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The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction

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Abstract

This desk review asks how the ongoing processes of urban and local government development in Sub-Saharan Africa can and should benefit the countries, and what conditions are needed to achieve this outcome. The Region is facing close to a doubling of the urban population in 15 years. This urban transition is an opportunity as well as a management challenge. Urban areas are an underutilized resource that concentrate much of the countries' physical, financial, and intellectual capital. Therefore it is critical to understand how they can better serve the national growth and poverty reduction agendas.

The paper challenges several common "myths" that cloud discourse about urban development in Africa. It finds that urbanization in the region is not excessive or imbalanced relative to the experience of other regions. Internal migration, which is not the main source of urban growth, does not account for urban poverty. Migration appears favorable on balance for sending and receiving areas, and population mobility benefits rural and urban households as many retain a foothold in both areas to spread risks. At the same time, the absolute rate of urban growth creates a major management task, particularly in the secondary cities which tend to be the most under-serviced, as well as in large cities.

Although Africa has been frequently described as featuring a disconnect between urbanization and economic growth, in reality most of the economic growth that has taken place in the past decade derives from mainly urban-based sectors (industry and services), and this is especially true of the better-performing economies. But cities have clearly not lived up to their productive potential because of widespread neglect and bad management. Urban poverty is not mainly a function of urban expansion, nor is it a sign of failure of the urban economies in Africa. There is evidence that much of the deprivation in cities, and the emerging urban public health problems, relate to institutional failures that perpetuate social exclusion and inequalities between the urban poor and the urban non-poor.

Well managed cities and towns support the national development agenda by providing market demand and remittances for the rural economy (implying a virtuous circle); fostering entrepreneurship, economic modernization and diversification; reducing poverty by offering a deeper labor market, higher income earning opportunity, and better access to services; and creating the practical necessity for effective local governance and administration. But the simple concentration of firms and people does not guarantee that agglomeration economies will be realized. Many African firms are not experiencing the market efficiencies, ease of mobility and low transactions costs that better-managed cities could deliver, much to the detriment of the economy and competitiveness. Serious shortcomings in basic urban services, land, housing, and urban transport, and the severe shortage of fiscal resources for local governments mean that urban

firms and workers experience prematurely the downside of urban concentration—diseconomies such as high land costs, degraded public areas, threats to public health and emerging crime. Neglect of urban management therefore reduces the benefits and raises the costs of the major private and public investment represented in cities.

Addressing both urban advocates and urban skeptics, this paper takes a hard look at what the urban transition can offer national development, and what support cities and local governments require to achieve these results. It argues that rather than devoting more attention to debating the urban contribution to development in Africa, real energy needs to be spent unblocking it.

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FOREWORD

This study is motivated by the questions, “How does urban and local government development in Sub-Saharan Africa contribute to economic growth and poverty reduction? What are the conditions required for these positive connections to occur? What are the reasons if the linkages are less apparent than expected, and how can they be fostered?” The underlying concerns are that, especially in Africa: (i) we may not be sufficiently assessing and appreciating the real contributions of urban and local government development to economic growth and poverty reduction, and (ii) these linkages are actually less than they could or should be, for reasons of poor policy, institutional weakness, and inattention, among other factors. The intended audience is analysts and practitioners who advise governments on national development strategies, as well as those responsible for urban and local government policies and programs. The report attempts to clear up some common misperceptions about the ongoing urban transition in Africa and argues that building capacity, good governance and sound financial practices at the level of local government—within a strong and supportive intergovernmental framework—is essential to realize the potential of the growing cities and towns to further national development goals, including the MDGs.

EXECUTIVE SUMMARY

Sub-Saharan African countries (hereafter: Africa) face a formidable task to establish sustained economic growth through increased productivity, as the necessary basis for reducing poverty. Their situations are very diverse, with a few countries well established on an upward path, several others putting conditions in train for growth and good governance, but many more countries (and a majority of the African population) mired in place. The present paper asks how the ongoing processes of urban development—the demographic and economic transformation, and the management of cities and towns that result—can and should benefit all these countries, and what conditions are needed to achieve this. The urban transition is an **opportunity as well as a management challenge** for Africa. The urban areas are an **underutilized resource** that concentrate much of the countries' physical, financial, and intellectual capital. Therefore it is critical to understand better how they can serve the national growth and poverty reduction agendas.

The processes of urbanization and the growth of cities and towns favor national development by diversifying incomes, expanding options for more affordable service delivery, and opening horizons for innovation and skill acquisition. While there is ample evidence that cities and towns make such contributions to Africa's development goals, it is equally clear that the positive impacts are less than they could and should be. To promote more sustainable growth and poverty reduction, much more attention needs to be spent unblocking the productivity- and welfare-enhancing potential of urban areas.

The context of urban development in Sub-Saharan Africa

The demographic setting: not off the norm, but very demanding.
Somewhat paradoxically, the African countries on average are undergoing urbanization (raising the urban share of their population) at about the same pace as other regions, including the now-developed countries in their time. However, African urbanization is taking place in a context of severe constraints that did not face other country groups in other periods--such as full exposure to pressures of global competition; very limited outlets for external migration; and depredation of the productive workforce and of family security due to HIV/AIDS, which also drains the weak capacity of local administrations.

What is historically unprecedented is the absolute rate of urban growth in Africa—averaging almost 5 percent per year[1], implying close to a doubling of the urban population in 15

[1] Estimated rates of urban growth should be taken with caution because of incomplete census data in many countries. It should also be noted that urban and rural distinctions are more an administrative artifice than real boundaries, except at the extremes of density and settlement size.

years. The urban growth rate reflects the continuing high natural growth of population. And the "take off" in Africa's urban population growth is yet to come. On average the population of the Africa Region is now one-third urbanized, higher than South Asia's 28 percent. Africa is approaching a **demographic inflection point** as the numbers of new urban residents are projected to rise sharply by over 300 million between 2000-2030—more than twice the rural population increment.

The spatial pattern of Africa's urban population is not very unusual by international standards. Only about 15 percent of the urban population resides in cities of over 1 million inhabitants (about the same as other regions), while 52 percent (versus about 43 percent for other developing countries) live in urban areas of less than 200,000 people. Whereas cities below this size threshold in middle and high income countries typically have a reasonable asset base of infrastructure, external transport links, educated human capital and other basic services and amenities able to support factories and universities, many of the small African cities remain bereft of such features while facing rapid growth in new residents. In countries with good urban management, cities of one million or more inhabitants tend to be the most productive for a number of reasons, including especially their ability to match workers with jobs. Yet most African cities of this size range are completely unequipped, in facilities, finances or local government capacity, to meet the demands placed on them. Thus the potential of both large and small urban areas in Africa remains greatly compromised.

Migration from rural areas is not the primary explanation for the growth of cities as urbanization expands, as natural increase and the reclassification of rural areas are also important factors. The evidence on internal migration in African countries, albeit much of it anecdotal, confirms 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 circular and seasonal migration**.** Moreover, rural and urban boundaries are artificial distinctions to households, who often distribute members across different spatial and economic activities to diversify income sources and reduce risk.

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 its level of development or relative to other regions. The real surge in Africa's urbanization is yet to appear, in the next thirty years when the urban population will become the majority. Population mobility will contribute to the growth of cities, especially in the least urbanized countries, but many households will retain footholds in both the rural and urban economies. Both the large cities (one million-plus residents) and the many rapidly growing smaller cities pose major challenges for local government administrations with characteristically weak capacity.

The urban economy: where most economic growth is happening, but from a vulnerable base. Africa's economic "growth tragedy" of the past decades has disappointed hopes and expectations of all sectors. But "urbanization without growth" does **not**, in fact, describe what has been happening for most of the African countries examined here[2], which show a normal linear relationship between urbanization and economic growth, as found in other regions. Moreover, the economic growth that has taken place in the 1990s in Africa derives

[2] Excluding the smallest and most of the most conflict-ridden countries.

overwhelmingly from industry (including construction and mining) and services sectors, which are mainly urban-based. With very few exceptions, these secondary and tertiary activities accounted for at least 60 percent, and averaged almost 80 percent, of GDP growth in the region in 1990-2003. This is even more true of countries that have been the relatively good performers during the growth spurt of the late 1990s, as almost all of them derived most of their boost in value-added from the nonagricultural sectors. To the extent that informal activity (estimated to account for 93 percent of all new jobs created and 61 percent of *urban* employment in Africa) is undercounted statistically, the urban share of the economy is even greater.

But the growth record of these sectors has simply not been sufficient to propel most of the countries into the realm of per capita income increase they need to overcome poverty sustainably. Just as most agricultural output in the Region has represented extensive rather than intensive (high productivity) production, the industrial and services sectors persist with a more traditional than modern character. While the public enterprise dominance has faded, a competitive and entrepreneurial private sector has yet to materialize.

There are several structural features and disadvantages of many of the African countries that limit economic transformation and the maturation of firms, despite urbanization. Compared to the low income Asian countries, in African industry total factor productivity is much lower and the share of indirect costs is much higher, hampering export competitiveness. The growth that is taking place in industry and services derives mainly from small scale, informal enterprises using low skills and low capital endowments, operating mainly in response to domestic demand and therefore limited by it.

Transport costs, whether local, regional, national or international, for the typical African country are at least twice those of the typical Asian country, a factor that impedes 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 vs. 66 percent), greatly reducing accessibility, and has almost twice Asia's share of population living at low density, which implies high costs of delivering services. Africa has a relatively high share of population living in disadvantageous ecozones (tropical or arid). All of these spatial limitations could be lessened, and ultimately will be, by well-managed urbanization.

Perhaps the cruelest factor draining Africa's development impetus is the scourge of HIV/AIDS. The epidemic is much of the reason why Africa's hard-won investments in human capital and other assets, including administrative capacity, become underutilized and degraded.

In brief, probing the sources and potentials of economic growth in Africa is important because it is widely recognized 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. It is estimated that reaching the Millennium Development Goals would require real GDP of African countries to grow by at least 6 percent per year, or slightly less if inequality improves. 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. Importantly, these sectors tend to show a higher positive income elasticity of demand than traditional agricultural products especially over the medium term.

Clearly, all the productive potential of the African countries needs to be mobilized much more forcefully to ensure a durable decline in poverty. It is argued here that the sectors located mainly (and most efficiently) in urban areas should be a particular focus on national growth strategies because of their *relatively* strong historical performance in Africa, as in other regions. This would be particularly true in the African countries with the less favorable or declining natural conditions for agriculture.

Urban poverty: already significant, and likely to grow.

In virtually all of Africa, as in most other developing countries, rural poverty rates exceed urban poverty rates. This result would be expected, given that urban areas provide a wider and deeper labor market, permitting higher capacity to pay for services, and that density of settlement and proximity to centers of government allow many services to be provided at lower per capita cost. It is therefore striking that urban poverty rates are quite close (within 20 percent) of the rural rate in Kenya, Malawi, Mozambique and in two of the most populous countries, Ethiopia and Nigeria. The magnitude of urban poverty amounts to a third or more of the urban population in the first four of these countries as well as in Madagascar, Niger, Senegal and Zambia. With projected urbanization and assuming no change in rural and urban poverty incidence, in twenty years half or more of the poor would be urban in Benin, Kenya, Mauritania, Mozambique, Nigeria and Senegal.

Urban poverty is not simply a matter of queuing for jobs and services in rapidly expanding cities. The phenomenon of urban poverty reflects various economic and institutional factors. Since the urban population is dependent on cash income for all goods and services, macroeconomic shocks tend to hit urban populations particularly hard. Some forms of deprivation, such as evidence of food insufficiency reported in the Benin poverty assessment, result from problems of affordability. Physical proximity to social and infrastructure services does not guarantee actual access or affordability for slum dwellers and other poor urban residents. Non-monetary costs of obtaining water or using sanitary facilities can be very significant in urban areas, despite reported physical proximity to supply points, because of the sheer numbers of people depending in them.

There are large, statistically significant gaps between the access of the urban poor versus the urban non-poor to infrastructure and social services, even though extending services from the better-off to the less well-off neighborhoods nearby would cost much less than reaching the same numbers of people in remote and scattered settlements. Informal settlements (often lacking secure tenure and environmentally precarious) are home to a majority of the inhabitants in most African cities. For all of Africa, UN-Habitat estimates that over 70 percent of the urban population suffers shelter deprivation in terms of inadequate housing, water supply and/or sanitation. 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 (six of 24) of countries studied (Sahn and Stifel, 2002), even fewer than in rural areas. Correcting these intra-urban inequities would be “good value” for countries: the urban slum and peri-urban residents form the core of the urban workforce, and it is cost-effective to ensure their **effective** access to basic services.

The institutional setting: urban governments becoming more mature, from a weak start.

As in other developing regions, many of the African countries over the past decade have established newly democratic processes at the local government level, with elected mayors and/or councils. But access to revenues and capacity to deliver services in response to these expectations have been slower to materialize. Cities' financial means, and therefore also performance in service delivery, depends in the first instance on the intergovernmental fiscal framework, which determines their authority to tax and access to various forms of central revenues (directly or through transfers). 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 below 1 percent. As would be expected the African local governments rely less on taxation and more on transfers than in more decentralized economies; however, in several countries studied the local revenues represent no more than 5 percent of central government receipts (and less than US$10 per capita). The tax and borrowing authority for the cities, especially the large cities and the localities facing rapid population growth, is typically not adapted sufficiently to their greater expenditure and service delivery obligations. State spending on investment does not necessarily make up the lack of local capital funding. In Cameroon less than one percent of State revenues are spent on capital expenditure for 18 cities, largely for the administrative capital (Yaounde) and the economic center (Douala).

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 neighborhoods. Local administrations are barely up to the task of maintaining services, let alone meeting the demands of growth or recuperating the damages to the community incurred from HIV/AIDS. Despite their weak fiscal and administrative means, African local authorities are beginning to perceive their potential and look to each other for encouragement and to other regions for good practice, through associations that give a voice to local governments in the Region.

What cities and towns can do for the country's development agenda—and how

Urban and rural development as a "virtuous circle".

It is considered by some observers that the urban trend in Africa is a symbol of what has gone wrong with these economies—that Africa has shifted off a "natural" historical sequence of development that should lead from increased agricultural productivity to a phased emergence of towns and cities. Yet in most of the countries agricultural productivity has been stagnant, and some 250 million people on the continent (30-70 percent of the inhabitants of most of the countries) live in "fragile" ecosystems with limited agricultural potential (WDR 2003). The preconditions for a technology-based revolution in the sector, as experienced by Asia, are not apparent in most of the countries. It is evident, however, that access to urban-based activities as part of a household's "livelihood portfolio" can raise the level of the rural economy by providing knowledge and resources that can be invested in inputs or capital stock for agriculture or for non-farm activities (Ellis and Harris 2004). Options for intensified agriculture and diversification into nonfarm production prove complementary, so they can also be fostered by common conditions—especially, by effective access to major urban markets.

The most constructive way of looking at the productive inter-linkages among urban and rural areas may be as a **virtuous circle**, whereby access to (urban) markets and services for non-farm production stimulates agricultural productivity and rural incomes, which in turn generate demand and labor supply for more such goods and services. There are multiple entry points into a circle, and opportunities should be seized where they appear. Individuals, households and communities benefit wherever there is ease of access to markets and diverse economic activities, either through physical proximity (short distance to an urban center) or through individual mobility. It is not surprising that poverty is lower and high-value agriculture more common closer to urban centers, and that mobility for work starts over relatively short distances (e.g., from village to a local city). Even though cheap imports may pervade urban markets for certain foods, such as rice, urban demand for fresh and higher-value foods will continue to grow and should provide a strong impetus to efficient local production and marketing.

Urban centers as platforms for productivity, entrepreneurship and economic modernization. The developmental role of cities, as understood from research and historical observation, is founded on the scale and network economies than emerge from the agglomeration of firms and workers—leading to increased efficiency in flows of goods and services, matching of workers to jobs, flourishing of markets, and spillovers of knowledge and information. Urban areas therefore function not only in line with **traditional** growth theories by aggregating larger pools of labor, inputs and capital, but even more importantly, they epitomize the process of **endogenous** growth whereby productive resources are used more productively and in new ways.

These benefits do not arise from the mere physical concentration of people and firms but from the ability of cities—and in particular, their governments—to create an environment where economic agents can easily interact, labor is mobile, urban land becomes available for productive uses, and both citizens and firms trust that they can safely invest in the future. Failing to ensure these ingredients of effective cities has a very high opportunity cost, both by lowering returns to urban assets and by provoking negative outcomes such as environmental degradation and social distress.

International experience suggests that creating a modern competitive economy requires risk-taking entrepreneurship, innovation, exchange of information and knowledge (especially of technology), and skills. These are all elements that are most readily fostered in an urban setting, though agglomeration alone provides no guarantee. Whether nurturing the domestic firms and promoting the graduation of small scale operators, or seeking international investors, African countries will need to make cities more viable and attractive platforms, and ensure that local governments can become trusted and competent hosts.

How urban development can be good for poverty reduction.
The urban trend generally bodes well for national poverty reduction. It is natural that the poor would be attracted to the greater opportunities cities offer. The key question is whether poverty in cities is part of a healthy process of economic transition and mobility for the country and for households, or a perverse trap revealing dysfunctional institutions. Greater attention needs to be given to identifying the particular deprivations facing the urban poor and tackling these directly,

by removing causes of economic and social exclusion such as insecure tenure, and providing effective access to affordable basic services.

Urbanization supports the demographic transition—which Africa has yet to fully experience. Africa's dependency rate[3] (89 percent) is not projected to fall below 50 percent until 2050. As this transition occurs (birthrates fall and the labor force swells) it will initially appear in urban areas and create a "dividend" for the economy. Urban areas provide an environment that tempers the demographic dynamics, and it is the cities that will need to serve the large youth and working-age cohorts over the next decades. While cities offer some natural advantages to do so, necessary conditions are sound management of the urban economy and adequate urban public investment.

Providing social and infrastructure services, and meeting the MDGs, can be achieved more readily in urban settings. On the **supply side**, input, output and outcome measures of provision should be easier to achieve in cities than in less densely settled areas. The per capita costs of many forms of infrastructure and social service are generally lower, as many more people can be reached. Relative to more remote locations it is also easier to attract and retain personnel, maintain operational quality, and provide competition among alternative options. At the same time, organizing collective action among heterogeneous populations is very challenging, and densely built-up cities require more sophisticated construction and coordination of networked infrastructure.

Demand side factors in urban areas can also facilitate reaching the MDGs. Individuals can more readily obtain information and witness the implications of certain behaviors—for example, by observing the opportunity costs of inadequate education, an absence of family planning, and the health impacts of poor sanitation. Urban settings do entail some specific health risks, including exposure to HIV/AIDS which is usually more prevalent in large cities and informal settlements. But here too, such risks can be clearly perceived and knowledge disseminated, supporting demands for action.

Migration and remittances provide economic options and mitigate economic risks.
Access to income from non-farm and urban-based activities is associated with reduced rural poverty, and options for such income multiply in proximity to urban markets. Migrants within the urban population do not simply swell the ranks of the poor as often charged, and much evidence indicates that they do quite well. Demographic and Health Survey data reveal that, contrary to common assumptions, recent migrants (whether from rural or urban origins) were only slightly more likely to be defined as poor or to suffer less access to services, and the differences were often not statistically significant (Montgomery and others, 2004). A poverty study in Burkina Faso found no evidence that immigrants into urban areas suffer more unemployment than other residents (Grimm and Gunther, 2004). The observation that migrants in urban areas are not significantly poorer or less well situated than incumbent residents reflects both self-selection among the individuals who migrate—they tend to be better educated than their peers at home—and their ability to apply their human capital and initiative in the receiving

[3] Defined as the ratio of non-working-age population (under 15 and over 64 years old) to the working age population.

economy. Household surveys in Benin reveal that compared to nonmigrants with similar characteristics (e.g. education level), breadwinners who migrate for employment achieve higher consumption levels for their household—14 percent higher, for those who migrate to urban areas (and 7 percent higher in the case of migration to another rural area). (World Bank, 2003c)

Remittances represent such an important supplement to some household incomes that they clearly qualify as a tool (underutilized) in the fight against poverty. While the magnitude of remittances, especially from domestic locations, is not easily compared with other financial flows, it is likely that they well exceed other special resources available to the households such as microcredit or development assistance. A recent poverty study of Ghana found that a major contributor to poverty reduction over the 1990s has been migration from slower-growing to faster growing regions. The biggest reduction in poverty was identified among the rural forest residents, attributed to their receipt of remittances (McKay and Aryeetey, 2004).

The people of Africa have fewer options for migration abroad (outside the continent) than did poor populations in earlier periods. It is therefore especially critical to the welfare of rural residents (and especially those on fragile lands) that domestic migration remains unrestricted, so that individuals can make their own location decisions. Migration may add to income inequality in cases where the migrants and the households receiving remittances are among the better-off in their communities. The loss of the more productive members could also weaken the economy of origin. However, inequality should not be a dominant concern in the face of overwhelming evidence of benefits to individuals and households from income diversification and risk mitigation (Ellis and Harris 2004). Migration (or mobility) is clearly a favorable element in income growth and poverty reduction, both for urban and rural populations. Policies should *enable* labor mobility as part of general welfare and poverty reduction strategies. At the same time, migration can pose a major challenge to the receiving areas by adding to demands for services in the near term, raising the stakes for good urban management.

Urban development as an exercise in local governance and institution-building. Urban local governments can become the vanguard of good governance and sustainable public finance, as their performance is highly visible and they are the front line of public administration for citizens. Improving the collection of local revenues and making municipal governments more directly accountable for the performance of public services under their control are institutional reforms that would strengthen the bonds with the governed in a very concrete way. The health of the city economies should not be a concern only of urban specialists or mayors, as it is highly dependent on intergovernmental, sectoral and macroeconomic policies at the national level.

Making African Cities More Effective in Promoting Economic Growth and Poverty Reduction

As against the potential, the urban reality in much of Africa is a physical concentration of people and activities that do not benefit from the key "ingredients" we have come to expect from more effective cities: (i) basic flexibility of the **factor markets**—because of barriers to workers' job and residential mobility, and rigidities in land use; (ii) efficient **local public services**, both

those that can be produced through public-private partnerships, and those that are pure local public goods; and (iii) **trust and confidence in government.** These weaknesses deter the private sector and households from investing and partnering for the future, and shift burdens to them that should be borne or reduced by the public sector.

Listening to the firms.

Enterprise surveys, such as investment climate assessments, in Africa indicate that firms face often hostile and unstable environments. But few of the surveys have enquired about firms' perceptions of the city and of local government performance. For most of the African respondents, institutional issues and infrastructure pose equal degrees of concern. The most pervasive complaints of firms relate to inadequate network infrastructure (power, telecoms, transport), corruption and crime.

Broader investigation reveals the extent of the burdens firms face, for example in land transactions. Anecdotal evidence from several countries indicates that reported land acquisition delays are very long in Ethiopia and in Zambia. In Mozambique firms pay on average $18,000 in processing fees for land, and in Nigeria they must re-register land to use it as collateral, a process that can take up to two years and cost 15 percent of the property value in official fees, before bribes. (World Bank, 2004d) An inquiry into investors' views in Senegal found that improvements in tax administration, business registration and customs were overwhelmed by the lengthening of time required to obtain land (World Bank, 2003e).

The surveys reveal that some of the basic assumed advantages of urban agglomeration—access to inputs and services affording economies of scale and connectivity to other producers, and low transactions costs—are not being realized to the extent they should in Africa, even in the largest or capital cities. Therefore a firm locating in African cities gains a much lower productivity advantage than would be expected over its non-urban counterpart, and sometimes lower than that of firms in other regions facing otherwise similar conditions such as market size or labor supply. At the same time, market access is so critical to firms that in Lagos only 11 percent of large companies reported that they would move out of the metro area, despite serious problems with infrastructure and services. (Tewari and Banerjee, 2005) Informal and small scale firms are particularly vulnerable to the failures and high costs of local public services, and less able to protect or insure themselves against local corruption and other failures of the city administration.

Overall, the picture that emerges of urban enterprises in Africa shows them hamstrung by problems rooted in both national economic management and in city management. The advantages that enterprises gain from an urban location can be swept away by poor economic/institutional frameworks at the national level. In Senegal, for example, which has seen relatively good urban management, cronyism and lack of competition continue to discourage private sector entrepreneurs (World Bank, 2003e). To promote a dynamic and competitive private sector, both national and city leaders need to be focused on this common goal.

What cities require to be productive.

Individuals and firms will continue to build for themselves and provide their own services even in the absence of a functioning local government. But clearly much greater benefits

could be mobilized for the country and for the urban inhabitants by providing complementary local public goods in a safe and secure environment. This implies focusing on basic investment and efficient functioning of the essential core of land and housing, environmental services, public transport and local public finance—these, along with the network utilities, are typically the missing ingredients and weak links of the urban economies in Africa.

