The urban population growth rate in Africa averages almost 5 percent per year over the past two decades.
The Context of Urban Development in Sub-Saharan Africa

The Demographic Setting for the Urban Challenge

Africa’s urban population growth has been very rapid—but the “take off” is yet to come. The urban population growth rate of Africa is historically unprecedented, averaging almost 5 percent per year over the past two decades (although official estimates are quite tentative in some cases).6 On average, the population of the Africa Region is now one-third urbanised,7 a proportion higher than South Asia’s 28 percent. As portrayed in Figure 2.1, Africa is approaching a demographic inflection point as the numbers of new urban residents are projected to rise sharply by over 300 million between 2000 and 2030—more than twice the rural population increment. This implies that much of the new demand for services and for jobs, as well as the supply of human energy to meet the countries’ future needs, will be appearing in urban areas.

At the same time, Africa is not structurally over-urbanising relative to patterns in other regions. Figure 2.2 shows that the rate of urbanisation (the urban share of total population) over the past 25 years (1975–2000) has not been rising significantly faster in the developing regions than was the case in currently industrialised countries when they experienced a similar transition. That is, the width of the bars is about the same for each region (including Africa) over similar spans of time, both in the past quarter century and as projected for the next quarter century when urbanisation is expected to peak in Latin America and the Caribbean (LAC) and Europe and Central Asia (ECA). In other words, structurally the regions are transforming (in terms of the spatial shift of population) at a similar pace—Africa being no exception. However, it is also clear that Africa is undergoing the transition from predominantly rural to predominantly urban while facing much faster absolute urban population growth rates. For Africa, the underlying dynamic of urban growth is that of the total population, driven by persistently high fertility and slowly declining mortality.

While there is no formula to suggest what an optimal level of urbanisation would be at any point in a country’s development, clearly many countries are con-
fronting bigger demands to manage urban areas than they appear able to handle. African urbanisation is also taking place in a context of severe constraints that many other country groups in other periods did not face—notably, full exposure to the pressures of global competition; more limited outlets for external migration (WDR 2003); and depredation of the productive workforce and of family security due to HIV/AIDS, which also drains the weak capacity of local administrations.

Africa’s urban landscape is not dominated by very large cities. Much public attention about urban growth focuses on the proliferation of “mega” cities (defined by the UN as those with more than 10 million residents) or very large cities (over 5 million residents). In 1970, Sub-Saharan Africa had no cities in the latter group; in 2000, there were two (Kinshasa and Lagos), and the UN’s latest population projections do not assume that this number will increase by 2015 (United Nations 2004). In countries with good urban management, the larger cities can be the most productive for a number of reasons, including especially their ability to match workers with jobs (Quigley 1998; Prud’homme 1994). Especially in Africa, the largest city in each country (regardless of its absolute size) makes a disproportionate contribution to the national economy—Addis Ababa, for example, with 2.6 million residents representing only 4 percent of the total population, accounts for almost one-fifth of GDP (Cour 2003). In many developing countries, especially in Africa, the quality of urban management is the first issue in realizing the productive potential of cities, regardless of population size.

Africa’s city size distribution is also not unusual. The share of the urban population in the largest city (the urban primacy rate) is also not out of line, on average, for Africa’s level of development, compared to that in the Middle East—
North Africa (MNA) and Latin America and the Caribbean (LAC) regions. Excessive urban primacy matters because it can entail a significant cost in economic efficiency. Urban primacy tends to be positively related to low per capital income, low trade integration, limited transport networks, non-democratic governance, and concentrated political power—characteristics shared by many African countries—and inversely related to geographic size (Ades and Glaeser 1995; Henderson 1999, 2000). The political and economic reforms underway in many of the African countries will tend to gradually redress most of these negative variables thereby reducing urban primacy naturally, even without active policy attempts to affect the relative weight of the largest city.

The urban population in Africa is widely dispersed across mainly small settlements, but not unusually so compared to other regions. As seen in Figure 2.3, Africa’s city size distribution is quite comparable to that of other regions at all income levels, although a slightly higher share of urban Africans live in the settlement class below 200,000 inhabitants—about 52 percent versus 42 percent for all developing countries.

