

# CREATION OF NEW CITIES IN UGANDA

## Social Economic and Political Implications

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*Urbanization has generally been a positive force for economic growth, poverty reduction and human development. Cities are places where entrepreneurship and technological innovation can thrive. Urban areas also serve as hubs for development, where the proximity of commerce, government and transportation provide the infrastructure necessary for sharing knowledge and information” (United Nations, 2018).<sup>1</sup>*

### Introduction

Urbanization is a global trend and has largely been a positive force for economic growth, poverty reduction and human development. Urbanization is understood as a population shift from rural to urban areas, it is the gradual increase in the proportion of people living in urban areas and the ways in which each society adapts to the change. It is predominantly the process by which towns and cities are formed and become larger as more people begin living and working in urban areas (GoU, 2017). The National Library of Medicine defines urbanization as” the population shift from rural areas to urban areas, the decrease in the proportion of people living in rural areas, and how each society adapts to this change”<sup>2</sup>. Urbanization is also looked at as a process by which towns and cities are formed. Cities are important drivers of development and poverty reduction in both urban and rural areas because they are places where entrepreneurship, technological innovation and other economic activity can flourish (United Nations, 2014).

Uganda is currently experiencing rapid urbanization estimated at 20% and by 2050 and will be among the most urbanized countries in Africa (GoU, 2017). In Uganda, urbanization has been looked at a prerequisite for the country to achieve upper-middle-income status as part of achieving Vision 2040 (MoFPED, 2016). The Government of Uganda deliberately gazetted

<sup>1</sup> World Urbanization Prospects. New York: United Nations.

<sup>2</sup> National Library of Medicine, 2014.

Municipal Councils, Town Councils, Town Boards and Cities<sup>3</sup>; as a launch-pad for urbanization. In Uganda, gazetted cities, municipalities and town councils are defined as urban areas as per the Local Government Act 2000. Regardless of the population size, all district headquarters are urban areas by law because they are located in Town Councils and all Town Councils are urban areas. Urban areas in Uganda represent industry, financial services, trade, education, and other services (UN-Habitat, 2012). Municipality is a set of divisions. The Local Government (LG) Act Section 4 clearly states that a City is equivalent to a district. Furthermore, article 197 of the Constitution (GOU, 1995) and section 79 of the LG Act state that a municipal or a town council shall be a lower local government of the district in which it is situated (GOU, 1997). However, it is important to note that an unplanned drive for urbanization can affect development when the necessary infrastructure is not developed and when policies are not properly implemented (GoU, 2016). In spite of the benefit of cities like job creation and infrastructure development, there tends to be more inequality in urban areas compared to rural areas and many of the countless worlds' urban poor live in sub-standard conditions. This should not discourage policymakers. Instead, the focus should be on how this urbanisation can provide new opportunities in aspects like expansion of industrial bases that can potentially help support overall structural transformation. This policy Brief therefore intends to raise policy concerns in the creation of new cities that policy makers at central government level ought to pay attention to and address in the process of creation of cities.

**Table 1: Timeline for Creation of Cities**

	<b>Commencement Date</b>	<b>Cities to be Created</b>
Phase 1	1 July 2020	<ul style="list-style-type: none"> <li>• Jinja</li> <li>• Mbarara</li> <li>• Fort Portal</li> <li>• Masaka</li> <li>• Mbale</li> <li>• Arua</li> <li>• Gulu</li> </ul>
Phase 2	1 July 2021	<ul style="list-style-type: none"> <li>• Hoima</li> <li>• Lira</li> <li>• Soroti</li> </ul>
Phase 3	1 July 2022	<ul style="list-style-type: none"> <li>• Entebbe</li> </ul>
Phase 4	1 July 2023	<ul style="list-style-type: none"> <li>• Moroto</li> <li>• Nakasongola</li> <li>• Kabale</li> <li>• Wakiso</li> </ul>

## Legal and Policy Background

The Constitution of Uganda Article 179 (a) (GOU, 1995) and the Local Governments Act, Section 7 (2a) of the Local Governments Act CAP.243 (GOU, 1997) mandate parliament to create cities through alteration of boundaries of the existing districts. Thus, on May 20, 2019, Uganda's Cabinet approved the phased creation of 15 cities across the country. The proposed cities are Arua, Mbarara, Gulu, Jinja, Fort Portal,

Mbale, Masaka, Wakiso, Entebbe, Hoima, Lira, Moroto, Nakasongola, Soroti and Kabale. Backed by resolutions from respective District Councils, the Ministry of Local Government

<sup>3</sup> The Uganda National Policy defines an Urban Centre by hierarchy and level of service and means a town board, town council, municipality, city or metropolitan area.

presented bills in Parliament seeking a phased upgrading of some urban areas as shown in the table below (MOLG, 2019)<sup>4</sup>. On April 28, 2020, the parliament of Uganda approved the creation of 15 cities, seven of which will be operational starting 1st July 2020.

