Urban development key to Uganda's economic growth

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By Martin Luther Oketch

Uganda must have a proper urban policy in place to enhance the development of urban centres because they are catalyst for spurring economic growth, the World Bank has said. The World Bank Country Manager, Ms Kundhavi Kadiresan, told journalists recently that urban centres should be developed because they have major economic activities like industry, services and commerce adding that they also account for about 72 per cent of manufacturing output, high per capita consumption (with an average of $1,533 per annum and with an annual growth rate of 4.9 per cent) compared to national rural average (of only $344 per annum with annual growth rate of 3 per cent).

"Due to agglomeration, urban development is key for the structural transformation of Uganda," she said. About 15 per cent of Uganda's population lives in urban areas. Rapid population growth and concentration of economic benefits in Kampala and in the central region, in particular, has seen population explosion in Kampala City.

Kampala's population

World Bank Urban Specialist, Mr Martin Onyach-Olaa, said Kampala City has 1.5 million night population and about 2.5 million day population - a situation which has made matters worse because the City was planned for 350,000 people.

Outside Kampala City, he said secondary cities (municipalities) account for about 50 per cent of the population and have expanded beyond their geographical boundaries. The rapid expansion of secondary cities without proper planning poses a lot of challenge to Uganda's urban sector.

If Uganda does not control high population growth, then the government's plan of transforming it into a middle income economy will be a dream, according to World Bank. "Large population puts a lot of pressure on the available resources, increases dependency ratio and at the same time puts a lot of pressure on government to provide services needed by the citizens," Ms Kadiresan said adding that Uganda's rapid population growth rate of 3.2 per annum is one of the highest in the world and is quite a worrying trend.

Estimated growth rate

Estimates indicate, according to Ms Kundhavi, that Uganda's population will be 68 million people in 2035 with 30 per cent of the population living in the urban centres representing the total urban population of 20 million people as a result of rural-urban migration in search for employment in town centres.

She further said that about 14 per cent of the urban population lives below poverty line, with the absolute number of poor people increasing from 0.5 million in 2002 to 0.6 million in 2006. "Urban riots are symptoms of the problems," she said.

The other problems related to high population and unplanned urban growth are deteriorating urban environment culminating from poor sanitation, pollution of water, traffic congestion and emission, and uncollected waste leading to environment degradation.
Lack of appropriate urban policy, a legislative and regulatory framework - with no National Urban Policy and an out-dated Town and Country Planning Law (based on British 1952 law) are still some of the urban development hindrances.

As a way forward, Mr Onyach-Olaa, said the Bank is preparing a project to support Municipal Infrastructure Development in the following 13 municipalities: Arua, Gulu,Lira, Moroto, Soroti, Tororo, Mbale, Jinja, Entebbe, Masaka, Mbarara, Kabale, and Fort Portal totalling to $150 million.

He said the World Bank is working with Cities Alliance to support the urban poor in Uganda with $4.5 million, and the government in developing a National Urban Policy and a 15-year Urban Investment Plan.

Outside the new World Bank Assistance Strategy, Mr Onyach-Olaa announced that Kampala will receive $44 million for urban infrastructure and development. As Uganda's economy keeps on expanding, growing at 7 per cent annually, the country's development needs also expand putting a lot of pressure on government to borrow soft loans from the World Bank through its International Development Association (IDA).

Globally, out of the 79 poorest countries that borrow from the World Bank through the IDA window, Ms Kundhavi revealed that Uganda is the six largest recipients of the IDA loans in the world and number one in Africa

The World Bank says the increased volume of IDA loans to Uganda has helped the country to reduce poverty levels and it has acted as a source of cheap finance for funding development projects needed for economic development.

"In our new World Bank Country Assistance Strategy for the next five years beginning July 2010, the IDA loan for Uganda is expected to be in the range of $1.8 billion to $1.9 billion to finance projects across priority sectors in the economy," she said.

More funds for Uganda
Ms Kundhavi said the new Country Assistance Strategy, for the next five years, will continue to focus on health, agriculture, education, road infrastructure, transport, energy, and in the new areas like urban development and oil (support to the oil institute).
She said IDA approved more than $1.3 billion in development projects and programmes for Uganda over the four-year period of the current Country Assistance Strategy (Fiscal Years 2006-2009) ending this coming June 2010.

"The investment operations covered sectors such as agriculture, education, health, transport, energy, local government, environment, public service reform, and social development in northern Uganda," she said.

The IDA is an arm of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by providing interest-free credits and grants for programmes that boost economic growth, reduce inequalities and improve people's living conditions in low income countries.

IDA

As many countries are still incapacitated to raise the funds domestically through taxation, World Bank officials say IDA is one of the largest sources of assistance for the world's 79 poorest countries, 39 of which are in Africa. As such, it is the single largest source of donor funds for basic social services in the poorest countries.

Available information shows that IDA lends money (known as credits) on concessional terms. This means that IDA credits have no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period. IDA also provides grants to countries at risk of debt distress.

Since its inception, IDA credits and grants have totalled $207 billion, averaging $14 billion a year in recent years and directing the largest share, about 50 per cent, to Africa.

Records show that the Bank's provision of direct budget support to Uganda has helped the ongoing policy dialogue between the Bank and the government and have been particularly effective in improving the predictability of resource flows and reducing transaction costs.

More support

It also documented that besides financial support, IDA's contributions to Uganda's development include technical assistance, analytical work among other things.
For example, it was in Uganda that IDA pioneered the Public Expenditure Tracking Surveys (PETS), now a standard tool for improving the effectiveness of public spending across the developing world.

Since 2001, IDA has supported Uganda's poverty strategy through a series of seven annual general budget support and debt reduction operations. As the first recipient of a World Bank Poverty Reduction Support Credit (PRSC) in May 2001, Uganda led the creation of a modality used in many other countries.

The World Bank is optimistic that if urbanisation can be managed better, significant gains can be expected in productivity and poverty reduction in Uganda.