

**The Cities Alliance**  
**2010 Consultative Group Meeting**  
**Mexico**  
**Tuesday, November 16, 2010**

I am delighted to represent Africa Region's Urban Sector at this important meeting.

I have been asked to present some of the key challenges we see today facing Sub-Saharan Africa's urban sector and to summarize some of the key themes of the Bank's strategy in this context.

At the same time, I will mention some important areas of partnerships with Cities Alliance in moving forward the urban agenda in the Region.

### **Urbanization in Africa**

Let me start with a few words about the urbanization process in SSA.

With a 4.5 percent increase annually, African urban population growth rates have been and will continue to be the highest in the world. Over the next twenty years, Africa's urban areas are forecast to accumulate an *extra* 300 million residents, bringing the total number of urban residents to about 600 million – thus implying close to a doubling of the urban population. **While these figures are only estimates, there is no uncertainty that urban growth in Africa is happening, and is happening fast.** In the next thirty years, the urban population will become the majority as it is already the case in some African countries such as Gabon

(where urban residents represent 85% of the total population), Mauritania (65%), Cameroon (53%), or the Republic of Congo (54%).

**There is therefore an urgent need to support the ability of Africa's urban centers to address the challenges of urbanization as it happens rather than act after the event. As the WDR 2009 Reshaping Economic Geography has confirmed, retrofitting urbanization is a major policy challenge.**

### **Importance of cities in fighting poverty and contributing to growth**

**Urban centers play a key role in fighting poverty and sustaining economic growth:** The WDR 2009 has confirmed what has long been known as a fact of development – no country in the world has achieved middle income status without urbanizing. I would like to emphasize here the importance of a proactive and positive response to urbanization by African Governments and their development partners. **Over the past decade, in Sub-Saharan Africa, industry and services (located mainly in urban areas) have contributed to 79 percent of total GDP growth. The ability to plan urban development and the availability of financing the urban sector as a whole will be important factors in sustaining Africa's economic growth and the fight against poverty in the coming years.**

### **Bank's urban strategy in SSA**

I would like now to present here some key themes underpinning the Bank's strategy in the urban sector in SSA. This strategy is fully consistent with the overall Bank's Strategy "*Cities in Transition, A Strategic View of Urban and Local Government Issues*", which was developed under Zoubida's leadership.

**The rapid pace of urbanization in SSA and the increased pressure on existing services and infrastructure requires us to radically shift strategy in the urban sector, moving away from the classic *project* approach to a *sector* approach and placing urban in the context of the *national* economy. Experience suggests that this approach is perhaps best implemented by strengthening the inter-governmental system which links cities to the *national* fiscal and regulatory system and investing significantly in the capacity of cities to deliver services and economic growth as *local governments*.**

**First theme -- Urbanization and decentralization need to be addressed**

**simultaneously**. The health of the city economies should not be of concern only to urban specialists or mayors. It is highly dependent on intergovernmental, sector, and macroeconomic policies at the national level. Our urban department has been working with national governments in many African countries (Tanzania, Ethiopia, South Africa, Mozambique, Ghana, and Mali) to help them analyze the pace and impact of urbanization and the policy and fiscal impacts of decentralization. These analyses, some of them made possible thanks to Cities Alliance, have led to better and more strategic investments in urban infrastructure, and to policy reforms that ensure that these investments are sustainable and responsive to actual needs on the ground.

**In this context, strengthening the capacity of cities and towns as local governments to manage urban development and provision of urban services in a sustainable manner is at the core of the Bank's interventions in SSA.**

Throughout our urban portfolio in the Region, we are therefore focusing on the financial viability of local governments by supporting increased (self)-generated revenues and supporting the predictability of resources transferred from the center

to the decentralized level of governments. This goes to addressing the challenge that in **many African countries, the local revenues represent no more than 5 percent of central government receipts (and less than US\$10 per capita)**. In Cameroon, less than 1 percent of state revenues are spent on capital expenditure for 18 cities. In Mozambique, the intergovernmental transfers amount to less than 1 percent of total revenues of the country, and are even capped at 1.5%.

The recent urban operations we financed in Ethiopia, Tanzania, Mozambique, and Uganda are good example of focus on urban centers in an intergovernmental context.

