



International
Growth Centre

Cities that Work 

The 'Cities that Work' logo features a stylized bar chart with four vertical bars of increasing height from left to right, positioned to the right of the text.

Towards the Promise of Cities that Work: Examples of Successful Reform

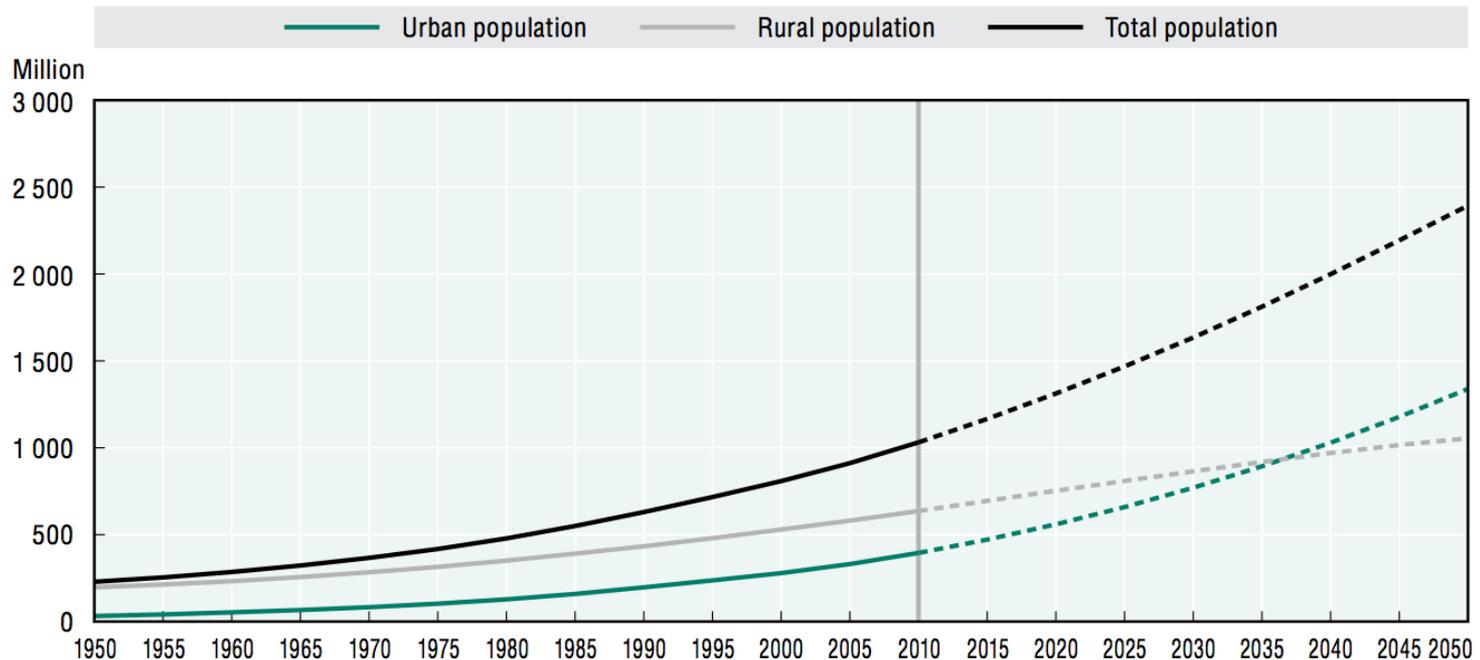
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Senior Economist for Cities and Manager of Cities that Work

Economic Growth Forum

22nd of August 2019 - Kampala, Uganda

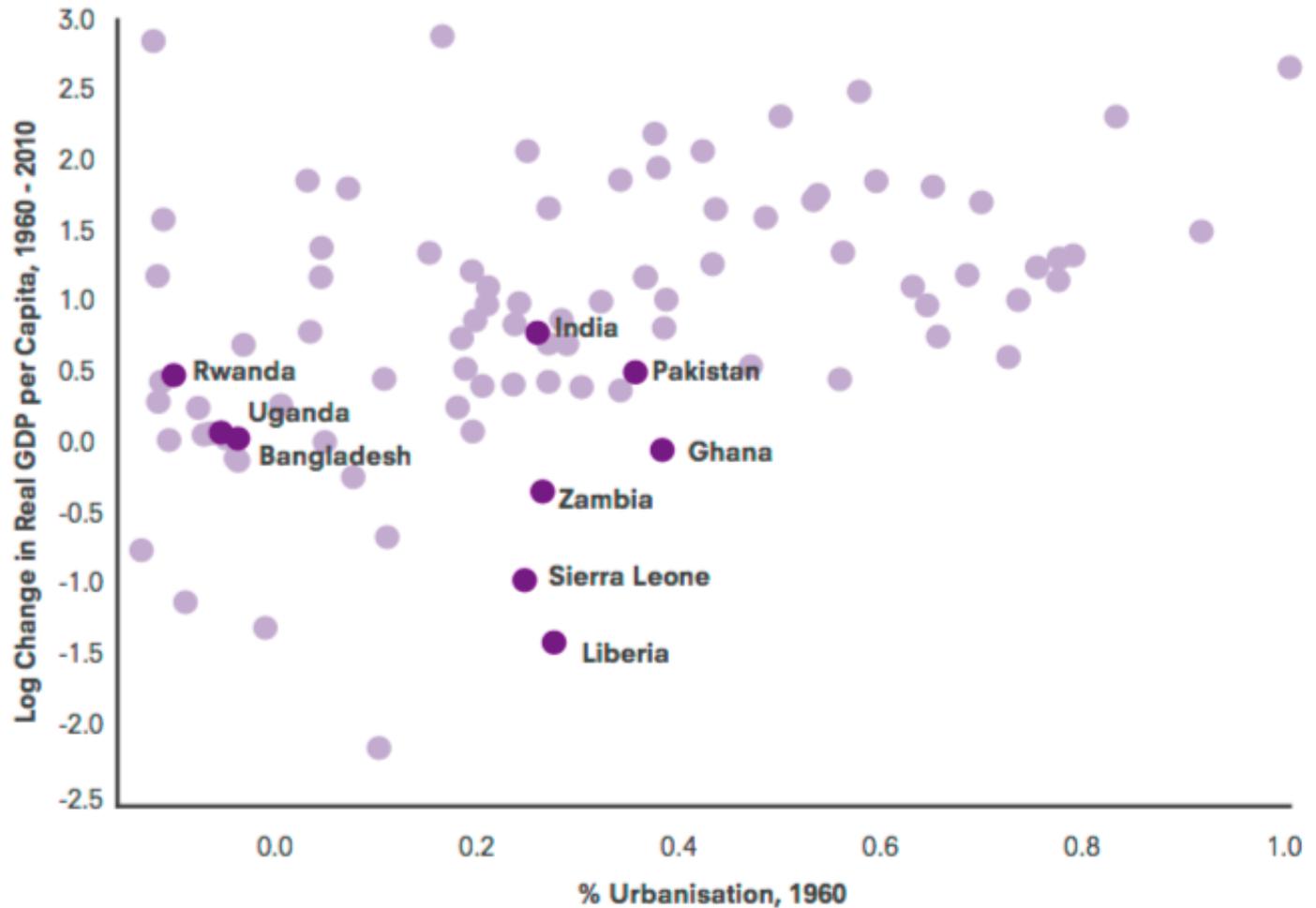
In Africa, about two-thirds of our cities are still to be built, giving us a short period of time to unleash the potential of urbanisation ...



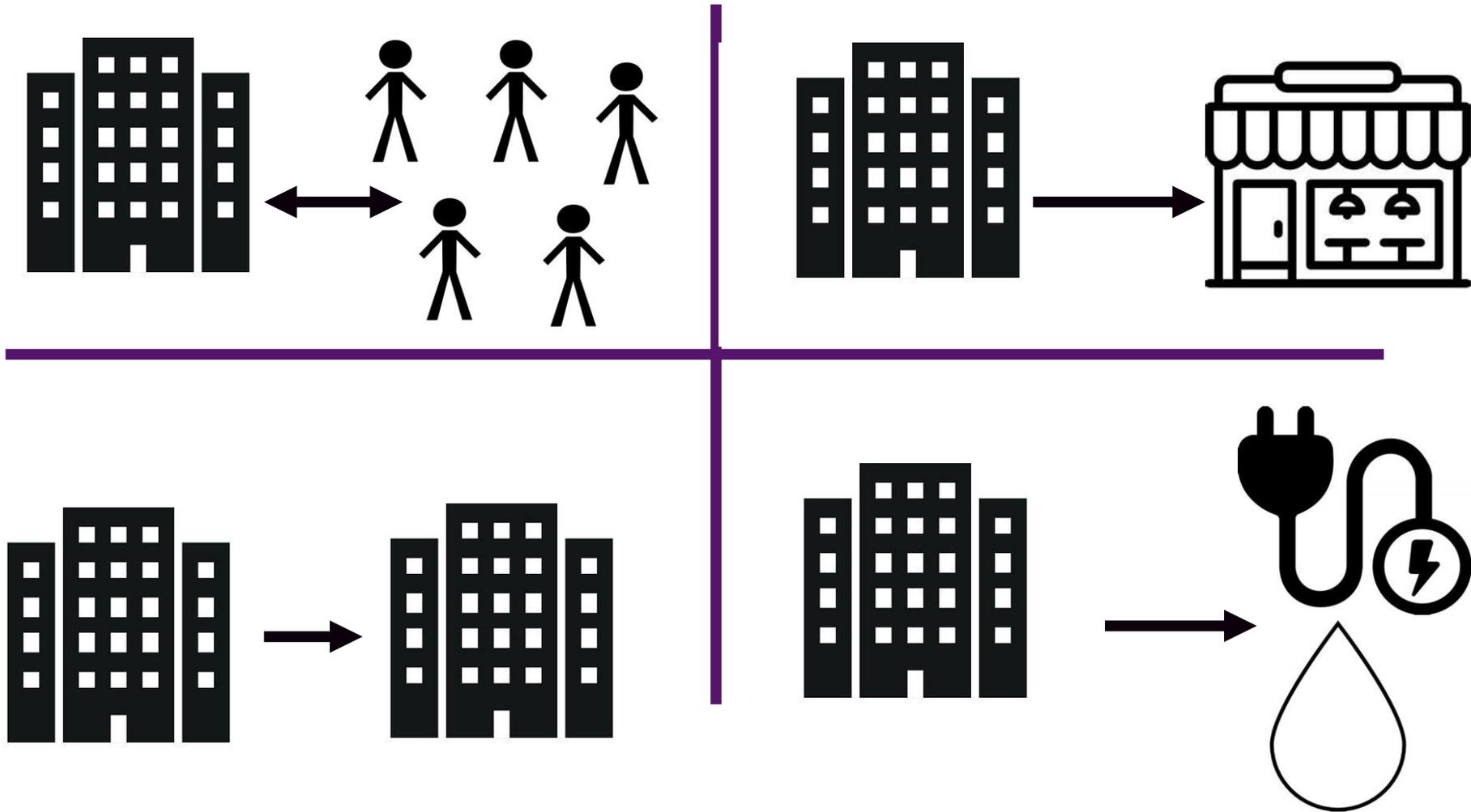
Note: Forecasts start from 2010 based on UN DESA's medium fertility scenario.

