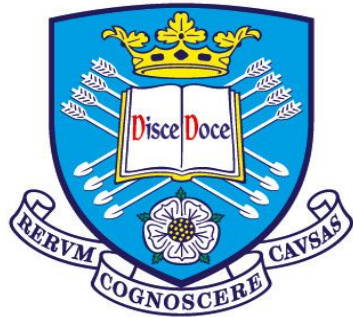


Access to Economic Opportunities in Kampala's Urban Slums



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Table of Contents

Executive Summary	3
Introduction and background	4
Economic Opportunities in Slums: Issues Addressed	5
Research Approach	6
Key Findings	7
Assets	7
Human capital	7
Financial capital	8
Physical capital	9
Environmental capital	9
Social capital	9
Vulnerability context: The urban slum	10
Transforming structures and processes: Private sector	10
Conclusion	10
Recommendations	11
References	11

Executive Summary

Kampala, Uganda's industrial and economic centre, has been praised for its recent economic growth. This growth, however, stopped keeping pace with the growing urban population since 2010. Commentators and aid-donors regard this as the reason for a persisting proportion of the city's urban poor continuing to live in substandard condition slums.

This report uses the Sustainable Livelihoods Framework to interrogate the relationship between Kampala's economy and life in the city's slums by presenting findings on the economic opportunities that inhabitants have access to. It is hoped that the subsequent recommendations will enable Kids Club Kampala and other organisations to support slum-inhabitants in sharing the benefits of Kampala's economic growth, and fundamentally improve the living conditions experienced by this segment of the urban poor.

Key findings

- Economic opportunities are fundamentally limited by the inability of slum-inhabitants to accumulate livelihood assets (e.g. skills and education, financial capital)
- Kampala's spatial disconnectedness opportunities in slums by segregating local markets and disconnected from the growing market in the city
- Private sector-led economic growth has not generally improved opportunities available to urban slum inhabitants. This is partially due to the policy framework within which growth has occurred.

Recommendations

1. Asset-building interventions are essential for improving access to economic opportunities. Vocational training and the provision of physical capital particularly stood out in findings.
2. A Sustainable Livelihoods Approach in planning programmes and interventions can ensure their success, by grounding programme design in the reality of the beneficiaries' capabilities.
3. Supplementing markets that slum-inhabitants can access by providing outlets for the sale of products can significantly increase opportunities available to skilled/semi-skilled firms and individuals; this would effectively complement existing vocational training programmes.
4. Asset-sharing and cooperation has the potential to increase access to opportunities and can be facilitated by NGOs and similar organisations with relevant community and stakeholder contacts

Introduction and background

Kampala is the economic centre of Uganda, housing approximately one third of the country's industry and half of formal employment (Hobson and Kathage, 2017). Uganda's growth, including the near quadrupling of GDP since 2000, has been largely driven by the private sector-led growth of Kampala's economy (World Bank, 2019). This has allowed the city, and Uganda as a whole, to be regarded as a success by various aid-donors and commentators, until the stalling of economic growth in 2010 (Fig. 1). This perspective links the comparatively low rate of economic growth since 2010 with failings in poverty reduction; this mirrors a consensus in mainstream economic development policy that economic growth is a fundamental development objective and reliably reduces poverty (Dollar and Kraay, 2004; Dollar et al. 2013).