About 12 percent of urban Africans live in settlements of 1 to 5 million people, almost the same proportion as in other developed and developing regions. This city size category, which has the greatest potential for urban productivity, poses major management challenges, especially for countries with very low incomes and weak administrative capacity. At the same time, sec-

FIGURE 2.2. Sub-Saharan Africa Is Undergoing Urban Transition with a Relatively High Urban Population Growth Rate

![Image of Figure 2.2 showing urban population growth rates across different regions.](image-url)

Note: Dotted line shows 1975-2000 period (actual); solid line 2000-2025 period (projected). Lines indicate increase in share of urban population between end-point years of these 25-year increments. All averages weighted by population.

Source: Reproduced from WDR 2003, p. 113.
Secondary and tertiary urban settlements tend to be the most rapid growing, and managing expansion alone is demanding. A further concern is that many of the secondary and tertiary urban areas have rather limited economic relations with each other and do not constitute an effective urban network—or an effective urban-and-rural circuit of exchange—because of the sparse domestic transport linkages.

Migration from rural areas is not the primary explanation for urban population growth. A common misconception exists that the vast majority of new inhabitants in urban areas are migrants from the countryside. Urban demographic growth has three sources: natural increase among existing urban residents, reclassification of formerly rural areas as urban, and internal rural-urban migration. While it is difficult statistically to separate reclassification from migration on the basis of census results, estimates consistently indicate that the median value of these two factors combined accounts for less than half (about 40 percent) of urban growth in most developing countries. Internal migration rates tend to rise in periods of economic growth and to fall during economic downturns.

In general, rural-to-urban migration can be explained by two forces: the attraction of economic opportunity in cities exerts a “pull,” while the limitations of opportunity in rural areas create a “push.” The latter may be stronger in some countries of Africa where agriculture has been stagnant or declining or where local conflict has devastated the countryside, even in the face of economic problems in the receiving areas. But migration research in recent decades has found that the traditional view of one-way movements mainly from rural to urban areas is by no means the whole story and is much less important in overall population mobility than are circular and seasonal migrations (Ellis and Harris 2004). Moreover, rural and urban boundaries are artificial distinctions to households, which often distribute members across different spatial and economic activities to diversify income sources and reduce risk. Options for migration, or, more accurately, population mobility, are crucial to ensuring sustainable livelihoods, especially for households facing constant uncertainty in climates and markets, as in Sub-Saharan Africa. Such mobility is essential as well to enable individuals to gain new experiences and income they can use wherever and however they perceive maximum utility.

In sum, the demographic picture in Africa is one of rapid and dramatic change—and yet not a situation that is anomalous or wildly out of line for the region’s level of development or relative to other regions. The real surge in Africa’s urbanisation is yet to come; it will occur in the next thirty years, when the urban population is projected to nearly triple and become the major-
ity. Most of this growth will occur due to the transformation of rural settlements at the urban periphery, as they become more densely populated and less dependent on agriculture, and to natural population increase in cities. Population mobility will contribute to the growth of cities, especially in the least urbanised countries, but many households will retain footholds in both the rural and urban economies. Both the large cities (over 1 million residents) and the many rapidly growing smaller cities pose major challenges for local government administrations with characteristically weak capacity.

The Urban Economy: Growing, Yes—But from Informal, Small-Scale and Vulnerable Enterprises

Urbanisation with urban economic growth. Across all countries over time, the level of urbanisation is strongly correlated to the level of economic development, but the annual growth rates of each are not closely linked since urbanisation often proceeds apace even in periods of economic stagnation or decline (Fay and Opal 2000). This becomes evident when comparing the levels of urbanisation and of constant GDP per capita over the last decade (between endpoints 1990 to 2003), for a large sample of developing and transition countries (Figure 2.4a). A positive linear relationship is overall quite clear, although some countries show increased urbanisation with no increase in income (near vertical lines) and even with declining income (backward bending lines).14