But, this agenda should not be seen as limited to Eastern and South African countries. In Western Africa countries such as Burkina Faso, Mauritania and Senegal are on the threshold of a historic development opportunity in the urban sector and are also countries for which decentralization is a top Governmental priority. These three countries have already set up intergovernmental fiscal transfer systems (“*Dotations Globales d’Equipement et Fonctionnement*” in Burkina Faso, “*Fonds Regional de Développement*” in Mauritania, “*Fonds d’Equipement des Collectivités Locales* in Senegal”) and our future urban operations will piggy back on these national systems to directly strengthen cities and towns.

**In this context, the Bank is supporting the implementation of the decentralization process and directly empowering cities to manage the urbanization process.** Ultimately, this approach, recognizes that urban is no longer a sector – it is a space in which development – macro stability, service delivery across health, education and infrastructure more broadly and poverty

reduction – unfolds. **Managing the governance of this space is what requires us to link urbanization and decentralization.**

**Second theme - Promoting City and Utility Networks across SSA Region as an important tool for catalyzing change.** The Bank is increasingly leveraging networks of cities and utilities across the Region, and this is again an area of partnership we expect with Cities Alliance. As an example, the water utility of Senegal (SNDE) and the water utility of Burkina Faso (ONEA), which have been supported by the Bank over the past few years and today show relatively high global water access rates in the urban sector, are now in a position to support other utilities. These utilities are therefore supporting other African utilities such as SODECA, the national water utility of RCA, REGIDESO, the national water utility in DRC, and SNDE, the national water utility of the Republic of Congo. The Bank has been playing a major role in this peer-to-peer learning, promoting and facilitating these exchanges.

This is again a shift in our strategy, embedding the cross learning approach as an important platform of our work on city and utility reform. **We would like to see even more South-South Exchanges, and Africa wide exchanges – across cities not just utilities, by leveraging Cities Alliance and its members.**

**Third theme - Cities and Climate change.** Cities and towns face increasing risks from water scarcity and floods, and in coastal areas, from sea level rise. For example, 40 percent of new rural immigrants entering Dakar, Senegal crowd into zones with relatively high flood potential.

Many of the largest cities in SSA are directly subjected to the impacts of a rising sea levels. The cost of the year 2000 floods in Mozambique was an estimated US\$ 550 million, lowering the country's GDP by 1.5 percent .

Climate variability is expected to especially affect coastal areas in countries such as Benin (recently impacted by floods and where it is estimated that about 5% of Benin's GDP would be impacted by a 1 m SLR), Côte d'Ivoire, Gambia, Guinea-Bissau, Mauritania, Liberia, Senegal, Guinea, Mozambique, Nigeria, and Togo (also recently impacted by floods). Disaster risk reduction faces major challenges including the lack of effective institutionalization and integration of measures in national and urban development plans; inadequate information management and communication systems, limited citizen involvement; and lack of mainstreaming hazard risk management into land use planning.

**Mayors are in the front-line when states confront disasters as local governments and communities are the first responders in any emergency. It is therefore important to strengthen the decentralization process, enabling local governments to better deal with Climate Change impacts. As an example, we are currently preparing a project in Mozambique which aims at reducing risks and vulnerabilities associated with climate change and natural disasters in some selected coastal cities. The project is to be funded by IDA (US\$60 Million) and leveraging US\$23 Million of the Climate Resilience TF. Here again, partnerships with Cities Alliance, along with partners such as UNEP will be key.**

As Sir Nicholas Stern so aptly pointed out, future economic growth paths of nation states will be urban based and whether these growth paths will be environmentally sustainable will depend on how city managers address the climate change agenda.

In the Africa Region of the Bank, we recognize this linkage and it will be an important theme of our Africa urban strategy drawing in particular the Eco City Agenda of the anchor unit led by Zoubida.

**Fourth theme - Addressing informality.** Informal settlements are home to a majority of the inhabitants in many African cities. In SSA urban and peri-urban areas, slum dwellers represent 72% of the total urban population (vs. about 50% worldwide). On current trends, the rate of slum growth substantially exceeds the impact of any attempts at urban upgrading.