Source: UN DESA (2014).

...which is one of the largest opportunities to support overall economic growth...



...due to cities' advantages in fostering productivity,
as the preferred location for firms.



**To make cities attractive for firms and
at the same time liveable...**

...governments need to make investments that promote connectivity...



Transport Reforms (Lagos, Nigeria)

- Example of reforms:
 - BRT: 22km of track and 200,000 commuters daily
 - Formalisation of informal transport
- Significant reduction of travel time
- Relief of 240 million USD in economic loss from congestion
- Four main factors for success:
 - Designing relevant organisations
 - Establishing financial viability
 - Generating buy-in
 - Demonstrating quick-wins

...and at the same time promoting the development of adequate, affordable and accessible housing...



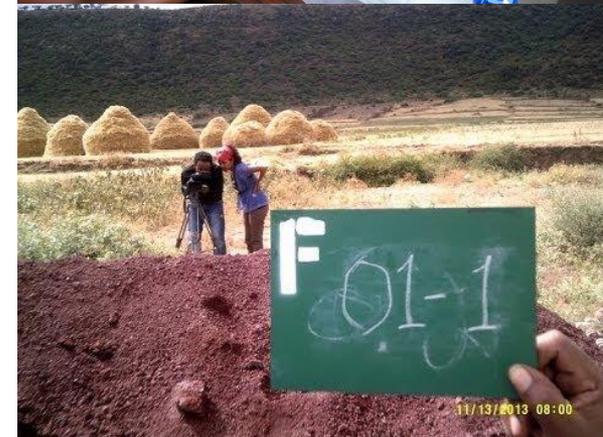
Incremental Housing (Santiago, Chile)

- Low-income families tend to prefer access to opportunities to housing quality
- Partnership:
 - National Housing Programme provided capital subsidy for land in well-located area
 - Firm built half a house - providing most expensive and fundamental elements
- Beneficiaries complete home based on investment capacity and preferences

...that is linked to pre-planned public infrastructure and services.

Urban Expansion (Bahir Dar, Ethiopia)

- A 1% annual increase in urban land per person --> 5-fold increase in Bahir Dar's built up area
- Proactive planning to accommodate growing city, future roads, utilities
 - Retrofitting can be 3x more expensive
- Participatory and cost-effective approach ensure land is planned and serviced before settlement
 - Reduces need for compensation



All of these investments need to be financed and funded...



Land Value Capture (Bogota, Colombia)

- When cities make public investments, property values increase
 - Need instruments to capture increase in value
- Betterment levies collected from property owners since 1921
 - Based on factors such as areas of influence, cost of project etc.
- Revenue from levy reinvested in urban infrastructure
 - Has funded 1 billion USD in public works
 - \approx 20-30% municipal revenue

...supported by strong, well-coordinated institutions...

GMCA

**GREATER
MANCHESTER
COMBINED
AUTHORITY**



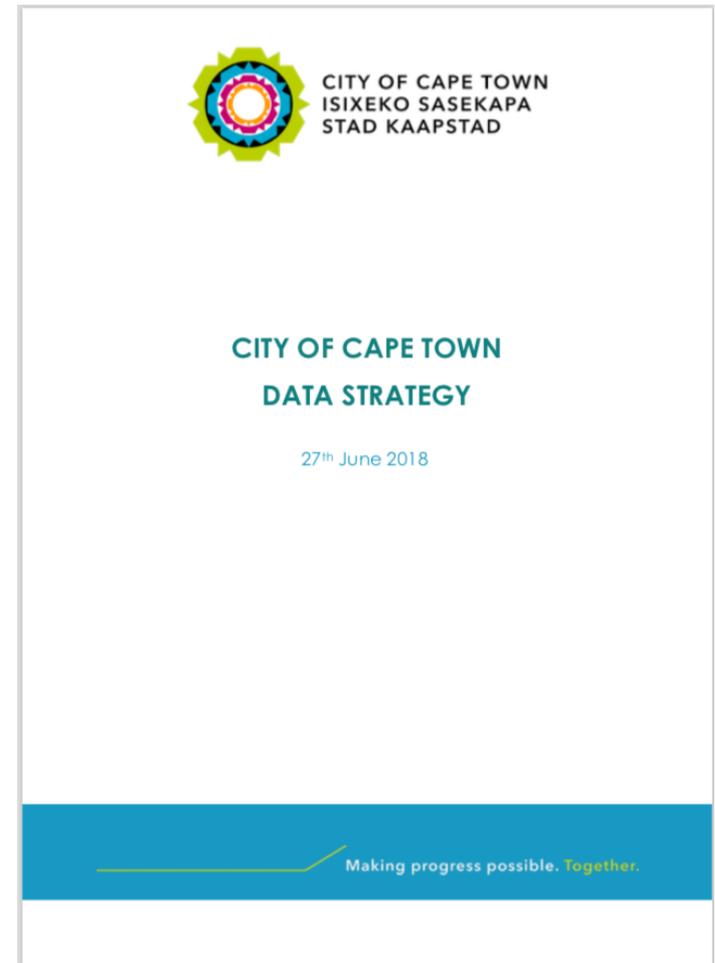
Metropolitan Governance (Manchester, UK)

- Greater Manchester Combined Authority created in 2011
 - 2.7 million people and 10 district councils
- Regional planning and decision making body
 - Coordinates transport, housing, skills, economic policy, planning
- Governed by 10 member board with each council nominating an elected councillor

... and underpinned by good data for decision-making...

Data Strategy (Cape Town, South Africa)

- *“Data plays a critical role in how evidence based decisions are made, and how evidence based policies, strategies, plans and implementation programmes are developed.”*
- Local governments are pragmatic, have the greatest connections with citizens, and have increasingly more power over decisions
- Data as a shared, public asset



...which together will help us achieve the promise of cities that work.



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Urban development in Uganda: performance and policy implementation

Mukite Rosemary M., MLHUD and Patrick Musoke, KCCA

Economic Growth Forum III
22nd August 2019

Urbanisation as an engine of growth: key objectives

- 1) Leveraging the benefits of connectivity
 - ▶ Spillovers of knowledge and ideas for productivity of firms
 - ▶ Matching workers with jobs best suited to them
 - ▶ Lower per capita cost of public services
 - ▶ Investment in mass transportation infrastructure
 - ▶ Linking transportation and land use
 - ▶ Creation of compact cities to minimize movement
- 2) Addressing the 'downsides of density'
 - ▶ Congestion
 - ▶ Crime
 - ▶ Affordable housing
 - ▶ Development of satellite cities and Regional Cities
- 3) Positive linkages to rural development
 - ▶ Integrated spatial planning in peri-urban areas and rural growth centers
 - ▶ Modernization of Agriculture for Agro processing industries
 - ▶ Integrated climate change and environment management initiatives

Recent performance and policies

- ▶ Urban centers make up 21% of the national population in 2014 and average urban population growth per year 8% between 2002 – 2014
- ▶ Urban unemployment rate in Kampala district is over 8% – much higher than national average at 2.1%

Recent developments in policy and performance:

- ▶ Approval of the National Urban Policy for Uganda
- ▶ Preparation of the National Physical Development Plan for Uganda
- ▶ In the initial stages of preparing the Urban Law
- ▶ Declaration of 9 new cities

A daunting task before Uganda

- Accommodating huge inflows of people
 - Building the new Regional cities that “work” – inclusive, safe, livable, resilient, and sustainable to accommodate the added 21 Million Ugandans by 2040
 - Building New Satellite Cities in GKMA to accommodate over 15M residents by 2040.
- Financing cities
 - This means building A City A Year of 2M People, this is estimated to cost US\$ 30–50Bn and where will these funds come from?
 - Heavy investment in urban infrastructure needed to facilitate growth and development
- Legal and Institutional review for the management of the Greater Kampala Metropolitan Area and the Urban Sector in the country in general

Recommended policy actions from EGF I (2017)

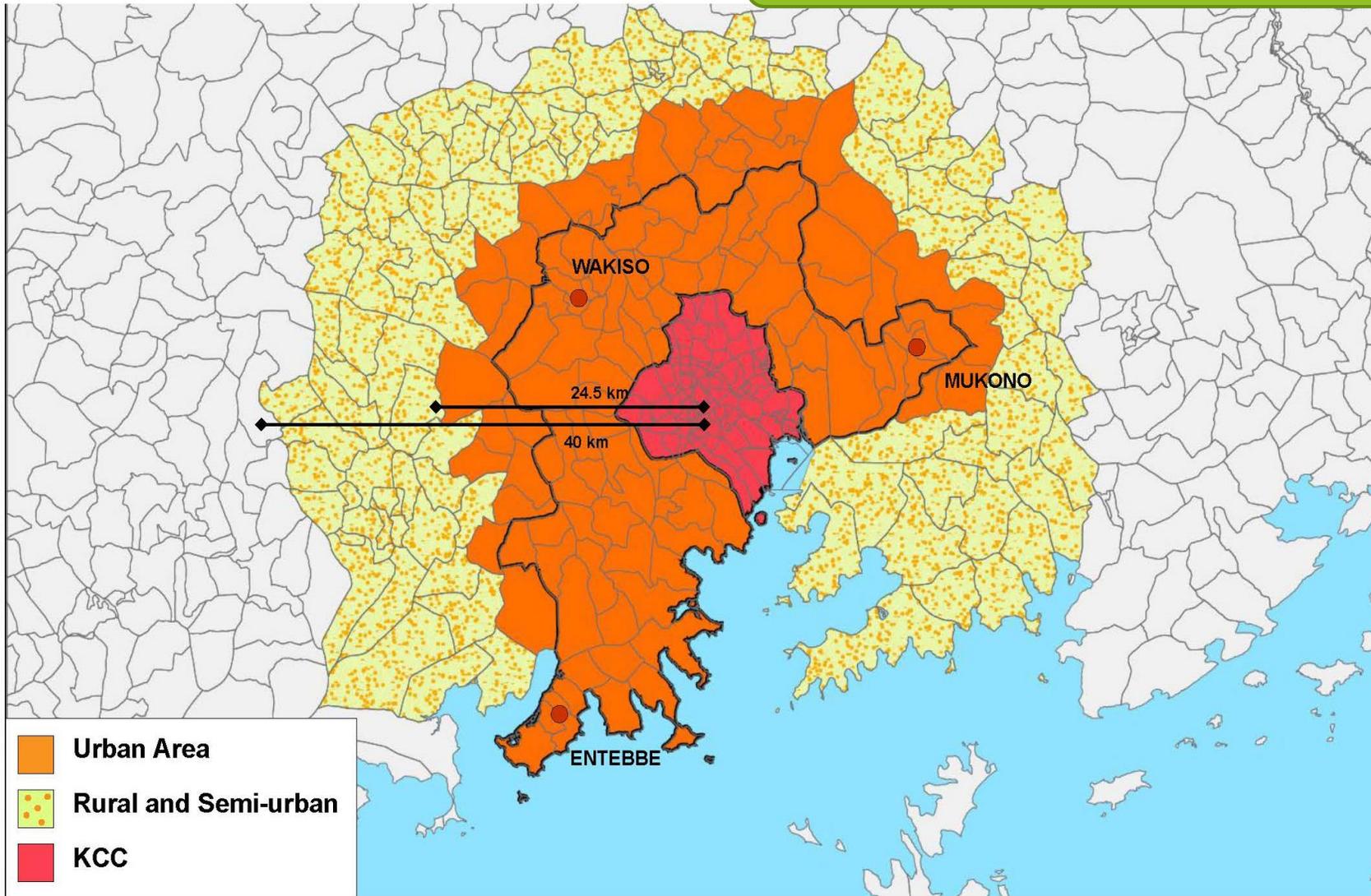
Actions agreed on included:

- ▶ Coordinating transport, economic infrastructure, and land use management to strengthen in-city and rural-urban linkages
- ▶ Improved mobility through **regulation of informal transport** and investment in constructing and paving roads
- ▶ Supporting access to **markets for informal enterprises**: investing in markets and premises coordinated with taxi stops
- ▶ **Business engagement centers** for tax education, assistance in bankable business plans etc.
- ▶ **Piloting affordable housing** schemes through land sharing agreements
- ▶ Coordination of policy across Greater Kampala
- ▶ **Land policy reform** to facilitate land access and reduce tenure disputes

Action	Implementation	Score (1 = action achieved, 2 = some progress, 3 = no progress)
Regulation of the minibus taxis in KCCA	TOR for the review of the BRT and engagement of the paratransit sector in KCCA issued and procurement ongoing. Amendment of the 5 th schedule of the Local Gov't Act to provide for annual fees collections from taxis and buses is in final stages	2
Construction and paving of roads in KCCA	Between 2017 and 2018, urban roads increased by 5%. Feasibility study conducted for upgrading part of Kampala city's road network - KCCA currently seeking funding for implementation	2
KCCA and local government to support access to markets for informal enterprises	Construction of physical markets and allocation of space for informal traders ongoing e.g. Kasubi Market	2
KCCA and local government to develop business engagement centres	No progress made on this in KCCA - clear project needs to be outlined for implementation to take place. Other local governments will play this role to an extent through new departments of trade, industry and LED	3
Land sharing schemes in Kampala's informal settlements for affordable housing and economic productivity	Precinct development plans have been developed for the city, now designing a site development plan for land sharing in Mulago. Investors not yet secured.	2

15,000,000+inhabitants

Population Projection By 2040 :KPDP



RAPIDLY CHANGING URBAN LANDSCAPE

Major reliance on informal jobs

57.3% of jobs in Kampala are in the informal sector

4/5th of self employment in Kampala is in the informal sector

97% sell to individuals

80% sell to customers within 30mins



Formal employment growth needs to keep pace with population growth



JOBs,
JOBs,
JOBs
????

Unemployment 10%

Underemployment 27%

Informal employment 57%



Transforming Secondary Cities for Job Creation: A Study of Uganda

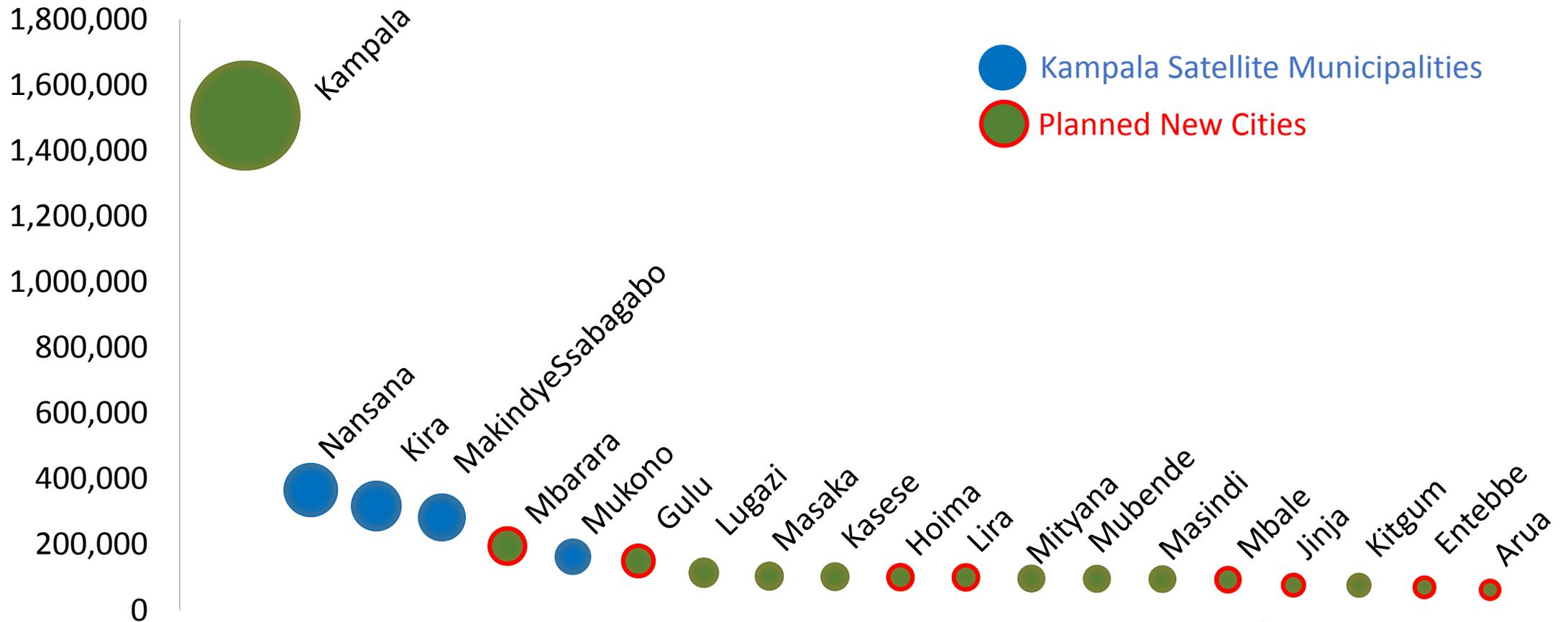
Miljan Sladoje, JustJobs Network

22nd August 2019

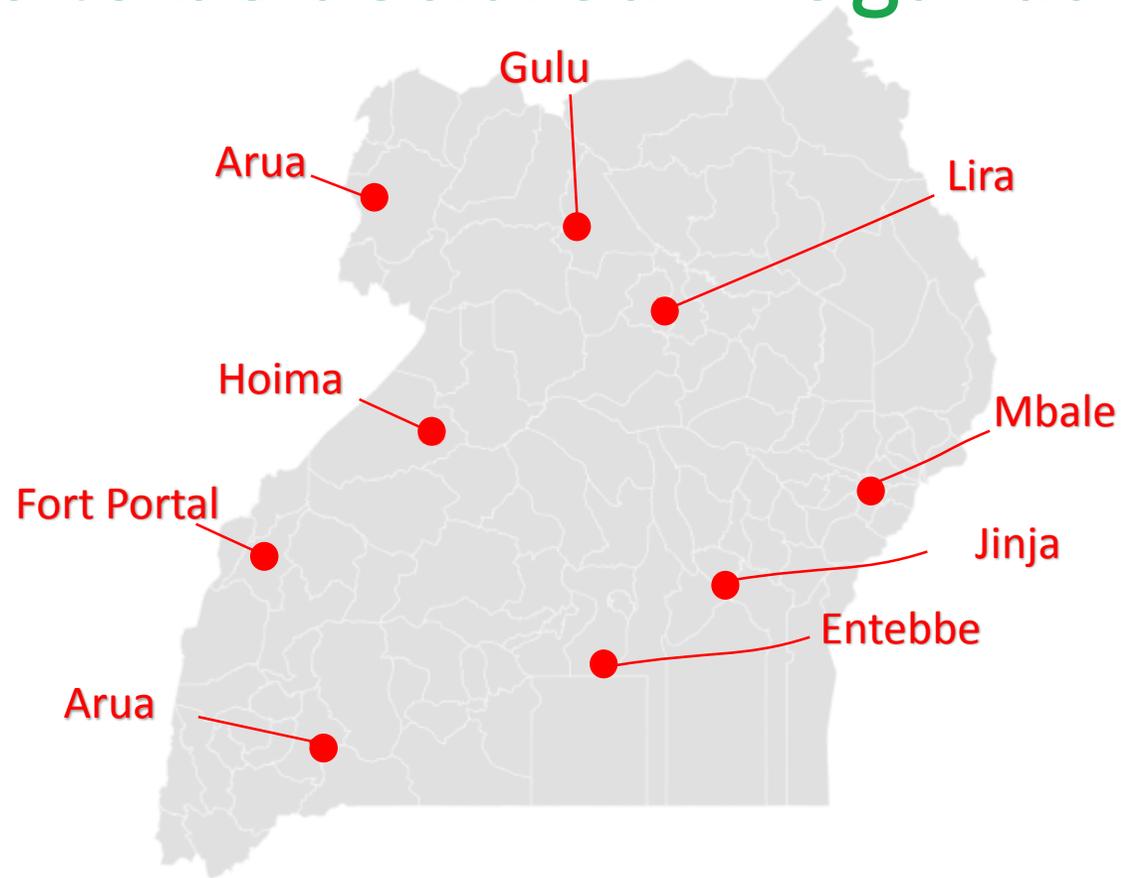
Uganda Economic Growth Forum III

*Sladoje, M.; Khan; L. and Randolph, Greg. (2019)
Transforming Secondary Cities for Job Creation: A Study of
Uganda. JustJobs Network

Kampala is the only settlement with city status and dominates Uganda's urban system



New cities to be declared in Uganda



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Policy Challenge: How to ensure the new status will boost economic development and job creation?