## Classification of an Area as a City

The National Urban Policy classifies a City if an urban area satisfies the following criteria:

- i. Has a population of at least 300,000 residents within a minimum area of 50 square Kilometers with a minimum population density of 6,000 persons per square Kilometer and a maximum density of 20,000 persons per square Kilometer in an area not exceeding 100 square Kilometers
- ii. Has an integrated City Development Plan in accordance with this Policy.
- iii. Has demonstrable capacity to generate sufficient revenue to sustain its operations.
- iv. Has the capacity to effectively and efficiently deliver essential services to its residents as shall be provided for in the Urban Development law.
- v. Has institutionalized active participation by its residents in the management of its affairs.
- vi. Has infrastructural facilities, including but not limited to roads, street lighting, markets, fire stations, and adequate capacity for disaster management; and
- vii. Has a capacity for functional and effective waste management system (GoU, 2017).

## Justification for Creation of Cities

Uganda has had a phenomenal rise in its urban population from 1.7 million persons in 1991 to about 7.4 million in 2016. The urban<sup>5</sup> population is projected to rise to about 21 million by 2040. Realization of potential benefits from the phenomenon of rapid urbanization, calls for a conscious strategy to ensure that the fast-growing and viable urban settlements are elevated to higher and better-planned entities. Besides, upgrading of deserving Urban Councils precludes mushrooming unplanned urban settlements (slums), with their attendant socioeconomic problems (MOLG, 2019).

Urban areas in Uganda play a significant role in driving economic growth. More than 70 per cent of non-agricultural economic activity and non-agricultural jobs are located in urban areas. Urban areas are leading the process of transformation away from agriculture, resulting in improved socio-economic conditions for urban dwellers, with migrants from rural areas often living in better conditions and earning significantly higher incomes than their counterparts in rural areas. The typical Ugandan city has grown rapidly but without sufficient

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<sup>4</sup> Ibid, p12

<sup>5</sup> According to the Uganda Urban Policy (2017), an urban area is place with a concentration of people in a given geographical area with a minimum density of 1,000 people per Square Kilometer engaged in more than 60% of non-agriculture activities.

policy coordination. As a result, the emergence of Ugandan cities has not necessarily resulted in increased productivity, with the majority of jobs created through the urbanization process involving low productivity activities. Furthermore, the living environment does not provide decent housing or adequate public goods for a significant proportion of city residents, with at least 60 per cent of the urban population in Uganda living in slums. Also, the mobility of people and goods is constrained and costly due to the heavy traffic congestion in the cities (World Bank , 2015).

The growth and expansion of Municipal Councils in Uganda has over the years taken place without corresponding physical and socio-economic infrastructure. This in part is due to the delay in the upgrading of these governance structures to Cities. Approved human resource and other institutional structures of Municipal Councils; and the available funding levels do not position Municipal Councils to adequately meet administrative and socio-economic needs of the ever-increasing number of their residents. In urban areas, unemployment rates are high and most of the jobs in the informal economy are neither taxed nor monitored by the government. There are unregulated land markets, infrastructure and service provision. There are complicated settlement–governance arrangements, with weak local authorities and poor land-use management capacity, informal settlements and unregulated peri-urban construction.

The operationalization of new cities requires office structures, staff and other administrative resources that are vital for daily operations. These come with a hefty price tag that can only increase public administration expenditure. Besides the start-up funds, the administrative units require operational funds to enable them to implement their mandate as stipulated in the Local Government Act, 1997. Some of the responsibilities under their mandate include service delivery, governance and administration.

