HARNESSING THE DEMOGRAPHIC DIVIDEND

Accelerating socioeconomic transformation in Uganda

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The 'demographic dividend' is the accelerated economic growth that may result from a rapid decline in a country's birth rate and the subsequent change in the population age structure. With more people in the labor force and fewer young dependents, a country can exploit this window of opportunity for rapid economic growth if the right social and economic investments and policies are made in health, education, governance, and the economy to enhance economic productivity and ensure that there are ample quality jobs for the "surplus" labor force. Such policies helped propel Malaysia, South Korea and other East Asia Tigers harness a sizable demographic dividend and achieve phenomenal socioeconomic development since 1970s. Achievement of the development ideals articulated in Uganda's Vision 2040 can be enhanced through the demographic dividend if Uganda adopts similar policies and simultaneously prioritize empowerment of women and their partners to reduce fertility, enhance quality of human capital, and reform the economy to increase productivity and creation of ample jobs for the "surplus" labor force.

"Uganda's young age structure can be turned into a valuable asset for achieving the socioeconomic transformation envisaged in Vision 2040 if birth rates decline rapidly. This will create a population with more working age people than children, which can accelerate economic growth if accompanied by investments in education, health, economic reforms to create quality jobs, and accountability in service delivery and use of public resources."

Key Messages

- About half of Uganda's population is less than 15 years old. As noted in Vision 2040, such a young population is a barrier to economic development because it makes it difficult for families and the Government to provide adequate investments in education, health, and empowerment of women.
- Rapid decline in fertility through investments in family planning and female education will create a "surplus" labor force and open the window opportunity for accelerated economic growth.
- For this to translate into development, Uganda should also prioritize investment in human capital development so that the "surplus" labor force is well educated, skilled, innovative, and healthy.
- To harness the demographic dividend, Uganda should also prioritize enhancement of its economic infrastructure and export oriented economic reforms, and enforce accountability in the use of public resources in order to attract investments and create mass quality jobs for the "surplus" labor force.

Population Change and Development in Uganda

Over the past three decades, child mortality has declined steadily while birth rates have remained high in Uganda. This imbalance has resulted in high population growth and a youthful population with just over half of its population comprising children aged less than 15 years. The population has grown from 9.5 million in 1969 to 35.3 million in 2013 (UBoS Statistical Abstract, 2013), and according to United Nations Medium Variant projections, it will grow to 83 million by 2040 (UN Population Division, 2013).

Having many children makes it difficult for families and the government to make the requisite investments in education and health, needed for developing the quality human capital needed to achieving socioeconomic development. Savings are low because parents spend most of their income on basic needs for children and it is difficult to increase economic productivity and create more jobs with a labor force that not well educated and skilled.

High unmet Need for Family Planning

The number of births per woman has declined slowly from 7.1 in 1969 to 6.2. The slow decline in fertility has been attributed to persistence of cultural beliefs that favour many children, early marriages and high school dropout rates for girls, and low demand, supply, and use of contraception. The ideal number of children in 2011 was 4.8 for all women and 5.7 for all men (UBOS and ICF, 2012). The wanted fertility rate, which measures age specific fertility rates for births that were desired, is 4.5. Therefore, Ugandan women are having 1.7 children more than the number they would like to have, meaning that actual fertility would be about two children lower if all unwanted births were avoided through effective means of contraception.

In 2011 only 26 per cent of Uganda's married women between ages 15 and 49 were using modern contraception and 34.4 percent of married women who wanted to postpone or avoid pregnancy were not using an effective family planning method, and are categorized as having unmet need for family planning (UBOS and ICF, 2012).