Uganda's job creation challenge

- Rapid population growth and a growing youth work force have created a policy imperative to create jobs on a large scale.
- Capital cities alone are unable to sustain the large population in search of economic opportunities:
 - 250,000 youth join the labour force in Uganda every year.
 - 42,000 new wage jobs created in Greater Kampala Metropolitan Area

Secondary cities are important drivers of job creation and economic development

- Smaller urban settlements act as service and market centres for rural hinterland, therefore more accessible for rural migrants
 - Potential to expand access to non-farm employment
 - Have larger aggregate impact on poverty reduction than capital cities
 - Specific locational advantages compared to large cities: lower land and labour costs, proximity to natural endowments, tourist sites and borders.

Study Questions

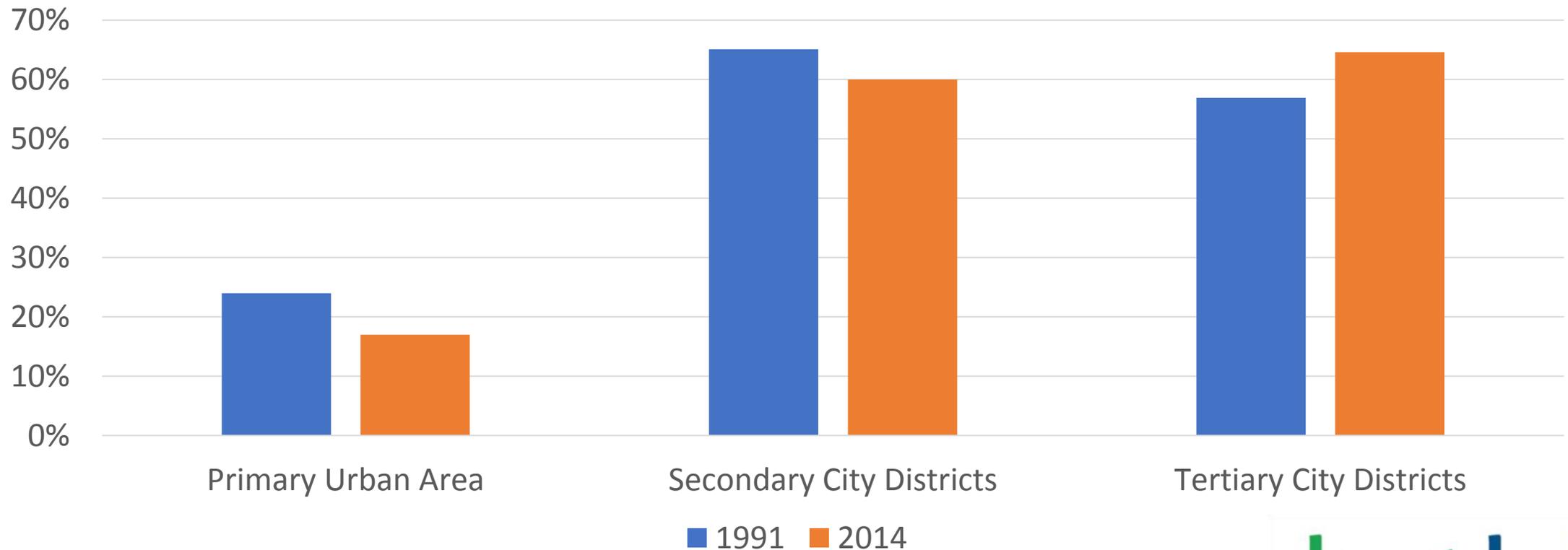
- What is happening in labour markets across Uganda's urban settlements?
- How effective is the current policy framework in promoting job creation in smaller urban settlements?
- What can be done to boost job creation in secondary cities?

Dominance of Kampala in economic opportunities

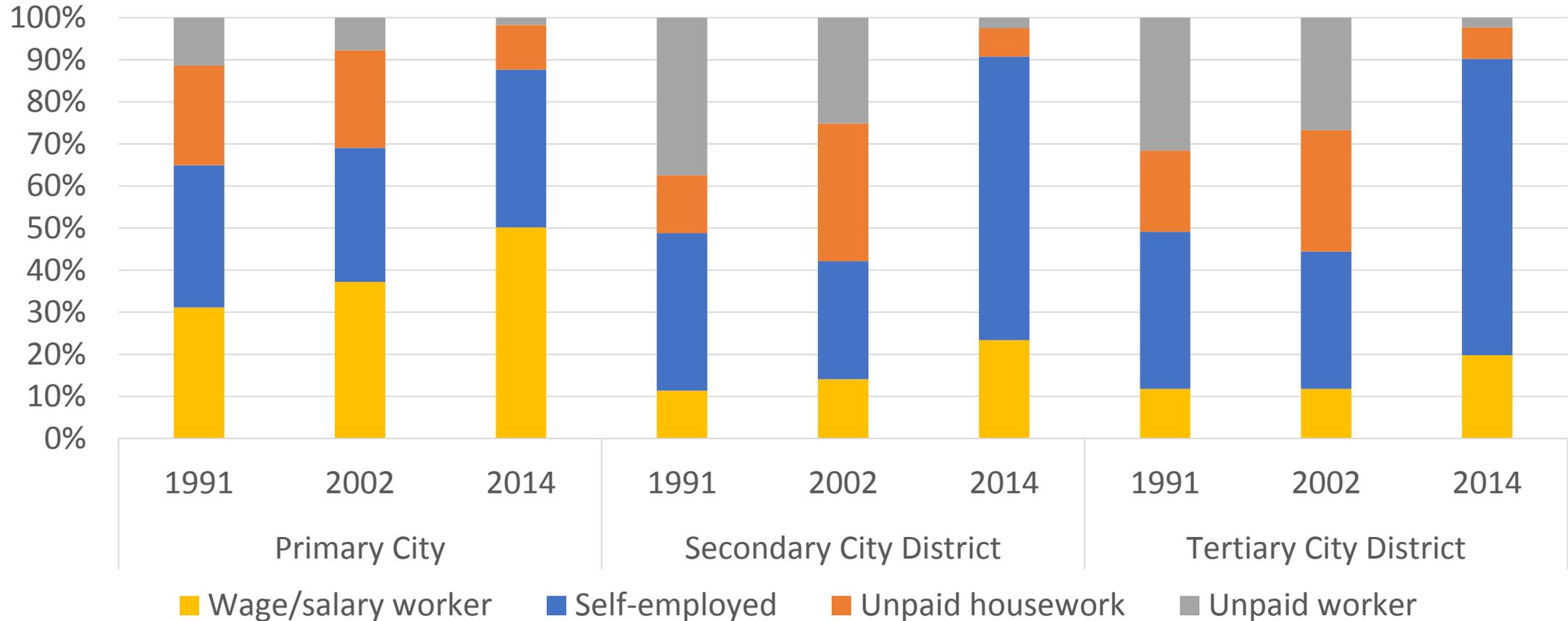
Type	GDP Share	Population Share	GDP Per Capita (USD)
Primary City Districts	50.0%	12.0%	2,440
Secondary City Districts	4.8%	4.0%	719
Tertiary City Districts	23.9%	26.3%	546
Small Town District	12.0%	25.2%	286
Rural Districts	10.7%	32.5%	199

Structural transformation is slow, and non-farm employment opportunities remain limited in smaller urban settlements

Share of Employment in Agriculture



Most workers (at least 75 percent) across small urban settlement and rural areas remain in more vulnerable forms of employment, such as self-employment or unpaid labor.



Job Creation Initiatives in Secondary Cities are controlled by central government and are often not adapted to the local context

- Current initiatives to promote job creation in secondary cities span across central and local government.
- These include Youth Livelihood Programme, Uganda Women Entrepreneurship Programme, Operation Wealth Creation, Industrial Park Initiative and initiatives under PSFU.
- However, the most relevant and effective job creation initiatives are controlled by the central government, with local governments having limited ability to adapt initiatives to local needs.

Job Creation Initiatives in Secondary Cities are controlled by central government and are often not adapted to the local context

- These initiatives are divided across multiple Ministries (MoFPED, MTIC, MGLSD)
- Current efforts by the national government to support job creation focus on promoting self-employment through entrepreneurship, as opposed to more vigorous support for SMEs.
- Uganda has also established industrial parks to encourage foreign investment in local economies, though there has been limited impact outside of Kampala and limited attention to local content.

Short-term Policy Options to support job creation in secondary cities

- **Adopt an integrated strategy for supporting the growth of existing SMEs in strategic sectors for secondary urban centers.**
 - Support industries in which secondary and tertiary cities have a locational advantage, such as tourism and agribusiness.
 - Bolster existing initiatives under the Buy Uganda, Build Uganda Policy to encourage local content and linkages to industrial parks, for instance through establishing a local content unit to identify existing capacities and
 - Establish regional and sector-specific public entities to coordinate regional/cross-district and sector-specific job creation initiatives. These entities would include representatives from relevant local governments and could enable the pooling of resources and exchange of ideas to leverage cross-district synergies.

Long-term Policy Options to support job creation in secondary cities

Strengthen existing infrastructure, business clusters, and local government capacities.

- Place-sensitive policies that leverage existing infrastructure and business clusters instead of constructing new ones.
- Reinvigorate the push towards decentralization by taking advantage of the political support for the declaration of new cities, to promote added policy autonomy and funding for local governments.
 - Strengthen the local economic development function of local governments, by resourcing and staffing local commercial offices to serve as a coordinating entity for job creation initiatives at the local

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Firm clustering in Kampala:
how can the capital become a sustained growth centre for Uganda?

