

UCLG LOCAL FINANCE AND DEVELOPMENT
COMMITTEE

FINANCING URBAN INVESTMENTS IN AFRICA

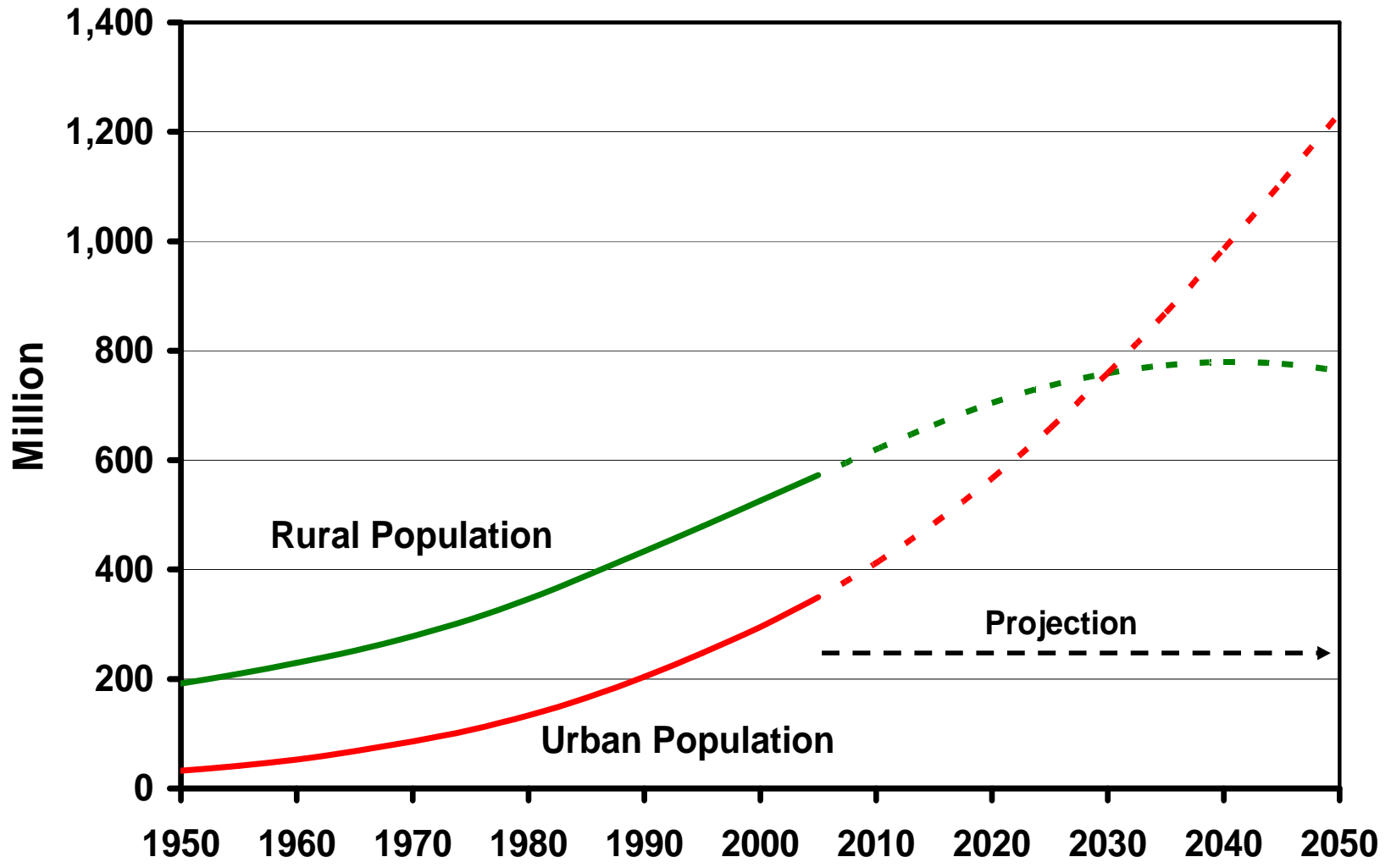
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RAPID URBAN GROWTH IN AFRICA