Looking more closely at Africa (Figure 2.4b), the linear relationship also emerges. Only 9 of the 24 countries shown15 are cases of “disconnect,” showing urbanisation rising in the face of negligible or negative economic growth. As might be expected, some of these have experienced civil unrest (Rwanda) or major transition (South Africa), although others reflect more complex issues of performance (Cameroon, Cote d’Ivoire, Kenya, Madagascar, Niger, Togo, and Zambia).
While between 1990 and 2003 some countries in Africa experienced increasing “urbanisation without growth” (Fay and Opal 2000), the urban trend is no more responsible for this disconnect or for explaining the weak growth performance of the economy than is any other phenomenon during this period, such as structural adjustment or reforms in governance. In other words, Africa’s “growth tragedy” in the 1990s has disappointed hopes and expectations of all sectors. Yet what is even more important to recognise, as illustrated below, is that the economic growth that has taken place in recent years in Africa is on the whole mainly urban-based. It has just not been sufficient to propel the countries into the rate of per capita income increase they need to overcome poverty sustainably.

**Breaking down economic growth by sector and source.** The “urban” contribution to national income can only be assessed indirectly as very few developing countries, and none in Africa, provide spatially disaggregated national accounts. A “local domestic product” is estimated for some major cities in South Africa—for example, the economies of Johannesburg, Cape Town, and eThekwini (Durban) together make up some 50 percent of the country’s GDP but represent only 20 percent of the national population (SACN 2004).16

A very rough approximation of the contribution of the urban-based activities to the national economy can be made from the secondary and tertiary sectors (industry and services, respectively), which in general take place in cities and towns, especially in terms of formal enterprise. Agriculture, the primary sector, is of course mainly rural-based, although urban agriculture is quite significant in developing countries.17
Recognising that some margin of error may lead to both overestimation and underestimation of the value-added produced in urban areas, Table SA2 in the Appendix summarises the sectoral shares of GDP, the annual growth rates of each sector, and the combined contribution of industry and services (the putative “urban share”) to overall GDP growth, over more than the past decade (1990 to 2003).

Surprisingly, African economies are no more reliant on agriculture (averaging 19 percent of GDP) than are those in the East Asia and Pacific region (EAP), and less so than those in South Asia (Figure 2.5a). The large share of services in Africa as more than half of total GDP is surprising as this is normally a feature of more developed countries, but in Africa the outcome reflects the relatively underdeveloped state of the region’s industry. The composition of services in Africa also represents lower-value activities (more basic trading, less information and banking intensive enterprises) than exist in the other regions.

Comparing the annual growth rates of each sector over the period reveals quite a mixed picture (Figure 2.5b). In most regions and income groupings, the services sector has grown more rapidly than has either agriculture or industry, while industry has tended not to lead and has sometimes trailed agricultural growth. In Africa, industry’s growth fell behind that of overall GDP over most of the 1990s (although it picked up in the second half of the period, as discussed below). Agricultural output in Africa has grown at about the average rate for low-income countries. Only East Asia and the Pacific (EAP), and to a lesser extent South Asia (SA), show a very vibrant growth rate for industry.

Combining the effects of sectoral share and sectoral growth rates gives the percentage contribution that industry and services have made to total GDP growth over the past decade (Figure 2.5c): from 79 percent in Africa to about 100 percent in ECA. Thus, despite the rather sluggish performance of industry in many cases, it is rare that the secondary and tertiary sectors combined fail to provide the main power behind overall development.
GDP growth. In Africa, industry and services fall below half of GDP growth only in Cameroon, Cote d’Ivoire, Malawi, Niger, and Rwanda, due to stronger agricultural performance in those countries during the period.18

It is also useful to look at which sectors have been the main sources of growth in the more recent period (1996 to 2003) when the African countries averaged a 3.4 percent annual increase in GDP, almost triple the rate of the previous five years. Figure 2.6 shows that all of the relatively strong performers (countries averaging at least 1 percent per capita growth during the 1996 to 2003 period), with the exception of Malawi, had positive growth in the nonagricultural sectors. This pattern is actually quite robust for other countries as well. Lopez (2005) finds, for a cross-region sample of 14 countries in the 1990s and for a much larger global sample from the 1970s to the present, that “(economic) growth has been high where the non-agricultural sector has enjoyed high growth rates and it has been low where that sector has shown low growth (i.e., growth is mainly driven by the nonagricultural sector)” (Lopez 2005, 10).