Land and housing (and related construction activity) account for large shares of total investment, consumption services, savings, and employment in most countries[4], and become no less important to the economy as incomes grow. In Africa the shelter sector is overwhelmingly informal but with the right policies and institutions it could become a powerful engine for growth in jobs and for deepening the financial system. Inefficiencies in access to land and business premises have not often been studied in Africa but where the issues have come to the fore, e.g. in Addis Ababa, it is clear that welfare costs can be high to both firms and households. An outcome is the burgeoning slum and peri-urban settlements—insalubrious and illegalized—where half to three-quarters of the population in most African cities find homes.

African governments dominate the ownership and use of urban land, yet fail to protect rights of way or to prevent sensitive areas from settlement. Mis-regulation leads to low density sprawl, further raising the costs of services. Upgrading existing slums, with recognition of rights of occupation (de facto tenure security), is far better than ignoring or relocating residents. But the most cost-effective solution in rapidly growing cities (even compared to in-situ upgrading) is to block out areas in advance for new settlement, identifying roads and drainage routes and securing rights of way, so that the needed infrastructure can be provided cost-effectively as the zones fill in.

The health and well-being especially of the poor, as well as the middle class, are put at risk by from the dearth (and very poor quality) of **urban environmental public goods and services**—notably adequate water and sanitation, solid waste disposal, drainage, and green space. International experience attests that an educated workforce and international investors are attracted to "livable" cities. For many urban Africans amenities are still defined as a hope of getting regular garbage collection, freedom from street flooding, and an indoor toilet.

Ease of moving people and goods can be thought intrinsic to an urban setting. But failures in urban transport policy seriously compromise the movement of individuals as well as circulation of goods, again shuttering the urban marketplace in Africa. In numerous cities the poor are simply priced-out of public transport, if there is a working bus system. In Addis Ababa (a city of 3.6 million people), 70 percent of trips are by foot and the average distance walked per journey is 5 kms. In Nairobi only 3 of 22 signalized intersections were working at the time of one study, and in Addis, only 52 of 359 traffic policemen had motorcycles. (SSATP, 2002) Road traffic is barely managed and roads are highly unsafe for cars or pedestrians.

The major signal of a well-functioning city, and its chief determinant, is the quality of **governance and financial management.** It is important that as cities grow the professionalism and accountability of local government mature as well. This obviously does not happen

[4] Shelter can represent 5-10% of GDP, 15-20% of capital formation, more than half of national wealth, and three-quarters of the financial sector activity in developed markets.

automatically. But with systematic support to improved practices and procedures, and in an environment where local and national authorities commit to making government more responsive to citizens, municipal performance has improved remarkably.

In Benin, for example, the recently completed Decentralized City Management project enabled practices that more than doubled municipal revenues in the three largest cities. Similarly, in Senegal municipal adjustment and investment programs achieved increases in municipal savings and rationalized the allocation of current revenues to much needed maintenance. All 67 municipalities under the Senegal program have signed municipal contracts which commit both the national and local governments to explicit standards of improved performance. Introducing simple street addressing in two cities of the country (Thies and Kaolack) permitted municipal tax billing to increase by about 50 percent, with 90 percent collected. (Farvacque-Vitkovic and others, 2005)

The Opportunity Cost of Neglecting the Cities--What is at Stake for National Development in Africa

The failure to satisfy the basic conditions for effective cities will, in simplest terms, dilute these benefits that could be gained for the country. In some African countries the issue presents itself more starkly: what is the difference between a patchwork of shantytowns, refugee camps, industrial zones, and gated residential communities—and a functioning city or town?

Neglecting the cities also makes both firms and households more vulnerable to the **diseconomies** of urban agglomeration—high costs of land, congestion and inadequate mobility within the city, a polluted environment, threats to social order and to public health, and crime. These risks, while never entirely avoidable with population concentration, become greater and *prematurely* imposed by very inadequate urban management. To put it bluntly, it is not credible to argue that diseconomies are outweighing the positive benefits of African cities when they have virtually no working public transport or safe waste disposal, much of the land is held in public control with little availability for market demand or public good purposes, and infant mortality is rising due to poor public sanitation in the neighborhoods where most of the work force lives.

Higher costs and reduced competitiveness of firms.

Unreliable infrastructure and high transactions costs undermine firms domestically but can be fatal to potential exporters. Africa, whose share of world trade remains miniscule and declining, cannot afford a comparative *dis*advantage from failure to nuture the business environment of cities and waste of their productive resources. The almost complete reliance of some large communities in major cities (such as Karu in Abuja) on informal self-production and trade within a narrow radius is a sign of an urban economy insufficiently integrated with itself, let alone regionally or globally.

Worsening risks to public health and security.

Health status provides a good overall reading of welfare, both stemming from issues with specific services (health care or water supply), and from environmental or social risk factors related to location. Although most studies report an urban health advantage in health outcomes (relative to rural residents), poor urban children are also found to be much less healthy than non-

poor urban children and to face much greater disease and mortality risks. Particularly in Africa, urban poor children are found in some surveys to be less healthy than their rural counterparts (Montgomery and others, 2003). Children in the slums of Nairobi face enormously higher risks than their peers living elsewhere in the same cities or in rural settlements. Apparent proximity to health centers does not always imply effective access or affordability of health care for the urban poor. In Ghana, the 2003 Core Welfare Indicators Questionnaire (CWIQ) found a worsening of health indicators, including underweight status, among the urban poor relative to the rural poor, even though the urban children had higher participation in health programs—indicating that other risks such as poor sanitation or food insecurity may be at play. The burgeoning cohort of children and youth in African cities underscores the urgency of addressing urban public health issues.

Crime and violence increasingly accompanies deprivation in African cities. Next to Latin America and the Caribbean, Africa is the most unequal region, and wide income disparities are associated with crime rates in cross-country studies (Bourguignon, 1999). The general problems of poverty and social exclusion within urban areas, extreme weaknesses of national police and justice systems, and absence of trust between communities and local governments compound the issue. Crime is now recognized as a significant risk factor in the cities especially of South Africa, in Nairobi, and in Lagos, where local and national governments and their police forces are working with civil society to find solutions.

Strategic and Operational Choices and Priorities: Attempting to Gain the Best from the Urban Transition

There need be no debate about the first priority for healthy cities—a generally sound macroeconomic and fiscal framework and investment climate at the national level. But **spatial focus of urban policy** is becoming a source of contention, for example, in Ghana. There is often a political preference to reduce the relative dominance of the largest (primate) city and to promote distribution of urban population and economic activity across a number of geographically dispersed, smaller cities. In Africa, where the urban system as noted is not unusual, the argument is heard that smaller cities would link better to the rural hinterland; against this is cited a concern that investment should focus on very few cities to maximize their role as trade centers.

African countries need not adopt a very deliberate or directive approach to reduce their primacy rate and disperse urban population among many smaller cities. In fact, it could be ineffective and risky to do so. Large cities tend to be the most productive and most attractive to innovative and information-intensive economic activities. The observation that large African cities pose major diseconomies even before all the potential gains of size have been realized is more a testament to the neglect of urban policy as noted earlier. As the African countries urbanize and incomes grow, more cities will emerge and expand naturally and gain in economic importance. Decentralizing political control and easing regulatory controls on the private sector will tend to promote this process naturally, by reducing the incentive for firms to stay physically close to centers of officialdom. At the same time, global trade competition and fiscal decentralization tend to perpetuate spatial inequalities and these differences prove very difficult to reduce through deliberate policy.

A network of cities that is well-connected within-country or across borders can be a key ingredient in the growth of interregional trading groups, an increasing priority of African governments. A factor that may be slowing the impacts of current efforts to create regional trading arrangements in Africa is the relative absence of city-regional corridors, reflecting the lack of large scale industrial investors and of inter-city transport linkages.

Although national governments should not aim to dislodge the primate city from its dominant position in the economy, more basic support should be given to rapidly growing secondary cities and their local governments to improve governance and service delivery capacity. Rather than attempting to "pick winners" among emerging secondary cities or to create new cities as growth poles, national urban policy should establish conditions and incentives that help existing local governments mobilize revenues and respond to the evolving demands in their jurisdiction for good public services. This is the approach of incentive-based municipal assistance projects, which fund secondary city investments on the basis of fiscal and other performance standards.

Ultimately the debate about urban policy and the system of cities in Africa hinges on concerns about unbalanced growth among regions. The best responses to mitigate spatial inequality are to encourage the integration of rural areas with large urban markets, mobility of labor and remittances, and strong fiscal mobilization in cities supported by intergovernmental transfer policies—rather than attempt to manipulate urban development.

There is also growing interest in Africa in providing **special industrial or export promotion zones** (EPZs) as a way of targeting favorable conditions (infrastructural and institutional) for new investment, especially in export sectors. However, the experience of many export processing zones should give pause, because the successful cases have been relatively few and many have been costly failures, including in Africa. To establish linkages in the local economy footloose investors require grounding in strong local resources (such as a capable and reliable workforce), institutional relationships, and amenities. Rather than creating a few favorable investment enclaves, a more sustainable and scaled-up approach would be to make the cities work better as support centers for business. A strategy favoring export promotion or other targeted investment zones may be justified in cases, but should not preclude fuller consideration of how to make the city more hospitable to domestic investment and to all types of firms.

Creating efficient and responsive local governments is key to creating effective cities. National authorities and their external advisors (donors) need to **put municipal development at the center of urban policy**. Mature municipal management requires that local investment be on-budget and part of an expenditure plan, rather than through ad-hoc assistance arrangements. Accountability to the local population and voice for citizens should be encouraged as mainstream performance of elected local governments and instilled through formal, transparent budgeting and monitoring processes. Sustainable urban development is inseparable from local government capacity-building and cannot be achieved simply through investment in urban infrastructure—or by relying only on practices introduced for less complex institutional settings (such as social investment funds and community-driven development).

Urban research and better urban data are needed to inform all the issues discussed here. A priority is supporting the collection and use of city-level data, for local policy making and for benchmarking—as illustrated by the South African metro cities network—so that variations in city performance can be better understood. A particular interest would be to further document the differential needs of capital/primate cities versus the more numerous and faster growing secondary cities. Existing data sources should also be explored, notably through wider analysis of urban dimensions of household surveys. Not least—more study is needed to gauge the financial resources available to local governments and to advocate for more adequate revenues so that these authorities, especially those responsible for large and growing urban areas, can meet the challenges they face.

Conclusions

The development community, including the African policy makers and the donors, needs to move beyond debates that either criticize the process of urban growth in the Region or apologize for it. Instead, they should focus attention and resources on the need to make the urban areas work more effectively for the benefit of the entire country. Africans need their cities to let the economy transform, but they also need to transform their cities.

First, recognize and move beyond the myths that cloud much of the discourse on African urban development:

Myths about the demographics*:*

- African countries are *not* urbanizing faster than other countries have, and the distribution of urban population among large and very small cities is *not* unusual for their level of development. That said, the absolute rate of urban growth creates a major challenge for urban management, particularly in the secondary cities which tend to be the most under-serviced.
- Internal migration is *not* the only, nor even main, source of urban growth in most of countries—nor is it responsible for urban poverty. Although data are limited, evidence indicates that migration has been favorable on balance for both sending and receiving areas in Africa. But population mobility is much more fluid than the rural-to-urban model, and households wisely diversify their activities across both areas.

Myths about the urban economies: Africa *cannot* simply be characterized as "urbanization without growth", and the term does not even fit many of the countries. The economic growth that has taken place in the past decade derives mainly from urban-based sectors (industry and services), and this is especially true of the better-performing economies. But cities have clearly not lived up to their productive potential because of widespread neglect and bad management.

Myths about cities and poverty*:* Urban poverty is *not* mainly a function of urban expansion, *nor* is it a sign of failure of the urban economies in Africa. There is evidence that much of the deprivation in cities, and the emerging urban public health problems, relate to institutional

failures that perpetuate social exclusion and inequalities between the urban poor and the urban non-poor.

Second, recognize what cities can offer the national development agenda—and what this requires in turn. Much of the development dialogue over the past thirty years has been, and remains, obsessed with the view that attention to cities represents "urban bias". Yet cities suffer the effects of genuinely bad urban policy and financial neglect, misguided incentives that distort the use of land and other investments, and hostile treatment of much of the population on which the city depends. What is needed by urban advocates and urban critics is a hard look both at what the urban phenomena can offer national development across numerous channels, and what support cities and local governments require in turn to achieve these results.

Good urban management feeds into the entire national growth and welfare agenda[5]: stimulating agricultural intensification and diversification of rural income, poverty reduction, good governance, and fiscal resource mobilization. African cities have the potential to be a strong platform and laboratory for most of the economic and social behaviors that are needed for transformative growth and productivity—including creative innovation, technological application, entrepreneurship, openness of attitudes to change, and risk-taking. Firms and individuals find more opportunity in cities and towns despite the many problems there, and the forces of agglomeration and migration appear as strong in this Region as they have proven elsewhere. Releasing the potential of Africa's cities by addressing basic weaknesses in land markets, public transport and the provision of urban services could reduce an effective "binding constraint" to future growth in Africa. At the very least, such a strategy would create a more hospitable environment for the investors and workers who will increasingly and invariably congregate in urban markets.

Third, African governments that are responsive to their citizens and eager for a sustainable growth path are increasingly looking to their cities and local authorities to play a greater role in the national development agenda. Local governments can become the strongest advocates for cities, and link up with each other (as the metro cities have done in South Africa) to share lessons and information to make their case. The national governments and the external donors should welcome the voice of local authorities and include them in dialogues on the wide range of policies and actions that affect cities and towns. Supporting these efforts, the many good practices and lessons from external assistance programs—including those of the Bank—should be applied with renewed commitment to unblock the development contribution of cities.

[5] This is rarely acknowledged in explicit national policy statements in any country. A notable exception is China's 10th Five Year Plan (2001), which advocates urbanization to stimulate rural and national economic development.

The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction

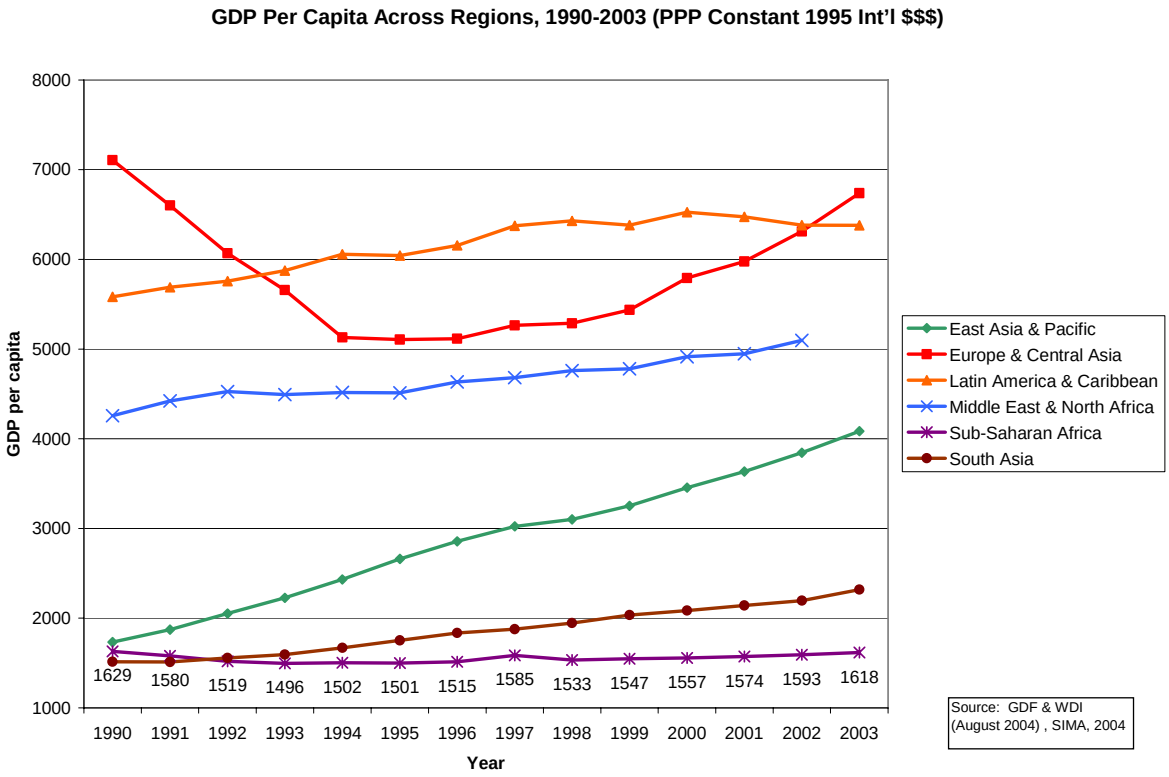
I. Introduction

It has long been recognized that the growth of cities and towns, and the shifting of population into these urban areas from rural settlements, are an inevitable part of the long term process of economic development. Yet in Sub-Saharan Africa (hereafter: Africa), the real contributions of urban development to economic growth and poverty reduction may not be adequately assessed and appreciated. More importantly, these contributions are actually less than they could or should be, for reasons of policy, institutions or other factors.

Much has been written in recent years about Africa's disappointing record of economic growth (Sachs and others 2004; The Commission for Africa, 2005; The Millennium Project 2005a; World Bank 2005a). Over most of the last two decades total factor productivity, labor productivity and agricultural productivity per worker have been declining or stagnant (World Bank 2002a; ILO 2004). Real GDP growth has been barely positive in per capita terms (Figure 1.1). Without the impetus of income growth, poverty has remained deeply entrenched and worsened in many cases.

This average picture does not tell the full story, of course, as the continent is highly diverse and becoming more so. There have been a few notable success stories of income gains coupled with declining poverty over the past decade or more (Botswana, Mauritius, Uganda), and numerous other promising cases of relatively rapid growth coupled with good governance have emerged recently (including Benin, Burkina Faso, Ghana, Senegal, Mauritania, Mozambique, Tanzania). But most countries, and the majority of the African people, are mired in place. Virtually all the countries of the Region need to find more viable growth strategies based on improving productivity and more widely sharing its benefits**. In the face of this development challenge every available asset and every phenomenon experienced in the African countries should be scrutinized to determine how effectively it contributes to ensuring greater welfare and a more positive future for the population.**

Figure 1.1 Real per capita income has stagnated in Sub-Saharan Africa



In this context the present paper asks how urban development—the process of demographic and economic transformation, and the management of cities and towns that result—can and should benefit the countries, and what conditions are needed to achieve this. Africa has been experiencing a historically high rate of urban growth, implying on average a doubling of the urban population in 15 years. It is the view here that urbanization is an **opportunity as well as a challenge** for Africa, and that urban areas are an **underutilized resource** that concentrate much of the country's physical, financial, and intellectual capital and will inevitably continue to do so. Therefore it is critical to understand better how they can serve the national growth and poverty reduction agendas. The countries cannot afford to continue neglecting their cities and must identify cost-effective means of supporting them.

The next section describes certain key features of Africa's demographic, economic and institutional setting that have important implications for urban development. Here and throughout the report comparative data and analysis from other regions are cited where these help to elucidate the issues and the circumstances of Africa. Of necessity, given data shortages and limited comprehensive research, anecdotal

evidence is cited to illustrate points. Section III summarizes some of the findings from research on Africa and elsewhere indicating the actual and potential gains that urban development can offer to the national agenda of economic growth and poverty reduction. Section IV outlines the requirements to achieve these benefits, while section V suggests what is at stake to a country by not ensuring these conditions. The sixth section lays out strategic and operational implications and choices posed by the above analysis. The final section concludes.

II. The Context of Urban Development in Sub-Saharan Africa

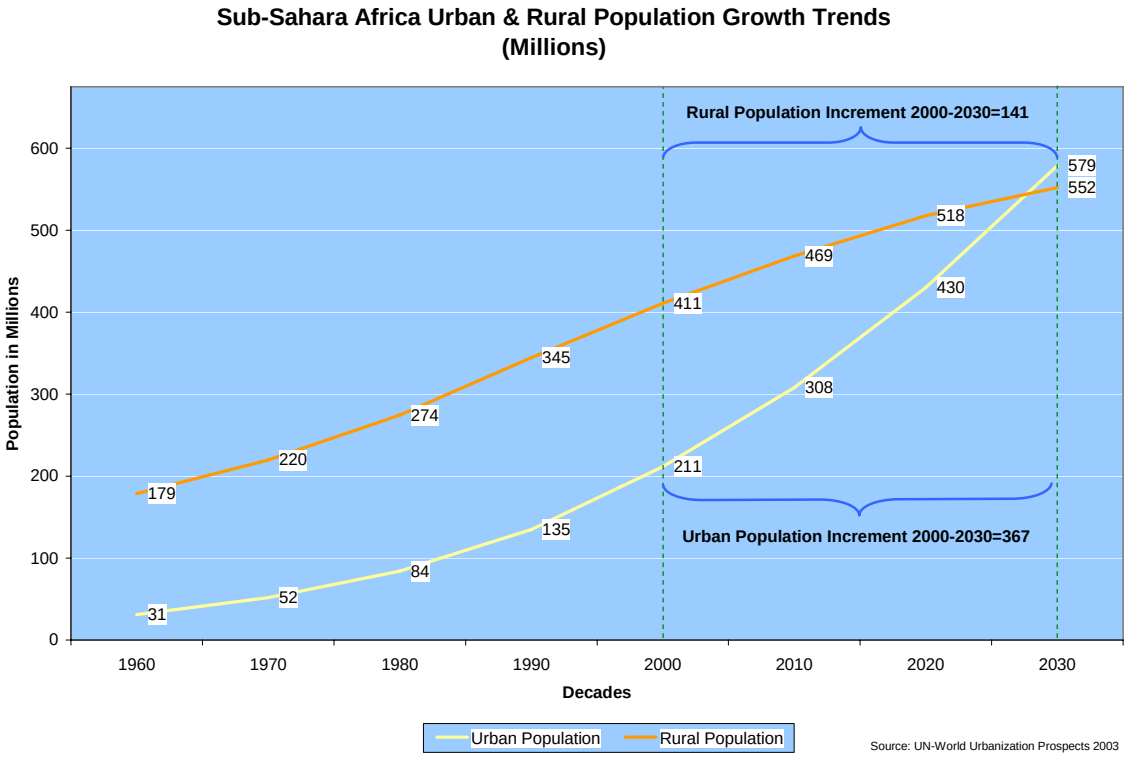
The demographic setting for the urban challenge

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 five 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 urbanized[7], 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 2000-2030—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 future needs, will be appearing in urban areas.**

[6] Urban population data for Sub-Saharan Africa should be taken with caution, since some countries have not had a census since the mid-1990s (latest census for Benin is 1992, Cameroon 1987, Ethiopia 1994, Madagascar 1993, Nigeria 1991 provisional, Senegal 1998). Benin, Ethiopia and Madagascar have had only one census, Cameroon and Senegal only two. (www.citypopulation.de) Hence, projections for many countries remain tentative. It has been suggested that where there has been economic stagnation or decline in the past decade, urban growth (at least the share due to internal migration) has probably been less than officially estimated in the absence of census data. (Satterthwaite 2002).

[7] Countries differ on how they define "urban". Criteria usually include a settlement size threshold (which varies among countries from about 2500 to 10,000 residents), and may include a minimum share of nonagricultural economic activity, and administrative conditions. Criteria may change between census periods or settlements shift from one category to another, leading to discontinuous changes in the urban:total population ratio.