Julia Bird, with Tony Venables and Tom Hierons

Vivid Economics / University of Oxford

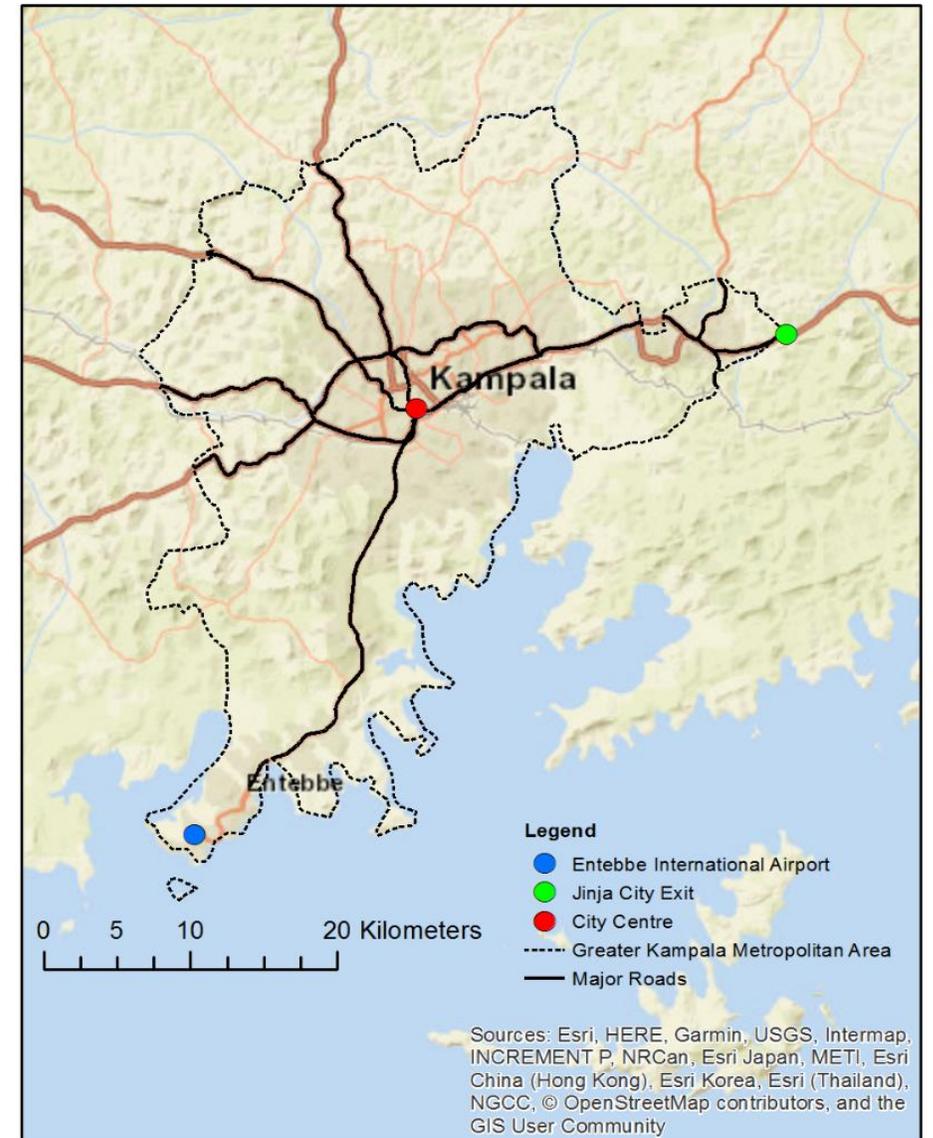
August 22nd 2019

Uganda Economic Growth Forum

Kampala – the economic centre of Uganda

- Kampala is a centre of economic activity: Greater Kampala is estimated to produce up to 65% of the total GDP of the country
- Kampala city is home to a wide range of firms.
 - Average firm is small: 2.37 people per firm
 - But the largest firms employ many hundreds of people
- Most common firm type is consumer services – food and drinks outlets, hairdressing, printing – shops which sell direct to the consumer
- But manufacturing and producer services are also present – from the car industry to finance!

Can we just assume it will keep growing and being economically dominant?



Location matters: the right spatial conditions are needed to foster productivity, and create conditions for continued economic growth

- **Productivity of cities depends on firms being efficiently located** to access workers, suppliers and customers
- For developed countries we know that economic activity is heavily concentrated in city centres. (eg Glaeser and Kahn (2001)). This varies by sector: services are more centralised, manufacturing is more dispersed.
- **Does the same happen in Kampala?**
- Uganda is unique in having a good dataset of firms to understand firm patterns:
 - Census of Business Establishments (2002 and 2011)
 - Number of employees, ISIC, exact location

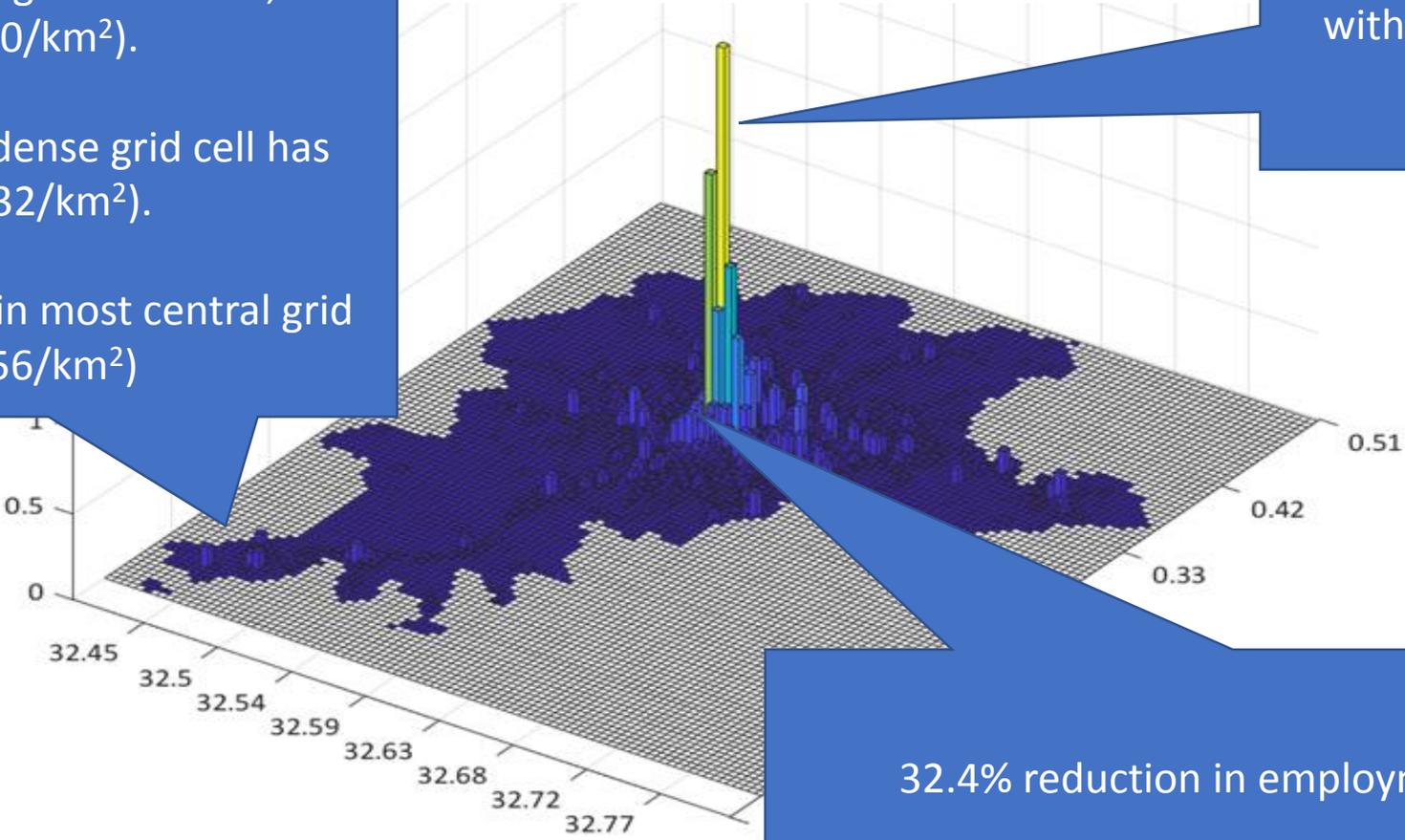
Kampala is a highly centralised city – an economic cluster

Entebbe: most dense grid cell has 1,185 jobs (4,740/km²).

Road to Jinja: most dense grid cell has 1,783 (7,132/km²).

Compared to 22,989 in most central grid cell (91,956/km²)

61% of employment in Greater Kampala is located within 5km of the Central Business District



32.4% reduction in employment with each km

Not all firms locate in the centre, some sectors cluster elsewhere

The aggregate picture doesn't help us to think about which firms cluster, which firms need to cluster – and how policy can help facilitate this.

Producer Services

23% of employment
12% of firms

- Importance of knowledge spillovers
- Few heavy inputs
- Sell to clustered customers

Consumer Services

65% of employment
81% of firms

- Many are small
- Sell to dispersed customers, who may not want to travel far
- Lower knowledge spillovers

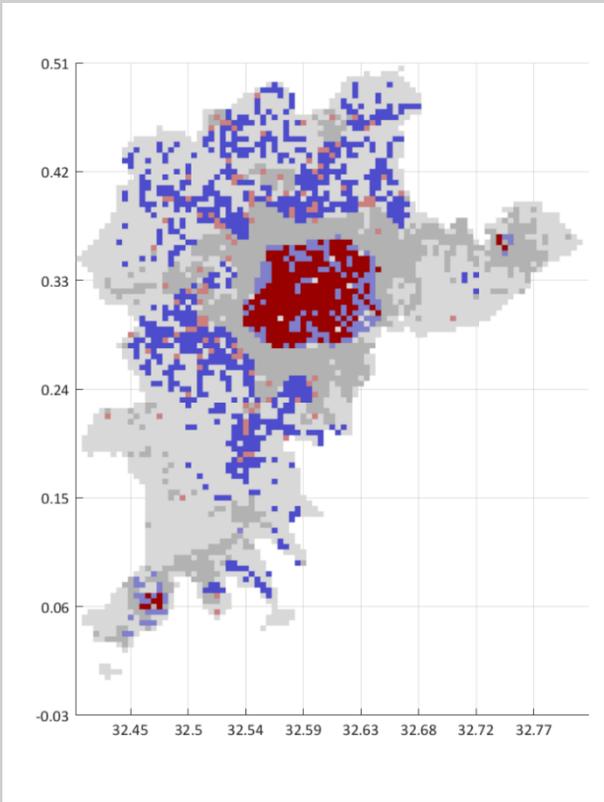
Manufacturing

12% of employment
7% of firms

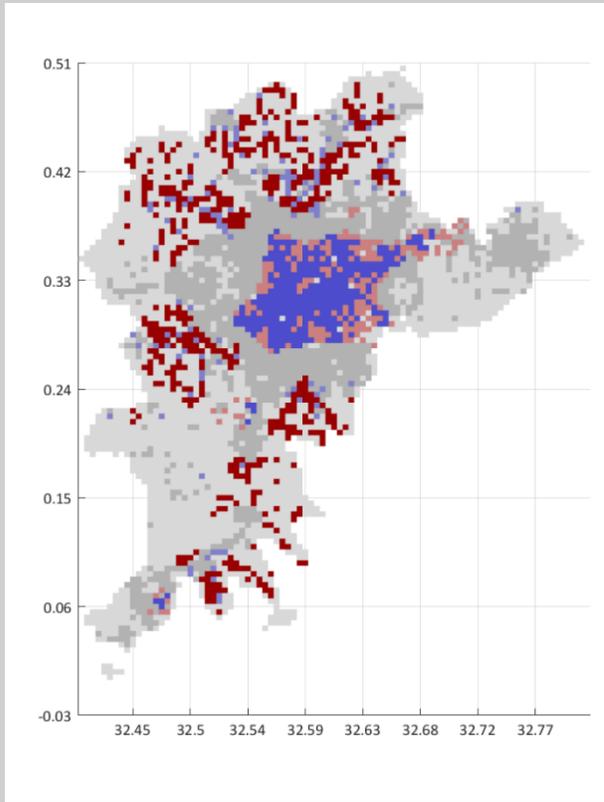
- High land requirement
- Heavy inputs – need to be near suppliers
- Sell to clustered customers

How do sectors cluster?