Population Momentum

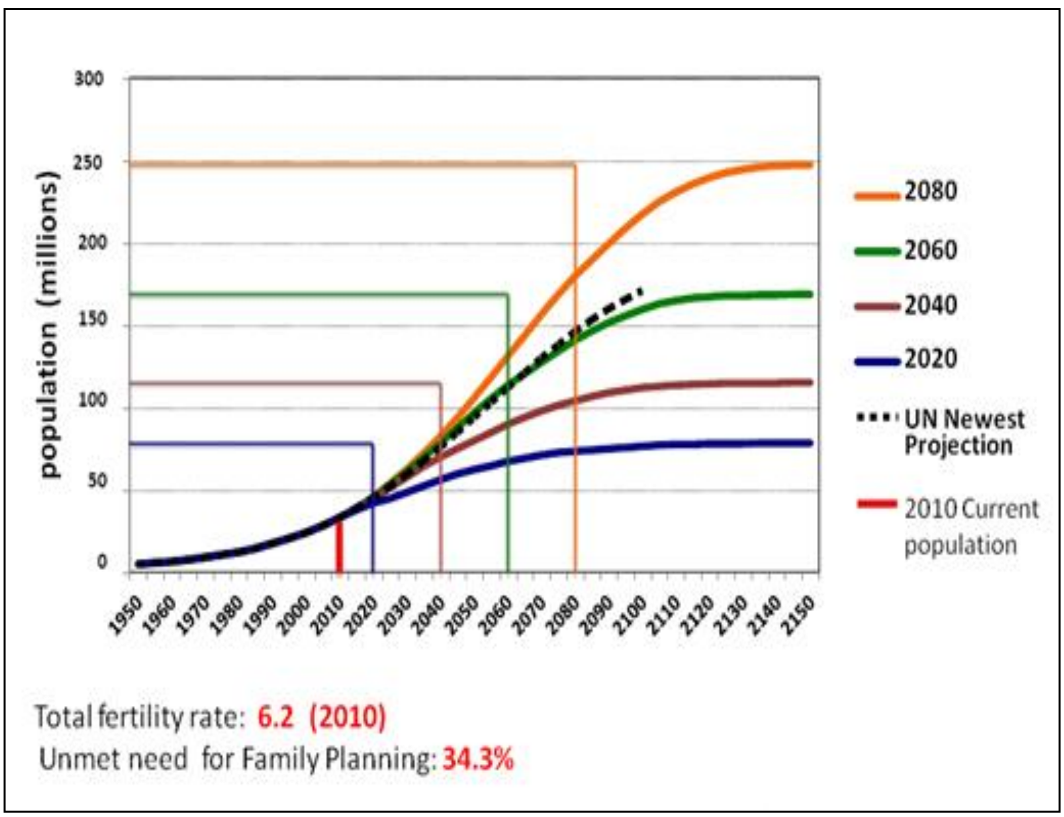
Because of a long period of high fertility, Uganda's population has inherent momentum to continue growing for at least another century even after reducing fertility to replacement level of about 2 births per woman. For instance, if the current level of fertility of 6.2 children per woman declines to 2 births per woman by 2040, Uganda's population will continue growing and only stabilize at about 170 million people around the year 2100 (Figure 1). However, if replacement level fertility is reached in 2080, the population will stabilize at about 250 million around the year 2030. Therefore, **Uganda is guaranteed to have a big population due to past and current high fertility and concentration of young people who are yet to enter childbearing age**.

In order for Uganda to turn its guaranteed big population into a valuable asset for socioeconomic transformation and harness the demographic dividend of the magnitude enjoyed by the Asian Tigers like Malaysia, it should do much more than the status quo in addressing cultural, socioeconomic, psychosocial, and contraceptive supply bottlenecks that are preventing decline in fertility. South Korea and Malaysia managed to reduce their fertility rate from 6.3 to 1.5 children and from 6 to 2.5 children, respectively between 1960 and 2000 by prioritizing family planning, education and empowerment of women (United Nations, 2013).

Urbanization

Another phenomenal change that Uganda's population is poised to experience is the increase in the proportion of Ugandans living in urban areas. **The UN projections show that the proportion of the urban population will increase from the current level of 17% to 37% by 2050 (United Nations, 2012).** Given the massive advantages that urbanization has traditionally provided to national socioeconomic transformation efforts in developed and emerging economies, effective management of the urbanization process can augment attainment of the Vision 2040 goals. However, due to poor planning, rapid growth of urban population, low investment in urban economic infrastructure, and inability of urban economies to generate quality mass jobs, main cities like Kampala are dysfunctional and the majority of urban residents are living in abject poverty, lacking basic social services and stable livelihoods. UN-Habitat estimates that about 60% of urban population in Uganda lack basic amenities such as descent housing, sanitation, and safe water supply and are, therefore, likely to live in slum settlements (UN-HABIATAT, 2013). Efforts to achieve socioeconomic transformation in Uganda should, therefore, include prioritization of development of urban economic infrastructure, including energy, communication, and mass transportation systems and provision of quality basic social services, amenities, and livelihoods for the rapidly growing urban population to address the growing incidence of urban poverty clustered in slum settlements.