FIGURE 2.1 Most population growth in the next 30 years will be in urban areas

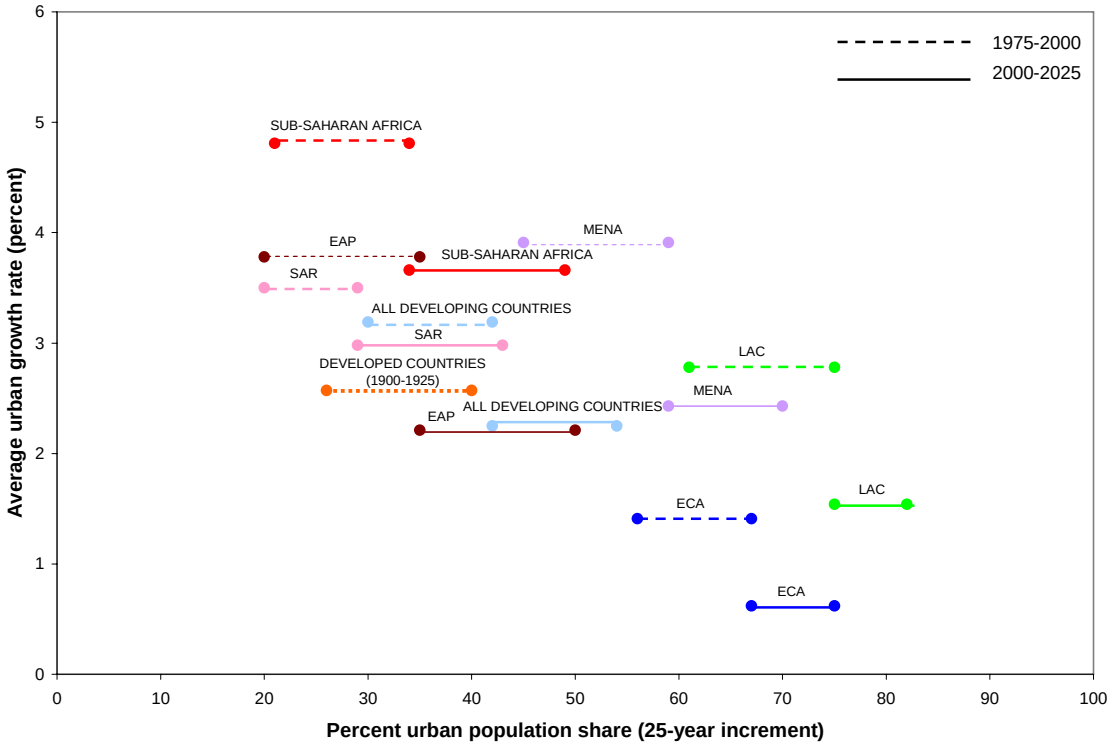


At the same time, Africa is not structurally over-urbanizing relative to other regions. Figure 2.2 shows that the rate of urbanization (the urban share of total population) over the past 25 years (1975-2000) has not been rising significantly faster in the developing regions than when currently industrialized countries experienced 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 projected for the next quarter century until urbanization peaks (in LAC and ECA). **So structurally, the regions are transforming (in terms of this 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 growth rates of its urban population**. 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 urbanization would be at any point in a country's development, clearly many countries are confronting bigger demands to manage urban areas than they appear able to handle. African urbanization is also taking place in a context of severe constraints that did not face many other country groups in other periods—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.

FIGURE 2.2 Sub-Saharan Africa is undergoing urban transition with a relatively high urban population growth rate



Note: Dotted line shows 1975-2000 period (actual); solid line 2000-25 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.

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). In 1970 Sub-Saharan Africa had none of 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).[8] 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).[9] Especially in Africa, the largest city in each country (regardless of its absolute

[8] The 2001 revision of the same document had predicted that Addis Ababa, Luanda and Abidjan would exceed 5 million residents by 2015.

[9] As a rule, larger urban areas are the most productive since they allow for greater specialization in labor use, better matching of skills with jobs, and a wider array of consumption choices for workers and ancillary services to producers**.** As long as this greater productivity from positive externalities outweighs higher costs for land, labor, housing and other necessities, the city can grow and thrive. However, once

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 (urban primacy rate) is also not out of line, on average, for Africa's level of development, compared to the Middle East-North Africa (MNA) and Latin America and the Caribbean (LAC) regions.[10] 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 act on most of these variables and thereby reduce the 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. [11]

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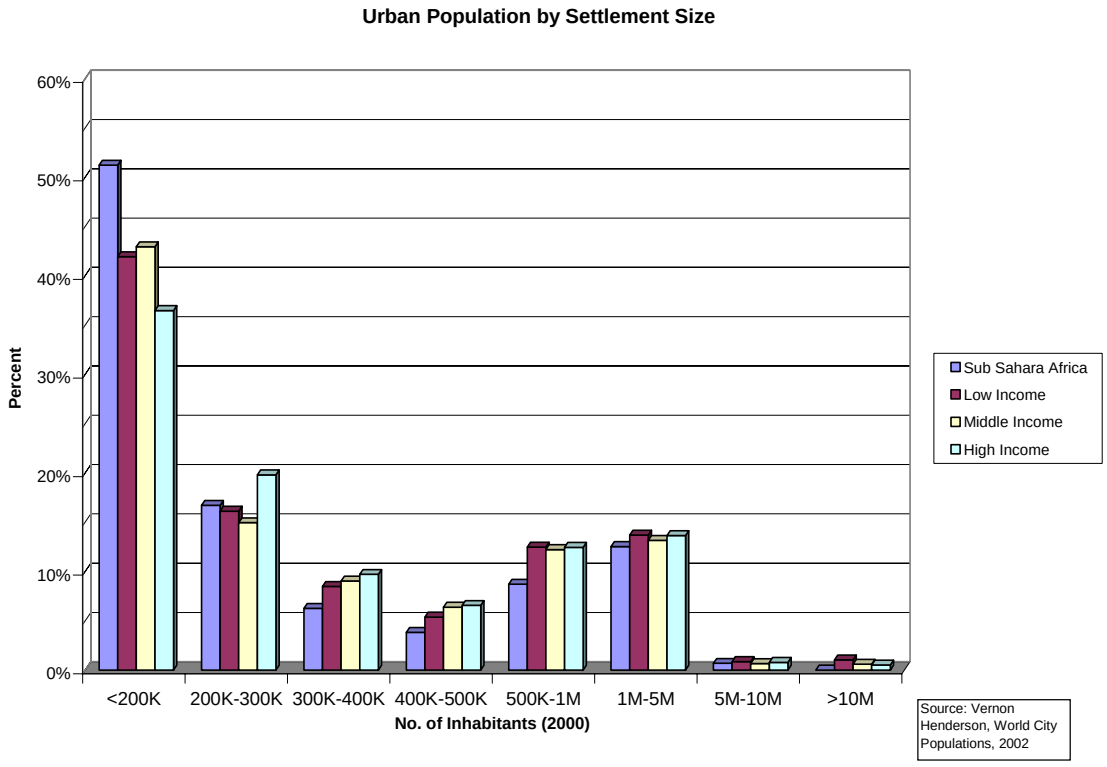
diseconomies of urban scale (negative impacts such as traffic congestion, pollution and crime) become too great, the city may start to lose its edge in creating jobs, attracting high quality labor, or improving welfare of residents.

[10] The urban primacy rate varies widely among the African countries and the variance does not seem closely related to per capita income or country size. See Statistical Appendix Table A1.

[11] An alternative data source was also looked at which breaks down the smallest settlement category to a minimum of 100,000 residents (www.citypopulation.de). However, possibly incomplete coverage especially in the small-settlement category makes further breakdown at this end of the distribution unreliable.

FIGURE 2.3 Africa's urban population distribution by settlement size is similar to that of other regions (2000 estimates)



About 12 percent of urban Africans live in settlements of 1-5 million people, almost the same as 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, secondary and tertiary urban settlements tend to be the most rapidly growing, and expansion alone is demanding to manage. A further concern is that many of the secondary and tertiary urban areas have rather limited economic relations among 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. There is a common misconception that the vast majority of new inhabitants of 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.[12] Internal migration rates tend to rise in periods of economic growth and fall during economic downturns.[13]

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 creates 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 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 circular and seasonal migration** (Ellis and Harris, 2004)**.** Moreover, rural and urban boundaries are artificial distinctions to households, who often distribute members across different spatial and economic activities to diversify income sources and reduce risk. Options of migration, or more accurately population mobility, are key to ensuring sustainable livelihoods, especially for households facing constant uncertainty in climates and markets as in Sub-Saharan Africa. And such mobility is essential for enabling individuals to gain new experiences and income that 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 its level of development or relative to other regions**. The real surge in Africa's urbanization is yet to come, in the next thirty years when the urban population is projected to nearly triple and become the majority. Most of this growth will occur because of transformation of rural settlements at the urban periphery, as they become more densely populated and less agriculture-dependent, and of natural increase in cities. Population mobility will contribute to the growth of cities, especially in the least urbanized countries, but many households will retain footholds in both the rural and urban economies. **Both the large cities (one million-plus residents) and the many rapidly growing smaller cities pose major challenges for local government administrations with characteristically weak capacity**.

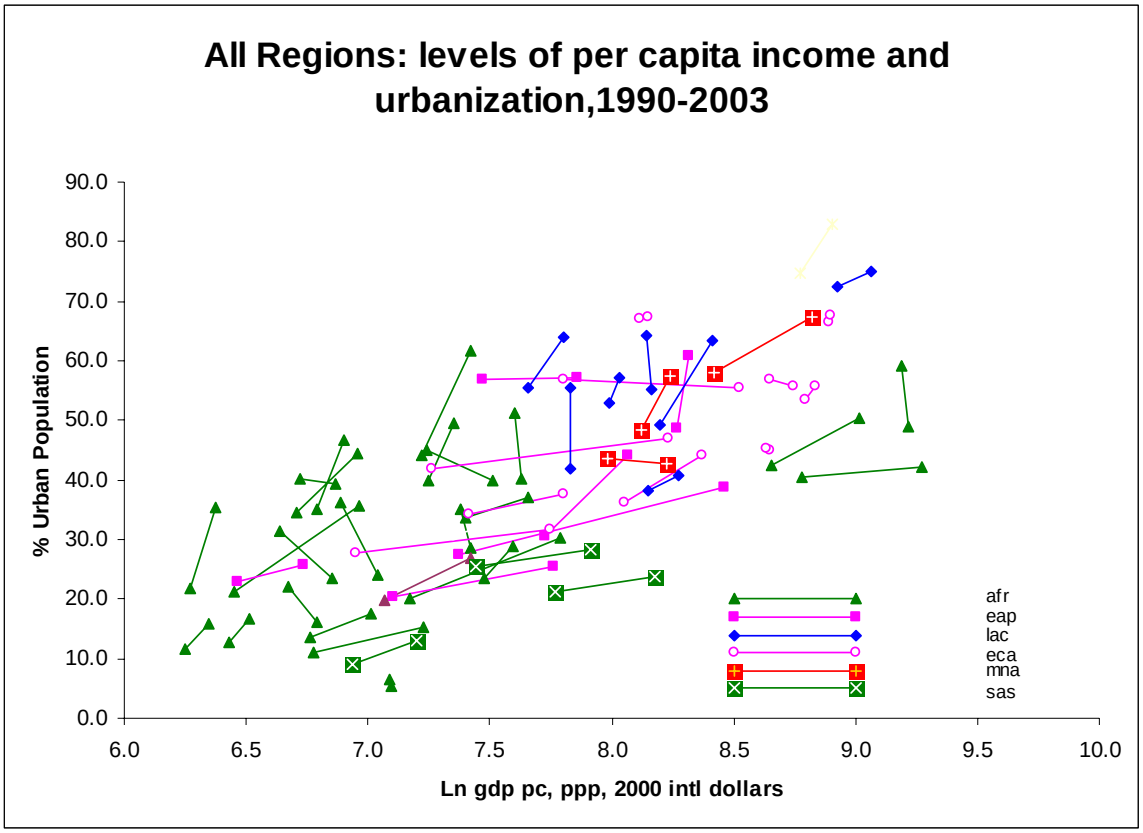
The urban economy: growing, yes—but from informal, small-scale and vulnerable enterprises—not a position of strength

Urbanization with *urban* economic growth. Across all countries over time, the *level* of urbanization is strongly correlated to the *level* of economic development, but the *annual growth rates* of each are not closely linked since urbanization often proceeds apace even in periods of economic stagnation or decline (Fay and Opal, 2000). This is

[12] The range of estimates runs from about 7 to 70 percent (Montgomery and others, 2004, Table 3-4, p. 90; Lucas, 1998). Both the rates of urban natural increase and migrant shares of growth tend to be high at the initial stages of urbanization and to decline as urbanization rises (Montgomery and others, 2004, p. 151).
[13] Montgomery and others (2004), Figure 3-4, p. 91. This observation underscores the earlier point that in the 1990s, in countries whose per capita economic growth was nil or negative, the estimated urban population growth rates in the absence of recent census data may be somewhat exaggerated.

evident in comparing the levels of urbanization and of constant GDP per capita over the last decade (between endpoints 1990-2003), 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 urbanization with no increase in income (near-vertical lines) and even with declining income (the backward-bending lines).[14]

Figure 2.4a Developing and transition economies: comparing levels of per capita income and urbanization, 1990-2003

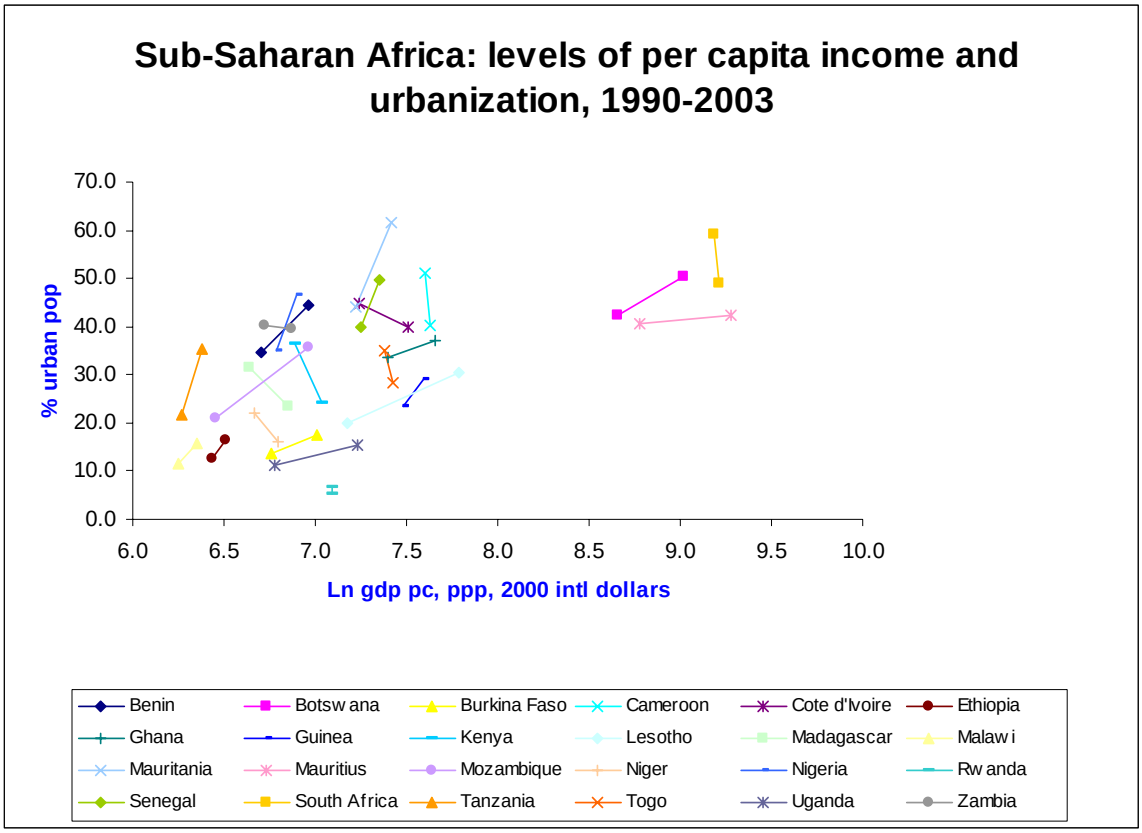


Looking more closely at Africa (Figure 2.4b) the linear relationship also exists. Only 9 of the 24 countries shown[15] are cases of "disconnect", where urbanization keeps rising in the face of negligible or negative economic growth. As might be expected, some of these have experienced civil upset (Rwanda) or major transition (South Africa), although others reflect more complex issues of performance (Cameroon, Cote d'Ivoire, Kenya, Madagascar, Niger, Togo, Zambia).

[14] During 1990-2002 only 18 countries experienced declining urbanization rates, of which 3 were tiny island states, 13 transition economies (all but Mongolia are in Europe and Central Asia, ECA), and two in MNA (Egypt and Iraq). The only cases of declining urbanization with positive per capita GDP growth (which would also appear as a backward-bending line on these graphs) were Estonia and Egypt, while Kazakhstan showed no change in GDP. (WDI data)

[15] The sample excludes mainly the smallest and most conflict-ridden countries of the Region.

Figure 2.4b Sub-Saharan Africa: comparing levels of per capita income and urbanization, 1990-2003



While over 1990-2003 *some* countries in Africa experienced increasing "urbanization without growth" (Fay and Opal, 2000), the urban trend is no more responsible for accounting for this disconnect, and for explaining the weak growth performance of the economy, than 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 recognize, as illustrated below, is that **the economic growth 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] Recognizing that some margin of error may lead both to both overestimation and underestimation of the value-added produced in urban areas, Statistical Appendix Table A2 summarizes 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 (1990-03).

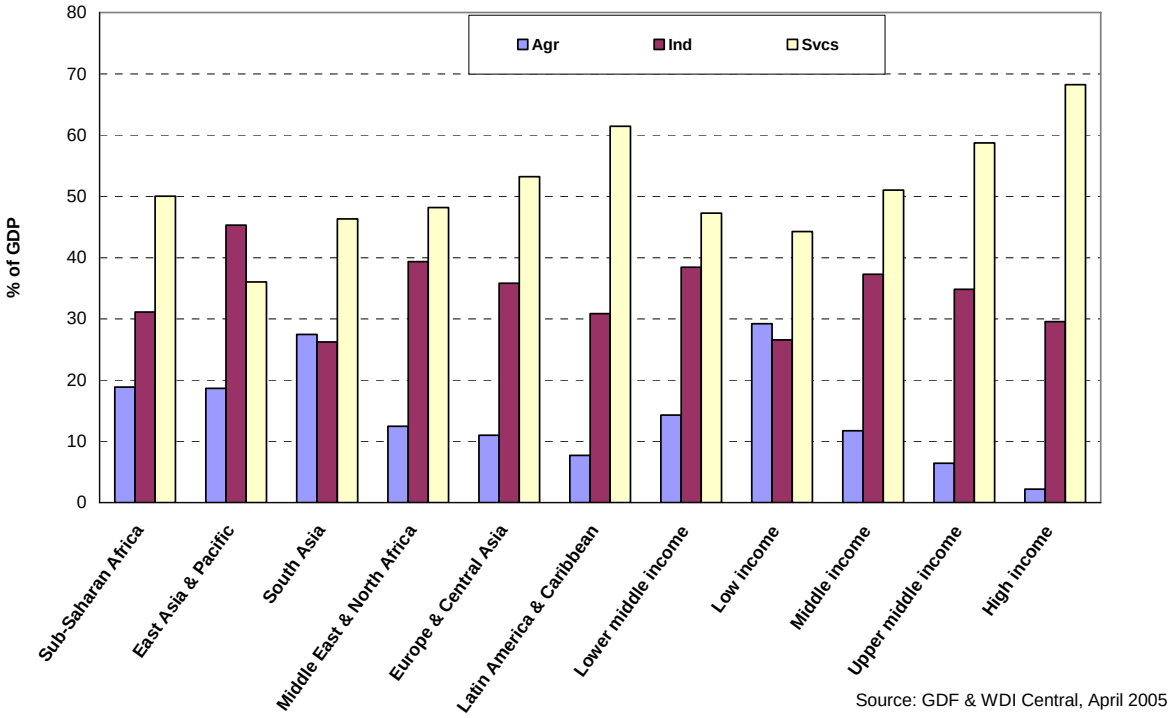
Surprisingly, the African economies are no more reliant on agriculture (averaging 19 percent of GDP) than EAP, and less than South Asia (Figure 2.5a). The large share of services in Africa as more than half of total GDP is surprising as this is normally a feature of more developed countries, but in Africa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

Figure 2.5a Sectoral Output as Share of GDP 1990-2003 average (%)

[16] Estimates have been made for some African countries of the spatial shares of GDP based on analysis of the population distribution and its participation in primary sector, informal sector and modern sector activities, drawing on local surveys and comparing these to formal national accounts data. For example, such estimates indicate that for Cameroun in 2002, which is 50 percent urbanized, 70 percent of GDP derives from urban areas; the two largest cities, Douala and Yaounde, with 10 and 8 percent, respectively, of total population, account for 25 and 16 percent, respectively of GDP. The analysis also finds that rural productivity (average rural income) is growing due to the demand pull from urban areas. (Club du Sahel and PDM, 2004. The same methodology is used for the Addis estimate cited earlier.)

[17] Industry includes manufacturing, mining (which may be mainly rural-located), construction and utilities. Services includes banking and insurance, trade, and all other services. Agriculture includes forestry and fishing.

Figure 2.5a Sectoral Output as Share of GDP 1990-2003 average (%)

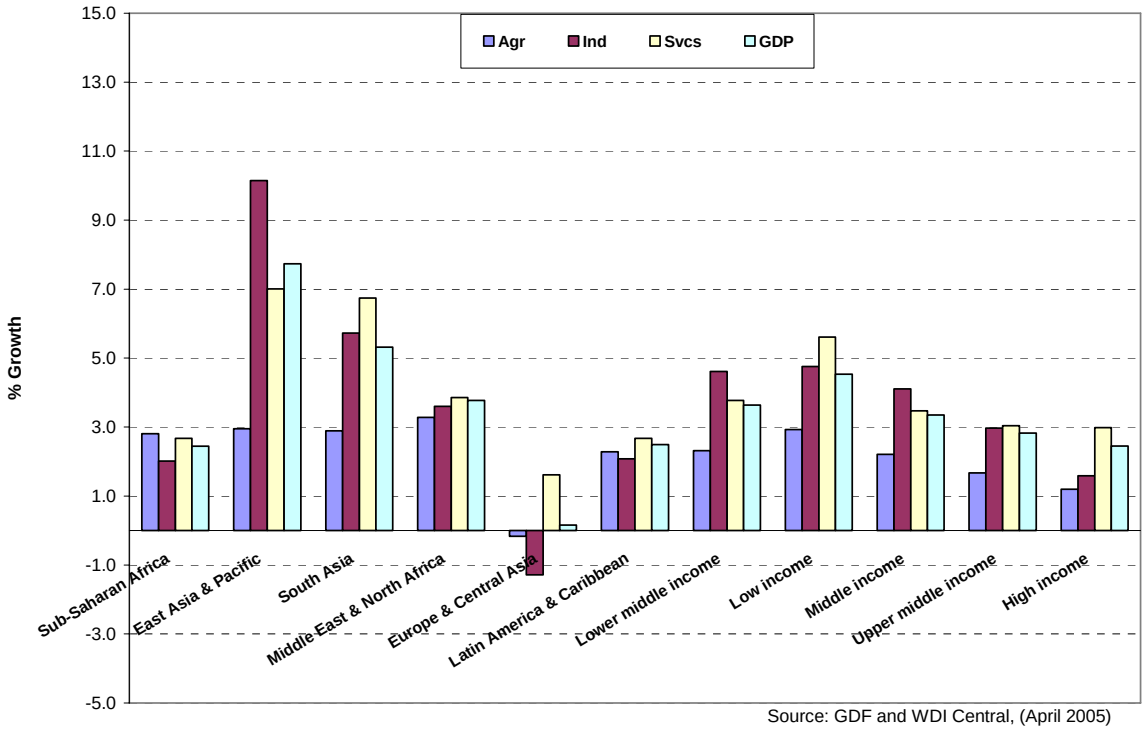


Source: GDF & WDI Central, April 2005

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 either agriculture or industry, while industry has tended not to be the leader 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 (SAS), show a very vibrant growth rate of industry.

Figure 2.5b Average Annual Growth of Output by Major Sector, 1990-2003 (%)

Figure 2.5b Average Annual Growth of Output 1990-2003 (%)



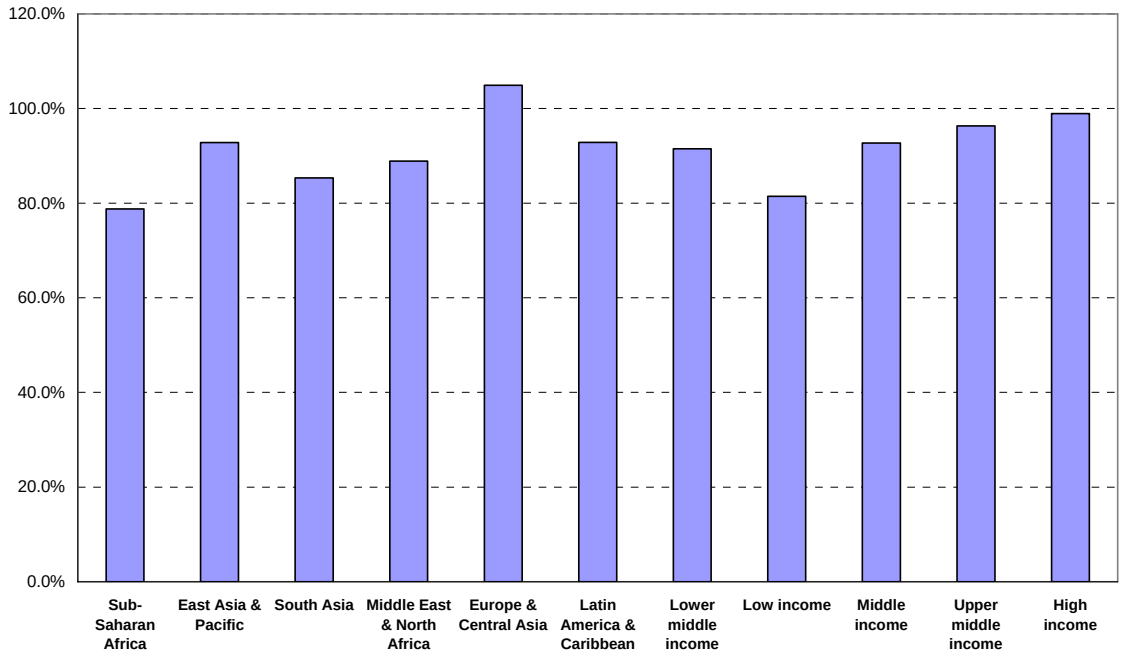
Source: GDF and WDI Central, (April 2005)

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 GDP growth**. In Africa, industry and services fall below half of GDP growth only in Cameroon, Cote d'Ivoire, Malawi, Niger and Rwanda, because of stronger agricultural performance in those countries during the period[18].