## What do these cities mean?

As cities rapidly emerge in Uganda, the opportunity and the necessity remain to get urbanisation right. This, in turn, should be able to provide the foundation for achieving the productivity miracle. Therefore, urbanisation holds one of the single strongest growth opportunities for Uganda. The creation of cities has social, economic and political implications to the country. On a rather positive note, the cities are envisaged to have the following implications:

- 1. Economic Development.** Cities provide a platform for entrepreneurship, technological innovation and other economic activities to thrive. They stimulate transformation within the agricultural sector through diversification into higher value-added crops and growth of non-agricultural household enterprises (IGC, 2019).
- 2. Job Creation.** They increase the rate of job creation beyond Kampala. More people are likely to join the working population, and those in the proximity of urban settlements should have increased chances of finding non-farm work opportunities. Cities should play

an increasingly important role as centres of economic opportunity due to the increase in economic activities, trade and commerce.

3. **Increase in Incomes.** As a result of the concentration of productive economic activities in cities, wages in these areas should, on average, be far higher than those in rural areas while the rate of poverty should be lower too (World Bank, 2015).
4. **Infrastructure Development.** Cities also facilitate infrastructure development in terms of energy, transportation, information, education and communication; which leads to improved service delivery in the form of good roads, improved waste management, piped water, education and health care among others (United Nations, 2018).
5. **Attract Investment.** With a new local government sector that took effect on 01 July 2019, the cities will attract investment and external funding for infrastructure development, physical planning, greening, urban governance, solid waste management, ICT and others to address the strategic urban agenda objectives.

## Challenges emerging from the Uganda's Urbanization Process

Despite the benefits being experienced from the current urbanization process, Uganda's urbanization still faces many challenges including the following:

- **Slums and Informal Settlements.** Substandard housing conditions are prevalent with over 70% of housing units built with temporary building materials, of which 27% are in urban areas (reference/source).
- **Poor Solid Waste Management.** Poor waste disposal is a nation-wide problem with approximately 13% of urban population disposing waste in gardens, 19% in pits, 32% heaping it in drainages and streets and the remaining 36% of the waste is disposed of on open dumpsites (reference/source).
- **Deteriorating Urban Environment.** High urban growth has negatively impacted on the environment resulting in environmental degradation, which rises from conflicting land users, unsatisfactory waste management practices, destruction of green belts and ecologically fragile ecosystems, especially wetlands and hilltops.
- **Weak Urban Economy.** Uganda's urban economy is characterized by low productivity and competitiveness and is largely dominated by the informal sector. The increase in the urban population does not correspond to job opportunities to propel growth.
- **Urban Sprawl.** The Country is currently experiencing an unprecedented level of urban sprawl (uncontrolled physical expansion) resulting in a high cost of infrastructure and service provision, encroachment on environmentally sensitive areas and fertile lands for agriculture.

- **Inadequate Urban Infrastructure and Services.** Due to rapid urbanization, unplanned development and inadequate funding, many urban areas cannot afford to cope with the demands for infrastructural development and services. The Central Government transfer of funds to Urban Local Governments is insufficient compared to the needs of urban services. The level and quality of services delivered by urban authorities do not match the needs of the population.
- **Ineffective Urban Governance and Management.** There are various agencies involved in urban governance and management, which makes it difficult to coordinate many actions and in turn affects the effectiveness of the actions.
- **Urban Transportation Challenges.** Weak transportation and traffic management, as well as a limited mode of transport which is mainly by road, is expensive in terms of time spent in traffic, fuel and vehicle maintenance. Road transport is the predominant form of transport with a vehicle growth of 8% per annum, the bulk of which operate in urban areas (reference/source). The transport system faces challenges of inadequate transportation planning, inadequate funding for transport services, poor adherence and enforcement of traffic regulations, inadequate public transport, transport congestion and pollution in the large municipalities and the Capital City, narrow road network with minimum traffic segregation, poor driving skills mostly by Boda Boda riders, limited vehicular parking space and high accident rates, among others.

While the majority of the population still lives in rural areas, push factors such as the rapid expansion of the labour force due to demographic factors; the increasingly rapid transformation of agriculture; an increased involvement in higher productivity non-farm activities; and the expected commencement of the exploitation of oil, are expected to attract a greater proportion of the population towards the country's cities and towns in future. International Evidence shows that productive cities can become an engine of economic growth that Uganda urgently needs.

In most emerging economies, the growth of cities has contributed to these countries being able to achieve middle-income status by galvanizing entrepreneurs; by attracting productive capital; and by facilitating higher rates of economic density and improved proximity to and between goods, people and ideas. Cities have also contributed to the achievement of improved quality and access to services and infrastructure, as it is generally cheaper and more rather than sparsely populated areas (World Bank, 2015).

