

BALAZA TIMOTHY (2007-03-MBA-PT-010)

The Impact of Infrastructure Development on Productivity of the Informal Sector in Uganda

The study was aimed at determining the impact of infrastructure development on productivity of the informal sector in Uganda. Good infrastructure lowers the cost of production thereby having a positive correlation with high productivity. The study was guided by the following objectives: to survey the state of infrastructure in the country; to examine trends in productivity; to find out if there is any relationship between infrastructure development and productivity; to determine the challenges facing infrastructure development; and to explore policy recommendations. A time series and descriptive cross-sectional survey research designs were used to collect and analyse data. A multistage sampling technique was employed on selecting the informal sector respondents in the study area. Secondary data were obtained, where the researcher needed statistics concerning a particular variable and trends, from published reports. Primary data used to provide additional information, were collected through detailed interviews with persons involved in informal sector activities. The data were edited and analysed both qualitatively and quantitatively. Quantitative analysis involved descriptive, bivariate correlations and regression analysis. The results show that infrastructure in Uganda is in a poor state. The infrastructure in big towns like Kampala, Jinja, and Mukono is relatively much better than in smaller trading centres and in rural areas. However, the results show that over the years Uganda's productivity has varied a lot as a result of several other factors such as political instability, Official Development Assistance, economic policies, and Foreign Direct Investment, and evidence from correlation and regression analysis revealed that infrastructure positively impacts productivity. Nevertheless, results from the qualitative interviews carried out with informal sector enterprises involved in informal trade revealed that infrastructure development results into increased productivity of the informal sector, and that some of the challenges facing infrastructure development in Uganda are: lack of capital/funding; low purchasing power of residents in some areas; lack of skilled labour; poor government policies; lack of capacity to guarantee efficient infrastructure project delivery, utilisation and maintenance; the need for expanded involvement of the private sector in the ownership and management of economic infrastructure; and government's public spending composition. The study, therefore, recommends that in order for the government of Uganda to meet its goal of poverty alleviation, focus should be placed on developing both the social and economic infrastructure in most parts of the country; government expenditures should be shifted from unproductive sectors like public administration and security to growth generating sectors of the economy like transport, energy, water, agriculture and health, more technological/vocational institutions should be set up to train more people in the management, design, construction, operation and maintenance of the various infrastructures; the private sector should be encouraged to be more involved in the development, ownership, and management of infrastructure; and member countries of the East African Community should consider developing a joint regional development plan for infrastructure which would ensure that the meagre resources that individual countries have or could source from development partners are utilised effectively.

Key words: Infrastructure, Development, Informal, Productivity