Figure 2.5c Contribution of Industry and Services to total GDP Growth 1990-2003 (%)

[18] The thirteen-year period portrayed here is somewhat arbitrary, but the same analysis was done for the two halves of this period, and for the years 1992-02 and three years 2000-02. The results are basically the same in all cases, with these two sectors accounting for over 80-95 percent of average GDP growth in every country grouping.

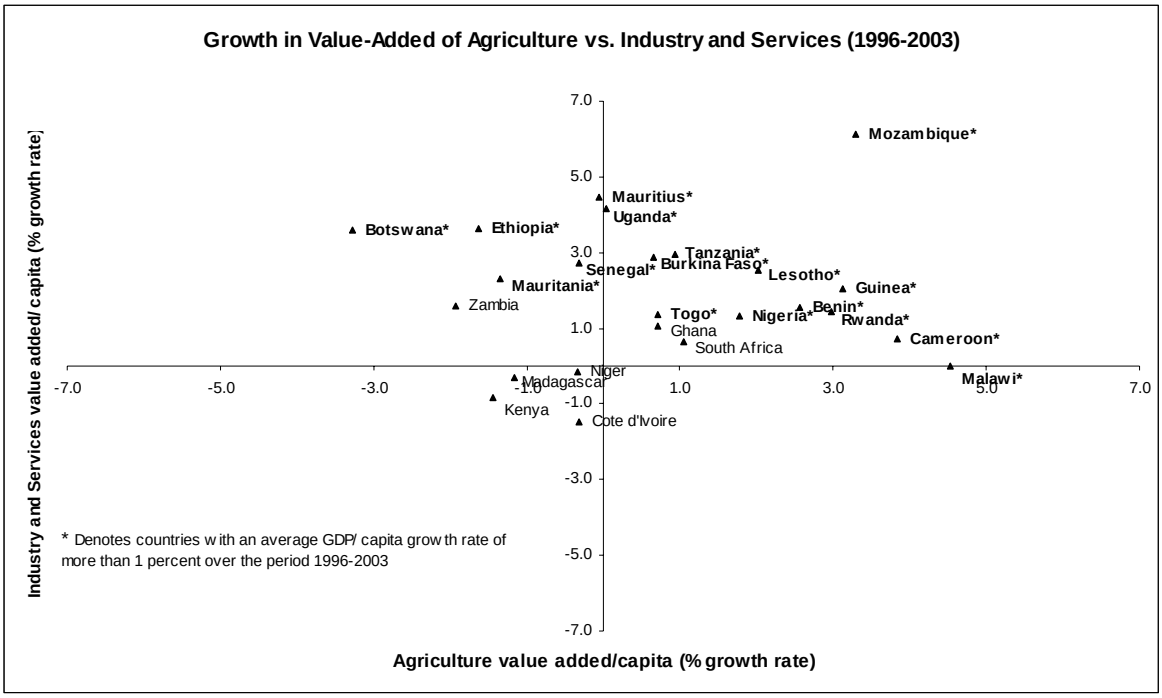
Figure 2.5c Contribution of Industry and Services to total GDP Growth, 1990-2003 average (%)



Source: Statistical Appendix Table A2

It is also useful to look at which sectors have been the main sources of growth in the more recent period (1996-03) 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 one percent per capita growth during the 1996-03 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, p. 10)

Figure 2.6 Industry and Services have been the Main Source of GDP Growth for the Better African Performers in 1996-03



Source: Statistical Appendix Table A3

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 the countries need to mobilize more effectively all of their productive capacities—including not only for agriculture and especially higher value-added crops, but also for 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 counties, is in the informal economy. The informal economy workforce is estimated to account for 78 percent of non-agricultural 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).

Table 2.1 - Relative importance of the informal economy in employment

Informal Workforce as share of:	Africa	Latin America and the Caribbean	Asia
Non-agricultural employment	78%	57%	45-85%
Urban employment	61%	40%	40-60%
New jobs	93%	83%	NA

Source: Charmes, J. *Estimations and Survey Methods for the Informal Sector*, University of Versailles, 2002, as cited in Becker, 2004.

The informal economy's contribution to non-agricultural 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 as much as one-third of even **total** GDP, in Cameroon (Club du Sahel and PDM, 2004, p. 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.**

Table 2.2 - Contribution of the informal sector to the GDP in selected developing countries [19]

Country (year) Informal Sector GDP as percentage of Non-Agriculture GDP	
Northern África	**27**
Sub-Saharan Africa	**41**
Benin (1993)	43
Cameroon (1995-96)	42
Kenya (1999)	25
Mozambique (1994)	39
Tanzania (1991)	43
Latín América	**29**
Colombia	25
México (1998)	13
Perú (1979)	49
Asia	**31**
India (1990 – 91)	45
Indonesia (1998)	31
Philippines (1995)	17

Source: ILO, *Women and men in the informal economy – a statistical picture*. Geneva. 2002.

While it was once commonly believed that the informal economy is entirely marginal and unproductive, there is growing evidence in all developing countries of its contributions in output and its importance both to workers and to consumers (e.g., see Maloney 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 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

[19] 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.

of the informal sector manufacturing 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 undercapitalized, 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 favored short term, rent-seeking activities such as merchandising. The studies found little exchange between the informal manufactures and traders, however, and neither group reported using formal banking channels (CBN/NISER, 2003).

Informal firms in Africa are also more vulnerable to failures in systems of legal protection. When they cannot count on fair and impartial enforcement of laws and regulations, or on business support structures, they must rely on their interpersonal networks. This keeps them trapped in local circles of exchange and discourages relations with outside partners who could enlarge their horizons and markets (Collier and Gunning, 1999; Murphy, 2002). Even formal sector firms depend heavily on ethnic ties which slows entry and may discourage the business community from pressing collectively for reform (Eifert, Gelb and Ramachandran, 2004).

Structural constraints limit the economic returns to urbanization—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 (1992-2002) in industry's share of GDP in Africa has been termed an "effective de-industrialization", from what was already a shallow base (Fox and others, 2004). This decline resulted from the retrenchment of public sector enterprise due to adjustment programs, while formal sector wage employment has failed to pick up the slack and expand. What industrial sector growth took place has in some cases, e.g. in Ghana, represented activity in mining rather than manufacturing. Not surprisingly, the share of manufactures in total merchandise exports averaged less for Africa in 2000-02 (35 percent) than for any region except MNA, where fuels dominate (WDI, 2004).

There are several structural features and disadvantages confronting many of the African countries that limit economic transformation and the maturation of firms, despite urbanization. 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 that is taking place in manufacturing and services therefore derives mainly from small scale enterprises using low skills and low

capital endowments, 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 counterpart** (Starkey and others, 2002). Transport costs are one of the main factors favoring 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 vs. 66 percent), greatly reducing accessibility, and **has almost twice Asia's share of population living at low density**, which implies high costs of delivering services (Sachs and others, 2004).

Third, **Africa has a relatively high share of population living in disadvantageous ecozones** (tropical or arid). The Region is also depleting its natural resource base at a rapid rate, as indicated by land per capita endowments which have fallen by almost half in several countries between 1960-69 and 1990-90 (Sachs and others, 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).

Perhaps **the cruelest factor draining Africa's development impetus is 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 underutilized and degraded.

Concluding on economic growth: Probing the sources and potentials of economic growth in Africa is important because it is widely recognized 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 require real GDP of African countries to 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 (Table SA2). Clearly all the productive potential of the countries needs to be

mobilized much more forcefully to ensure a durable decline in poverty. It is argued here that the productive potential of these sectors located mainly (and more favorably) 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 unfavorable 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 income, consumption or expenditure terms, rural poverty rates exceeds urban poverty rates, often by a very large margin, and that rural poverty is deeper (further from the estimated poverty line).[20] This result would be expected, given that urban areas provide a wider and deeper labor market, permitting higher incomes and capacity to pay for services, and that density of settlement and proximity to centers of government should allow many services to be provided 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.[21] **Given the expected real economic advantages of urban location, what is striking is not where there are wide gaps but where the figures 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, The 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 urbanization, 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[22] —approaching or exceeding the majority in Benin, Kenya, Mauritania, Mozambique, Nigeria, and Senegal (Figure 2.7b).

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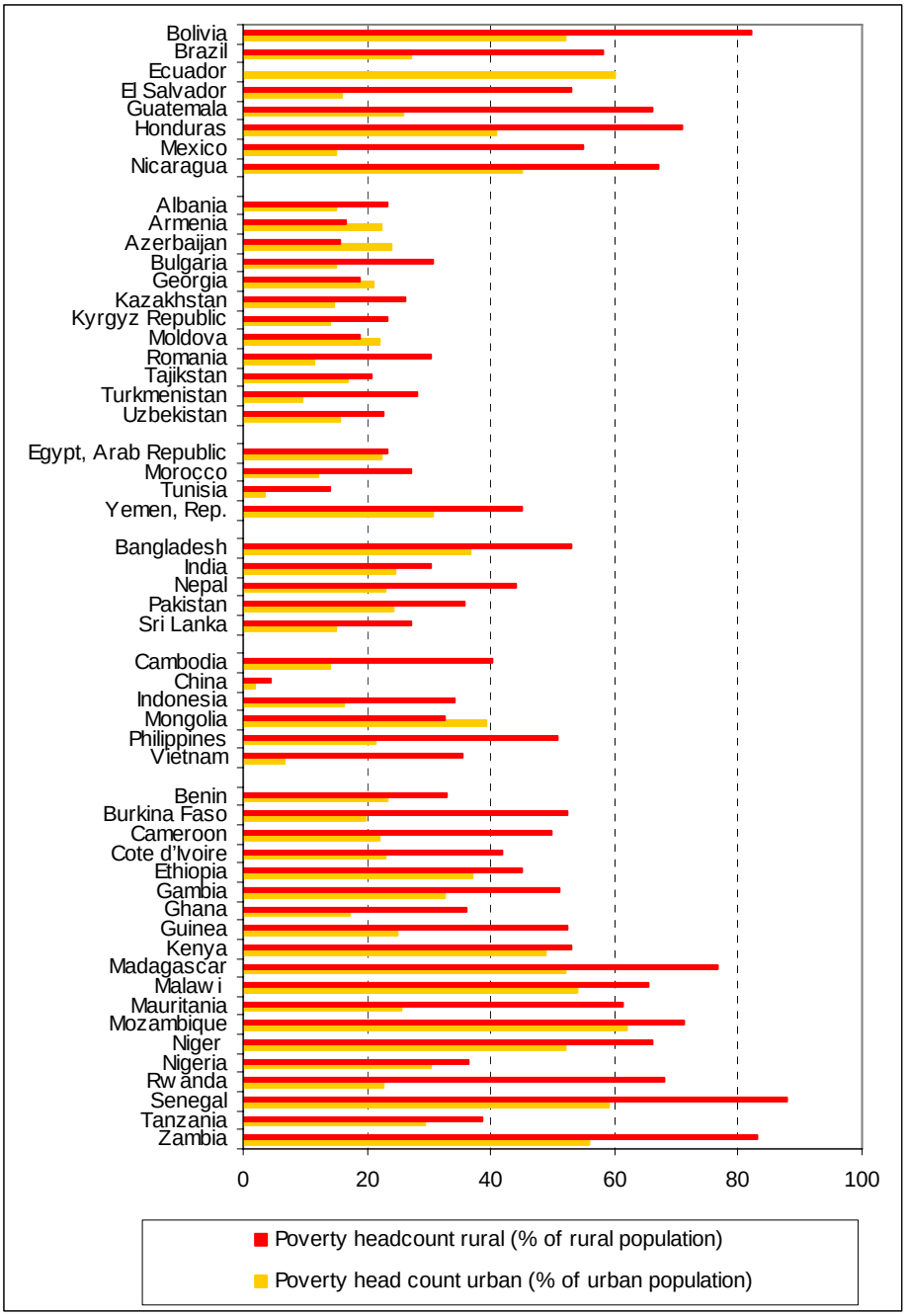
[20] Household poverty studies vary in the welfare indicator they use to measure so-called "income poverty"—ranging from actual income (relatively rare, because most difficult to capture), expenditure, or consumption translated into monetary terms. "Non-income poverty" reflecting quality of life in terms of access/quality of essential services, education and health status, satisfaction, security, etc. is indicated by objective or qualitative measures pertaining to each characteristic. Poverty or welfare can also be described in terms of access to assets or to varied forms of capital (human, physical , financial, social, intellectual, natural resources), or in terms of vulnerabilities and risks faced.

[21] Note that poverty incidence rates should not be compared across countries because of differences in estimated poverty thresholds. See Statistical Appendix Table A4.

[22] Urban poverty incidence is actually higher than the rural average in Mongolia and in Armenia, Azerbaijan, Georgia and Moldova. Given the extent of urbanization and relative urban:rural poverty rates, the urban poor already represent half or more of the total poor in these countries, as well as in Bulgaria,

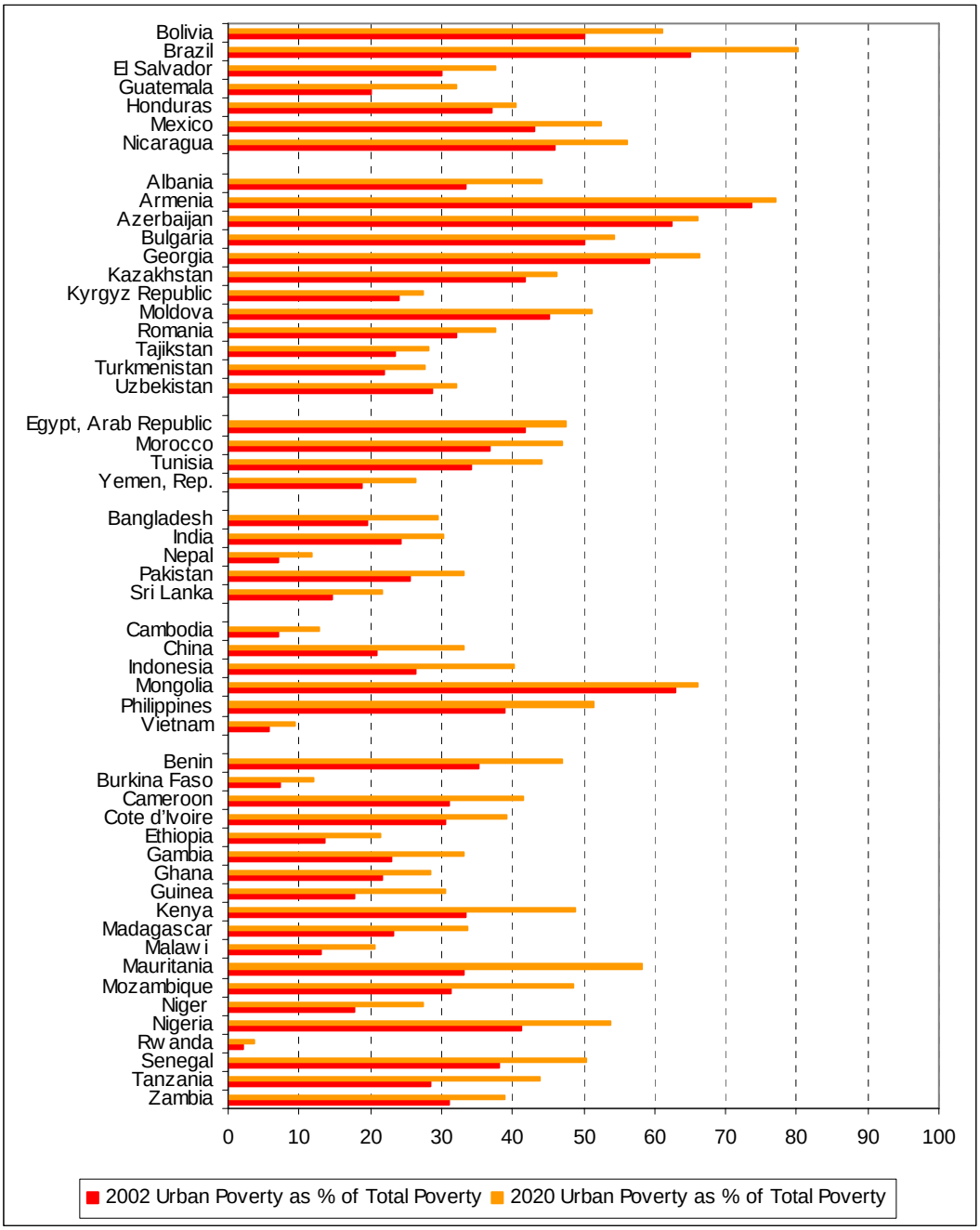
Figure 2.7a Rural and Urban Poverty Rates, latest year



Source: Statistical Appendix Table A4

Bolivia, Brazil, and several other LAC countries. This is also a pattern common to upper-middle income and high income countries, e.g., it is true of Hungary and Russia as documented in World Bank (2004b).

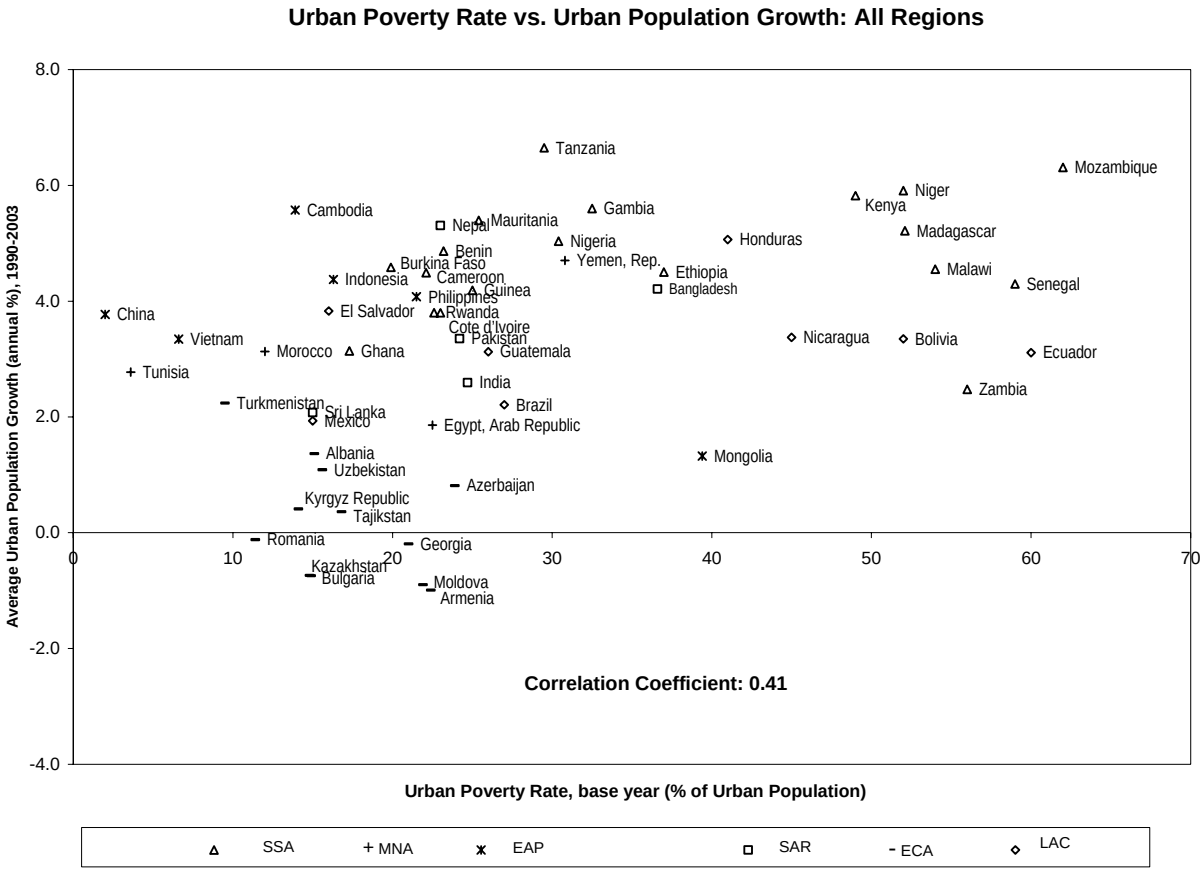
Figure 2.7b Urban Shares of Total Poverty, latest year and projected 2020



Source: Statistical Appendix Table A4

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 lower, in larger versus smaller cities, although it is especially difficult to generalize for Africa.[23]

FIGURE 2.8 Urban poverty rates are not a function of urban population growth



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

[23] Montgomery and others (2004, Table 5-3, p.173-174) looked at results of Demographic and Health Surveys (DHS) across the developing regions and concluded that access to infrastructure services fairly consistently rises with settlement size category, from under 100,000 residents at the low end to over 5 million at the high end. However, the contrasts are less often statistically significant for Sub-Saharan Africa than for the other regions.

estimated poverty lines sufficiently between rural and urban areas based on respective price indices, which should be even higher for large cities than smaller cities, 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 need 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 "minimum food basket" ranges from 1.0 in Burkina Faso (nonfood expenditures assumed equivalent to food expenditure) to 2.0 in Chad, while in the U.S. 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.[24] 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 and others, 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 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 the 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

[24] Household surveys report what households say they spend on different goods and services, not what they would need to spend to meet their minimum needs. UN-Habitat's city indicators database reveals that per capita daily water consumption in informal settlements in Atananarivo, Madagascar was only 20 liters (the level considered by WHO the minimum health standard) versus 40 for all settlements in the city; and 30 in informal settlements of Port-Gentil, Gabon versus 82 for the rest of the city. (UN-Habitat, Global Urban Observatory, 1998 data)

less well-off neighborhoods nearby would cost much less than reaching the more remote and scattered rural populations.[25]

Neighborhoods of extreme deprivation in terms of basic services and local public goods—typically informal settlements, often lacking secure tenure and located in environmentally precarious sites—are home to a majority of the population in most African cities (e.g., 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 and/or sanitation (UN-Habitat, 2003)[26]. 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.[27] 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 (six 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 "neighborhood effects" can also be seen in the exposure that residents of some areas face in terms of threats of crime and violence, which are often very spatially concentrated within cities.

The urban population is dependent on cash income to purchase all 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 CFA devaluation and related structural reforms led to a proximate rise in urban poverty (Grimm and Gunther 2004).[28] These impacts reflect the vulnerability of the urban population to food price increases and to declines in public sector employment, which

[25] This fact can be seen especially in the case of electricity, where the costs of extending the network throughout an urban area are relatively small and therefore failure to do so is hard to explain on purely financial grounds. In Africa whereas 52.2 percent of the urban non-poor have electricity, only 19.7 percent of the urban poor do (a gap of almost 33 percentage points), twice the gap between the urban poor and the 4.3 percent of rural residents with the service. A similar comparison holds on average for electricity across other developing regions, and for shares of households lacking all three networked services. (Montgomery and others, 2003, Table 5-4, p. 175)

[26] The UN-Habitat Global Urban Observatory estimates the number of slum dwellers in terms of five criteria of shelter deprivation (nondurable housing structure, overcrowding, lack of safe water, lack of sanitation, and insecure tenure). The estimate is based on the first four criteria as there are currently few good estimates of tenure status.

[27] For example, according to the Zambia Living Conditions Monitoring Survey of 1998, only 6-8 percent of urban residents, across all expenditure quintiles, have their household garbage collected.

[28] Similar effects on urban poverty were seen in Indonesia due to the financial crisis of 1997-98 (World Bank, 2003b).

then have second-order effects on the urban poor as overall demand for their labor 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 in terms of asset poverty, neonatal care, and contraceptive use—indicators where urban areas might be expected to show advantage reflecting supposed ease of infrastructure coverage and service access. However, in all the other indicators studied including school enrollments, infant mortality rates, child stunting, and female adult malnutrition, urban populations improved less (or worsened more) than the rural populations.[29] These are indicators that could reflect multiple inadequacies, including deteriorating service quality and social and institutional barriers to effective access to services.[30]

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 urbanization will enlarge the numbers of urban poor and most likely raise their share among the country's total poor, but also tend to dampen the overall incidence 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 rural residents on average—often very much so—underscores the inherent advantage that urban areas confer, both in access 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. However**, the disparities that persist within urban areas have little economic justification 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 and/or councils. These countries have also decentralized fiscal authority increasingly to these local governments—at least formally, although not always in fact.