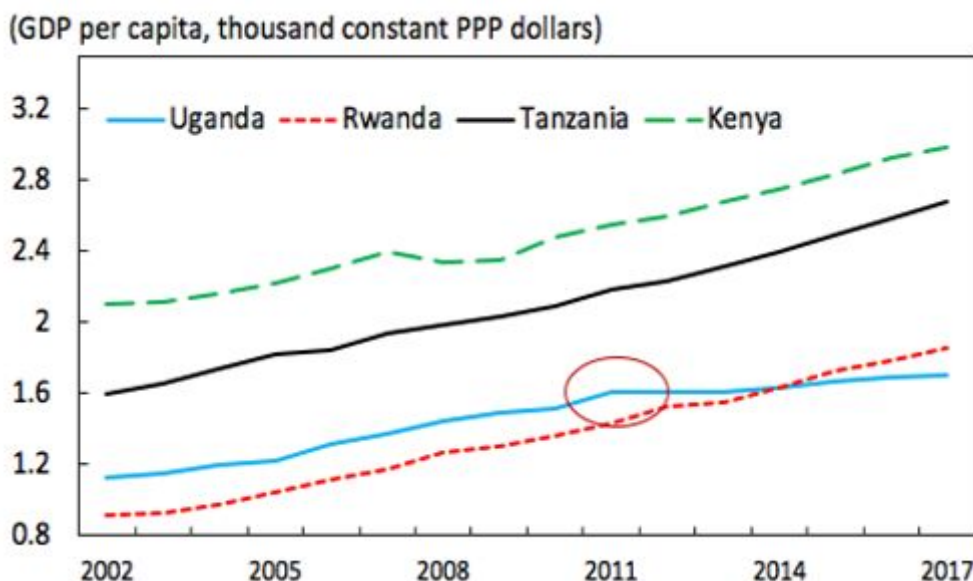


Fig. 1 (Source: IMF, 2019)

Alternative perspectives highlight that economic growth in Kampala has not been accompanied by significant socioeconomic benefits for the urban poor. Favourable poverty-reduction rates recorded by authorities and international agencies are superficial; these are largely based on income-poverty, which does not reflect the inequalities in the city, the effect of inflation on real wages or lack of access to essential services (e.g. healthcare) and infrastructure (e.g. electricity, transport) for the urban poor (Okounzi, 2004). Only ~15% of the population has reportedly completed secondary education due to costs associated with fees, transport, uniforms (UBOS, 2017). Additionally, only 7% of Kampala is served by sewer/water system, leading to vulnerabilities in accessing clean water (Richmond et al., 2018). Formal employment across the city is extremely low (~22%), which is explained by saturated unskilled labour markets, alongside the low level of skills/vocational training; available unskilled employment also returns low wages (UBOS, 2018; Hobson and Kathage, 2017). Informal employment is found to also return “subsistence level” wages (i.e. enough to sustain the household, leaving little scope for savings (Pietrus, 2014).

In Uganda, poverty and socioeconomic issues are pronounced in urban slums; Kampala is no exception. Housing in these settlements is poor, with only 17% being constructed of permanent roof, floor and wall materials (UBOS, 2002). Equally, slums are separated from the already limited formal services and infrastructure of the urban landscape, leading to exaggerated vulnerability in accessing necessary livelihood components such as clean water (Richmond et al. 2018). Overall employment in the slums is low at ~12%, while the proportion of low-income informal employment is higher than the rest of the city (Ngwomoya, 2017).

This report is based on a six week research project undertaken in Kampala, June-July 2019, with the NGO Kids Club Kampala (KCK). This research relates pre-existing literature on Kampala's economy to the lived experiences of slum-inhabitants, to understand the economic opportunities that were available to them and the determinants of access to opportunities. Research was conducted in three slums where KCK runs community-development projects. These were: Katanga, Namuwongo and Naguru. These were deemed appropriate research sites due to exhibiting the five significant features of urban slums: inadequate access to safe water, inadequate access to sanitation and infrastructure, limited living space, poor structural quality of housing and insecure residential status (UN-HABITAT, 2003).

Economic Opportunities in Slums: Issues Addressed

Economic opportunities are understood as any activity through which one furthers their economic interests, generally through seeking employment or trading. One's ability to access economic opportunities is a result of the stock of physical/financial assets, skills, attributes and abilities that an individual or group has available to them (these are termed "livelihood assets").

The private sector has been central to Kampala's growth; stimulating the private sector is a priority of government policy. For example the Kampala Capital City Authority's (KCCA) "enabling approach" to private sector development has led to spending on business infrastructure rapidly outgrowing other objectives, particularly in regards to social spending (KCCA, 2014). In spite of private sector growth, few benefits have reached the urban poor, as highlighted above. Commentators typically understand this to be a consequence of growth in tradable-industries being outpaced by population growth, compounded by rural-urban migration (Hobson and Kathage, 2017). As a result of this, employment opportunities have not kept pace with population growth.

This labour market gives rise to Kampala's large informal sector, which is used to seek out an alternative income-source. Informality is regarded as suited to the urban poor as opportunities can be created that do not require a significant amount of livelihood assets; for example street vending and clothes-washing require little skill, financial or physical capital

(i.e. equipment). However, the predominance of the informal sector is typically linked to urban poverty because of associated limited incomes (Iguadia et al. 2016).