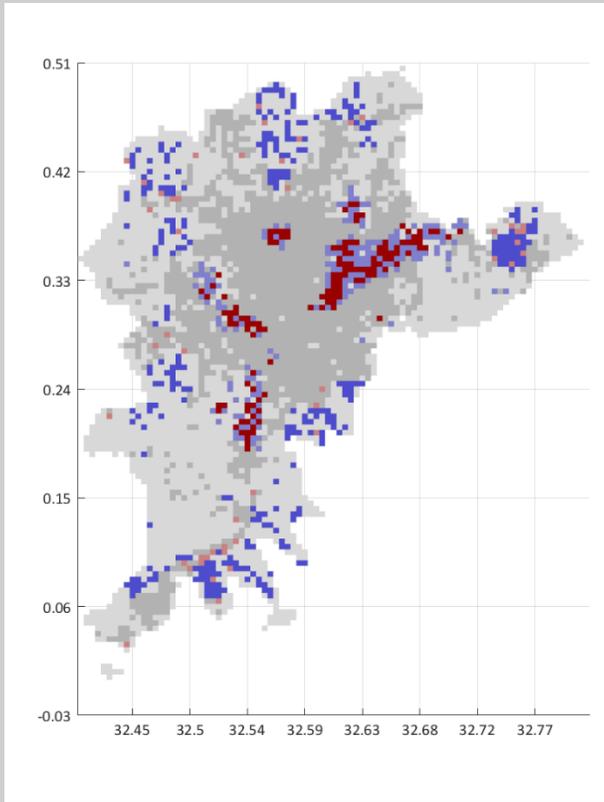
Producer Services



Consumer services



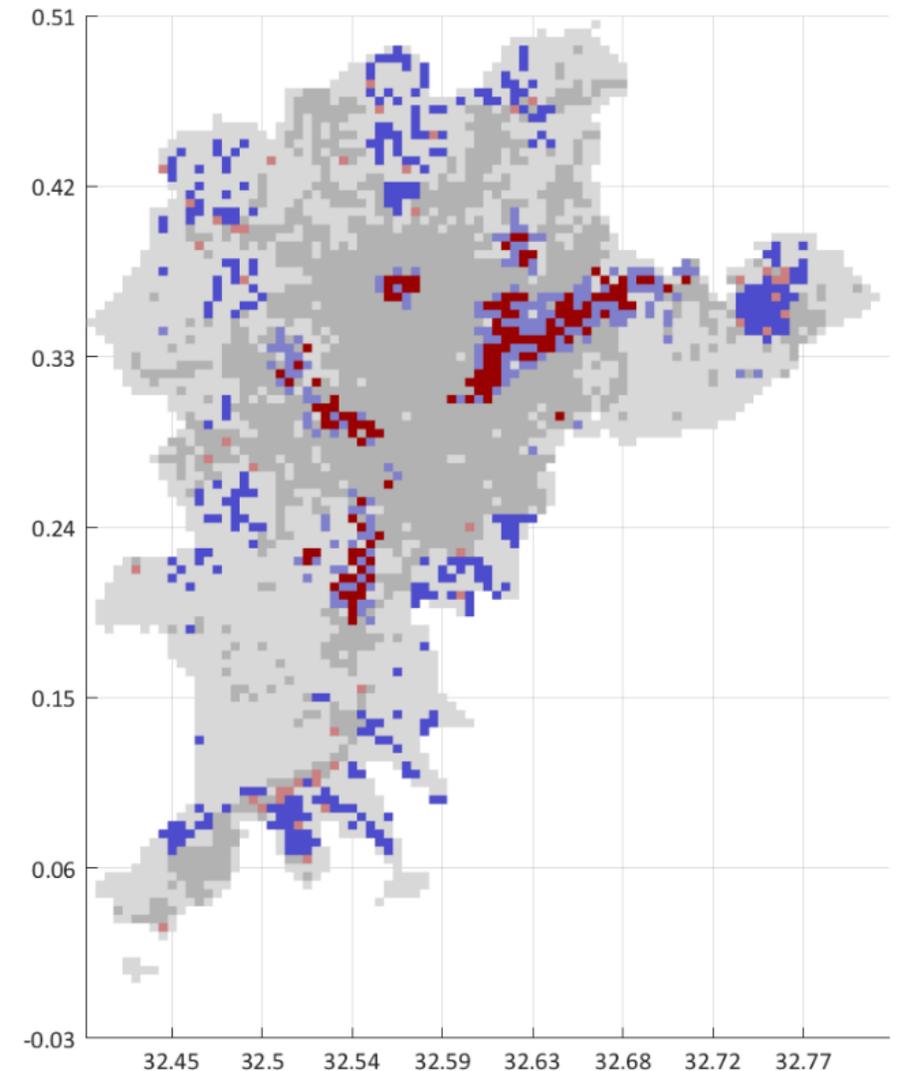
Manufacturing



Manufacturing clusters even further...

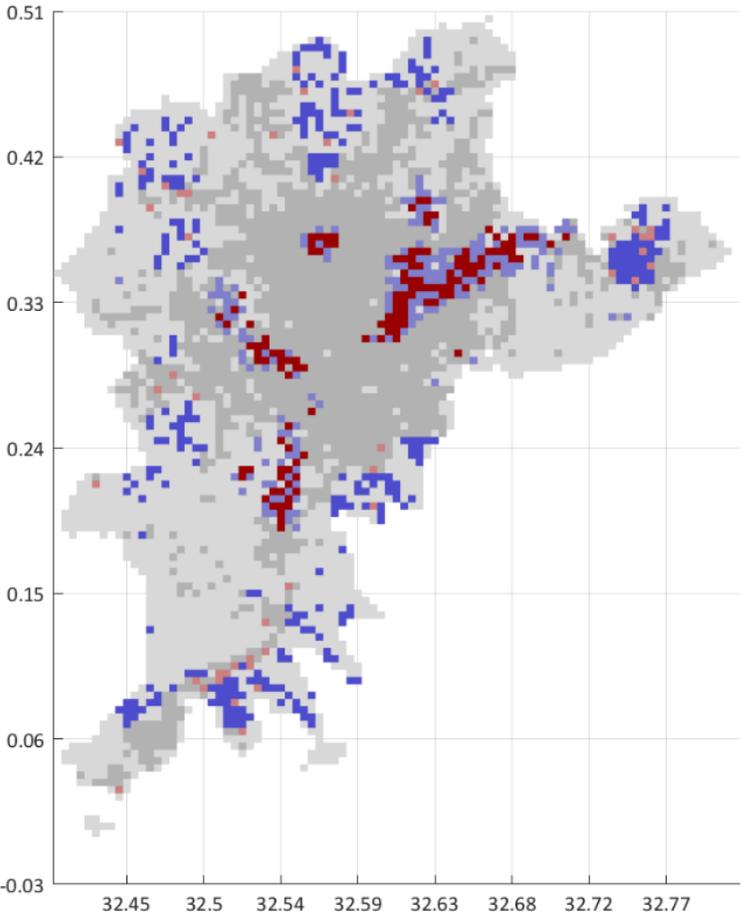
- 72% of manufacturing in just 4 sectors
 - North cluster is particularly specialised in wearing apparel;
 - East and West are specialised in food products
 - South is more diverse, but with a relative specialisation in metal products

ISIC 2	Share of city-wide manufacturing jobs in ISIC2 sub-sector	Share of manufacturing jobs in cluster that are in ISIC sub-sector			
		N	E	S	W
Manufacture of food products	22%	11.2%	30.7%	2.0%	41.7%
Manufacture of fabricated metal products, except machinery & equipment	17%	10.2%	11.3%	17.5%	13.2%
Manufacture of furniture	17%	8.4%	16.5%	8.5%	10.8%
Manufacture of wearing apparel	16%	31.9%	7.8%	3.8%	7.7%