[29] In Ghana, for example, the recent Core Welfare Indicators Questionnaire (CWIQ- national household survey) reveals that the nutrition indicators (percent of children underweight, stunted or wasted) worsened much more in Accra than for any other region over 1997-2003. (WB memo by Carlos Cavalcanti, 9/27/04)
[30] Sahn and Stifel (2003), tables 3 and 4. Note that the authors focus on the findings of absolute disadvantage of rural relative to urban areas, and conclude that their evidence confirms their hypothesis of persistent urban (anti-rural) bias.

Cities' financial performance, and therefore also performance in service delivery, depends in the first instance on the intergovernmental fiscal framework which determines their authority to tax and access to various forms of central revenues (directly or through transfers). Local government revenue (including tax and grants) and expenditure as a share of GDP varies widely across all regions, partly as a reflection of decentralization 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)[31]. Local revenue and expenditure each represent 1.4 percent of GDP for Mexico, and range from 5-14 percent of GDP for a sample of transition countries.[32]
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 for Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Madagascar and Senegal (Chambas and Duret, 2000). The African local governments rely less on taxation and more on transfers than in highly decentralized economies; however, in these last seven countries the 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, is not adapted sufficiently to their greater expenditure and service delivery obligations (World Bank, 2001c). There is great dispersion 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 in the Region have tried to eliminate local surcharges and fees as "nuisance" taxes but without permitting the municipalities to replace them, thereby putting the local government functions at risk.

State spending on investment does not necessarily make up the lack of local capital funding. In Cameroon less than one percent of State revenues are spent on capital expenditure for 18 cities, largely for the administrative capital (Yaoundé) and the economic center (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 2-3 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 neighborhoods.

Although African municipalities continue to have very weak fiscal and administrative means, elected local authorities are beginning to perceive their new potential and look to each other for encouragement and good practice. Illustrations of

[31] DEXIA, 2003. www.dexia.com
[32] Including Bulgaria, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Romania (International Monetary Fund (IMF) Government Finance Statistics (GFS), 2004).

this trend include a biannual region-wide conference ("Africities") held by the United Cities and Local Governments Association 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 from the merger of three other subgroups on the continent with the aim to provide "a unified voice for sustainable local government development in Africa."[33]

This section 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 economy forward with more sustainable income growth and poverty reduction. The next section discusses how urban areas can serve as resources and sources of strength for the advantage of the country's development agenda—followed by an outline of the conditions and ingredients needed to realize these benefits.

[33] From founding congress final declaration of CCRA, May 2005. (www.uclga.co.za)

III. What Cities and Towns Can Do for the Country's Development Agenda—and How

Urban and rural development as a virtuous circle

Urban economic theory and most urban history holds that urbanization emerges from the transformation of agriculture, with the resultant release of labor and growth of demand for more diversified goods and services. Yet in most of Sub-Saharan Africa agricultural productivity has not "taken-off" over the past decades since independence (ILO, 2004). [34] Many parts of the countries still face major obstacles given constraints of geography and transport, and natural resource limitations in terms of declining soil fertility and economic feasibility of exploiting water for crops (Bryceson, 2004). The 2003 WDR estimated that 250 million people in Africa, or 30-70 percent of the inhabitants of most of the countries, live in "fragile" ecosystems which, by definition, have very limited agricultural potential.[35] The physical and institutional conditions for a technology-based revolution in agriculture as in Asia are not yet apparent in most of the African continent (Ellis and Harris 2004). This means that the urban economies lack a bouyant source of domestic demand from the hinterland, although they have access to a wealth of basically unskilled labor with low purchasing power.

The availability of urban-based activities as part of a household's "employment portfolio" can raise the level of the rural economy by providing knowledge and resources that can be invested in inputs or capital stock for agriculture or for non-farm activities. Ellis and Freeman (2004) find from studies in four countries of East and Southern Africa that agricultural land productivity, household per capita incomes, and the proportion of total household income obtained from nonfarm sources are each closely correlated. This means that farm and nonfarm income opportunities are highly complementary, and that where farming has low potential a purely localized non-agricultural economy will not likely emerge. If intensified agriculture and diversification into nonfarm production are complementary they can also be fostered by common conditions—these conditions being the strength of available markets, which means effective access to an urban population. (Box 3.1)

Ersado (2003) cites research showing that in Zimbabwe, in more remote areas nonfarm income sources increase income inequality because only the better off and well-connected farmers can diversify, while in areas better connected to the major urban markets it decreases income inequality because opportunities are more widely available. The Benin Poverty Assessment finds that agricultural specialization and intensification, as well as off-farm activities, are most common in the regions around urban centers. By the same token, often the fastest-growing urban centers occur in regions where the productivity of agricultural production is also increasing very rapidly (Montgomery et al, 2003).

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[34] According to ILO (2004), both labor productivity and total factor productivity in SSA agriculture have remained below those of every other region (including China) since 1980, although the trend has been on the upturn since the mid-1990s (figures 3.14-3.15).

[35] WDR 2003 (Tables 4.2, p. 61 and 4.3, p. 62).

Box 3.1 Urbanization, Markets and Rural Development

One of the many factors that has discouraged rural development in Sub-Saharan Africa is the presence of thin, inefficient and isolated markets. Urbanization and focused urban policies can be critically important in promoting rural development through improving the efficiency of the markets for transport services and agricultural produce. With low densities of demand and disconnected small markets it is easy for cartels to develop that can control access to the market and hence, control prices.

There have been numerous studies pointing to very much higher rural transport tariffs (with ratios from 2.5 to 6 times) in Africa compared to Asia. Overall it appears that isolated, inefficient and monopolistic markets are the main explanation. Isolated location inevitably encourages inefficiency in the use of vehicles. It is much more difficult to match demand with supply. As a result there will be more empty running and a poorer quality of service will be provided, with longer time delays as vehicles wait to fill up.

Formal and informal cartels operate to control the supply of vehicles at lorry parks all over Africa. The more isolated the location the easier it is to control access to the market. The bigger the town, especially if rival transport centers emerge, the easier for competition to become established and for efficient operators to negotiate for work directly and achieve higher utilization. In contrast to Africa, in Pakistan with very low transport costs there are no centralized 'lorry parks'. A typical town will have ten to twenty freight agents widely spread on the main roads, competing with each other for business.

Agricultural produce markets are also inefficient in Africa compared with Asia. Afeikhena and Ogunkola (2000) find that regional prices in food grains can differ by multiples of up to two to three times in Africa—much greater than ranges observed in the large markets of Asia, and not explained by transport prices. Large price differences are the result of poor information, small markets (where one lorry load of produce can dramatically change prices) and the presence of marketing cartels.

It is no coincidence that the poorest countries in Africa are amongst the least urbanized. In order to develop agriculture it is necessary to have a strong secure market. A good and reliable agricultural price will help provide finance to invest in agriculture. Much of Ethiopia's development problems, for example, are a direct result of having such a small urban population (58 million rural dwellers will not get rich trying to compete to sell food to 11 million urban dwellers). Despite the general shortages of food in Ethiopia it has not been economic in the past to develop the substantial water resources of the country for irrigation because urban markets are distant and relatively small.

Source: John L. Hine, Senior Rural Transport Specialist, TUDUR

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Hine, J, J.D.N. Riverson and E.A. Kwakye. *Accessibility, transport costs and food marketing in the Ashanti Region of Ghana*. TRRL Report SR 809, 1983

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Rizet C and J Hine. *A comparison of the costs and productivity of road freight transport in Africa and Pakistan*. Transport Reviews, Vol 13, No.2, 1993

Afeikhena Jerome and Olawale Ogunkola. 2000. *Characteristics and Behavior of African Commodity/Product Markets and Market Institutions and Their Consequences for Economic Growth.* Harvard University CID Working Paper No. 35.

The most constructive way of looking at the productive inter-linkages among urban and rural areas may be as a *virtuous circle*, whereby access to (urban) markets and services for non-farm production contributes to agricultural productivity and rural incomes, which in turn generate demand and labor supply for more such goods and services (Box 3.2). Most African countries have not managed to break into a cycle of sustainable growth by raising agricultural productivity, often considered the crux of fighting rural poverty. **It is therefore important to recognize that there are multiple entry points into a circle, and opportunities should be seized where they appear.** Individuals, households and communities benefit wherever there is ease of access to markets and diverse economic activities, either through physical proximity (short distance to an urban center) or through individual mobility. It is not surprising that poverty is lower and high-value agriculture more common closer to urban centers, and that mobility for work (migration) starts over relatively short distances (e.g., from village to a local urban area).

Box 3.2 Rural-urban linkages: a virtuous circle

The agricultural chapter of the 2003 WDR argues, "The conditions…to bring the rural poor out of poverty are overwhelmingly associated with increasing rural-urban interactions and more intensified use of existing agricultural land. In more dense rural areas with towns, credit markets are more apt to exist, and land more likely to qualify for collateral. Higher farm gate prices associated with better roads and proximity to urban markets, and more opportunities for spreading risk, encourage higher-input agriculture. This in turn leads to greater value produced per unit area and generally to more off-farm jobs.

Source: WDR 2003, Chapter 5 (« Transforming Institutions on Agricultural Land »), p. 88.

National development strategies should therefore build on factors that promote the virtuous circle of rural and urban development—rather than hinge on hopes for a linear process in which cities will merit investment once agriculture is safely launched. Tiffen (2003) argues that in Africa the domestic (urban) market is becoming the main stimulus to agriculture, but the process is hindered by low productivity of the urban sector due to inadequate urban investment and bad policies. Much of Africa is entering the stage where increased productivity of towns is needed to improve urban incomes, thereby providing alternative work for the rural labor and stimulating agricultural investment in intensification through growing demand (Cour 2003). According to Tiffen (2003), public investment in infrastructure to increase the productivity and purchasing power of urban centers can be more favorable to agriculture than export-oriented policies. Roads connecting rural producers with urban markets, and education, are both highly beneficial investments to foster mutual rural and urban gains. These investments also add to the effective mobility of the population and give individuals the ability to determine the location of their livelihoods.

One cause for concern in recent years is that **food imports**, fed by agricultural subsidies in OECD countries and by dramatic improvements in efficiency in exporting countries, may break the flow of the domestic rural-urban linkage in food production and

marketing. The one-third of Africans who are urbanites are estimated to account for about 60 percent of all marketed food—a share that could increase to three-quarters by 2030 given urbanization trends.[36] While imports account for only about 7 percent of total food consumption in Africa, foods favored by urban dwellers including dairy, meat, fish and oils and wheat are more likely to be imported, as is often rice because of low prices in global markets (FAOSTAT, 2004). Yet fresh fruits and vegetables and many other foods are mainly supplied domestically—often from very proximate sources, in the cities' own periphery. In fact, urban agriculture accounts for a large share of the food produced in urban areas—40 percent in Kampala, for example—and is an important source of nutrition especially for the poor.[37] Overall, **despite the competition to domestic agriculture from cheaper imports, there will remain an inexorable and growing demand from the cities that could be a strong stimulus to domestic farmers who produce and market efficiently.**

The role of urban centers in fostering productivity, entrepreneurship and economic modernization

There is a long tradition of scholarship explaining the role of cities (or more generally, urban areas) as contributors to economic growth and to social transformation. The basic theoretical explanation is rooted in the concept of agglomeration economies, which has an even older academic history in industrial location theory. Agglomeration economies represent the productivity advantages that firms and industries gain by locating in proximity to each other and to large markets. The increasing returns can be internal to the firm, such as by permitting economies of scale in production. There can also be externalities arising in the markets for goods and services, enabling wider access to services, infrastructure, workers and buyers, and "knowledge spillovers" leading to more efficient exchange of information and lower transactions costs**. Thus, urban areas function not only in line with *traditional* growth theories by aggregating larger pools of labor, inputs and capital. Even more importantly, they epitomize the process of *endogenous* growth whereby productive resources are used more efficiently and in new ways.**

Recent research has suggested that **despite the decline in transport costs in recent decades, physical proximity has become no less important to firms' productivity**. In fact, the growing role of information technologies and of knowledge-intensive production across many sectors seems to be favoring greater concentration of workers and activities using such skills, as opposed to diminishing the value of face-to-face interactions that cities offer (Gasper and Glaeser 1998, Glaeser 1998). At least based on industrial country data, innovation is associated with the circulation of ideas and knowledge, particularly in technologically advanced and information-intensive activities that are favored by agglomeration (Glaeser, Kallal, Scheinkman and Schleifer 1992; Duranton and Puga 2002). Evidence from both theory (including the New Economic

[36] Estimate by Clare Romanik, Urban Institute (December 2004 draft, "An Urban-Rural Focus on Agricultural Markets"), extrapolated from Malawi and Mozambique household survey data.
[37] Urban Harvest. "Science for People and the Planet." In Annual Report 2003. CGIAR System-wide Initiative for Urban and Peri-Urban Agriculture, cited in Romanik, 2004.

Geography) and research is highly robust in revealing that agglomeration is an increasingly potent phenomenon of "self-reinforcing development" that encourages firms to co-locate in close proximity in cities. Firms often remain where they can have ready access to markets even in the face of diseconomies such as congestion and high land and labor prices (Venables 2005).

Cities nurture entrepreneurs by providing centers of demand (larger markets), information- and technology-sharing, easier access to credit, and support for risk-taking (through income alternatives and through networks of other entrepreneurs). Most small-medium scale enterprises, and the informal economy in general, are disproportionately located in urban areas for such reasons (Becker 2004). Cities are also key to economic modernization and diversification to higher value forms of production. Successful competition in global markets requires mobilizing skills, information and technology, and capabilities for rapid response in production, marketing, services, transport and logistics. Enabling such productivity requires attracting and retaining the knowledge resources—highly skilled and educated workers and an environment rich in amenities that will fosters their interaction (OPDM, 2003). Recent institutional research focusing on the importance of dense networks of personal exchange and relationships that foster innovation confirms the value for entrepreneurs and educated workers to remain spatially connected, and the continued attraction for them of large cities (Storper and Venables, 2004).

The advantages of cities and towns as marketplaces for goods, services and ideas do not arise entirely *laissez-faire*, independent of public policy. There is nothing in the academic theory of agglomeration economies that guarantees that the mere physical concentration of people and of firms will result in a well-functioning city, let alone a livable one. As identified by Rosenthal and Strange (2001) and summarized in Freire and Polese (2003), the microeconomic foundations of agglomeration economies are characterized by three elements: knowledge spillovers, labor market pooling, and input sharing. Each of these depends on the ability of cities—and notably, of their governments—to create an environment where: (i) economic agents can meet and communicate easily, (ii) workers can move among jobs throughout the area, and (iii) services of public infrastructure are adequately provided and productive inputs can move efficiently. Each of these conditions assumes therefore that a minimally effective institutional framework is operating in the urban area.

Failures of these ingredients undermine the economic performance of cities, especially in Africa. Poorly functioning cities create a drag where they should give a boost to firms. This is true of enterprises attempting only to thrive in the domestic marketplace, but the failure to realize the benefits of agglomeration is particularly damning to firms who would like to export to global markets. **There is no reason to believe that cities in Africa cannot contribute as much to the economy as in other Regions. But they require a commitment to ensuring that the urban assets are better managed to realize stronger gains.**

How urban development can be good for poverty reduction

To some observers, the evidence of urban poverty and deprivation, often most visible in slums, belie claims that urban areas offer economic promise and an improved quality of life. Yet it is normal to expect that there would be poor in cities because of the attraction of greater job opportunity and availability of services. The key question is whether poverty in cities is part of a healthy process of economic transition and mobility for the country and for households—or rather, a perverse trap that reveals dysfunctional institutions and exclusion preventing individuals from moving forward.

The growth of cities favors poverty reduction in several ways. First, by creating a wider and deeper labor market, and facilitating the provision of services. Urban areas experience both concentrated demand, and offer the widest options of supply, for both jobs and services. Just as importantly but less tangibly, the heterogeneity of urban society contributes to widening horizons and loosening of traditional attitudes, raising the aspirations of disadvantaged groups and challenging the status quo (WDR 2003).

Urbanization supports the demographic transition—which Africa has yet to fully experience. Africa's dependency rate[38] (89 percent) is well above than that of any other region, and its share of children is extremely high (44 percent). For Africa the dependency rate is not projected to fall below 50 percent until 2050. (WDR 2003)

Urban areas witness earlier and steeper declines in mortality and fertility than the rest of the country, for many reasons—including higher effective demand for smaller families, more adoption of family planning, and generally better access to health services.[39] Urban age structures are typically more concentrated in the working-age and reproductive ages than those of the total population. This implies a one-time demographic (and economic) bonus, largely an urban phenomenon. (Montgomery and others, 2003).

The implications of the projected demographics for the urban economy are clear. The large contingent of youth creates pressure for schooling and jobs and can also be socially de-stabilizing by contributing to crime and violence, while the dearth of middle-aged adults (reflecting in part the impacts of HIV/AIDS) implies loss of experience in the workforce and families. Yet the experience of Asian and other countries show that the decline in dependency rates and increase in the working age group permits more investment in education per child and higher savings rates (Montgomery and others, 2003). The demographic bonus can be used to particular advantage in urban areas, where education is easier to provide and investments can produce diverse employment opportunities for the new workers. But this requires the urban economies to absorb the growing workforce productively without suffering increased unemployment and

[38] Defined as the ratio of non-working-age population (under 15 and over 64 years old) to the working age population.

[39] According to 90 Demographic and Health Surveys (DHS) in 56 countries, urban fertility is on average 25 percent lower than rural fertility; in SSA the rates are 5.07 to 6.5, a 22 percent difference (Montgomery and others, 2003).

depressing wages. So while urban areas generally favor the demographic transition, there is no guarantee that they deliver such advantages without sound management and adequate public investment in the urban economy.

Providing services, and meeting the MDGs, can be easier in urban settings. As noted earlier, urban and rural average data on access to services hide the considerable disparities within the urban population. There are unmet urban demands for essential services especially for the poor and residents of informal settlements (slums and peri-urban areas). **On the supply side, input, output and outcome measures of provision are easier to achieve in cities than in less densely settled areas.** The per capita costs of many forms of infrastructure and social service are generally lower, and many more people can be reached in urban areas even if the technical level of services needs to be higher than in rural areas (as in the case of sanitation). It is also easier to attract and retain personnel[40], obtain spare parts and materials, and thus realize the desired operating efficiency and quality of service, relative to more remote locations. Competition among alternative service options can be more readily provided, as a force for innovation and efficiency, when the "market" for services is larger.

Demand side factors also facilitate providing services and meeting goals such as the MDGs in urban areas. In the urban setting it is easier to share information and to witness examples of changed behaviors. Individuals can appreciate the opportunity cost of inadequate education, lack of family planning, and the health impacts of poor sanitation in the neighborhood. Literacy can be reinforced with ready availability of written material, and publicity campaigns have an immediate audience. All this is not to say that the urban context is without complications and negative pressures. Organizing collective action among a highly heterogeneous population can be especially challenging. Densely built-up cities require more sophisticated construction and coordination of networked infrastructure to ensure that services function well and are environmentally sound. Inequalities of opportunity become highly visible, and potentially destabilizing.

And urban settings entail some of their own health risks. One of the most insidious threats to health and well-being, HIV/AIDS, is more prevalent in urban than rural areas and is generally highest in large cities, as well as in informal settlements. Risk factors include both the extent and nature of social contacts, including density and high mobility in urban settings, as well as the presence and proliferation of vulnerable groups such as street children and sex workers (Boerma, Nunn, and Whitworth, 1999; Kelly, 2003).

Migration and remittances provide economic options and mitigate vulnerability. There is evidence from many household surveys that dependence on agriculture as the sole or major source of livelihood is associated with poverty (World Bank, 2005d). One of the main contributions of the urban economy is to provide alternative sources of income, including through migration and remittances, even though the poorest rural households may be the least mobile and least able to benefit directly.

[40] There is widespread evidence of difficulties in recruiting and retaining health and education personnel to rural areas, relative to urban centers (Global Monitoring Report 2005).

Much of the discourse about development either ignores or discourages internal migration, assuming that it has largely negative impacts to the individual migrants, or to the receiving or sending areas[41]. The DHS data indicate that, contrary to common assumptions, recent migrant respondents were only slightly more likely to be defined as poor or to suffer less access to services, and the differences were often not statistically significant[42]. No greater disadvantage was found when the migrants from rural areas were singled out.[43] **The observation that migrants in urban areas are not significantly poorer or less well situated than incumbent residents reflects both self-selection among the individuals who migrate—they tend to be better educated than their peers at home—and their ability to apply their human capital and initiative in the receiving economy, which is precisely the attraction of urban areas**.[44]

Other studies and data for Africa suggest similar positive results. A poverty study of Burkina Faso found no evidence that recent immigrants into urban areas are more unemployed than the other residents (Grimm and Gunther, 2004). Household surveys in Benin reveal that breadwinners who migrate for employment achieve higher consumption for their household than those with similar characteristics (e.g. education level) who do not migrate. This was especially true for breadwinners who migrate to urban areas, whose household consumption increased by 14 percent versus 7 percent in the case of migration to another rural area. The Benin Poverty Assessment observes that "it pays to take risks and migrate when looking for work", and that migration has proven one of the most effective coping strategies both in the short term (e.g. dry season for farmers) and as a permanent solution to poverty for many households. (World Bank, 2003c) In Niger, it is estimated that half of the male household heads between the ages of 20-29 seek work in urban areas at least temporarily after the harvest each year. (World Bank, 2004c)

[41] Black et al (2003) found that of 48 PRSPs examined, migration was not even mentioned in 21 of them, and nearly all of those that did refer to migration cast it in pejorative terms, as a cause of poverty, disease, crime or other problems for development.

[42] The DHS queries this detail of women respondants of reproductive age, of whom one-fourth reported moving to her current city or town within the past 5 years.

[43] One exception to this positive result in the DHS data was in the survival rates of infants whose mothers had migrated from rural areas, which were found to be significantly worse than those for non-migrants, for reasons unclear. (Montgomery and others, 2004, p. 287)

[44] A household living standards survey study in Indonesia, the Philippines and Vietnam likewise found that migrants were not worse off than other respondents. However a major shortcoming of the Vietnam household survey was that it did not capture non-registered migrants, who are officially excluded from access to public benefits and services (World Bank, 2003).

Box 3.2 Urban migrants have done well in Uganda

Preliminary analysis of the 2002/03 household survey results for Uganda (see table) indicates that the majority of urban household heads are migrants, especially among the richer households. Only 14.3 percent of the top urban expenditure quintile is non-migrants versus 35.8 percent for the poorest urban quintile. In the rural sample, there is a larger share of non-migrants in all quintiles as would be expected but again, the richest households are less likely to be non-migrants (40.5 percent) than the poorest ones (64.2 percent). (Whether rural migrants came from other rural areas or are urban returnees is not specified). The evidence is thus pretty strong that migration is associated with urban residence but, more importantly, with higher expenditure status.

Uganda: Urban and Rural Comparisons of Migration, By Expenditure Quintile

Percent	**Q1**	**Q2**	**Q3**	**Q4**	**Q5**	**All**
Household head Non-Migrant, Rural	64.2	61.0	57.9	56.1	40.5	56.1
Household head Non-Migrant, Urban	35.8	31.0	26.0	21.1	14.3	18.1
Number of Times Migrated:						
Rural - Never	64.2	61.0	57.9	56.1	40.5	56.1
- Once	28.2	27.1	31.1	31.3	42.5	31.9
- Two or more times	7.6	11.8	11.1	12.6	17.0	11.9
Urban - Never	35.8	31.0	26.0	21.1	14.3	18.1
- Once	40.4	50.9	51.8	56.2	52.9	53.0
- Two or more times	23.8	18.1	22.2	22.7	32.8	28.9
Reasons for Migration:						
Rural - Looking for work	8.6	9.5	16.7	20.2	34.7	19.4
- Other economic reasons	30.1	34.4	32.1	31.7	27.8	30.5
- Education	1.3	1.7	2.0	1.1	2.4	1.8
- Marriage	31.8	26.8	23.0	21.4	11.2	21.8
- Escape insecurity	5.8	5.9	4.8	4.2	2.7	4.5
- Combination reasons	22.3	24.6	21.3	21.4	21.3	22.1
Urban - Looking for work	11.4	35.0	35.6	43.2	35.9	36.7
- Other economic reasons	26.1	31.1	21.6	18.0	21.7	21.5
- Education	1.1	1.6	6.1	4.5	4.4	4.3
- Marriage	18.2	9.1	13.1	8.8	6.6	7.9
- Escape insecurity	7.8	3.7	3.8	3.4	0.9	1.9
- Combination reasons	35.3	19.5	19.9	22.0	30.3	27.6

Source: Q1 = poorest, Q5 = richest. Uganda National Household Survey, 2002/03, Working draft data tables, courtesy of Louise Fox, AFRPR.

The same table shows that the richer households migrate more often than do the poorer, both in the rural and urban samples. Also, in both areas the richer households more often report "looking for work" as their reason, than do the poorer ones; and across the urban quintiles all urban migrants report this as a more important reason than the rural respondents do. The rural migrants more often list other economic motivations, including escaping insecurity, and social aims (marriage).