Despite the relatively stronger performance of the urban-based sectors, for most of Africa the growth of total GDP in per capita terms has been insufficient to achieve a turnaround in poverty. Clearly, countries need to mobilise more effectively all of their productive capacities—including not only agriculture, especially higher value-added crops, but also services and manufactured goods, which tend to sustain a high positive income elasticity of demand over the medium term.

Informality is the main game in town. The dominant story of production and growth in Africa, as in many other low income developing and transition regions, is in the informal economy. The informal economy workforce is estimated to account for 78 percent of nonagricultural employment in Africa, 93 percent of all new jobs created, and 61 percent of urban employment. Similar figures for Latin America
and for Asia are also significant but lower (Table 2.1). For women in Africa, the informal economy is estimated to represent 92 percent of all job opportunities outside of agriculture, overwhelmingly as self-employment or own-account work (ILO 2002). While the nonagricultural informal economy cuts across all sectors and locations, it flourishes especially in urban areas because its activities are essentially demand-driven and therefore responsive to population concentrations (Cour 2004).

The contribution of the informal economy to nonagricultural GDP tends to decline with level of development. In Africa, this share is currently estimated to average about 40 percent and even amounts to 31 percent in Asia (Table 2.2). The contribution of the informal “non-primary” (nonagricultural) activities has been estimated to be as much as one-third of even total GDP in Cameroon (Club du Sahel and PDM, 2004, 14). Thus, failures to adequately account for this activity could lead to a statistical under-appreciation of economic output, especially of urban areas in Africa.

While it was once commonly believed that the informal economy is entirely marginal and unproductive, growing evidence in all developing countries illustrates its contributions in output and its importance both to workers and to consumers (for example, see Malone 1999 on Mexico). Such findings make a case for enabling policies. In South Africa, surveys reveal that the openly unemployed are less well-off than are persons in informal employment and that the latter activities may have significant entry barriers, such as required experience and social networks (Kingdon and Knight 2003). A survey of the informal manufacturing sector in Nigeria found, however, that most such enterprises appear profitable for their owners but generate little employment through firm growth. They often remain very small and undercapitalised and have minimal transactions with larger, formal sector companies (CBN/NISER/FOS 2003). A parallel study looked at
informal distributive trading, which has grown to dominate the informal economy in Nigeria because real production, such as manufacturing, has been discouraged by infrastructure bottlenecks and by macro instabilities. Such circumstances have discouraged risk-taking entrepreneurship and have favoured short-term, rent-seeking activities, such as merchandising. The studies found little exchange between the informal manufacturers and traders, however, and neither group reported using formal banking channels (CBN/NISER 2003).

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Structural constraints limit the economic returns to urbanisation—as to other developments. In much of Africa where informal, non-wage employment is the norm, the concern to policy makers should not be that this activity is “unhealthy” or unproductive, but rather that it has not been accompanied by a robust growth of formal enterprises in the urban areas that should be able to foster them. Even though economic growth has predominantly depended on
secondary and tertiary activities, as indicated above, neither of these sectors is very deep or buoyant. The decline over the past decade (1992 to 2002) in industry’s share of GDP in Africa has been termed an “effective de-industrialisation” from what was already a shallow base (Fox et al. 2004). This decline resulted from the retrenchment of public sector enterprise due to adjustment programmes, while formal sector wage employment has failed to pick up the slack and expand. What industrial sector growth took place has in some cases, for example, in Ghana, represented activity in mining rather than in manufacturing. Not surprisingly, the share of manufactures in total merchandise exports averaged less for Africa in 2000 to 2002 (35 percent) than for any region except Middle East and North Africa, where fuels dominate (WDI 2004).

Despite urbanisation, several structural features and disadvantages that limit economic transformation and the maturation of firms confront many of the African countries. One of the main reasons for the soft performance of African industry is that, compared to low income Asian countries, total factor productivity is much lower and the share of indirect costs is much higher. This makes African companies that would attempt to export noncompetitive and discourages domestic investment (Eifert, Gelb, and Ramachandran 2004). The growth taking place in manufacturing and services therefore derives mainly from small scale enterprises using low skills and low capital endowments and operating mainly in response to domestic demand and therefore limited by it.