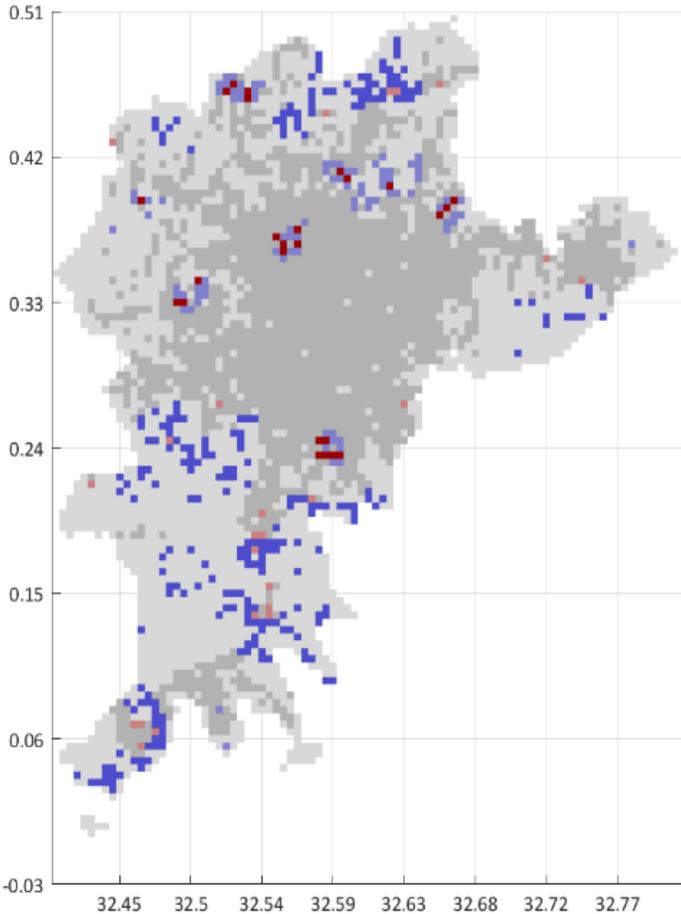


Manufacturing clusters

Manufacturing

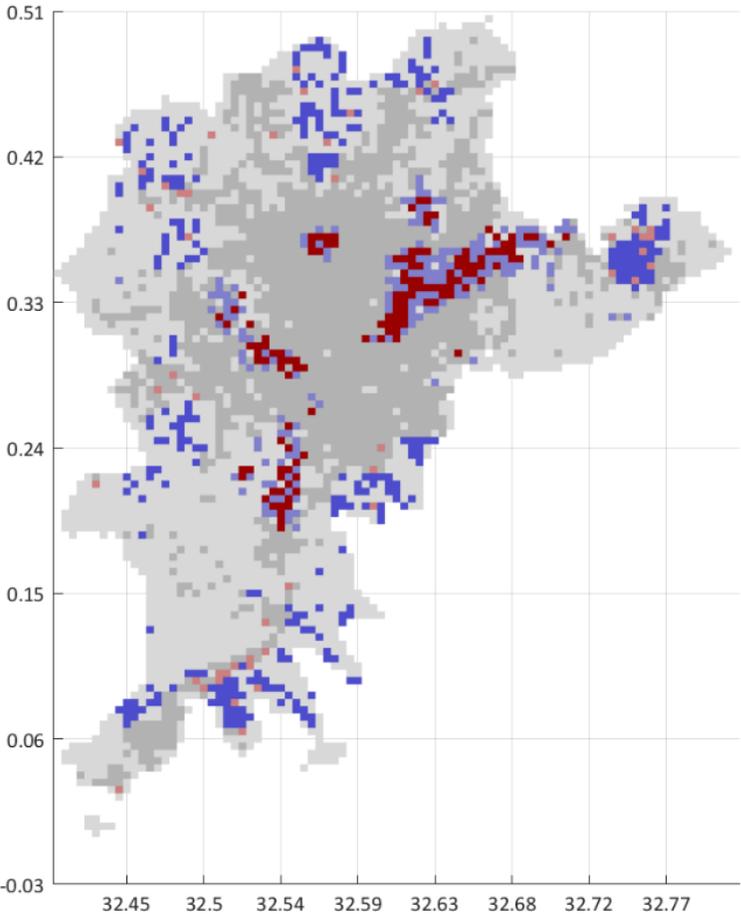


Wearing apparel

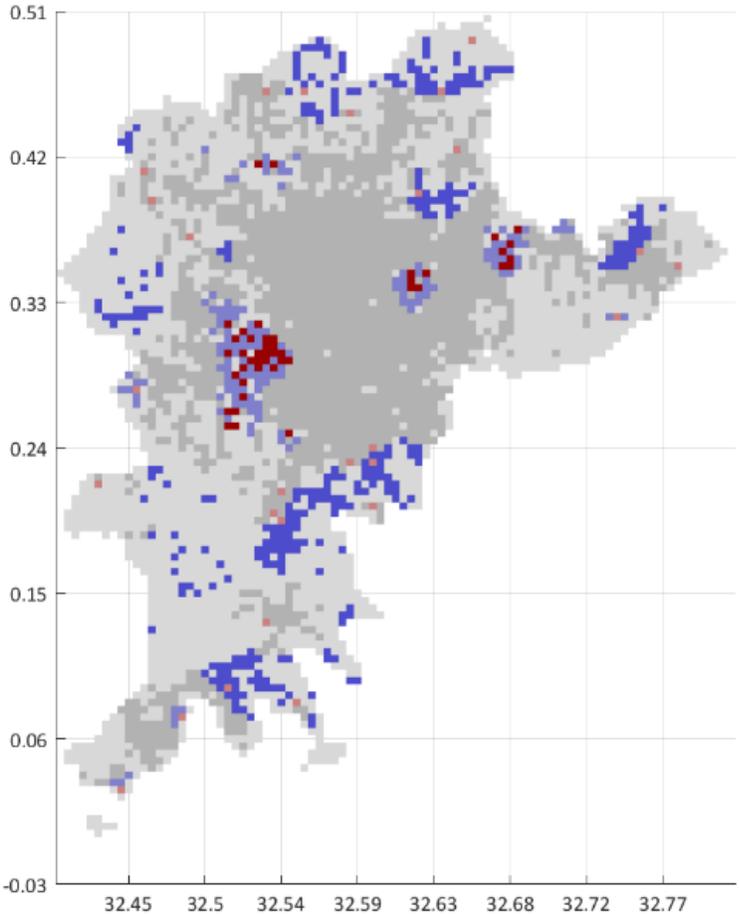


Manufacturing clusters

Manufacturing

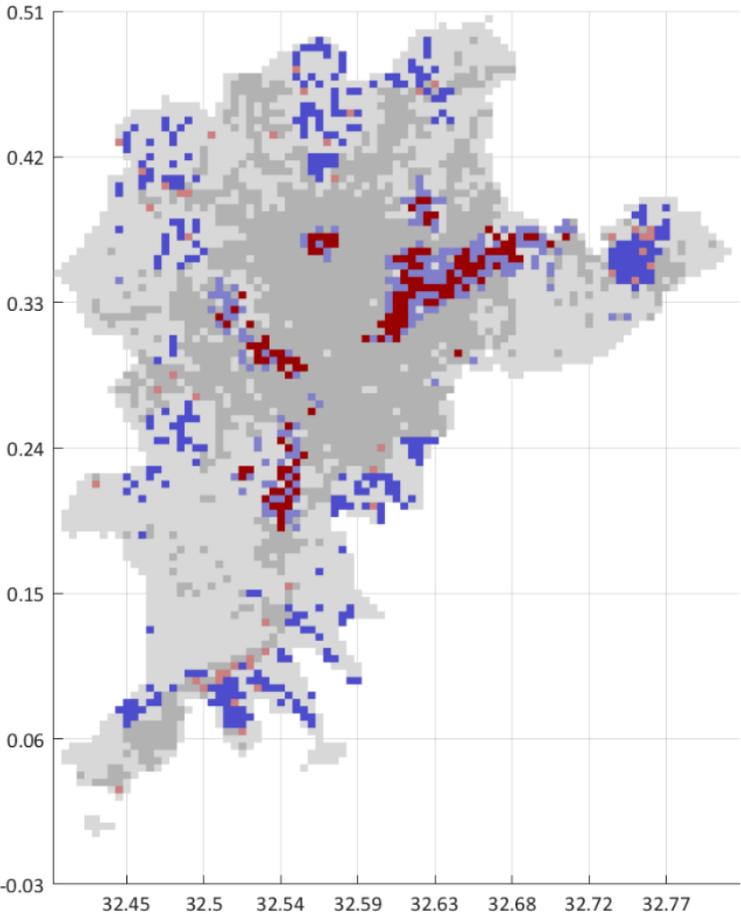


Food Products

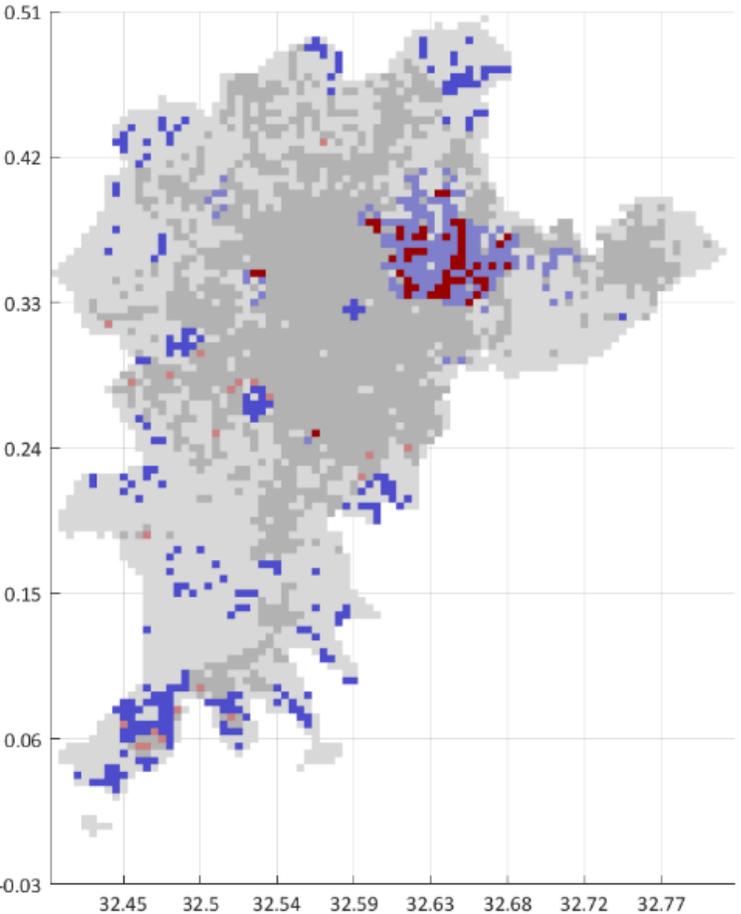


Manufacturing clusters

Manufacturing

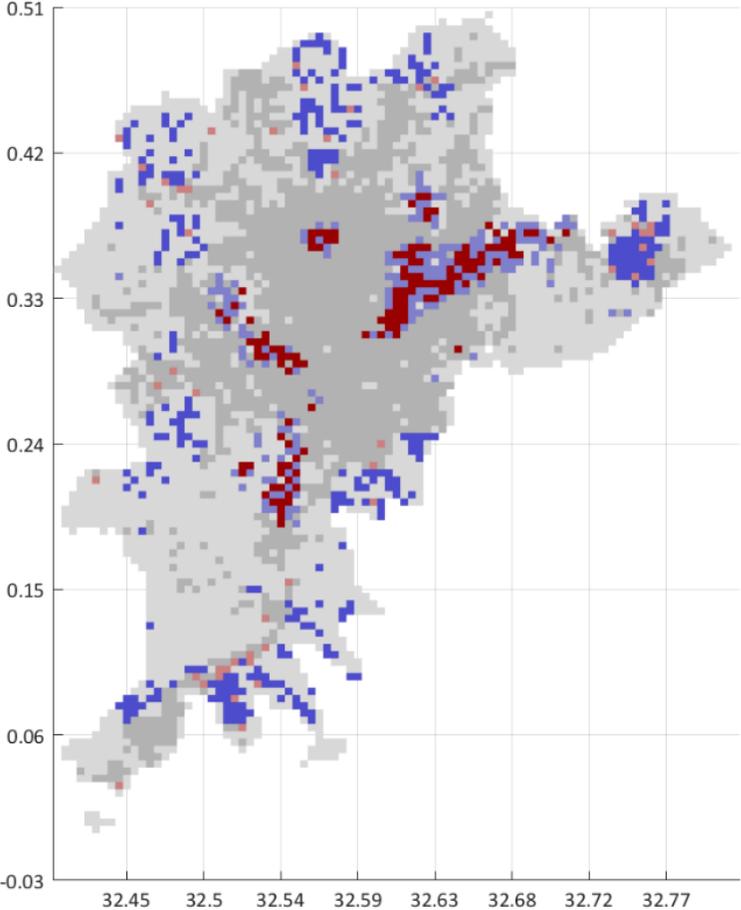


Metal Work

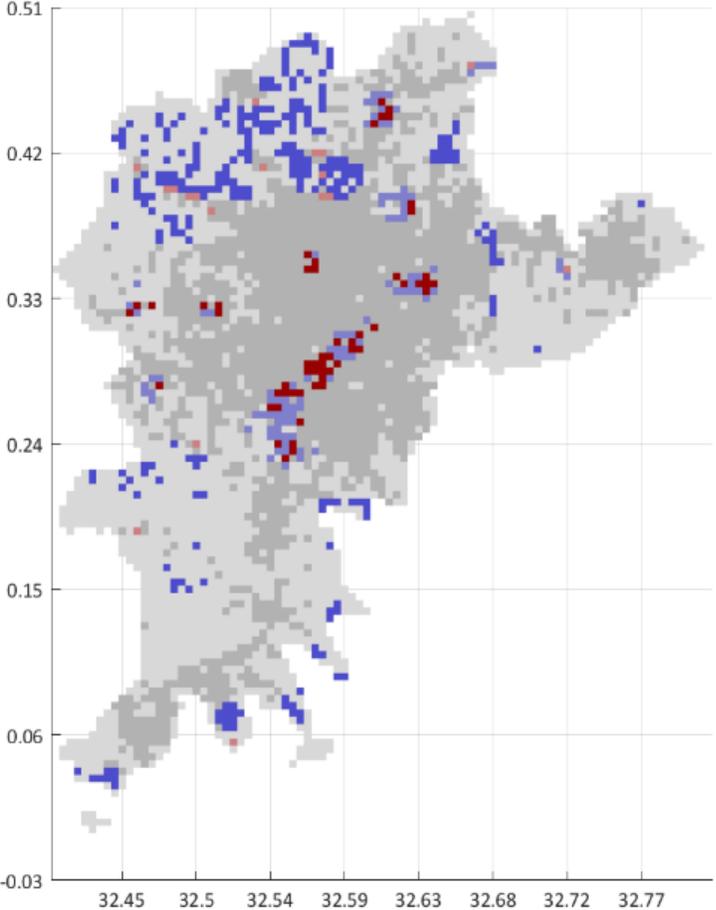


Manufacturing clusters

Manufacturing



Furniture



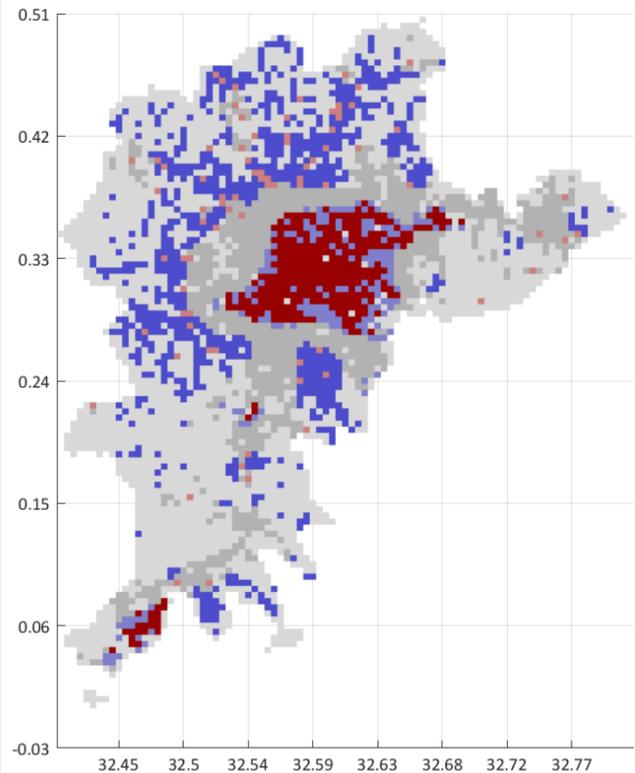
Factors affecting firm clustering

- **Access to modern land tenure systems is a key driver of manufacturing and producer service job locations:** The share of land under freehold or leasehold is positively related to the share of employment in producer services and (to a somewhat lesser extent) manufacturing.
- **Both manufacturing and producer services employment are more important near main roads:** The share of jobs in these sectors is nearly four percentage points higher in areas within 500 metres of a major road.
- In the area within 1km of the airport at Entebbe, the share of employment in producer services and consumer services are respectively 22 and 75 percentage points higher than they otherwise would have been at that distance from the CBD, and the share of manufacturing is 97 percentage points lower.
- The **lack of significant relationship between the type of employment and the population** of the area is also interesting to note: we do not observe consumer services in particular clustering around population centres.

Size is also correlated with the location of firms

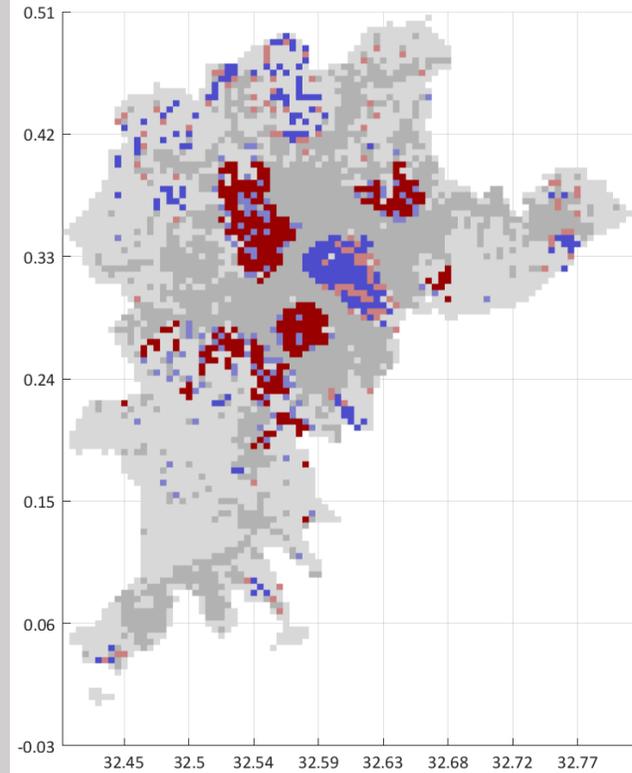
Medium/Large Firms

>5 employees



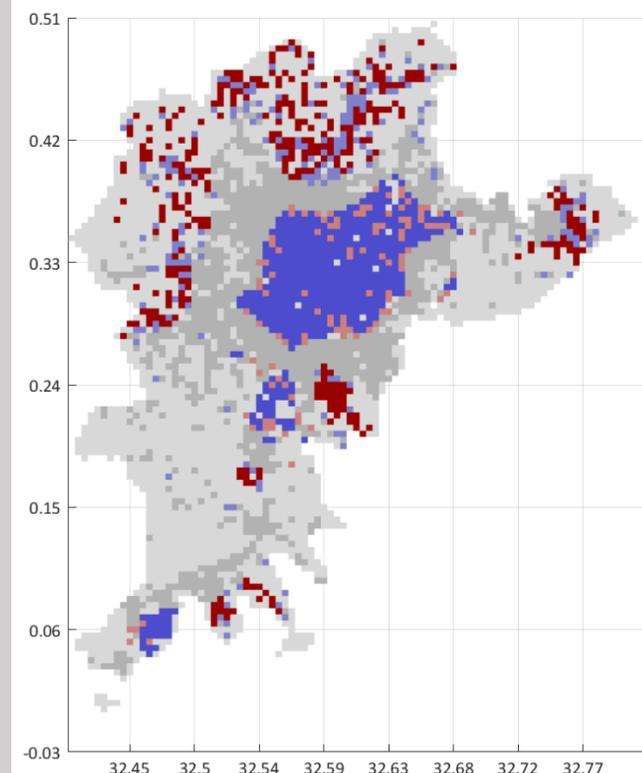
Small Firms

2-5 employees



Micro Firms

1 employee



- The propensities to locate on freehold land, and to locate close to a major road are highest for large firms, followed by small firms.
- Micro firms are disproportionately more distant from roads and on land with non-modern tenure systems.

So what does this mean?