In short, for Uganda at least, urban residents appear to be drawn to migrant status for employment and other economic interests, while rural residents may be responding more to duress and limited social options at home. These data suggest in general why policymakers who are determined to curb rural-to-urban migration have a hard time achieving this result. Urban migrants want urban employment and appear on the whole to achieve relative economic success, while the rural population seeks migration for both economic and social values.

Remittances by migrants are often found to be very important both to senders and receivers, although data are typically lacking to identify remittance flows of domestic urban origin.[45]

A survey of the informal sector firms in Karu (a large settlement on the periphery of Abuja in Nigeria), where 80 percent of the inhabitants are migrants from other regions, found them relatively prosperous compared to the rest of the country. Those with a longer length of stay in Karu had higher incomes and new migrants registered more complaints about their life there—indicating, not surprisingly, that migrants start out less well-off than the established residents but manage to improve their situation over time. Interestingly, there was no correlation between length of stay and remittances home, with most remittances (61 percent) made by households in residence 1-5 years. Households engaged in informal sector activities sent more money home than those working in the formal sector. This study confirmed that the direct economic contributions of these migrants reached 24 of the 36 states of the country (CASSAD, 2002).

Another study of several African countries found that nonfarm income, including remittances from urban-based family members, was especially significant as a share of income of the better-off rural households and helped fund investments back on the farm (Tiffen, 2003). In Lesotho, which may be considered an extreme case due to its traditional reliance on migrant labor to South Africa, cash remittances in 1994/5 amounted to about one-quarter of total incomes across the board, only slightly less for the very poor than the non-poor.[46] Remittances and other transfers comprised about one-fifth of rural household incomes in Zimbabwe in 1990 and 1995, with only slight reduction after an economic crisis (Ersado, 2003). **While the magnitude of remittances, especially from domestic locations, is not easily compared with other financial flows, it is likely that these shares of income well exceed other special resources such as microcredit or development assistance available to households**.

A recent poverty study of Ghana found that a major contributor to poverty reduction over the 1990s has been migration from slower-growing to faster growing regions. The biggest reduction in poverty was identified among the rural forest residents, attributed to their receipt of remittances. Nationally, remittances (both from domestic and international origin) have increased from 14 percent to over 20 percent of household incomes between 1992-98 (McKay and Aryeetey, 2004).

[45] One recent study based on a nationally representative household survey in Guatemala distinguished between international and internal remittances, finding that both types reduce the level, depth and severity of poverty. The poverty headcount fell by equal amounts--0.8 and 0.9 percent--when internal and international remittances, respectively, are included in household income. Since a large share of the receiving households are in the lowest income decile, their income status improved most dramatically (Adams, 2004).

[46] These shares had dropped from about one-third of incomes in 1986/7, due to external factors (World Bank, 2003f, p. 56).

The people of Africa have fewer options for migration abroad (outside the continent) than did poor populations in earlier periods.[47] It is therefore especially critical to the welfare of the populations in rural areas (and especially those on fragile lands) of Africa that domestic migration remain unrestricted, so that individuals can make their own location decisions. This means avoiding the kinds of policies effected in the past by socialist countries such as China and Vietnam, where restrictions on internal migration have created an underclass of illegal migrants or "floating workers" denied housing and services. In Africa, Ethiopia has also practiced such restrictions and Nigeria most recently has espoused official aims of reducing rural-to-urban migration.

Migration may add to urban-rural inequality in cases where the migrants and the households receiving remittances are among the better-off in their communities. The loss of the more productive members could also weaken the economy of origin. However, inequality should not be a dominant concern in the face of overwhelming evidence of benefits to individuals and households from income diversification and risk mitigation (Ellis and Harris 2004). Migration or mobility is clearly a favorable element in income growth and poverty reduction, both for urban and rural populations. **Policies should *enable* labor mobility as part of general welfare and poverty reduction strategies.** At the same time, migration can pose a challenge to the receiving areas by adding to demands for services in the near term, raising the stakes for good urban management.

Urban development as an exercise in local governance and institution-building

It may be no coincidence that many of the developing countries facing rapid urbanization, and those with already large urban populations, have experienced pressures to grant more political autonomy to local governments and give greater voice to citizens. Regardless of whether a country has officially decentralized, running a city showcases local governance because the linkages—for better or worse—among public expenditure, local public goods, quality of services, and quality of life are hard to miss on the street.

The growth of urban economies generates a buoyant revenue base that can fund many of the city's own needs and (in the case of largest cities) provide large net revenue gains for the nation's coffers. But the collection and management of local taxation is sorely neglected in many countries, especially in Africa. Supporting local revenue strength, on the basis of sound fiscal transfer arrangements, and encouraging local creditworthiness as far as a city's economy allows should be one of the primary concerns of African governments as the urban transition accelerates.

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[47] While in the late 19th-early 20th centuries as much as a third of the labor force migrated abroad from depressed rural areas (e.g. from Ireland and Scandinavia to the United States), international migration to the OECD area is more restricted today. Cumulative migration to the United States between 1970-2000 accounted for less than 2 percent of the labor force in Sub-Saharan Africa and less than 5 percent in LAC (the region with the highest migration ratio); moreover, while the labor inflows in the last century consisted mainly of peasants, today more than half the migrants to the US have higher education or other skills. (WDR 2003, Box 4.4).

To conclude this section, **good urban management poses numerous synergies with the prevailing national development goals of sustainable growth, poverty reduction, good governance** (Box 3.4). Yet, it is relatively rare for urban development to figure prominently and explicitly in national strategies, official or donor. A notable exception proving the rule is China's Tenth Five-Year Plan in 2001, which advocates increased urbanization to stimulate rural and national economic development (New Star Publishers, 2001). In Africa it is time to acknowledge the potential and the problems of the cities as one of the central elements of the national development agenda. **Neglect of the cities may represent one of the least-considered "binding constraints" in African economies.** The next section details some of the key ingredients to make better-functioning urban areas in the region.

Box 3.4 Sustainable growth draws on phenomena that require the urban transition and well-working cities

The report *Economic Growth in the 1990s* (World Bank, 2005a) describes the conditions for sustainable growth as requiring "more than efficient use of resources. Growth entails structural transformation, diversification of production, change, risk taking by producers, correction of both government and market failures, and changes in policies and institutions. It is also a process of social transformation: people will change activities and live in different places. Social relations will change, and the informal networks of rural life will be lost as other more formal networks and organizations are established. Entrepreneurs will invest…to produce new products and adopt new organizational forms. Farmers will adopt new farming methods and change their product mix. The economy will produce and demand different goods and services….Any growth strategy needs to include actions, both on the policy and institutional front, that address and support this process of change." (Overview, p. 11)

While growth of towns and cities is an inevitable accompaniment to this process, ensuring that the urban areas are *well-managed* to maximize benefits for the economy and society is not inevitable and requires concerted attention.

IV. Making African Cities More Effective in Promoting Economic Growth and Poverty Reduction

The evidence reviewed here confirms the ability of the urban economy to nurture activities with strong growth prospects and to improve incomes and quality of life in the process. But what is increasingly seen in African cities is a physical concentration of people and activities that do not benefit from the key "ingredients" we have reasonably come to expect from both theory and experience of more effective cities. These key ingredients that are weak or relatively absent range from: (i) basic flexibility of the **factor markets**—because of barriers to workers' job and residential mobility, and rigidities in land use; (ii) efficient **local public services**, both those that can be produced through public-private partnerships, and those that are pure local public goods; and (iii) **trust and confidence in government—**the lack of which deters the private sector and households from investing and partnering for the future, and shifts burdens to them that should be borne or reduced by the public sector.

If these are not the prevailing conditions in many African cities, the concentration of people and economic activity is less productive than it should be. **Rather than devoting more attention to documenting or defending the urban contribution to development, real energy needs to be spent unblocking it.**

Listening to the firms

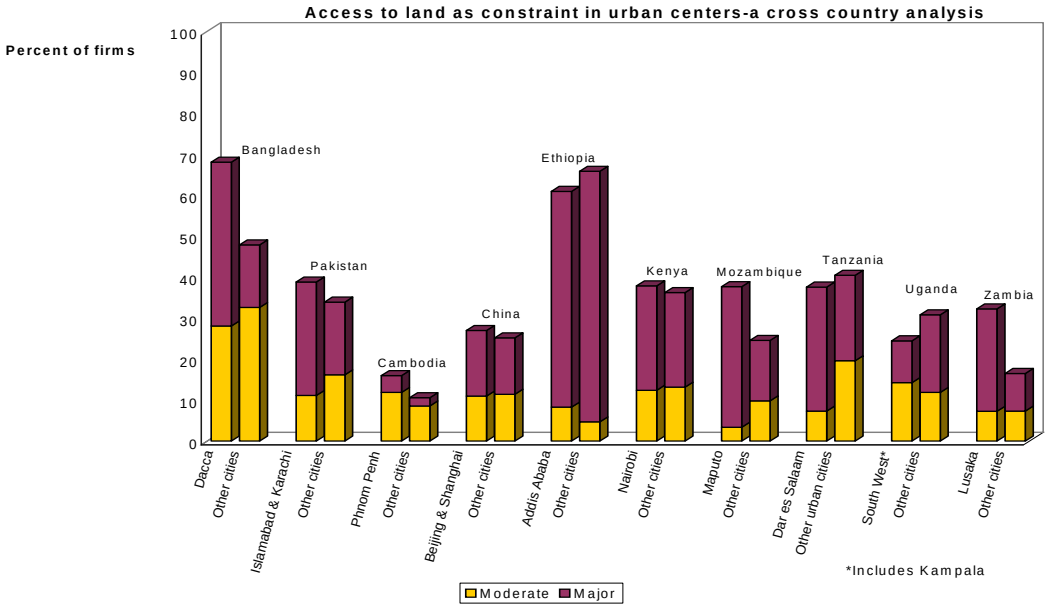
Surveys conducted in recent years, mostly on formal (registered) manufacturing enterprises located in urban areas, attempt to gain the perspectives of firms on the ease or difficulty of working in different settings. Such investment climate (IC) surveys were reviewed for this study in six countries in Africa (Ethiopia, Kenya, Mozambique, Tanzania, Uganda and Zambia) and for several other developing countries in East and South Asia (Cambodia, China, Bangladesh, and Pakistan) as comparators. The factors chosen for analysis are those that could shed light on the business environment in the various cities and, to the extent possible, policy implications for the local government.

Overall, the main observations from this IC review for African countries can be briefly summarized as follows (see Annex for more detail). Within infrastructure, **electricity** is by far the biggest obstacle cited for all of the African firms. Many respondents in Nairobi and Dar es Salaam compensate with their own generators, yet 10 percent of output is reported lost due to power outages in both cities. **Telecommunications** was reported to be a much less serious obstacle than electricity. Yet, firms in all urban areas in Kenya and those outside Kampala in Uganda reported losing telephone connections for more than 30 hours at a time, on average. **Transportation** was reported to be an obstacle greater than, or at least on par with, telecommunications. Whereas problems in electricity and telecommunications were felt more in the capital/primate cities, transportation issues were more pervasive and actually rated much worse in the secondary city sample in Mozambique, Tanzania and Zambia. Access to **skilled labor** is rated about equal to transport by the African firms.

These findings concern the infrastructure sectors and the labor market that are largely the responsibility of national authorities and therefore not "urban" or "local government" issues. Nevertheless, they are significant in revealing that **some of the basic assumed advantages of urban agglomeration—access to inputs and services affording economies of scale and connectivity to other producers—are simply not being realized in African cities, even in those that might be considered relatively favored**, such as the capitals. Therefore, a firm locating in such a city gains a much lower productivity advantage than its counterpart elsewhere, all else constant (such as city size, natural resource base, labor supply, etc.).

The last infrastructure variable surveyed, access to **land**, is the least cited as a moderate/major constraint in the African sample, although it is a big issue in Ethiopia with a 65-70 percent rating (Figure 4.1). Land acquisition may be rated less badly in such surveys because, unlike other factors and services, it is not a frequent expenditure. Reported land acquisition delays are very long in Ethiopia and in Zambia, where producers in the capital cities have complained of waiting as long as 120 days to acquire plots. Steep processing fees are required in Mozambique and to use land as collateral in Nigeria. A separate survey of investors' views in Senegal heard complaints that improvements in tax administration, business registration and customs were overwhelmed by the lengthening of time required to obtain land.

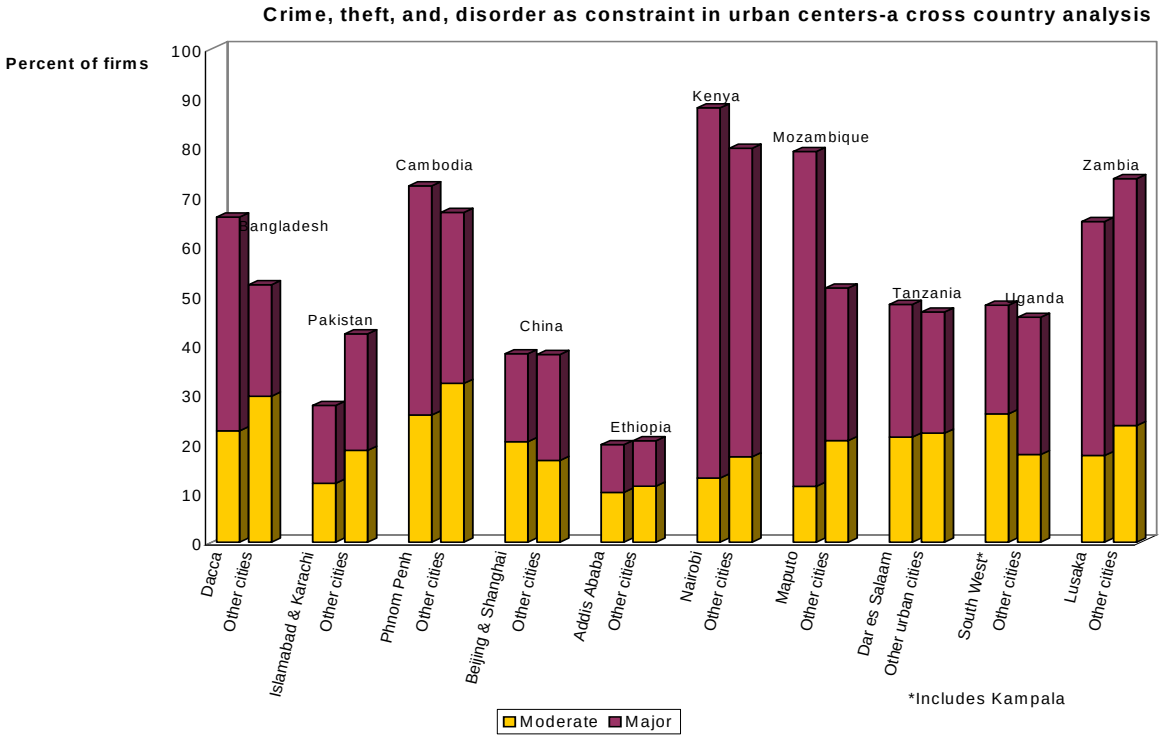
Figure 4.1 Access to land as a constraint in urban centers



Source: Chakraborty (2005)

Among the **institutional constraints** in the IC surveys, **corruption** dominates the other issues as a major concern for all the African countries (except Ethiopia), as well as for the Asian (except China). Generally corruption is felt to be a bigger problem in the capital/primate cities, indicating that it may pertain especially to national government officials. **Tax administration** is the second reported constraint for most of the countries, with relatively little variation across them or across the two types of cities. The lack of variation between the city groups may signify that national taxation is the main issue. There is a very large inter-country variation in the reported concern with **crime, theft and disorder**. Surprisingly, firms in capital/primate cities do not claim to suffer this problem more than those in secondary cities. **Business licensing** received the least bad ratings. In sum, **for most of the African countries the institutional issues and the infrastructural are about equal areas of concern**.

Figure 4.2 Crime, theft and disorder as a constraint in urban centers



Source: Chakraborty (2005)

Surveys specifically of informal sector firms in South Africa (World Bank, 2002c) and in Tanzania (Tanzania Planning Commission, 1991) produced some differences in views and priorities relative to the formal enterprises. In both countries the two biggest constraints to informal business were reported to be, first, a lack of credit or capital, and second, lack of demand (effective market for their output). Problems of access to equipment, high costs of public transport and infrastructure services (utilities), and difficulties in finding business premises also arose among the top constraints.[48] The informal firms might therefore be considered somewhat more sensitive to issues rooted in the local economy or local government functions than are the formal companies.

Neglect of the African cities does not remove the impetus for their expansion because they remain the most efficient setting for entrepreneurs to operate, relative to the alternatives. Large firms in Lagos report that the main advantages of this location are the much better availability of infrastructure than elsewhere, proximity to markets for inputs and outputs, and availability of space for expansion. The same firms reported their main constraints as the decaying state of this infrastructure and costs of obtaining premises for expansion, as well as general congestion and security concerns. Despite these

[48] Preliminary analysis of a survey of 2000 informal businesses in Lagos also finds that improvement in infrastructure (electricity, water, good roads) is cited first as the contribution most desired from the State/local government, closely followed by "help with access to credit" and "safety and security on the streets". (Tewari and Banerjee, 2005)

diseconomies rooted in the poor urban management, only 11 percent of the respondents said they would prefer to relocate elsewhere in Nigeria (Tewari and Banerjee, 2005).

Overall, **the picture that emerges of urban enterprises in Africa suggests that they are hamstrung by problems rooted in both national economic management, and in city management**. **The advantages that enterprises gain from an urban location can be swept away by poor national economic/institutional frameworks.** By the same token, it may be expected that a city that is attractive for business is likely located in a country that is hospitable as well. To enhance private sector enterprise and firm competitiveness both national and city leaders need to be focused on this as a common goal.

What cities require to be productive

Individuals and firms will continue to build for themselves and provide their own services even in the absence of a functioning local government. In fact, the vast majority of constructed capital in African cities represents the self-provision of shelter and shops. But clearly much greater benefits could be mobilized for the country and for the urban inhabitants by providing complementary local public goods in a safe and secure environment for the urban economy. **This implies focusing on basic investment and efficient functioning of the essential core of land and housing, environmental services, public transport and local public finance—typically the missing ingredients and weak links of the urban economies in Africa**.

Land and housing. One of the most fundamental characteristics and advantages of an urban economy is that it is a large and diverse marketplace. But problems in the availability (and affordability) of land for firms and for housing, and constraints in transport that reduce the effective mobility of goods and workers, can fracture the city into disconnected subzones that become dead ends, especially for the poor.

Investment in housing typically accounts for 2-8 percent of GDP, and the flow of housing services for another 7-18 percent of GDP in most countries. In the United States, the housing construction sector alone accounts for an estimated 5 percent of the economy and over 10 percent of economic growth. It has been estimated that a better functioning housing market could add 1-2 percent to India's growth rate (McKinsey Global Institute, 2001). In Africa housing is produced overwhelmingly by the informal economy but is no less important as a source of employment and household income (through rental). Demand for housing and business real estate is likely to remain income-elastic, and so ensuring a healthy housing and land market (and related construction sector) should be a key element of any development and growth strategy in the region.

Not much detailed study has been carried out on the economic costs of land use patterns in African countries. However, it is suggestive that an analysis of certain zoning regulations in Bangalore, India (the floor:area ratio, a restriction on building heights that deters intensive development in central city locations) found that the welfare costs could amount to 3-6 percent of household consumption, due to the impact on increased housing

prices and increased commuting costs (Bertaud and Brueckner, 2004). Ethiopia is possibly an extreme case of land and housing market dysfunction in Africa that illustrates the impacts of socialist land use policies. South African cities reflect the legacy of another type of extreme, apartheid (Bertaud 2001; Bertaud and Renaud, 1995). Although land in Ethiopia is no longer restricted to private ownership the current policy of preventing it from being traded independently excludes most of the population, and currently only the top 20 percent of the income distribution can afford plots. Much of the foreign remittances (which in total amount to almost 7 percent of GDP) are spent on real estate, so distortions in the land market lead to wasteful uses of these resources (Bertaud and others, 2004).

Elsewhere in Africa, as in many other developing countries, the common reality is for the public sector to dominate the ownership and use of urban land. At the same time, governments inadequately exercise their necessary role in protecting rights of way and preventing sensitive areas from settlement. Authorities overly restrict on-plot development, and generally under-provide the infrastructure that would valorize land. Mis-regulation contributes to very low density sprawl, as new settlement is only affordable at the periphery—further raising the costs of infrastructure networks and complicating public bus services.

Experience in Africa and many other regions confirms that upgrading existing slums by providing basic infrastructure and communal services, with confirmation of existing tenure security (but not necessarily formal titles), is much less disruptive or expensive per household than trying to relocate residents or directing them into public housing. However, the *most efficient* solution for a rapidly growing urban areas (even cheaper on a per-household basis than in-situ upgrading) is to block out areas in advance for new settlement and install very basic sanitation and street layouts, enabling progressive construction as the neighborhood grows (The Millennium Project 2005b).

The lack of mortgage financing and of micro-credit for progressive housing development, and disincentives for rental supply, make housing expensive even for the middle class. Ghana's Housing Finance Company is one case in Africa where the beginnings of a mortgage system were established, with initial World Bank support. Many problems remain, however, rooted to a large degree in the supply constraints of the land market.

Public transport. Along with limited effective choices in location, urban firms and residents do not have good options for mobility. Failures in urban transport policy seriously compromise the movement of individuals as well as circulation of goods, again shuttering the urban marketplace.

An ongoing analysis of the affordability of public transport fares in a global sample of mainly large, non-African cities indicates that the poor are often simply priced-out of public transport which could costs a third of their income for normal use. A transport and poverty impact assessment for Lagos found that the average bus fare for normal use would require over 50 percent of household income of the poor, although

drivers may charge less or more than posted fares. These figures compare to an affordability benchmark of 15 percent (Carruthers 2004).

A study of three African cities reports that in Addis Ababa (a city of 3.6 million people), 70 percent of trips are by walking and public transport is estimated to cost 3-37 percent of household income. The average distance walked per journey is 5 kms. In Nairobi, it is 4 kms (where 48 percent of trips are by nonmotorized transport, including walking). And in Dar es Salaam, the average figures are 2.2 kms and 45 percent, respectively. Roads are poorly designed for walkers and extremely unsafe—including for cars, especially given how they are managed. In Nairobi only 3 of 22 signalized intersections were working at the time of the study, and in Addis, only 52 of 359 traffic policemen had motorcycles (SSATP, 2002).

Most comparative city data on travel-to-work times, regardless of country income level, indicate that about 30 minutes is the mode and average. However, the UN-Habitat city data reveal that in Africa the capital or primate cities have much higher travel times—in the range of 45-60 minutes, sometimes more than double the figures for secondary cities in the same country (UN-Habitat Global Urban Observatory, 1998 data). The largest cities should be able to afford better management of roads and public transport systems than other urban areas, even with higher demand. Such figures testify to the policy neglect that leaves the upper middle class to untrammeled use of motorized vehicles, and everyone else to walking.

Sustainable municipal finances. Urbanization tends to raise the profile of local government functions. It is therefore critical that as cities grow, the professionalism and accountability of local government matures as well. This obviously does not happen automatically. But with systematic support to improved practices and procedures, and in an environment where local and national authorities commit to making local government more responsive to citizens, municipal performance has improved remarkably.

In Benin, for example, the recently completed Decentralized City Management project fostered dramatic increases in municipal resource mobilization in the three largest cities (Table 4.1). Similarly, in Senegal municipal adjustment and investment programs introduced by the Bank-supported first Urban Development and Decentralization Program (closed December 2004) achieved increases in municipal savings and rationalized the allocation of current revenues to much needed maintenance. All 67 municipalities under the Senegal program have signed municipal contracts which commit both the national and local governments to improved performance within a simple framework. This framework aims to help the local governments prioritize and plan service delivery; formulate, implement and monitor budgets; mobilize fiscal and non-fiscal revenues; and become accountable to communities.

Table 4.1 Concerted efforts raised municipal financial performance in Benin's three largest cities, 1999-2004

	Cotonou	Porto-Novo	Parakou
Total municipal revenue growth over period	82%	148%	131%
Share of city's recurrent cost budget spent on local public services—increase over period	from 65 to 81 percent	from 39 to 66%	from 52 to 72%
Share of city's recurrent cost budget spent on maintenance of roads and drainage—increase over period	from 22 to 23 %	from 9 to 23 %	from 1 to 43 %
Collection rate for billed local taxes (property and professional taxes)—by 2004	67% (target 75%)	48% (target 40%)	72% (target 65%)

Source: Republic of Benin, Decentralized City Management Project, implementation completion data.