## Policy and Legal Implications of Creating Cities

The creation of the cities will have far-reaching socioeconomic and political implications including the following:

- 1. Pressure on the National Resource Envelope.** The resources for the establishment of cities are missing from the FY 2020/21 approved budget because they were not included in National Budget Framework Paper, the Ministerial Policy Statements and the Draft Budget Submitted to Parliament. This implies that the establishment of the cities is likely to be funded via a supplementary budget, long before their inaugural financial year even commences. Without clear indications on how much funding is required to operationalize the cities, we have assumed equivalence with what it takes to set up a new district as a bare minimum. The Ministry of Finance, Planning and Economic Development (MoFPED) has in the past estimated that every new district needs about UGX 59 Billion in its inaugural year to cater for the establishment of a district headquarters, a district hospital, and a police station among other necessary infrastructure. This amounts to about UGX 413 Billion for seven cities, funds which are bound to further stretch a national budget dealing with expected revenue shortfalls due to the COVID-19 containment measures. Thus, the creation of these cities will create additional financial pressures and stress on the national resource envelope at a time when the MoFPED has been unequivocal in re-stating that the country lacks the resources to operationalize these new administrative units. The decision to establish the cities seems to be a politically expedient one as opposed to an economically sound decision because all the envisaged benefits of the cities can still become about without the establishment of the cities.
- 2. Displacement of Existing District Local Governments.** The existing local governments have to be swallowed by the cities or re-locate their headquarters to new areas. The implication is that we cannot have Gulu, Jinja, Mbarara, Kabarole, Mbale, and Masaka, districts housed in the new cities. The local Governments will be required to move to new places and construct new office spaces which will require additional resources for the districts.
- 3. Changes in Demographics of the District Local Governments.** The geographic size and the demographics of the districts will shrink and this to will affect the local revenues of the affected LGs. There will also be migrations to and out of the gazetted cities that need to be planned for. The case of Wakiso District Local Government which is already affected by low revenue returns due to the presence of many town councils and municipalities within the district is a perfect example of what is likely to happen to other districts.
- 4. Creations of New Administrative Units.** The creation of other administrative units is usually justified by the need to bring service delivery points closer to the people. As the original district headquarters re-locate to new areas, there will be the creation of new Town Councils and other administrative units that will have a bearing on the national resource envelope. Uganda continues to create new administrative units despite the lack of resources to finance their operations. It is worth pointing out that there is already an outstanding bill for establishing town councils and sub-counties that were meant to be

operationalized in FY 2017/18. Government to-date has not provided the UGX 29.8 Billion required to operationalization 364 Sub-Counties that were to be operational in FY 2017/18. Furthermore, an additional UGX 80.7 Billion is required to operationalize 352 new town-councils that were gazetted to be effective by 2017/18 (MoLG , 2020).

5. **Administrative Reclassification.** The Ministry of Local Government classifies Gazette cities, municipalities and town councils as urban areas and the Local Government (LG) Act CAP 243 empowers the ministry to declare an area urban if it satisfies the following criteria: a minimum 25,000 people for town council; 100,000 people for municipality; and 500,000 people for a city; has a master plan for land use; has available water sources and is able to meet the cost of providing services. In addition, the local government act declares all district headquarters as towns. The new district headquarters and city jurisdictions are automatically gazetted as urban, thus, reclassifying the population urban.
6. **Creation of more Electoral Constituencies.** Each city will have 3 representatives in Parliament. According to the Ministry of Local Government, each city will have three MPs. Two will represent the divisions within the cities and one Woman MP, just like the district representatives. This implies that the 15 cities will have a total of 45 representatives in Parliament further increasing the cost of public administration.
7. **Unclear Governance Modalities.** The Term of office of the elected leaders in the Municipalities will expire in May 2021. It is not yet clear how the current leadership will transit into the leadership of the new city especially for those cities beginning on July 1, 2020. It is also not clear who will be the accounting officer for the new cities. Will it be a town clerk, a Chief Administrative Officer or another officer higher than these two? How will these cities be different from Kampala Capital City? Will there be a city authority in charge of each of these cities?
8. **Deficiencies within the existing laws.** The Local Government (LG) Act (Section 4) states that a City is equivalent to a district. This implies that a city is supposed to operate like a district. However, the structure of the city and the district are different and so are their needs and services they provide. There are no existing staff structures for these cities. Also, their leadership or governance structures for both political and technical leaders are different. This is likely to create challenges in management of these cities.
9. **Lack of Minimum Standards for the Cities.** The created do not have any existing minimum standards for their operations including nature of infrastructure, social services, industries etc.
10. **Unplanned Horizontal Growth of Cities.** This unplanned rapid horizontal city growth will cause structural and socioeconomic challenges for the earmarked cities including poor land tenure system; low levels of physical planning; lack of an integrated transport system; challenges related to environmental management; development of slums and

unplanned settlements, urban poverty exacerbated by high unemployment levels; poor infrastructure for markets, water and health service systems and housing; and severe challenges of crime, crowding, congestion and pollution. These cities will have to work backwards in terms of creating a physical plan appropriate for a city; something akin to putting the cart before the horse.