A second and related problem is that transport costs, whether local, regional, national, or international, for the typical African country are at least twice those of its Asian counterparts (Starkey et al. 2002). Transport costs are one of the main factors favouring agglomeration, but inordinately high costs burden even urban-based production by impeding the growth of a balanced city system and the development of external markets. Compared to the rest of the developing world average, tropical Africa also has less of its population within 100 km of a coast (25 versus 66 percent), greatly reducing accessibility, and it has almost twice Asia’s share of population living at low density, which implies high costs for delivering services (Sachs et al. 2004).

Third, Africa has a relatively high share of population living in disadvantageous ecozones (tropical or arid). The Region is also depleting

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<tr>
<th>TABLE 2.1. Relative Importance of the Informal Economy in Employment</th>
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<tbody>
<tr>
<td>Informal Workforce, as share of:</td>
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<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Nonagricultural employment</td>
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<tr>
<td>Urban employment</td>
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<td>New jobs</td>
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<tr>
<th>TABLE 2.2. Contribution of the Informal Sector to the GDP in Selected Developing Countries*</th>
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<tbody>
<tr>
<td>Country (year)</td>
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<td>-----------------------------------------------</td>
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<tr>
<td>Northern Africa</td>
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<tr>
<td>Sub-Saharan Africa</td>
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<tr>
<td>Benin (1993)</td>
</tr>
<tr>
<td>Cameroon (1995–96)</td>
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<tr>
<td>Kenya (1999)</td>
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<td>Mozambique (1994)</td>
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<td>Tanzania (1991)</td>
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<td>Latin America</td>
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<td>Colombia</td>
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<td>Mexico (1998)</td>
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<td>Peru (1979)</td>
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<td>Asia</td>
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<td>India (1990–91)</td>
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<td>Indonesia (1998)</td>
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<td>Philippines (1995)</td>
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*Note that estimates in this table are based on informal enterprises, not all informal workers. Some estimates of informal value-added are included in official national accounts, but not necessarily to the extent indicated in this table.
its natural resource base at a rapid rate, as indicated by land per capita endowments that have fallen by almost half in several countries between 1960–69 and 1990–90 (Sachs et al. 2004; WDR 2003). This trend reflects population growth as well as reductions in the quality of land and water available for effective cultivation. African farming has continued to depend on extensive production rather than shifting to intensive (higher productivity) cultivation, which would be key to rural transformation (World Bank 2002a).

The cruellest factor draining Africa’s development impetus is, perhaps, the scourge of HIV/AIDS. In countries with high prevalence, including the region’s largest economy, South Africa, the economic cost of the epidemic may be far worse than the often-cited estimate of an annual loss of one percent of GDP (Bell, Devarajan, and Gersbach, 2003). Studies have confirmed the impact to the private sector, especially of high absenteeism, and the tendency for firms to shift these costs back to households through reduced benefits and to government, especially at the local level, where municipalities face increased demands on services and reduced repayment capabilities (Rosen and Simon 2003). The epidemic is much of the reason why Africa’s hard-won investments in human capital and other assets, including administrative capacity, become underutilised and degraded.

Conclusions on economic growth. Probing the sources and potentials of economic growth in Africa is important because it is widely recognised that sustaining high income growth is a necessary condition for a significant reduction in poverty, although it is not a sufficient condition in countries with high inequality (Dollar and Kraay 2002; Kraay 2003). It is estimated that, assuming continued population growth of 2 percent per year, cutting poverty rates from 47 percent in 2001 to 22 percent by 2015, in line with the Millennium Development Goals, would re-
quire that the real GDP of African countries grow by at least 6 percent per year, or slightly less if inequality improves (Iradian 2005). Only four countries—Botswana, Mauritius, Mozambique, and Uganda—sustained growth rates close to this target in the past decade, thanks to strong industry and services (see Appendix Table SA2). Clearly, all of the productive potential of the countries must be mobilised much more forcefully if a durable decline in poverty is to be ensured. It is argued here that the productive potential of these sectors located mainly (and more favourably) in urban areas should be a particular focus of national growth strategies because of their comparatively strong performance in Africa as in other regions. This would be particularly true in the African countries with relatively unfavourable or declining natural conditions for agriculture.