Figure 1: Projected effect of population momentum on the size at which the population of Uganda would stabilize by different years when replacement level fertility (approximately 2.1 births per woman) is attained



Source: *AFIDEP and Venture Strategies, 2011*

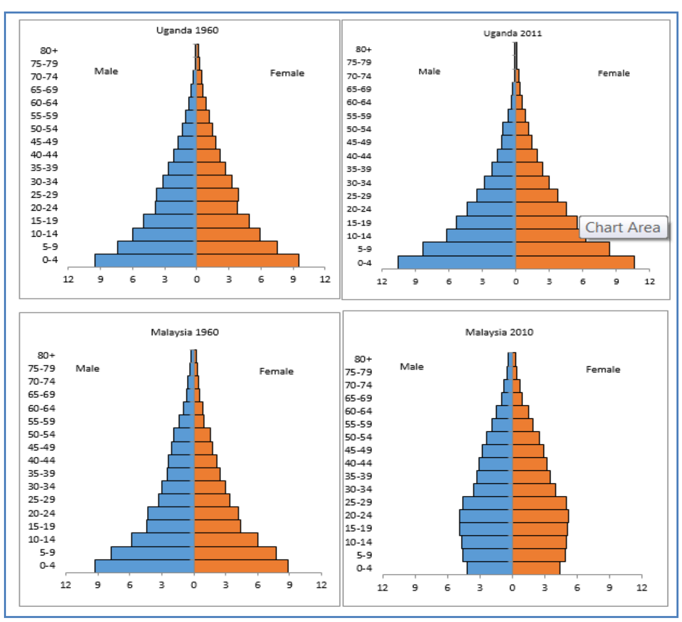
It Has Worked Elsewhere, it Can Work in Uganda

Uganda has a host of opportunities it can leverage on to steer economic growth. The young age structure presents an opportunity for economic development. If birth rates decline rapidly, Uganda's age structure will change, resulting in a population with more working age people than children, which if the appropriate investments are put in place, can accelerate economic growth. The country's development blue print; Vision 2040 provides a solid foundation on which to unleash the country's full development potential.

The steady growth of the economy over the past decade, favorable macroeconomic environment and other emerging economic opportunities including discovery of oil, and other mineral resources, increasing foreign direct investment, and growing regional integration and partnership with the East provide a glimmer of hope that the country can decisively address its development bottlenecks and achieve the socioeconomic transformation envisaged in Vision 2040. Countries like Malaysia and South Korea were at the same level of development and had the same level of fertility and similar age structures as Uganda in the 1960s (Figure 2). However, they took a drastically different development path through sustained investments in family planning, education, health and export-oriented economic reforms that helped accelerate economic growth and job creation. Uganda's population dynamics and the emerging economic opportunities can be turned into a valuable demographic dividend if the country can adopt the policy roadmap similar to that followed by the East Asian Tigers.

Analyses of the phenomenal socioeconomic development experienced by the East Asian countries show that the demographic dividend could account for a quarter to a third of the economic growth that these countries experienced between 1970 and 2000 (Bloom and Williamson 1998; Mason 2001).

Figure 2: Comparison of age structure; 1960-2010 (Uganda and Malaysia)



Source: *UN World Population Prospects, 2013; UBOS*

Policy Responses and Actions for Harnessing the Demographic Dividend

Experience from the Asian Tigers and other regions like South America shows that the comprehensive reforms that countries undertake in order to harness the demographic dividend can be categorized into the following five pillars or wheels:

- Demographic Transition (FP);
- Education;
- Health;
- Economic Reforms and Job Creation; and
- Governance and Accountability.

All the five policy pillars or wheels are interrelated and should be implemented concurrently in order to drive the country towards the economic prosperity that can accrue from the demographic dividend (Figure3). If any of the wheels breaks down or is dysfunctional, all the other wheels will be slowed down, thereby limiting the extent to which a country can harness the demographic dividend.