- 11. Unclear Management for Created Cities.** The Approval of the new cities by Parliament on April 28, 2020 was not preceded by rigorous analysis and forward planning. It is not clear whether they will operate as dynamic industrial hubs or as expanded administrative municipalities. Their governance structure is not clear. The legal framework under which they will operate is not clear. Their funding modality too is not clear.
- 12. Land Rights and Conflicts.** Unclear property rights and land-related conflicts in Uganda reduce agricultural output by about 8 percent<sup>6</sup>. Data from the UNHS 2010 show that 37% of land could not be sold, 34% could not be rented, and 44% of land could not be used as security for a loan.

## Conclusion and Recommendations

Urbanisation is a welcome trend. But there is a need for adequate preparation for an area to be gazetted a city. There is a need for adequate infrastructure in terms of transport, markets, health facilities, electricity, and industries among others. Most of these cities have annexed rural areas to build up population requirements for city status. How will these cope? Physical planning for these cities is a critical ingredient for organised cities. Otherwise, these will mushroom into large slummy settlements. To mitigate this, we recommend the following;

1. There is a need for the development and implementation of a rapid development strategy to enhance the fiscal autonomy of the new cities. This should include:
  - Support for industries in which proposed cities have a locational advantage, such as tourism and agribusiness.
  - Bolstering existing initiatives under the Buy Uganda, Build Uganda Policy by establishing a local content unit to identify existing capacity and constraints across industries, and deepen linkages between local firms and foreign investors in industrial parks.
  - Establish regional and sector-specific public entities to coordinate regional/cross-district and sector-specific approaches to economic development. 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.

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<sup>6</sup> Deininger and Castagnini (2004). "Causes and consequences of civil strife: micro-level evidence from Uganda." *Oxford Economic Papers*, 55, pp. 579-606.

- There is a need to fast-track infrastructure development in the created cities like Markets, upgrade of electricity power lines to support industrialization; road network; and upgrade of some health facilities among others.
2. There is a need to strengthen existing infrastructure, business clusters, and local government capacities so that cities can take advantage and attract investment.
    - Re-orient policy initiatives for job creation to leverage existing infrastructure and business clusters, encourage investment in larger geography, the cities.
    - Reinvigorate the push towards decentralisation, taking advantage of the political support for the declaration of new cities to promote additional policy autonomy and funding for local governments in emerging urban centers.
    - 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 level (IGC, 2019).
    - To ensure that its cities are both competitive and livable Uganda will require a comprehensive set of actions that will establish the necessary business environment required to create productive jobs; to provide a conducive working environment for workers; to develop good quality buildings for housing; to improve the quality of infrastructure; and ensure good access to social services like education and health care, transportation, water and sanitation services.
  3. Co-ordination of development of cities. The Ministry of Local Government that is responsible for urban administration of Urban Local Governments and supervision of programs related to urbanization should coordinate MDAs that have a role to play in Uganda's urbanization agenda.
  4. Planning must take precedence not implementation. It's important that urban planning takes place and focuses on key areas like infrastructure development before implementation can happen. Political interference, conflicting land-use policies, uncoordinated instructions between urban authorities and Ministry of Local Government. There is need to develop plans for these cities mainly focusing on land use and spatially distributed demographics; road and transport networks and land use and development regulations.
  5. Financial autonomy: there is a need to support these urban institutions to gain financial autonomy. These new cities should be given the liberty and freedom to collect taxes, generate revenue and plan better on how to use these resources without external interference. Furthermore, the wealth of these cities should be enhanced borrowing and debt raising and dealing closely with the private sector for PPP for infrastructure investment.
  6. Reducing land conflicts and overlapping land rights through encouraging land rental markets in areas of communal land ownership; strengthen capacity of land administration institutions to value land, manage land transactions and settle land related disputes.

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