- **Clustering and agglomeration economies appear to matter in Kampala:** so the question for policymakers is how can Kampala facilitate access to firms for workers, consumers, and suppliers?
 - A BRT facilitates access to consumers and workers – if it leads to dense residential areas
- **Weak property rights and access to roads appear to be a key constraint to firms – and large firms in particular - in Kampala**
 - These two constraints may be linked: will firms benefit from the building of a new road leading in to the city if the land along this road is under a traditional land tenure system?
- **Some firms (e.g.manufacturing) are more likely than others to cluster away from the centre:** policies to support cluster formation away from the centre should support these.
 - Can policies be spatially located to support the known hubs?
 - Incubators, Training/Financial support, improved business environment, services, land management
 - It is important to think at the sub-sector. Eg, food production: where are the workers, suppliers, customers?

Thank you!

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Regression on Firm Sector

	(1)	(2)	(3)	(4)	(5)	(6)
	Producer Services	Consumer Services	Manufacturing	Producer Services	Consumer Services	Manufacturing
Mean of Dependent Variable	0.09	0.82	0.09	0.09	0.82	0.09
2-5km from CBD	-0.160*** (-4.29)	0.140*** (3.87)	0.0199 (1.08)	-0.0888** (-2.60)	0.0607 (1.62)	0.0281 (1.89)
5-10km from CBD	-0.307*** (-9.32)	0.285*** (9.28)	0.0222 (1.20)	-0.214*** (-6.27)	0.172*** (4.58)	0.0428** (2.81)
10-20km from CBD	-0.339*** (-10.30)	0.342*** (11.23)	-0.00342 (-0.18)	-0.248*** (-6.68)	0.231*** (5.60)	0.0164 (0.87)
20km + from CBD	-0.296*** (-8.60)	0.324*** (10.04)	-0.0285 (-1.62)	-0.204*** (-5.50)	0.220*** (5.44)	-0.0162 (-1.05)
Share of land in freehold & leasehold				0.155*** (6.01)	-0.238*** (-5.48)	0.0830* (2.52)
Within 500m of major road				0.0351*** (4.11)	-0.0752*** (-6.17)	0.0402*** (4.48)
500m to 1km from major road				-0.00277 (-0.26)	-0.0235 (-1.80)	0.0263** (2.59)
Airport dummy				0.220*** (11.04)	0.749*** (8.78)	-0.970*** (-9.96)
Log Population				0.000431 (0.09)	-0.00412 (-0.48)	0.00369 (0.54)
Geographical Controls	No	No	No	Yes	Yes	Yes