Figure : Urban and Rural Population in Africa 1950-2050



URBANIZATION TRENDS IN AFRICA

By 2030 African cities will host the double of the total urban population of 2010, i.e. approx. 760 millions distributed as following:

	1950	1980	2000	2010	2030
AFRICA	14,5%	27,9%	35,9%	39,9%	50%
East Africa	5,3%	14,7%	20,7%	23,7%	27,9%
Central Africa	14,0%	29,0%	37,2%	42,9%	55,3%
North Africa	24,8%	40,3%	48,4%	52,0%	61,3%
Southern Africa	37,6%	44,7%	53,9%	58,8%	68,8%
West Africa	9,9%	27,3%	38%	44,6%	56,5%

Africa has the highest urban growth rate in the world with an average of 3.3% between 1990 and 2000. The problem is that most of this urban growth takes the form of informal settlements and slums.

KEY CHALLENGE: FILLING THE GAP

Filling the gap of more than 20 years of underinvestment in African cities and at the same time cope with rapid urban growth requires a minimum investment of US 140 billion per year in the coming decade, out of which 30% should be provided by local governments, i.e. US 46 billion per year.

- To compare with the total amount of ODA: US 100 billion per year; or the total amount the World Bank invest in urban infrastructure in Africa: US 8 billion per year or the African Development Bank: 0.5 billion per year
- To compare with the amount of available local governments resources: 10 billion per year

HOW TO FILL THE GAP

FIVE MODALITIES WERE REVIEWED

Indirect Lending to Local Governments by development partners (Roundtable 1)

Direct Lending to Local Governments by development partners (Roundtable 2)

Financing by National specialized institutions (Roundtable 3)

Access to the financial market (Roundtable 4)

Financing through Local Government Own Revenues (Roundtable 5)

WHAT HAVE WE LEARNT?

LESSON N°1: THE IMMEDIATE FUTURE WILL NOT BE THAT FAVORABLE TO URBAN INVESTMENTS IN AFRICA

- Central government financial transfers to local governments will probably not be at the level of the needs.
- Development partners money for urban investments will not increase much.
- The future wealth of African countries is not easy to foresee despite the past ten years sustained growth of their economies.
- Local governments will no doubt be at the frontline in managing urban growth and its impact.

WHAT HAVE WE LEARNT?

LESSON N°2: FINANCING URBAN INVESTMENTS REQUIRES THE ADOPTION OF A MULTI-CHANNELS APPROACH

- Depending on the level and maturity of the decentralization process and of the financial system in each country.
- Depending on the quality of the dialogue on fiscal decentralization between the central and the local governments
- Depending on the planning, programming, budgeting and monitoring capacity of local governments administrations

WHAT HAVE WE LEARNT?

LESSON N°3: LOCAL GOVERNMENTS REMAIN HOWEVER KEY IN URBAN INVESTMENTS FINANCE

- Only their own resources can back their urban investments in a sustainable manner.
- They still have a good margin to levy local resources provided they apply appropriate mechanisms and tools such as using land value capturing and/or land development.
- Through access to financial market or the use of public/private partnerships, they can have a leverage effect on their savings that can boost their investment capacity.

WHAT HAVE WE LEARNT?

LESSON N°4: LOCAL GOVERNMENTS CANNOT BE INSTRUMENTAL TO URBAN INVESTMENTS IF:

- There is no true decentralization that recognizes urban investments competences to local governments.

- They don't have financial autonomy and the right to decide on the investments to undertake.

They don't have the right to borrow, go to PPPs or to issue bonds in the financial market.

- They cannot professionalize their administrations in order to be able to define and monitor the way they finance urban investments.

CONCLUSION

The workshop adopted a final declaration highlighting 9 conclusive recommendations addressing the main challenges facing local governments of Africa in urban investments finance.

The declaration called for the organization during the first half of the year 2012, of an international debate on the management of urbanization. The World Bank is ready to work with UCLG to organize such a meeting which will target ministers of finance, local government, town planning and urban development, local authorities, international institutions as well as the NGOs and private sector stakeholders.



THANK YOU