Figure 3: Policy wheels for creating and earning the demographic dividend

Source: *Adapted from Harnessing the Demographic Dividend: A PRB ENGAGE Presentation, 2013*

Modeling the potential demographic dividend in Uganda

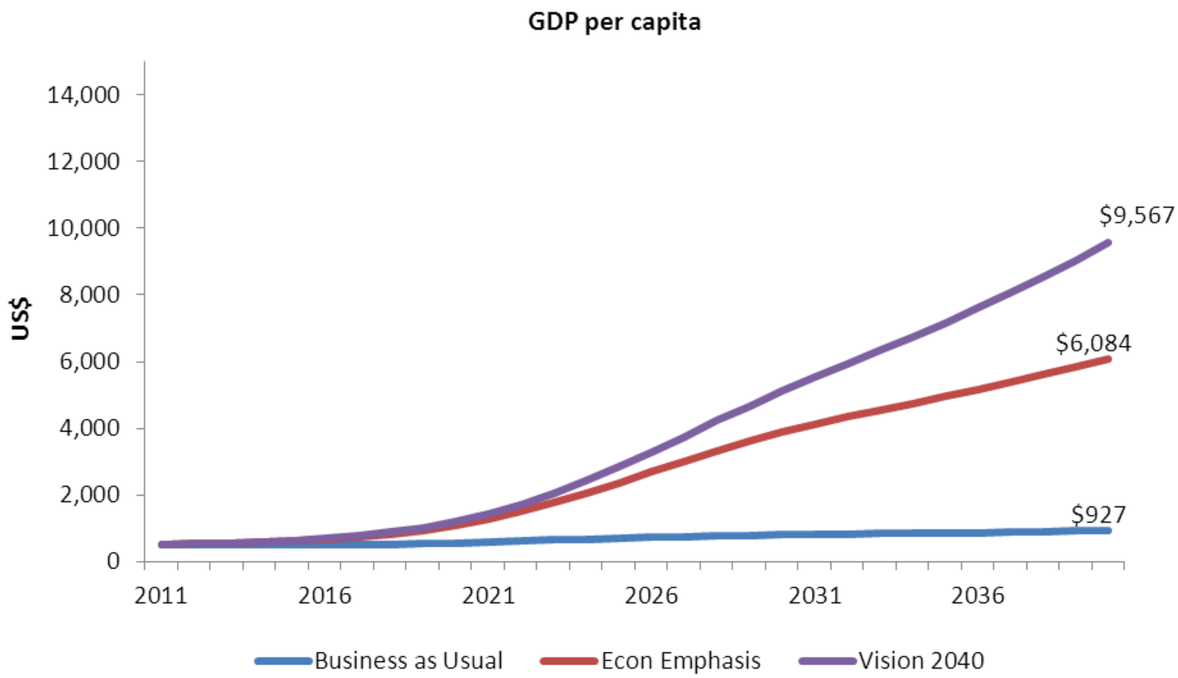
In order to demonstrate the potential benefits of the demographic dividend and illustrate the relative impact of various multispectral policies and investments required to achieve the demographic dividend in Uganda, we used the modeling tool DemDiv, developed by the USAID supported Health Policy Project (HPP) at the Futures Group. The modeling was based on three policy scenarios;

1. ***Business as Usual Scenario***, where the prevailing lackluster performance in both the economic and demographic environments continues (total fertility rate in 2040 at 4.8)
2. ***Economic Emphasis Scenario*** where Uganda prioritizes economic reforms and investments to the level articulated in Vision 2040 and enjoyed by the benchmark countries (South Korea, Malaysia, South Africa and Mauritius) (total fertility rate in 2040 at 4.8)
3. ***Combined Economic and Demographic Emphasis Scenario* (Vision 2040)** where Uganda prioritizes economic, social and demographic factors to achieve the socioeconomic transformation envisaged in Vision 2040 (total fertility rate in 2040 at 2.22)

The results show that Uganda can harness a sizeable demographic dividend if it adopts policies and priority investments aimed at creating a globally competitive economy that would accelerate economic growth and job creation on one hand, and accelerate reduction in fertility through voluntary and rights- based interventions and education, on the other hand.

The per capita Gross Domestic Product (GDP) would increase from USD 506 in 2011 to USD 927, USD 6,084, and USD 9,567in 2040 under the *Business as Usual*; *Economic Emphasis*; and the *Combined Economic and Demographic Emphasis Scenarios*, respectively (Figure 4). These results indicate that Uganda would achieve limited economic growth and development, in the first two scenarios, while in the combined one, the per capita GDP achieved would be slightly above the Vision 2040 target of USD 9,500. The difference between the *Economic Emphasis Model* and the Combined *Economic and Demographic Emphasis Scenario* (i.e. Vision 2040 model), USD 3,483 represents the demographic dividend that Uganda can harness by increasing family planning and education investments beyond the level of the *Business as Usual / Economic Emphasis model*.