In eleven African countries a system of street addressing (or *addressage)* has been established in the major municipalities. Addressing represents a practical and low-cost information system for local governments and utilities to identify land uses and residences, providing data that can also help improve property taxation and service provision. Introducing simple street addressing in two cities of Senegal (Thies and Kaolack) permitted municipal tax billing to increase by about 50 percent, with 90 percent collection rates. In Burkina Faso, Togo and Mauritania street addressing has aided in inventorying the local tax base and in implementing residence taxation. Guinea is using the system to organize solid waste collection and secondary street maintenance. (Farvacque-Vitkovic and others, 2005)

Many of the constraints facing cities suggest corrective actions that the city leaders can undertake, provided they have a commitment to installing capable professionals in the local government and involving stakeholders among local business and the community. Empowered from above (through supportive intergovernmental relationships) and from below (through accountability to the local population), leadership groups in cities can identify the obstacles to better performance—for example, through a city development strategy process or management contract agreed with central government. There are currently a few instances of such municipal activism in Africa and these experiences need to be shared with other local governments.

And **yet, many issues for cities are rooted in national and even international policies and institutions**. Senegal, for example, has a history of relatively good urban management, yet the entrepreneurial sector remains handicapped by habitual practices that discourage competition and favor rent-seeking, despite efforts of macroeconomic reform (World Bank, 2003e). Even in these cases an empowered and informed city leadership can advocate appropriate actions by national governments and network with other cities to collaborate in pursuing common concerns, for the benefit of their residents and of the country at large. A very notable example is the South African Cities Network, which is engaging in national dialogues on policies affecting the member cities and the society.

V. The Opportunity Cost of Neglecting the Cities--What is at Stake for National Development in Africa

The failure to satisfy the basic conditions for effective cities will, in simplest terms, dilute these benefits that could be gained for the country. In some African countries the issue presents itself more starkly: what is the difference between a functioning city or town—and a refugee camp, or an enclave such as an industrial zone or gated residential community?

Neglecting the cities also makes both firms and households more vulnerable to the **diseconomies** of urban agglomeration—high costs of land, congestion and inadequate mobility within the city, a polluted environment, threats to social order and to public health, and crime. **These risks, while never entirely avoidable with population concentration, become greater and *prematurely* imposed by very inadequate urban management**. The projected growth of urban populations over the next decades, and the burgeoning cohort of children and youth in particular, underscore the challenges.

Higher costs and reduced competitiveness of firms. The impact of inadequate infrastructure and high transactions costs on reducing the competitiveness of firms has been widely documented in many countries (WDR 2004). **Africa, whose share of world trade remains miniscule and declining (from 1.9 percent of all merchandise exports in 1990 to 1.5 percent in 2003), cannot afford a comparative *dis*advantage from failure to nuture the business environment of cities and waste of their productive resources.** Lagos, for example, like many other major cities of the region, hosts half of Nigeria's invested manufacturing capital, and 60 percent of its non-oil economy. While the small scale and informal enterprise sector often appears quite dynamic in Nigeria and other countries of the region, the predominance of such enterprises is a concern where there are few signs that they mature in size or interact with larger or formal firms companies.[49] **The cities should nurture not just the proliferation but also the maturing of firms.** The almost complete reliance of some large communities in major cities (such as Karu in Abuja) on informal self-production and trade within a narrow radius is a sign of an urban economy that is insufficiently integrated with domestic and regional markets, let alone globally.

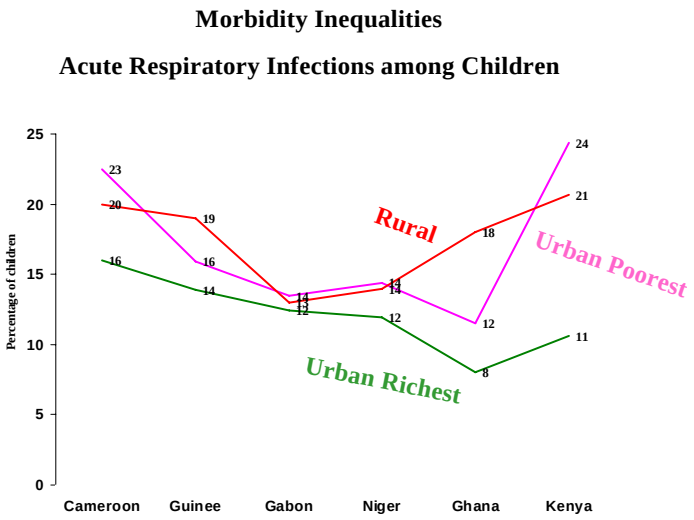
Worsening risks to public health and security. Health status provides a good overall reading of risks to welfare, both stemming from issues with specific services (health care or water supply), and from environmental or social risk factors related to location. The DHS and other studies which disaggregate by urban and rural areas generally confirm that there is an urban *advantage* in health outcomes. That is, infant and child mortality and other health indicators such as child growth measures have remained significantly better on average in urban than in rural areas, for a number of reasons including better public infrastructure, higher maternal education, and better access to health care in urban areas in general. However, poor urban children are found

[49] Tewari and Banerjee (2005) find that an overwhelming share of both large manufacturing firms and small-medium-micro scale firms do not export even within Africa, and there are relatively few reported trading linkages across firm sizes.

to be much less healthy than non-poor urban children (Figure 5.1) and to face much greater disease and mortality risks. Particularly in Africa, urban poor children are found in some surveys to be less healthy than their rural counterparts.[50] For example, a comparison of DHS results in 22 African countries found that diarrheal point prevalence was higher on average for the poorest quintile in urban than the poorest quintile in the rural sample (28 to 24 percent), and this relationship appeared for half of the countries (Doumani, 2002).

Comparisons across intra-urban localities often present a stark picture. Table 5.1 documents large disparities in basic health as measured in infant and child mortality and diarrhea incidence in Kenya. The data reveal that children in the slums of Nairobi face enormously higher risks than their peers living elsewhere in the same cities or in rural settlements.

Figure 5.1 Urban poor children face higher disease risks than their urban peers



Source: Mboup (2003)

[50] Evidence summarized in Montgomery and others (2003), Chapter 7; Table 7-4.

Table 5.1 - Children in Kenyan slums have the worst health indicators

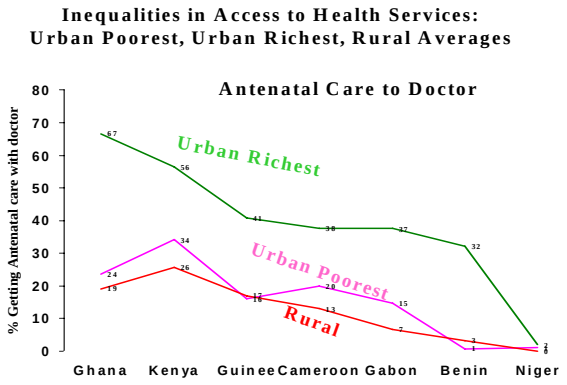
Infant and under-five mortality rates and diarrhea prevalence in Kenya

Location	Infant Mortality Rate (per 1000)	Under-5 Mortality Rate (per 1000)	Prevalence of Diarrhea* (%)
Kenya (national)	74	112	3.0
Rural	76	113	3.1
Nairobi	39	62	3.4
Other urban	57	84	1.7
Informal settlements in Nairobi, of which:	91	151	11.3
Kibera	106	187	9.8
Embakasi	164	254	9.1

*Incidence of diarrhea with blood in children under 3 in two weeks prior to interview.
Source: African Population and Health Research Center (2002). Table from Satterthwaite (2004b).

The 2001/02 Zambia DHS found that slum children in Lusaka were more likely to have suffered diarrhea or serious cough in the previous two weeks than either non-slum urban or rural children, although action had been taken (healthcare sought) as often or more often for the slum children than for these other cohorts (Mboup, 2004). Apparent proximity to health centers does not always imply effective access or affordability of health care for the urban poor, however (Figure 5.2). In Ghana, the 2003 Core Welfare Indicators Questionnaire (CWIQ) found a worsening of health indicators, including underweight status, among the urban poor relative to the rural poor, even though the urban children had higher participation in health programs—indicating that other risks such as poor sanitation or food insecurity may be at play.

Figure 5.2 The urban poor do not always have effective access to healthcare



Source: Mboup (2003)

Negative health externalities often affect spatially concentrated areas of disadvantage, such as slums. These are **urban health penalties**, in the sense of risks more associated with urban living. Such risks go beyond those of infectious diseases that can be reduced by public infrastructure and include stress-related diseases and others, as well as certain kinds of accident and disaster risks. The incidence of HIV/AIDS is

generally highest in large cities, as well as in informal settlements, for multiple reasons.[51]

Crime and violence, noted earlier as a concern to enterprises, increasingly accompanies deprivation in African cities. Research in Latin America and globally has confirmed that income inequality is an explanatory factor in national crime rates (Bourguignon, 1999), and Africa shares the distinction with LAC as the two most unequal regions (Global Monitoring Report 2005). The U.N. Office on Drugs and Crime has concluded that a major cause of crime in Africa is the continent's wide income disparity.[52] The general problems of poverty and social exclusion within urban areas, extreme weaknesses of national police and justice systems, and absence of trust between communities and local governments compound the issue. Crime is now recognized as a significant risk factor in the cities especially of South Africa, in Nairobi, and in Lagos, where governments, the private sector and citizens have been developing various strategies to confront these problems (Box 5.1).

[51] Risk factors include the extent and nature of social contacts, including density and high mobility in urban settings, as well as the presence and proliferation of vulnerable groups such as street children and sex workers (Boerma, Nunn, and Whitworth, 1999; Kelly, 2003).

[52] Cited by Carsten Hyttel, Eastern Africa regional representative for the U.N. Office on Drugs and Crime, Centre for International Crime Prevention.

Box 5.1 Crime issues and responses in three African countries

The security situation in **Kenya** has deteriorated in recent years, particularly in the country's urban centers, with an upsurge of car-jacking, robberies and murders. The law enforcement agencies are seriously below strength and lack the necessary resources and capacity to combat the perpetrators effectively. With the co-operation of the business community, the police in **Nairobi** have constructed information centers within the central business district to respond to urgent calls. Unfortunately, a legacy of distrust still exists between the police and the public, emanating from past police practices. The police force is realizing this problem and, together with NGOs, is attempting to raise public awareness about the need for more effective policing and adequate resources and duties within the framework of human rights.

The Safer Cities Initiative, through UNDP funding and implemented by UN-HABITAT, has conducted a survey on crime in Nairobi, supported capacity building of local partners, and assisted in the development of appropriate co-ordination mechanisms at the national level. As a result, a three-year citywide crime prevention strategy and action plan for Nairobi is being developed to respond to growing concerns about local level urban safety issues. Considering the recent political developments in Kenya, developing and implementing a participatory crime prevention strategy in Nairobi is viewed as a way to improve urban governance and to augment the government's Economic Recovery Strategy (ERS).

South Africa has one of the highest national and urban crime levels in the world—it ranked fourth of about 60 countries reporting rates of burglary, murder, and robberies. According to the Johannesburg-based Centre for the Study of Violence and Reconciliation (CSVR), South Africa's current high rate of violent crime is just as related to economic and social marginalization as it was during the 1980s, although the diversity and sophistication of the crime has increased. A comprehensive National Crime Prevention Strategy was adopted in 1996 with the aim of expanding from a focus on crime control to crime prevention. Components of the NCPS include coordination and integration of criminal justice functions, special targeting of high crime areas, research, advocacy and facilitation of crime prevention programs. All levels of government are involved in the program. The internationalization and high economic stakes of crime in South Africa calls for a well-trained professional police service. The appointment of specialised crime-fighting units and co-operation between government and the private sector businesses have begun to show effects against crime.

In **Nigeria,** law enforcement has long been seen as not doing enough to protect life and property both in the rural and urban areas. The country has developed its own versions of community-based crime prevention, with many vigilante groups formed in response to requests from the various ethnic groups in Nigeria. Throughout the years, "neighborhood watch" has grown from an "extra eyes and ears" approach to crime prevention, to a much more proactive, community-oriented endeavor. Neighborhood Watch groups are now incorporating activities that not only address crime prevention issues, but also restore pride and unity to a neighborhood. It is not uncommon to see Neighborhood Watch groups participating in neighborhood cleanups and other activities that impact the quality of life for community residents.

Sources: Compiled by Francis Muraya, from Seventh United Nations Survey of Crime Trends and Operations of Criminal Justice Systems, covering the period 1998 - 2000 (United Nations Office on Drugs and Crime, Centre for International Crime Prevention); U.N. Office on Drugs and Crime, Centre for International Crime Prevention website; Center for the Study of Violence and Reconciliation (South Africa) website.

VI. Strategic and Operational Choices and Priorities: Attempting to Gain the Best from the Urban Transition

National policy makers (and their external advisors) who wish to take advantage of what urban development can offer the national agenda face many choices, given resource constraints. There need be no debate about the first priority for healthy cities—a generally sound macroeconomic and fiscal environment and investment climate at the national level. Beyond this, alternatives and trade-offs may be faced in the spatial focus of urban policy, and in the sectoral focus. Getting the right institutional balance in supporting cities is a further challenge.

Issues of spatial focus

Large city versus small cities—or, urban concentration versus dispersal. One frequent debate regarding urban policy in Africa and other developing regions concerns the balance of support between one or very few relatively large cities, versus the distribution of urban population and economic activity across a wider number of geographically dispersed, smaller cities. Although as noted in section II the urban system of most African countries is not unusual in comparative terms, there is often a prevailing political preference to reduce the relative dominance of the largest (primate) city. The frequent belief is that the primate city has become overgrown and inefficient (and sometimes politically inconvenient). It is thought that smaller, more spread-out cities would create greater linkages to the rural hinterland and better sharing of welfare throughout the country. In contrast, a concern with enhancing global competitiveness and the very limited investment funding available may argue in favor of focusing resources in few locations, the major cities.

The weight of both theory and empirical evidence suggests that African countries need not adopt a very deliberate or directive approach to reduce their primacy rate and disperse urban population among many smaller cities. In fact, it could be ineffective and risky to do so. In the first place, the relatively large cities of any country are generally the most productive for all the reasons of agglomeration economies discussed earlier. Multi-centric, metropolitan areas tend to be the centers of the most diversified production, of innovative and information-intensive industries and services, and of entrepreneurship because they offer the deepest labor market and most opportunities for exchange of ideas (Henderson, Shalizi and Venables, 2001)[53]. There is no reason to believe that the large cities do not exert this functional advantage in African countries, despite the many developmental constraints limiting producers that are unrelated to the cities. **The observation that large African cities pose major diseconomies even before all the potential gains of size have been realized is a testament to the neglect of urban policy.** For example, the virtual absence of public transport services and lack of traffic management should be blamed first for serious

[53] There is no rule as to the absolute size at which a city becomes more productive, or at what size negative externalities may impinge. Most of the research on city productivity has looked at the *relative* size (primacy rate) across countries, or studied metropolitan areas, in developed countries.

congestion, not the size of the city itself. Similarly, neglect of urban transport and of solid waste management (most African cities do not collect more than half of the waste produced, and few have sanitary waste disposal), and low coverage of household sanitation explain the pollution. Excessive land prices are inevitable when the land supply is heavily regulated or publicly owned.

A deliberate urban policy to promote deconcentration of urban population in Africa is very difficult to implement effectively and can be very costly if exercised through public fiscal transfers, as evidenced from disappointing regional development policies of many other countries, such as Brazil.[54] As the African countries urbanize and incomes grow, more cities will emerge and expand naturally and gain relative economic importance. **Decentralizing political control and easing regulatory controls on the private sector will tend to promote this process naturally, by reducing the incentive for firms to stay physically close to the major city[55].** Providing more and better infrastructure in and between secondary cities would, of course, facilitate this process.

A network of cities that is well-connected within-country or cross-borders can be a key ingredient in the growth of interregional trading groups, an increasing priority of African governments. A factor that may be slowing the impacts of current efforts to create regional trading arrangements in Africa is the relative absence of city-regional corridors—extended conurbations comprised of the physical integration of neighboring settlements and industrial areas. City-regions often occur from the location of industry along transport corridors and in greenfields that may start as enclaves but blend eventually, forming a more or less continuous urban region. Such corridors are apparent in East Asia and parts of Latin America, but in Africa only the Gauteng region around Johannesburg-Pretoria is an obvious example.[56] Many African cities do feature physical "sprawl" at very low density, with wide swaths of periurban informal settlement having minimal or nonexistent services—but this periphery is much less rooted in a web of formal sector investment (industrial or infrastructural) than is seen, for example, in the East Asian city regions. This notable difference in the nature of urban expansion reflects the relative absence of inter-urban transport infrastructure in Africa, the weak integration of periurban settlements with the rest of the city, and the lack of large scale industrial

[54] The main finding of Brazilian and other studies of regional development policies is that agglomeration economies and market access create strong increasing returns that tend to reinforce the spatial concentration of economic activity in the dominant cities and regions of countries. This pattern is very difficult to change by fiscal or financial policies. See literature review in M. Fay, editor, "Brazil Economic Development at State Level—(Some) Lessons from Experience", World Bank, Latin American and Caribbean Region, May 2005 draft. Korea's attempts at industrial relocation in the 1970s-80s to new towns outside of Seoul succeeded as far as reducing the capital's share of manufacturing employment and raising it in other cities, with some efficiency costs. However, the urban population concentration in Seoul barely changed. (Kyu Sik Lee and Sang-Chuel Choe, "Changing Location Patterns of Industries and Urban Decentralization Policies in Korea", in Jene K. Kwon, ed. 1989. *Korean Economic Development*. Westport, CT: Greenwood Press; Henderson, Shalizi and Venables, 2001).

[55] This was one of the lessons from the Korean efforts of industry de-concentration.

[56] Rakodi (1999) observes that the only cross-border metropolitan region apparent in Africa is that between Douala, Lagos and Abidjan, following the creation of ECOWAS. Measures are being taken to encourage an urban corridor between Johannesburg and Maputo.

manufacturing investment which forms the core of such urbanized spread elsewhere (Webster 2004; Ellis and Harris, 2004).

Although national governments should not aim to "dislodge" the primate city from its dominant position in the economy, more basic support should be given to rapidly growing secondary cities and their local governments to improve governance and service delivery capacity. The intergovernmental fiscal framework, and in particular the design of transfers, should encourage local governments to mobilize revenues to the extent possible from their emerging local economies, while recognizing that smaller cities will likely remain more reliant on fiscal transfers than the larger cities[57]. **Rather than attempting to "pick winners" among emerging secondary cities or to "create" new cities as growth poles, national urban policy should establish conditions and incentives that help existing local governments respond to the evolving demands of the population and of producers in their jurisdiction for good public services.** The Bank's municipal development projects in the Region, which provide structured assistance to improve local government performance in financial management and make investments proportional to such performance, illustrate an incentive-based approach that supports secondary cities based on their effective demand.

Ultimately the debate about urban policy and the system of cities in Africa hinges on concerns about inequality among regions, and specifically between the more urbanized and less urbanized areas of the country. The main goal of African governments is to sustain economic growth to reduce poverty, and inequality is a worry as it weakens the transmission from growth to poverty. Much of urban policy and investment in the past couple of decades has been judged as a contributor to inequality (through "urban bias"), neglecting its role in growth and poverty reduction. It is the position of this paper that urban policies can be made more effective in ensuring cities' contributions to growth and poverty reductions and that the African countries cannot afford to neglect these channels. Some regional inequalities are inevitable and may increase during the transition. **The best response to mitigate inequality is to encourage the integration of rural areas with large urban markets, mobility of labor and remittances, strong fiscal mobilization in cities, and appropriate intergovernmental transfer policies—rather than simply avoid urban development out of fear of inequality.**

Promoting industrial or export zones—or cities? There is also growing interest in Africa in providing special industrial or export promotion zones as a way of targeting favorable conditions (infrastructural and institutional) for new investment. The argument is that many other countries have done so as a strategy to stimulate export sectors especially, and that African countries can at best afford to provide the desired conditions in a few locations.

[57] Rodriguez-Pose and Gill (2003) show for a global sample of countries that fiscal devolution that simply increases the fiscal autonomy of subnational governments can worsen regional inequalities and reinforce the stronger regions, unless national governments maintain equalization transfers.

As summarized by Madani (1999), the results of many export processing zones (EPZs) in a wide range of developing countries in the past, including in Africa, should impose a major note of caution to the current debate. The successful cases have been relatively few, while costs in public expenditure and foregone tax revenues can be considerable.[58] Much of the globally-oriented manufacturing in Africa that has emerged with foreign investment (garments in Lesotho, export zones in Madagascar) has had only a superficial impact on the rest of the economy in terms of backward linkages or building fungible skills and entrepreneurship, although a few such as Mauritius have proven more successful than others. The solution to create more employment from such zones is not simply to locate them more widely throughout the country as some have argued (GMR 2005, Box 4.2) because modern exporting firms generally need to have access to a major city and its amenities.

For many types of manufacturing and services foreign investors are notoriously footloose, and retaining such investment requires grounding in strong local resources (such as a capable and reliable workforce), institutional relationships, and amenities. **Rather than creating a few favorable investment enclaves, a more sustainable and scaled-up approach would be to make the cities work better as support centers for business.** Increasingly even developed countries are gearing their industrial policies to build on the localized strengths of a city or region, such as its entrepreneurs and skilled workforce, partnerships across public and private sectors, linkages to markets, and even its history, to attain sustainable economic development. The basic preconditions would be national policies that favor private investment, and fiscal policies that give local governments (especially of the larger cities) the means to mobilize revenues and to deliver decent services to all the city. An industrial policy favoring export promotion or other targeted investment zones may be justified in cases, but should not precede fuller consideration of how to make the city more hospitable to domestic investment and to existing firms. Greater economic growth for African countries may require them to satisfy the exigencies of foreign export markets, but without meeting the standards for a healthy domestic urban market an export-oriented strategy has a soft footing.

Issues of sectoral focus

African countries will seek national growth strategies to suit their particular conditions, and each of these is likely to have urban development requirements. For example, resource-scarce coastal countries (e.g. Ghana) may be most inclined to consider an export-led approach, for manufacturing and/or services. External competitiveness begins with an efficient domestic marketplace, but rigid urban land use policies can distort the (re)location of factories. Land-locked resource-scarce countries (Uganda, Rwanda) may choose to foster more regional integration to facilitate their trade and develop modernized services sectors with low transport costs—but these sectors will also require that their major cities become more attractive to educated workers and investors.

[58] In Tanzania, for example, industrial estates have been found not to provide superior infrastructure services to the resident firms. (Vandana Chandra, Pooja Kacker, and Ying Li, "Identifying the key constraints to growth, export competitiveness and employment in Tanzania's manufacturing sector", World Bank, PREMED, draft Executive Summary, June 2005)

The majority of the African countries may increasingly aim to develop more intensive agriculture and agro-processing—for which the consumer demand and support services in urban areas will be an essential asset. In short, virtually all the "non-urban" growth strategies for the Region will have major urban development implications. This will be especially true for countries that emphasize efforts to rapidly transform and diversify their economic structure, and to stimulate globally competitive industries and services.

Issues of institutional development

Creating efficient and responsive local governments is key to creating effective cities. This challenge requires that national authorities and external advisors (donors) recognize the need for further conditions and choices—in particular, putting municipal development at the center of urban policy.

First, central governments need to commit to appropriate fiscal frameworks that give local governments incentives for fiscal effort and responsible spending, but also reasonable certainty in planning tax and transfer revenue. African municipalities have developed responsible borrowing within such frameworks, as demonstrated in many Bank-supported and other urban projects. Use of credit is indispensable for financing local infrastructure as cities grow.

Second, mature municipal management requires that local investment be on-budget and part of an expenditure plan, rather than through ad-hoc assistance arrangements or special extrabudgetary funds. Third, accountability to the local population and voice for citizens should be encouraged as mainstream performance of elected local governments and instilled through open, transparent budgeting and monitoring processes. Community involvement in neighborhood investments should be encouraged as part of municipal planning, but it cannot be the solution to create sustainable and well-integrated infrastructure and service systems in the urban context.

In brief, sustainable urban development is inseparable from local government capacity-building and cannot be achieved simply through investment in urban infrastructure—or by relying only on practices derived for less institutionally-complex settings (such as social investment funds and community-driven development). Many urban issues in fact require institutional cooperation across municipal jurisdictions to address larger spatial externalities, such as solid waste disposal and public transport management.

Priorities for further urban research in Africa

Collecting city-level data. On virtually every topic mentioned in this paper the state of knowledge is very limited with respect to Africa. A particularly notable gap is the lack of quantified city studies, because of the dearth of reliable data at the city level that would permit tracking key indicators of performance over time and among cities.

Developing such data is critical for research but also for better governance and decision-making, by and for the cities themselves.

The aim to document how well the city is serving its residents and businesses, what it is producing and contributing to the country, and where it is falling short in performance is central to the concept of a city development strategy. The recent publication by the South African Cities Network, *State of the Cities Report 2004*, demonstrates the rich texture that can be created to describe the issues facing cities, using census and other data available within the country and cities themselves. A commitment by the international community and by city leaders to promote the use of policy-relevant indicators in other countries, by supporting a process of sustainable data collection, would be a major contribution to advancing knowledge of the links among urban development, economic growth and poverty reduction.