Slums have a strong relationship with the informal sector. In Kampala's slums, informal employment is concentrated around the residential area, relying on effective demand within the slum (Goswami and Lall, 2016). The slum's economy is therefore unintegrated with Kampala's wider economy; informal opportunities available to slum-inhabitants are thus generally limited to the local area. Given the low incomes here, the effective demand for services in the slum's market is low, limiting economic opportunities (Keynes, 1936). Thus economic opportunities in slums are constrained by the segregation of slum-markets from larger economic growth in the city.

Research Approach

A qualitative approach was used in this research; data was collected predominantly through semi-structured interviews with a purposive sample of enterprises either based in one of the research sites or belonging to sectors typically employing slum-inhabitants (e.g. private security). Also interviewed was a random sample of slum-inhabitants. Data was supplemented by focus group discussions with individuals enrolled in KCK's vocational training projects as well as interviews with local headteachers and LC1 chairpeople.

This research adopted the Sustainable Livelihoods Framework (SLF) to guide the collection and analysis of data (Fig. 2). The SLF posits individual/group's access to economic opportunities to be a consequence of their livelihood assets, which includes: (human, social, natural, physical, and financial capital). The SLF shows that the stock of livelihood assets available to an individual, and ability to utilise said assets, is conditioned by "vulnerability contexts" and "transforming structures and processes", which generally lie outside the individual's immediate influence.

Questions were therefore designed to gain an understanding of the livelihood assets that slum-inhabitants have, and how these are used to access opportunities. The lived experience of slum-inhabitants can therefore be related to the overall spatial and economic landscape of Kampala.

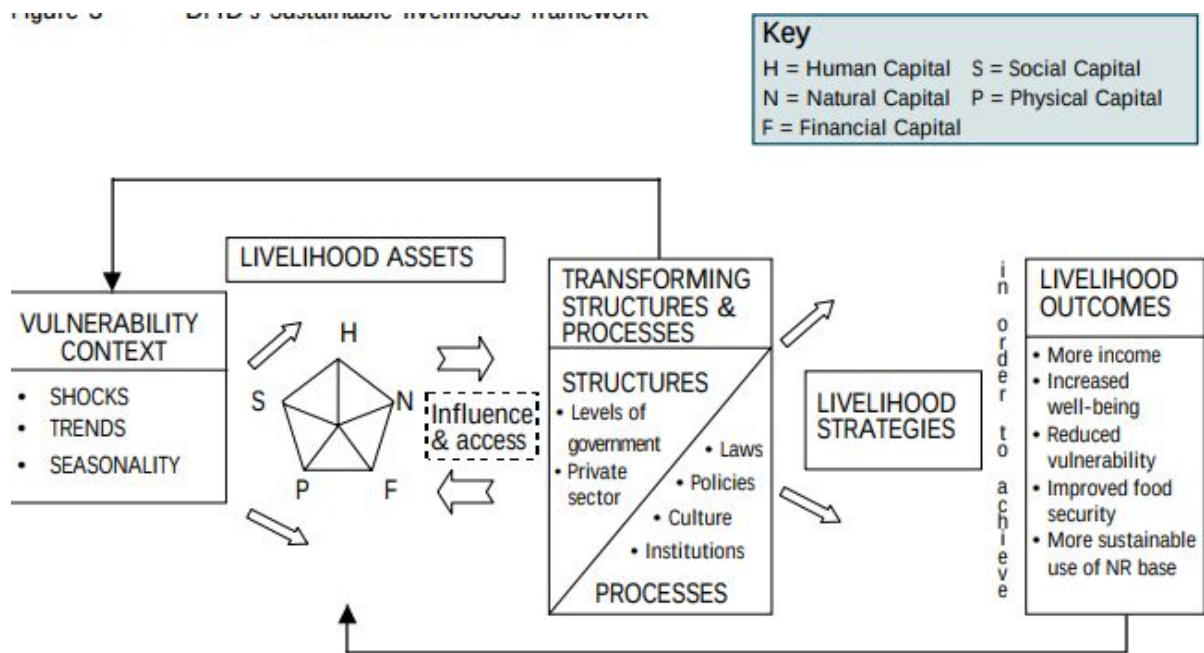


Fig. 2 (Source: Ashley and Carney, 1999)

Key Findings

The following presents an overview of the livelihood assets available to inhabitants of Kampala's urban slums. Subsequently, these findings are used to highlight the context/structures/processes limiting the acquisition and use of livelihood assets and economic opportunities.