We are financing important slum upgrading projects and community infrastructure upgrading projects, which provide basic services to informal settlements. However, **dealing with slum dwellers is not only a question of investment. It requires enabling cities to engage slum dwellers as citizens seeking economic security and rights. This is the approach undertaken in the Dar es Salaam Community Infrastructure Upgrading Projects but also in our new operation in Kenya, in full co-ordination with a development partners, including the Agence Francaise de Development (AFD).** In this regard, we believe that exchanges between India, Africa, and Brazil could be very informative and this is again an area where Cities Alliance can play a major role.

**Fifth theme. Cities and employment.** Urban centers are critical for productivity, entrepreneurship, and economic modernization. In this context, it will be important that urban policies strengthen cities as economic platforms. Here too, the linkage with informality is important. Most employment growth in Africa is happening in Africa's informal sector – how cities can act as incubators of economic and

employment growth by supporting the informal sectors is therefore an important area of work for us.

**Sixth theme – Supporting Post-conflict and fragile states:** Fragile States (about 20 countries in SSA) represent a priority for the Africa Region. Developing rapid and responsive interventions in post conflict situations is critical to enable cities to rebuild destroyed economic and social infrastructure assets and resume the path to growth and poverty reduction. A key is labor-intensive urban projects which bring quick and visible improvement to the urban environment while injecting cash into the economy. Rapid project preparation is essential and achievable, even in these difficult environments. As examples, we have been recently supporting urban programs in such environment in the DRC, Cote d’Ivoire, or Central African Republic.

But, the linkage between cities and fragility is even deeper. First, during conflict displaced population move quickly to urban centers to seek livelihood, and rarely go back to their region of origin. Supporting cities and towns is an important post-conflict agenda. Second, strengthening cities as *local governments* actually provides a platform for building a nation state from below. Strong cities and towns as efficient, effective and inclusive local governments may well provide citizens with the credibility that their fragile nation state is worth supporting. *Cities and towns may therefore be a channel for addressing fragility by being the link between the citizens and national governments.*



## **Investment gap and Partnership**

**To finish, I would like to mention the investment gap we are facing in SSA and emphasize the importance of building partnerships to address this gap.** At the Bank, our Unit's portfolio represents US\$5 Billion of investments in SSA, including about US\$3 Billion in the urban sector. While this is an important level of investment, one we hope to scale up in the coming year, at the same time, it is very little compared to the needs. Most African cities face a double challenge: even as they struggle to increase infrastructure **coverage and access** to services for the existing population, they are experiencing relentless **growth in demand** from new residents and businesses.

The **infrastructure gap across the SSA region is enormous.** A program to redress Africa's infrastructure deficit could cost around US \$93 billion a year, or some 15 percent of the region's GDP. It is estimated that Africa is now spending US \$43 billion on infrastructure which leaves an annual funding gap of about US \$50 billion.

**This clearly means that leveraging Government and all partners' resources under a common approach will be critical to move the development agenda in the years to come. Again, coordination and mobilization of partners represent an area where we believe Cities Alliance has been playing an important role and could be playing an even more important role given its unique position.**

Lastly, I would like to end with a **good example of partnership with Cities Alliance.** A few years ago, Cities Alliance financed dissemination of the Tanzania and Mozambique ESW studies on urbanization. The CA funding allowed to turn

studies that otherwise would have ended on a shelf into living documents that were widely disseminated, including their translation to local languages. The ESW gave origin to the ongoing urban interventions in Mozambique and notably Tanzania that has three operations which originated from that ESW: Strategic Cities; Dar Es Salaam urban operation and the follow up to the local government support program. Lastly, the CA funding has stimulated collaboration of numerous donors both during the study preparation (the Mozambique ESW had other 5 partners: Swiss, Austrian, Danish, German and UN-Habitat) and during project implementation in the form of parallel financing (Denmark in the case of the Strategic Cities Project in Tanzania). Cities Alliance was key in raising the urban profile, moving the urban agenda and enabling a true coordination among partners. Importantly, the AAA and operations are undertaken in close collaboration with other bilateral and multilateral agencies.

We highly value these partnerships and value the role that Cities Alliance can potentially play as we support our clients address Africa's urbanization challenge. But, this will require Cities Alliance to be far more strategic and enabling, very much in the mode of other Global Partnerships such as PPIAF and WSP that are important partners for us. I hope jointly we will give Cities Alliance the mandate and tools to play this important role. The relevance of Cities Alliance as a Global Partnership depends on this support.

Thank you.

Franck Bousquet

Program Coordinator, AFTUW