**Urban Poverty: Already Significant, and Likely to Grow**

An almost universal finding in developing countries is that whether measured in terms of income, consumption, or expenditure, rural poverty rates exceed urban poverty rates, often by a very large margin, and rural poverty is deeper (further from the estimated poverty line). This result would be expected, given that urban areas provide a wider and deeper labour market, permitting higher incomes and capacity to pay for services, and that density of settlement and proximity to centres of government should allow provision of many services at lower per capita cost. Location in non-urban areas and sometimes even distance from cities are found to be markers for poverty in country studies.

Figure 2.7a shows the poverty incidence (headcount rates) for a sample of countries in Africa and other regions based on official data for both urban and rural aggregates. Given the expected real economic advantages of urban location, what is striking is not where the figures show wide gaps but where they are actually quite close—the urban poverty rate being within 20 percent of the rural rate for Ethiopia, Kenya, Malawi, Mozambique, and Nigeria. The magnitude of urban poverty is also significant by any standard, amounting to a third or more of the urban population, in Ethiopia, Gambia, Kenya, Madagascar, Malawi, Mozambique, Niger, Senegal, and Zambia. Incidence of this order in other regions is seen in Mongolia, Bangladesh, Bolivia, Ecuador, Honduras, and Nicaragua.

With projected urbanisation, the relative rural and urban poverty rates, if unchanged over the next twenty years, would imply a growing share of total poverty occurring in urban areas—approaching or exceeding the majority in Benin, Kenya, Mauritania, Mozambique, Nigeria, and Senegal (Figure 2.7b).

Urban poverty rates are not mainly a function of pressures from urban population growth. The correlation between these two phenomena is weak, with a coefficient of 0.41 for the cross-regional sample, 0.22 for the Africa subsample alone (Figure 2.8). This indicates that urban poverty is not simply a matter of queuing for jobs and services. The phenomenon of urban poverty can reflect various economic and institutional factors, varying across cities in the same country. As a general rule, access to essential services is better, and income poverty rates are lower, in larger versus smaller cities, although it is especially difficult to generalise for Africa.

There are many methodological issues with the measurement of poverty in any context, rural or urban. One type of problem (acknowledged in the Burkina Faso poverty assessment, World Bank 2003d) is that poverty surveys may fail to differentiate estimated poverty lines sufficiently between rural and urban areas based on respectively higher price indices, which should be even higher for large cities than for smaller ones, and thereby can overestimate urban purchasing power. A related issue is that the consumption basket used to estimate an urban poverty threshold may take insufficient account of the nonfood expenditures that urban households must make to meet their basic needs, given that virtually all consumption requires a cash outlay. For example, the official poverty line as a multiple of the costs of a “mini-
mum food basket” ranges from 1.0 in Burkina Faso (nonfood expenditures are assumed to be equivalent to food expenditure) to 2.0 in Chad, while in the United States, a coefficient of 3.0 is used (Satterthwaite 2004a).

Estimates of actual expenditure on nonfood items do not reflect whether households’ nonfood needs are being met—for example, when they walk long distances rather than take public transportation to work or report consuming limited quantities of water. Non-monetary costs of obtaining water can be very significant in urban areas, despite reported physical proximity to supply points, because of the sheer numbers of people depending on them. It has been shown that in 10 urban sites in East Africa, for example, for households lacking in-house connections, the average queuing time for water rose from 28 minutes per day in 1967 to 92 minutes in 1997 (Thompson et al. 2000).

