second year running, Uganda has been ranked among the most entrepreneurial countries in the world but the country also recorded the highest rate of business failure with 30% of Ugandan adults having closed down a business in the past year.

Inadequate physical and commercial infrastructure, no expenditure on research and development, no enforcement of intellectual property rights and insufficient human capital development are some of the factors that contribute to the entrepreneurial class failing to graduate to the wealth creation that leads to more robust economic growth.

The report suggests that the lower income countries have higher entrepreneurial activity because their populations have fewer formal employment opportunities and lack a formal social security system. In Uganda's case, as in many poor countries, there was high level of opportunity entrepreneurship - motivated by a good business opportunity and necessity entrepreneurship - motivated by an absence of other work opportunities. It shows that the majority of Ugandan entrepreneurs representing 53% are motivated by a good business opportunity while the absence of any work opportunities motivates 47% to start their own enterprises. On a regional basis, Eastern Uganda is ranked top entrepreneurial region accounting for 46% while central region follows with 30%, the West 23% and the north trails at 20%.

Last year and again this year, the report has shown that countries with lower per capita GDP have the highest entrepreneurial activity than richer nations. Uganda's Total Entrepreneurial Activity (TEA) rose from 29.2 in 2003 to 31.6 in 2004, indicating that almost every third adult Ugandan is an entrepreneur. The informal sector still dominates Ugandan business with only 34% registered while only 14% pay any form of government taxes excluding market dues.

Out of the 33 countries surveyed, Uganda came second to Peru in entrepreneurial activity despite showing a rise in activity compared to 2003 when Uganda was found to be the most entrepreneurial country in the world in a similar survey sponsored by the European Union. USA is ranked in the 10th position, UK is 16th, while Japan trails at 33rd position.