Assets

Human capital

At an individual level, human capital is the stock of skills, attributes and abilities that a person possesses. In accessing economic opportunities, skills and education are particularly important. Respondents in slums generally reported a lack of human capital. Barely any had completed secondary education, and the general level of skills was low. This is consistent with an LC1 chairperson reporting that most slum-inhabitants "*are illiterates*". Respondents indicated that both basic education and skills-based/vocational training were broadly inaccessible. Parents and headteachers expressed that the high costs associated with formal primary and secondary schools often led to high dropout rates. A headteacher from Namuwongo also reported that formal vocational institutes were unpopular due to their negative reputation and significant costs, concurrent with the literature surrounding Kampala's education system (Okou, 2002; Tukundane et al., 2015). While free training/education opportunities such as KCK's vocational programmes, are preferable, these are not always accessible. Respondents from the carpentry workshop discussed missing classes in order to "*find food*" for the day, meaning that any available economic opportunity must be sought in the time that could otherwise be used accumulating skills and

human capital. The number of students enrolled on the course had more than halved over the course of several months for this reason.

Human capital at a household level is the aggregate ability of individuals to contribute to household-costs with an income; a single-parent household with young children would be considered to have less human capital than a household with no children and work-ready adults. Household composition was found to vary in slums, however households almost invariably (except those in atypical advantageous situations, such as a mechanic's single-person household, with no dependants) lead to a situation in which the household's aggregate income is at an overall subsistence level, with no scope for saving (Fig. 3).

Income	320,000
Main income	250,000
Supplementary second income (estimated based on wages reported by others in the same role; respondent did not know his wife's income)	70,000
Regular expenditure	288,000
Rent	100,000
Food	140,000
School fees	48,000
Net	32,000

Fig. 3: Example reported regular monthly income/expenditure in UGX (limited to regular costs, not inclusive of irregular costs, such as medicine)

Financial capital

Financial capital was limited, reflecting high essential living-costs in proportion to wages leaving no scope for saving. While many commentators focus on the informal economy as a cause of low incomes, this feature also affected formal workers. Fig. 3 shows the incomes/expenditures reported by a security guard employed in a large formal company. The low income here demonstrates informality cannot be a predominant determinant of low incomes.

The lack of financial capital limits further acquisition of livelihood assets. It has been demonstrated that limited finances prevent slum-inhabitants from accumulating human capital (i.e. skills). The same applies to physical capital (i.e. equipment). Respondents from vocational training programmes in slums were unable to suggest where they would be able to accumulate the necessary start-up capital for tailoring and carpentry. It was expressed

that this would be the main barrier to using one's skills to access economic opportunities, affirming the sentiment of an LC1 chairperson that "*when you are rich everything you do becomes successful*" in Kampala, as financial capital determines access to other livelihood assets that can be used to access economic opportunities.

Physical capital

Physical capital is assets used in production and distribution processes, (i.e. equipment, machinery and infrastructure). Its lack in Kampala's slums is a result of limited financial capital. Lack of physical capital limits economic opportunities in various ways. Firstly, it was reported by mechanics, carwash sites, and welders that limited/faulty machinery at their workplaces hindered production. Additionally, firms invested in cheap and unsuitable machines to their own detriment. A carwash reported that machines obtained for the firm were "*Chinese and not of good quality*" and required replacing every three months, because higher quality machines cost four times the amount (4 million UGX per unit), which the business-owner is unable to accumulate for a one-off purchase. The inability to acquire higher quality equipment in the short-term reduces the overall income potential of the business significantly, in this case after a payback period of one year. Firms circumvented the costs of physical capital by cooperating on business costs. This was observed at mechanic and welding sites, where larger formal enterprises shared physical capital (e.g. equipment and workspace) and associated costs with informal self-employed workers in order to reduce costs.

Physical capital also refers to the infrastructure of the slum itself. Kampala is a disconnected city characterised by limited transport infrastructure and difficult transport routes, compounding the cost of transport systems across the city, which interviewees reported being too expensive to use (Goswami and Lall, 2016). Opportunities are broadly limited to local markets, explaining the corresponding high concentration of informal self-employment around slums. Businesses in the Naguru noted that they were able to reach larger markets through community market events, however these opportunities were infrequent (monthly).

Environmental capital

Because of the urban setting of the slum, environmental capital was not discussed by respondents, aside from weather; rain made work more difficult or impossible for firms without a sheltered workspace. Rain in Kampala also can cause flooding, making the already expensive and time-consuming transport across the city more difficult, preventing physical access to potential opportunities.