Assessing the nature and extent of urban poverty requires looking beyond monetary measures. Some deprivations result from issues of affordability, which may explain, for example, the food insufficiency reported in the Benin poverty assessment as being equally prevalent in urban as in rural areas (World Bank 2003c). But low income is not always the barrier. Problems in obtaining adequate infrastructure and social services, health and education status, and personal and communal security can reflect underlying institutional obstacles and social exclusion that even middle-income households cannot fully surmount, as further described below.
Disaggregating urban access data reveals the extent of intra-urban inequalities. As would be expected for reasons listed earlier, the Demographic and Health Surveys (DHS) confirm that in all major developing regions rural residents almost invariably have much lower rates of access to infrastructure services (either piped water on premises, flush toilet, electricity, or all three) than even the urban poor. At the same time, there are large, statistically significant gaps between the access of the urban poor versus the urban non-poor, and these gaps are often greater than those between the urban poor and the rural residents. This observation is a testament to urban inequality and institutional rigidities rather than to absolute resource constraints in urban areas. In many cases, extending services from the better-off to the less well-off neighbourhoods nearby would cost much less than would extending those same services to the more remote and scattered rural populations.24

Neighbourhoods of extreme deprivation in terms of basic services and local public goods—typically informal settlements, which often lack secure tenure and are located in environmentally precarious sites—are home to a majority of the population in most African cities (for example, 72 percent in Douala and 62 percent in Yaoundé, Cameroon) (World Bank 2004a). For all of Africa, over 70 percent of the urban population is estimated to suffer shelter deprivation in terms of inadequate housing, water supply, or sanitation (UN-Habitat 2003).25 In many developing countries, the informal settlements or slums house a mix of socioeconomic classes,
including middle-income residents. Real differences in welfare, such as certain health outcomes, can be seen between residents and nonresidents of such settlements. These differences would be expected to appear especially for aspects of welfare that cannot be privately purchased through the market, so that even having disposable income is no guarantee of access. Such dimensions of welfare would derive especially from local externalities and public goods, which determine many of the vulnerabilities that urban households experience—those relating, for example, to an unsanitary environment. The widespread lack of sanitation standards adequate to urban density helps to explain why the MDG target of reducing infant mortality is projected to be met in urban areas in only one-quarter (6 of 24) of the countries studied by Sahn and Stifel (2002), even less than in rural areas where 10 of 24 countries are projected to be on-target. So-called “neighbourhood effects” can also be seen in the exposure that residents of some areas face in terms of the threat of crime and violence, which are often very spatially concentrated within cities.

The urban population is dependent on cash income to purchase all of their necessary goods and services, including food. Therefore, macroeconomic shocks, including cuts in government expenditures with fiscal adjustment, tend to hit urban areas particularly hard. Such effects were seen in Zimbabwe after the combined fiscal retrenchment and drought in the early 1990s (Ersado 2003). In Burkina Faso and other West African countries, the devaluation of the CFA regional currency and related structural reforms led to a proximate rise in urban poverty (Grimm and Gunther 2004). These impacts reflect the vulnerability of the urban population to food price increases and to declines in public sector employment, which then have second-order effects on the urban poor as overall demand for their labour and services declines.
In comparing changes in asset poverty and in seven education and health indicators between DHS periods in African countries, the Sahn and Stifel (2003) dataset reveals that only in 8 out of 24 countries have the majority of these indicators shown greater improvement in urban areas than in rural areas (or less deterioration in urban than in rural areas). The urban areas showed relatively better improvement than rural areas in terms of asset poverty, neonatal care, and contraceptive use—indicators in which urban areas might be expected to show advantages reflecting the supposed ease of infrastructure coverage and service access. In all the other indicators studied, however, including school enrolments, infant mortality rates, child stunting, and female adult malnutrition, urban populations improved less (or worsened more) than did the rural populations.\(^2\) These indicators could reflect multiple inadequacies, including deteriorating service quality and social and institutional barriers to effective access to services.\(^2\)

In brief. Urban poverty is clearly a major challenge, both in income and non-income measures, in Africa as elsewhere. The growth of urban populations and increasing urbanisation will enlarge the numbers of urban poor and will most likely raise their share among the country’s total poor, but this trend will also tend to dampen the overall incidence of poverty, since urban areas usually offer lower risks of poverty. In explaining urban poverty, it would appear that factors other than the pressures of urban population growth are at play and that institutional failures represent an important explanatory factor. The fact that most welfare indicators are better for urban residents than for rural residents on average—often very much so—underscores the inherent advantages that urban areas confer, in access both to incomes and to other assets and benefits. It can also be easier to combat poverty in urban areas than in rural areas by providing opportunities for work and for services. The disparities that persist within urban areas have little economic justification, however, and clearly reflect political and institutional inequities.