Figure 4: Growth in Per Capita Gross Domestic Product by Policy Scenario (US$)



Source: *Author computations*

"Sustained investments in family planning, education, health and economic reforms can propel Uganda towards achievement of a per Capita GDP of USD 9,567 which exceeds the Vision 2040 target of USD 9.500"

Table 1: Summary of key findings

Indicator	Baseline (2011)	Business as Usual	Economic Emphasis Scenario	Combined Scenario
Total Population (million)	33	93	93	71
Population <15 (%)	52	45	45	35
Total fertility Rate (Number of children per woman)	6.2	4.8	4.8	2.2
Per capita GDP (USD)	506	927	6084	9567
Life expectancy at birth	55.7	63.1	63.1	71.2
Dependency ratio (Population 15-64 years divided by population <15 & 65+	1.07	0.91	0. 91	0.58
Gap between population 15+ and Employment (i.e. unemployed population)	5	33	24	20
Capital Formation (proportion of economic growth invested in fixed assets)	80	149	807	1356

Figure 4 and Table 1 show that Uganda can harness the demographic dividend of USD 3,483 if it reinforces its family planning and education investments to achieve the fertility and education levels that the Asian Tigers and benchmark countries achieved over the thirty-year period when their income grew so impeccably.

In the *Combined model*, the total population would grow to 71 million, a third of the population (35%) would be below age 15, and it would result in a marked shift in the age structure of the population, with a marked increase in the working age population. Life expectancy at birth would increase to 71.2 years. This model thus would help Uganda emulate the development path that the Asian Tigers and the other benchmark countries have achieved over the past three to four decades.

Due to the high population momentum that Uganda has accumulated over the years, there will remain a big gap between the employed population and those aged 15 years and above, even for the *Combined scenario*, and thus the country will have to use extraordinary strategies to accelerate economic growth and generate enough quality jobs for its youthful population and prevent political instability that may arise from unusually high unemployment rates.

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Policy Recommendations

Uganda should adopt a people-centered integrated development framework that simultaneously allows all the five wheels of the demographic dividend to move and reinforce each other. Below are specific interventions and policies that the country should adopt under each pillar in order to harness the demographic dividend.

Accelerate fertility reduction to open the window of opportunity

- Reinforce political will and investments in family planning at national and sub-national levels, building on the commitment to FP2020. This would go a long way in ensuring other sectors (beyond health) contribute to promoting voluntary contraception and fertility decline
- Reinforce evidence-based advocacy, monitoring and accountability mechanisms to ensure family planning is prioritized and commitments are operationalized
- Address barriers of demand, access and use of family planning commodities among married and unmarried couples by strengthening delivery of quality family planning services through health facilities, community outreach programs and other outlets
- Intensify educational campaigns through the media and other platforms to enable couples realize the benefits of smaller family sizes
- Delay onset of child bearing by promoting school progression and access to contraception for sexually active adolescents and young women
- Reinforce interventions to reduce child mortality through immunizations, Integrated Management of Childhood Illnesses (IMCI), nutrition, (Insecticide Treated Nets ITNs) and other interventions.

Improve the health status of the labor force

- Increase political will and commitment to health, including increasing budgetary allocations to health to at least 15% of the national budget as per the Abuja declaration
- Address health workforce crisis, especially in rural areas
- Ensure commodity security and efficient health infrastructure
- Prioritize child nutrition and coverage of other child survival interventions such as immunization, ITNs and IMCI.
- Address cultural factors inhibiting demand and use of readily available services such as immunization, maternity services and other reproductive health services
- Reinforce public-private partnerships in health care delivery
- Support development of health information systems and data use in decision-making to improve management and impact of health services.

Institute education reforms to produce quality human capital

- Increase political will and commitment to education, and increase budgetary allocation to improve school infrastructure and related recourses.
- Make strategic shift from universal primary education to universal secondary and higher education in order to develop high level innovation and productive skills.