Social capital

Both informal and formal firms indicated a reliance on social capital. Low-income firms, both formal and informal, generally pointed to a reliance on customer-promotion of business; they valued being regarded as "*trustworthy*" and consistently demonstrating that their "*work is of good quality*". One individual also pointed to the ease with which one could find "*small work*" (i.e. largely informal temporary work) in the local area through social networks. Social capital therefore also seems to be important in seeking employment. Individuals in KCK's vocational

training classes expressed concern that they may struggle to find employment “*without connections*”. Given the spatial disconnection of the city, social networks of slum-inhabitants are likely to be broadly limited to the local environment, further limiting opportunities.

Vulnerability context: The urban slum

As highlighted above, the spatial context of Kampala and its slums usually leads to economic opportunities for slum-inhabitants being limited to local markets. While firms and individuals reported buying inputs and commodities from town centers and markets, their customers were generally limited to the local community. This was not the case with skilled professions, such as mechanics, reflecting a greater demand for them in Kampala’s city-wide economy. For the majority of firms, the local market exclusively constitutes the demand for products/services. Given that these local markets are characterised by low-incomes, the overall effective demand for products/services is significantly lower, constricting the general availability of economic opportunities in employment or trade. For this reason, slum economies are essentially segregated from the city - overall economic growth may not induce proportionate local economic development, or greater access to economic opportunities.

Transforming structures and processes: Private sector

Consensus suggests that growth in tradeable industries offers the best way to enhance economic opportunities for the unskilled urban poor, as this creates demand for unskilled labour (Hobson and Kathage, 2017). However, empirical evidence in Kampala contradicts this. Respondents indicated that they did not feel that access to economic opportunities had quantitatively increased or qualitatively improved (e.g. in terms of income). Additionally Fig. 3 highlights the case of a worker in security, a tradeable industry which has seen massive growth in Kampala (Kirunda, 2008). Contrary to orthodox supply-demand logic, which suggests that increased demand for labour will return a higher price (i.e. wage), this individual’s income has remained at a subsistence level. An LC1 chairperson noted that this was the case across Kampala’s formal private sector, and was caused by firms “*feeding on the employee*”. This situation is facilitated by the KCCA’s “enabling approach” to private sector development, which prioritises market liberalisation, limited public spending, and rapid infrastructural developments to encourage investment into tradable industries, but does little to redress the limited distribution of increases to income per capita (Bourguignon, 2004).

Conclusion

This report highlights that limited economic opportunities in slums are generally a result of limited livelihood assets. In spite of the heterogeneity of circumstances, slum-inhabitants generally share the inability to accumulate livelihood assets. Additionally inhabitants are limited by the context of the slum itself, which is economically segregated from Kampala’s economic growth. Unevenness in economic growth and limited income distribution is

facilitated by the government/KCCA “enabling approach” to economic growth, prioritising private sector development over social investment.

Recommendations

1. Asset-building interventions are essential to improving access to sustainable economic opportunities in slums

Focusing interventions on building specific assets offers the most direct way to support slum communities in the context of limited scope for market reform. Given that slum markets have been found to be segregated from the city’s wider economy, this ensures local economic growth with community-wide benefits, as multiplier effects are more likely to reach other enterprises in the slum (Domanski and Gwosdz, 2010)

2. A Sustainable Livelihoods Approach (SLA) can enhance the success of asset-building interventions.

As limited financial capital means vocational students must prioritise “*finding food*” (i.e. working) over training, programme design can be altered to include low-cost supplementary interventions, such as food provision. Therefore SLA offers a framework to design accessible programmes.

3. The slum itself fundamentally limits inhabitants’ access to markets in Kampala. NGOs, government bodies etc. are well positioned to facilitate greater market access.

NGOs have the capacity to organise events, such as market days, that evidently provide slum-enterprises access to wider markets. Additionally, setting up shops/outlets for producers would provide easier access to Kampala’s wider markets. This would be well-integrated with existing vocational training programmes, particularly carpentry and tailoring.

4. Encouraging asset-sharing and cooperation can help overcome limitations in assets.

Given the success of asset-sharing already in reducing capital-costs per business, NGOs are well placed to facilitate the practice, due to their organisational framework and contact with communities, stakeholders and businesses. As well as encouraging asset-sharing, this organisational capacity also offers the opportunity to act as a communication network, connecting individuals with employment opportunities.

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