The Institutional Setting: Urban Governments Becoming More Mature, from a Low Base

As in other developing regions, large numbers of the African countries over the past decade have established newly democratic processes at the local government level, with elected mayors or councils. These countries have also increasingly decentralised fiscal authority to these local governments—at least formally, although not always in fact.

Cities’ financial performance, and therefore also their performance in service delivery, depends in the first instance on the intergovernmental fiscal framework that determines their authority to tax and their access to various forms of central revenues (directly or through transfers). Local government revenue (including taxes and grants) and expenditure as a share of GDP varies widely across all regions, partly as a reflection of decentralisation policy. In the European Community, for example, local public expenditure averages 11 percent of GDP (spanning 31 percent in Denmark to 2.8 percent in Greece).\(^3\) Local revenue and expenditure each represent 1.4 percent of GDP for Mexico and range from 5 to 14 percent of GDP for a sample of transition countries.\(^4\)

In Africa, local revenue amounts to 5 percent of GDP in Uganda and 3.5 percent in South Africa (IMF GFS 2004), but the more common level is 1 percent or less, as in Benin, Burkina Faso, Cameroon, Côte d’Ivoire, Ghana, Madagascar, and Senegal (Chambas and Duret 2000). African local governments rely less on taxation and more on transfers than do more highly decentralised economies; however, in these last seven countries, local revenues represent no more
than 5 percent of central government receipts. An analysis of municipalities in Ghana, Madagascar, and Senegal found that their annual per capita revenues amounted to less than US$10 (Chambas and Duret 2000).

A common problem, for example in Madagascar, is that the tax and borrowing authority for the cities, especially the large cities and the localities facing rapid population growth, has not adapted sufficiently to their greater expenditure and service delivery obligations (World Bank 2001). A wide dispersion exists in the extent to which local governments use property taxation, which can be a buoyant source for cities. South Africa is unique in relying on it very extensively, for 72 percent of all local government tax revenues (IMF GFS 2004). Some countries have tried to eliminate local surcharges and fees as “nuisance” taxes, but without permitting the municipalities to replace them, thereby putting local government functions at risk.

State spending on investment does not necessarily make up for the lack of local capital funding. In Cameroon, less than 1 percent of state revenues is spent on capital expenditure for 18 cities, most going to the administrative capital (Yaoundé) and the economic centre (Douala) (World Bank 2004a). In Niger, only 8 percent of the national investment budget is devoted to urban areas (across all sectors), versus 80 percent to rural areas. The local governments in Niger, for their part, spend funds equivalent to 7 percent of the state’s urban expenditure, and the capital and maintenance budgets of Niamey are about two to three times those of the regional capitals and smaller urban communities combined (World Bank 2004c). In such circumstances, it is little wonder that in many African cities firms and households subsist by their own grit and that public services are almost nonexistent outside the wealthy neighbourhoods.

Although African municipalities continue to have very weak fiscal and administrative means,
elected local authorities are beginning to perceive their new potential and to look to each other for encouragement and good practice. Illustrations of this trend include a region-wide conference, “Afri-cities” held every three years by the Municipal Development Partnership since 1998, the formation of the South African Cities Network among the nine largest metropolitan cities in that country, and the creation in 2005 of a Council of Cities and Regions of Africa (CCRA) from the merger of three other subgroups on the continent with the aim of providing “a unified voice for sustainable local government development in Africa.”

This chapter has reviewed some of the main features and trends in Africa with respect to urban and local government development and the urban economies. The challenge is to harness the strong demographic momentum and energy of cities to lead the national economies forward with more sustainable income growth and poverty reduction. The next chapter discusses how urban areas can serve as resources and sources of strength to the advantage of the country’s development agenda, followed by an outline of the conditions and ingredients needed to realise these benefits.