- Address underlying causes of deteriorating quality of education at all three levels (primary, secondary and tertiary).
- Reform education curricular and teaching methods to focus on innovation, skill development, science and technology, and entrepreneurship.
- Address the huge geographical inequities in education coverage and gender differences at tertiary level.

Accelerate economic growth and job creation

- Modernize agriculture to enhance its productivity and develop value-addition industries.
- Improve urban planning and provision of basic social services for the urban poor and enhance urban productive infrastructure (transport, communication and energy) in order to make economic production effective and create a competitive environment to attract foreign direct investment (FDI), which is key for job creation
- Promote better quality expenditure & investment in agriculture; via improved budget processes aligned to well-articulated strategies.
- Modernize agriculture to enhance its productivity and develop value-addition industries.
- Improve urban planning and provision of basic social services for the urban poor and enhance urban productive infrastructure (transport, communication and energy) in order to make economic production effective and create a competitive environment to attract foreign direct investment (FDI), which is key for job creation.
- Attract more private investment into export-oriented industries with high job multiplier effects.
- Devise tax regimes that could provide positive incentives for FDI, with particular focus on employment-intensive enterprises
- Focus on promoting markets for tradable goods sector.

Enhance governance and accountability

- Reform macroeconomic policies and financial institutions to promote private savings and investment and attract FDI
- Effect industrial policies, strategies and interventions to promote growth of indigenous firms and entrepreneurship
- Adopt zero tolerance to corruption and institute strong accountability institutions to ensure that the law is enforced and those responsible for corruption held to account
- Improve efficiency and accountability in delivery of public services by improving local technical capacity in conducting evidence-based priority setting, resource allocation, program design, implementation and monitoring.
- Investments in infrastructure (energy, transport and communication).
- Design innovative mechanisms for agriculture financing.

Making it happen

The dividend period is a window of opportunity rather than a guarantee of improved standards of living. The Ugandan government should therefore make the requisite investments in a timely manner. A delayed implementation of socioeconomic reforms will lead to a missed opportunity and citizens will be stuck in a never-ending cycle of socioeconomic struggle. Tunisia and South Africa present two good illustrations of how a demographic transition that is not accompanied by sustained job-oriented economic reforms can get countries to miss out on harnessing the full demographic dividend. Both countries have high unemployment rates especially among the youth that has led to increasing unrest. Failure to transform the economy and ensure creation of ample jobs for the population can result in social and political instability when the youthful “surplus” labor force is not economically engaged. Uganda has a golden opportunity to avoid such an eventuality if it prioritizes and implements all the five wheels of the demographic dividend simultaneously and in a timely manner.

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This Research Brief is derived from the National Planning Authority (Republic of Uganda)'s 2014 report entitled: "**Harnessing the demographic dividend: accelerating socioeconomic transformation in Uganda**". The report was commissioned by NPA with support from UNFPA, to assess Uganda's prospects of harnessing the demographic dividend in the light of Vision 2040 and use the results of the study to inform the development of the Second National Development Plan (NPDII). The NPA led the Core Technical Team (CTT), which comprised the Population Secretariat, Uganda Bureau of Statistics, Partners in Population and Development and UNFPA. The CTT provided technical oversight of the project and validated and approved the report before submission to the Executive Director of NPA. The report was presented to and benefitted from feedback and advice from a broader network of representatives of key sectors involved in development of the NDPII.

The technical work in producing the report is led by Dr Eliya Msiyaphazi Zulu of the Nairobi based African Institute for Development Policy (AFIDEP), who is supported by Ms. Eunice Mueni. Other members of the Technical Team were drawn from the NPA (Dr. John B. Ssekamate-Ssebuliba and Ms. Judith Mutabazi); the Economic Policy Research Centre, Makerere University (Dr. Tony Muhumuza); School of Public Health, Makerere University (Dr. Nazarius Mbona Tumwesigye); the Uganda Bureau of Statistics (Mr. Vincent Fred Ssennono and Mr. Mark Kajubi); and UNFPA (Ms. Florence Mpabulungi Tagoola; Dr Tapiwa Jhamba, and Ms. Edith Akiror). The report also benefitted from technical input from the USAID-funded Health Policy Project at the Futures Group, USA. Dr. Scott Moreland of the Futures Group provided hands-on training to the technical team in the application of the Futures Group's new Demographic Dividend modeling tool to illustrate potential impact of various policy scenarios that Uganda can adopt in order for the country to harness the demographic dividend.

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