Priorities for use of existing and new data. While better data are a prerequisite for better knowledge, data sources that are available could be mined to further illuminate many of the issues mentioned here. A first priority would be to examine a larger set of household surveys in Africa to explore multiple dimensions of urban poverty, which is only illustrated very partially here. A second priority might be to look more systematically at comparisons across cities in some countries to identify and target responses to the varying needs of large/primate/capital cities versus those of smaller/secondary cities. Third (but not least), focusing on the financial resources available to cities—contrasting the actual revenues collected to a reasonable fiscal harvest that could be gleaned from the observed economic activity—would be a revealing and possibly energizing research.[59] Each of these topics could inform the urban and national policy dialogue and help define better-tailored urban interventions.

[59] This is a major focus of the ECOLOC program research of the Municipal Development Program and OECD/Club du Sahel.

VII. Conclusions

First, there is need to recognize and move beyond the myths that cloud much of the discourse on African urban development:

Myths about the demographics:

- African countries are *not* urbanizing faster than other countries have, and the distribution of urban population among large and very small cities is *not* unusual for their level of development. That said, the absolute rate of urban growth is historically unprecedented and a challenge for urban management, particularly in the secondary cities which tend to be the most under-serviced.
- Internal migration is *not* the only nor even main source of urban growth in most of countries—*nor* is it responsible for urban poverty. Although data are limited, evidence indicates that migration has been favorable on balance for both sending and receiving areas in Africa. But population mobility is much more fluid than the rural-to-urban model, and households wisely diversify their activities across both areas.

Myths about the urban economies: Africa *cannot* simply be characterized as "urbanization without growth", and the term does not even fit many of the countries. The economic growth that has taken place in the past decade derives mainly from urban-based sectors (industry and services), and this is especially true of the better-performing countries. But cities have clearly not lived up to their productive potential because of widespread neglect and bad management.

Myths about cities and poverty: Urban poverty is *not* mainly a function of urban growth, *nor* is it a sign of failure of the urban economies. There is evidence that much of the deprivation in cities, and the emerging urban public health problems, relate to institutional failures that perpetuate social exclusion and inequalities between the urban poor and the urban non-poor.

Second, recognize what cities can offer the national development agenda—and what this requires in turn. Much of the development dialogue over the past thirty years has been, and remains, obsessed with the view that attention to cities represents "urban bias". Yet cities suffer the effects of genuinely bad urban policy and neglect (no financial security, paltry investment in local public goods), misguided incentives that distort the use of land and other investments, and hostile treatment of much of the population on which the city depends. What is needed by both urban advocates and urban critics is an honest and hard look both at what the urban phenomena can offer national development across numerous channels, and what support cities and local governments require in turn to achieve these results.

Cities are essential contributors to national development priorities for:

- **The agricultural transition**. By providing market demand for agricultural goods and for the nonfarm activity of rural areas, cities are an underutilized resource to stimulate agricultural intensification and evolution to higher value production.

Cities are thus a key link in the "virtuous cycle" of urban and rural livelihoods. In many cases, addressing bottlenecks in city performance will be an effective entry point into this "virtuous cycle".

- **Private sector development.** Cities nurture entrepreneurs by providing centers of demand (larger markets), information-sharing, easier access to credit, and support for risk-taking through other income alternatives and through networks of other entrepreneurs. But because of failures in urban institutions and services, many firms are not gaining the cost advantages of their urban location.
- **Economic modernization**. Whether to gain access to export markets or for more competitive domestic markets, African countries need to foster productivity by mobilizing knowledge, skills, technology and innovation—factors that have been widely associated with an urban (and large city) platform. Yet for many African countries, amenities are still defined for residents as a hope of getting regular garbage collection, drains to prevent flooding after the rain, and an indoor toilet. Africans need their cities to let the economy transform, but they also need to transform their cities.
- **Governance and fiscal sustainability**. The major signal of a well-functioning city, and its major determinant, is the quality of governance and financial management. African cities cannot be ushered into the present century without systematic improvements in accountability and service delivery at the local level. With the right incentive framework municipalities can demonstrate significant gains in resource mobilization and responsible borrowing—indeed, many are doing so, and providing citizens with ground-level examples of good government.

Much better-managed urban development could therefore play a significant role in launching the African economies onto a stronger, more sustained path of economic growth. While there is much criticism of the negative externalities seen in many of the African cities—problems of environmental degradation, congestion, and increasingly, crime, these shadows should be recognized as a signal of serious neglect. To put it bluntly, it is not credible to argue that diseconomies are outweighing the positive benefits of African cities when they have virtually no working public transport or safe waste disposal, much of the land is held in public control with little availability for market demand or public good purposes, and infant mortality is rising due to poor public sanitation in the neighborhoods where most of the work force lives.

African cities have the potential to be a strong platform and laboratory for most of the economic and social behaviors that are needed for transformative growth and productivity—including creative innovation, technological application, entrepreneurship, openness of attitudes to change and risk-taking. Firms and individuals find more opportunity in cities and towns despite the many problems there, and the forces of agglomeration and migration appear as strong in this Region as they have proven elsewhere. Releasing the potential of Africa's cities by addressing basic weaknesses in land markets, public transport and the provision of urban services could reduce an effective "binding constraints" to future growth in Africa. At the very least, such a strategy would create a more hospitable environment for the investors and workers who will increasingly and invariably congregate in urban markets.

Third, increasingly African governments that are responsive to their citizens and eager for a sustainable growth path are looking to their cities and municipalities to play a greater role in the national development agenda. Local governments can become the strongest advocates for cities, and link up with each other (as the metro cities have done in South Africa) to share lessons and information to make their case. The national governments and external donors should welcome the voice of local authorities and include them in dialogues on the wide range of policies and actions that affect them. This would include engaging the local officials in national development strategy, as well as in the design and interpretation of national poverty surveys and investment climate analyses, the planning of regional investments and large sectoral undertakings, and in the formulation of major fiscal reforms. Supporting these efforts, the many good practices, as well as lessons from less successful attempts, in past assistance programs—including those of the Bank—should be applied with renewed commitment to unblock the development contribution of cities.

Annex: A Review of Investment Climate Survey Results for Sub-Saharan Africa[60]

Mita Chakraborty (Consultant)

The essential ingredients of any sound market economy have been described as the "investment climate" (WDR 2005). Several types of surveys have been conducted in recent years to gain the perspectives of firms on the ease or difficulty of working in different settings. Most of these surveys have been conducted of formal (registered) manufacturing enterprises located in urban areas. These firms' responses provide a view of the business environment in which they operate—which comprises not only conditions pertaining to the specific city location and its local government but also, of course, to the country and national government.

As background for the present study, investment climate (IC) surveys completed as of early 2004 were reviewed for six countries in Africa (Ethiopia, Kenya, Mozambique, Tanzania, Uganda and Zambia) and for several other developing countries in East and South Asia (Cambodia, China, Bangladesh, and Pakistan), as comparators. This analysis reveals how the firms surveyed, which are all in manufacturing sectors and related services, rate the various constraints or bottlenecks they face, and differentiates between firms located in the capital and/or primate city from those in other cities of the country.

The factors chosen for analysis are those that could shed light on the business environment in the various cities and, to the extent possible, policy implications for the local government. In most cases the questionnaires were not sufficiently detailed to distinguish the source of policies or practices as between the local government and the national government. Two categories of indicators were examined: (i) **infrastructure, land and labor**—including telecommunications, electricity, transportation, access to land (the only variable in this category largely under the responsibility of local government), and skills and education of workers; and (ii) **institutional constraints**—including tax administration, customs and trade regulations, labor regulations, business licensing and operating permits, corruption, and crime, theft and disorder. Of this second set of constraints, customs and trade regulations would be purely national policy and local governments would share responsibility with central governments for the others (except for business licensing and permitting, which is most likely a local government matter). Responses were recorded as the percentage of firms sampled who rated a particular topic as posing a "moderate" or "major" constraint.

Overall, the main observations from this IC review can be summarized as follows.

Within infrastructure:

[60] This is a short summary of the study results. A background paper with the data is available from the author (Chakraborty, 2005)

- **Electricity** is by far the biggest obstacle cited for all of the African firms, 65-90 percent of whom rated it as a moderate/major constraint, as did 90 percent of Bangladeshi firms and about 60 percent of the Pakistani. In the African sample firms in capital/primate cities cited worse problems, except in Ethiopia and Zambia. The reported objective indicators of electricity quality (days of connection, extent of outages, etc.) in the same surveys do not show a consistent comparison between the two groups of cities, possibly because many firms compensate with their own generators, e.g. 74 percent of firms in Nairobi and 67 percent in Dar es Salaam. Still, 10 percent of output is reported lost due to power outages in both cities.
- **Telecommunications** was reported to be a much less serious obstacle than electricity (except in China). Yet, firms in all urban areas in Kenya and those outside Kampala in Uganda reported losing telecom connections for more than 30 hours at a time, on average.[61] Firms in the capital/primate cities reported most concern with telecoms, possibly because it is more difficult to compensate by getting around for face-to-face meetings.
- **Transportation** was reported to be an obstacle greater than, or at least on par with, telecommunications in both the African and Asian samples. Whereas problems in electricity and telecoms were felt more in capital/primate cities, transportation issues were more balanced and actually rated much worse in the secondary city sample in Mozambique, Tanzania and Zambia. The surveys did not differentiate between type of transportation, but it is likely that the firms in secondary cities are particularly vulnerable to the shortcomings of intercity road or rail access. In Ethiopia, domestic transport costs are estimated as eight times those of China, four times those of South Africa, and twice Kenya's. Madagascar has only one road leading to the port and its disruption can totally block exports (World Bank, 2004d). In such circumstances even port cities, which exist from locational advantage, may demonstrate much less economic benefit in reality.

It is worth noting here that whereas these findings concern infrastructure sectors that are largely the responsibility of national authorities and therefore not "urban" or "local government" issues, they are of great interest in revealing that **some of the basic assumed advantages of urban agglomeration—access to inputs and services affording some economies of scale and connectivity to other producers—are simply not being realized in developing country cities**, even in those that might be considered relatively favored. Therefore a firm locating in such a city gains a much lower productivity advantage than its counterpart elsewhere, all else constant (such as city size, natural resource base, labor supply, etc.).

- **Access to skilled labor** is rated almost as much a problem as transport by the African firms, while labor is China's biggest reported constraint. Firms in the capital/primate cities rate labor as a bigger concern than in the other cities, in about half of the countries. Larger cities create higher demand for skilled labor, although they also tend to attract more skilled workers.

[61] The median hours lost was about 10, so the range experienced was very wide.

- The last infrastructure variable, **access to land**, is the least cited as a moderate/major constraint in the African sample, in Cambodia and in China, although it is a big issue in Dacca and in Ethiopia (with a 65-70 percent rating). (Figure 1) Land acquisition may be rated less badly in IC surveys because, unlike other factors and services, it is not a frequent expenditure. Reported land acquisition delays are very long in Ethiopia and in Zambia (Table 1). In Mozambique firms pay on average $18,000 in processing fees for land, and in Nigeria they must re-register land to use it as collateral, a process that can take up to two years and cost 15 percent of the land value in official fees, before bribes. Rental costs for private firms in Ethiopia can be about 20 percent of total sales, while government owned firms pay little for rental (Office of the Chief Economist, 2004). A FIAS inquiry into investors' views in Senegal elicited strong complaints about real estate as one of the most serious obstacles; improvements in tax administration, business registration and customs were said to be overwhelmed by the lengthening of time required to obtain land (World Bank, 2003e).

Figure 1: Access to land as constrain in urban centers

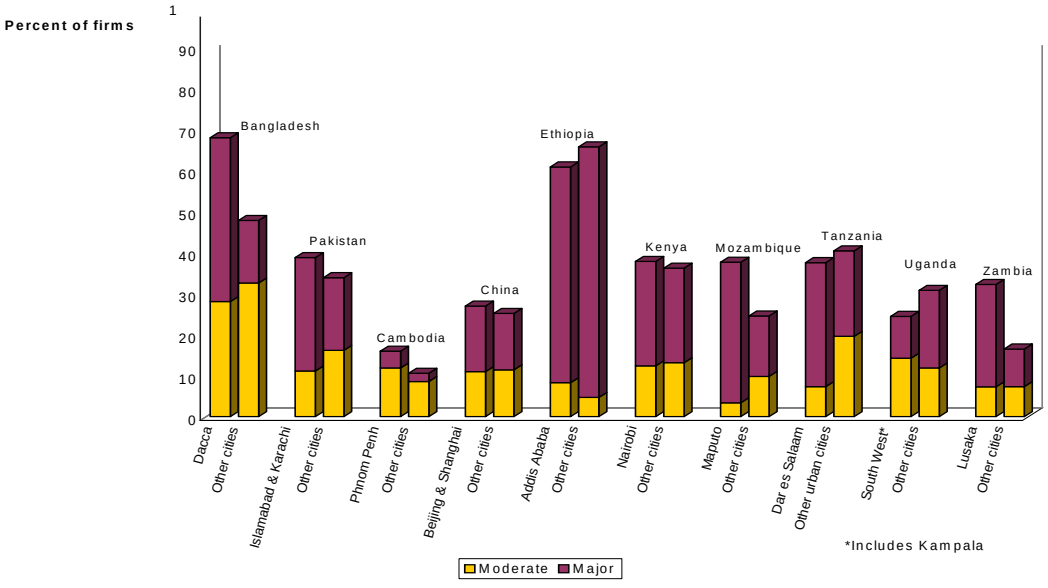


Table 1 Burdens of obtaining land

Country	City	Days for land acquisition	Days from the date of release to the use of the plot, average (median)
Ethiopia	AddisAbaba	538.0(180.)	115.0(60.)
	Other urban	150.6(120.0)	58.(60.0)
Mozambique	Maputo	38.3(12.0)	
	Other urban	11.7(2.5)	
Zambia	Lusaka	232.8(180.0)	
	Other urban	393.2(240.0)	

Note: Results are from only about a dozen firms who answered this question in these surveys, so cannot be taken as representative.

Among the **institutional constraints** in the IC surveys:

- **Corruption** dominates the other issues as a major concern for all the African countries (except Ethiopia), and for the Asian (except China). Generally corruption is felt to be a bigger problem in the capital/primate cities, indicating that it may pertain especially to national government officials (Figure 2).
- **Tax administration** is the second reported constraint for most of the countries, with relatively little variation across them or across the two types of cities. The lack of variation between the city groups (except in Mozambique, where Maputo dominates the concern) may signify that national taxation is the main issue—local taxation being almost trivial in these countries anyway.
- There is a very large inter-country variation in the reported concern with **crime, theft and disorder** (Figure 3). This issue is cited by 80-90 percent of firms in Kenya and Maputo, closely followed by other Zambian cities and by Phnom Penh. Surprisingly, firms in capital/primate cities do not claim to suffer this problem more than those in secondary cities. Firms in other urban areas in Kenya and Tanzania, and in Lusaka, reported incurring the highest costs or sales losses due to security issues, but the African cities did not rate worse in all cases than the Asian cities (Table 2).
- **Business licensing** has the least bad ratings, although it is cited as a moderate/major constraint by about half the firms in Maputo and Dar es Salaam, and by 60 percent in Dacca. There is not a big difference between the two types of cities.

Figure 2: Corruption as constraint in urban centers

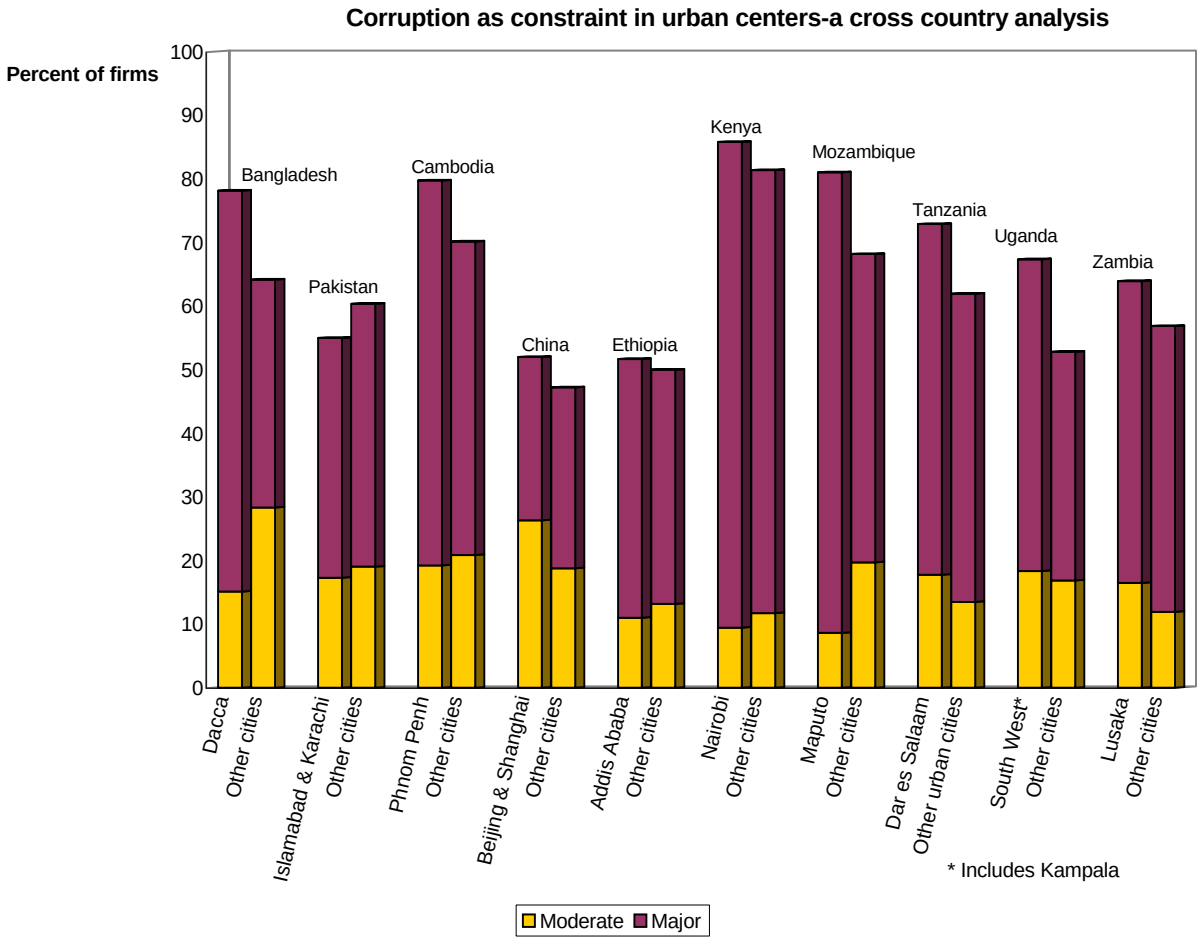
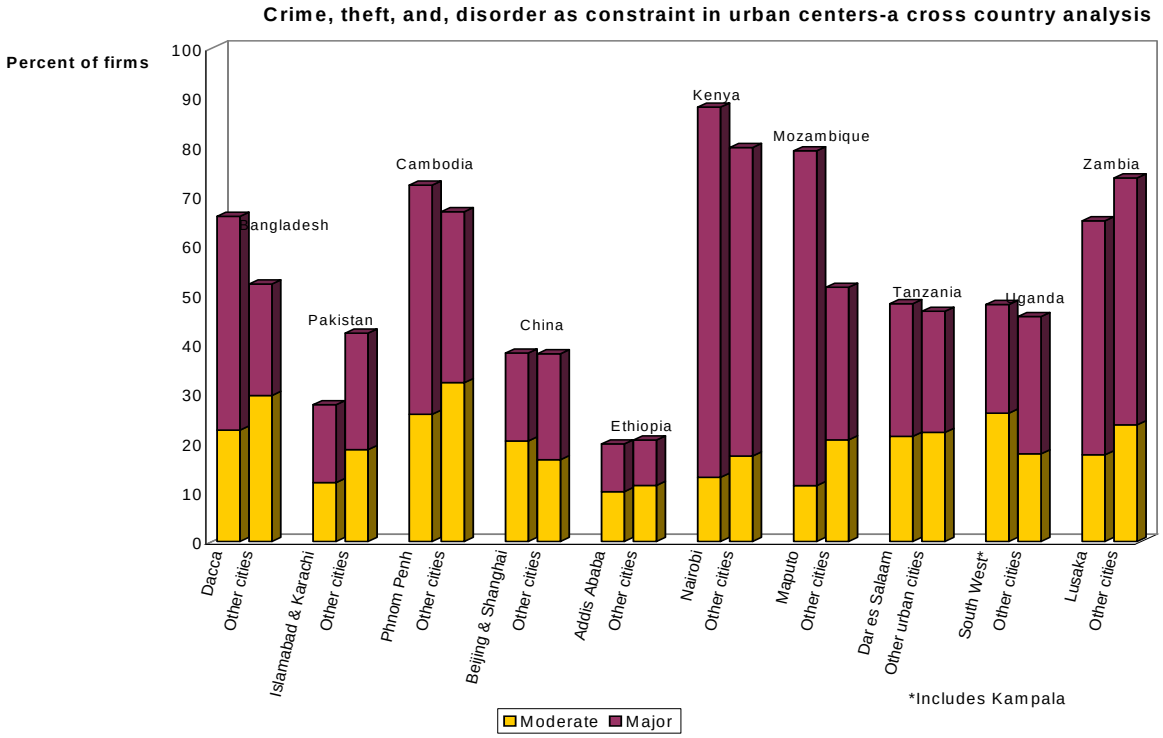


Figure 3: Crime, theft and disorder as constraint in urban centers



Summarizing main conclusions by country:

- In Ethiopia, land problems rival electricity as the major constraints, exceeded only by tax administration.
- Kenya shows serious problems in most categories but corruption and crime top the list.
- In Mozambique, Maputo stands out as the problematic location for business.
- For most of the African countries the institutional issues and the infrastructural are about equal areas of concern, while for Cambodia, China, and Pakistan, institutional constraints dominate.
- Bangladesh rivals the African countries in the extent and seriousness of IC obstacles.

Table 2: Firm responses on costs due to security problems

Country	City	**Security costs (% of total sales)**	**Protection payments(% of total sales)**	**Sales loss due to theft etc/ (% of total sales)**
Ethiopia	Addis Ababa	0.9		0.4
	Other urban	0.9		1.3
Kenya	Nairobi	2.7	0.1	3.9
	Other urban	2.9	0.0	4.7
Mozambique	Maputo			
	Other urban			
Tanzania	Dar es Salaam	2.9	0.2	
	Other urban	6.5	0.2	
Uganda	South West (incl. Kampala)	1.8	0.0	
	Other urban	2.1	0.4	
Zambia	Lusaka	4.0	0.1	5.9
	Other urban	1.9	0.0	3.3
Bangladesh	Dacca			0.6
	Other urban			0.7
Pakistan	Islamabad and Karachi	1.6	0.9	0.3
	Other urban	0.9	0.3	0.1
Cambodia	Phnom Penh	16.8	3.4	2.9
	Other urban	12.5	1.8	1.5
China	Beijing	0.7	0.9	0.4
	Other urban	0.9	0.6	0.2

Table A1 Population Growth 1982-2003 - Total Population, Urban Population, Urbanization and Population in largest City (Primacy)

	Total Populations (in millions)			Urban Population (in millions)			Urban Population (% of total)		Primacy - Population of largest city as % of urban population
	1982	2003	% growth p.a. 1990-2003	1982	2003	% growth p.a. 1990-2003	1982	2003	2005
SSA									
Benin	3.7	6.7	2.7	1.1	3.0	4.7	28.7	44.5	28*
Botswana	1.0	1.7	2.3	0.2	0.9	3.6	22.5	50.3	22*
Burkina Faso	7.3	12.1	2.4	0.7	2.1	4.4	9.6	17.6	37
Cameroon	9.3	16.1	2.5	3.1	8.2	4.3	33.1	51.2	22
Côte d'Ivoire	8.8	16.8	2.7	3.2	7.6	4.3	35.8	44.9	44
Ethiopia	39.9	68.6	2.3	4.3	11.4	4.4	10.9	16.6	23
Ghana	11.8	20.7	2.3	3.7	7.7	3.1	31.6	37.1	24
Guinea	4.6	7.9	2.4	0.9	2.3	4.1	20.1	28.9	60
Kenya	17.9	31.9	2.4	3.1	11.6	5.6	17.6	36.3	22
Lesotho	1.3	1.8	1.0	0.2	0.5	4.2	14.6	30.3	53*
Madagascar	9.3	16.9	2.9	1.8	5.3	5.1	19.5	31.4	31
Malawi	6.6	11.0	2.0	0.6	1.7	4.4	9.6	15.9	30*
Mauritania	1.7	2.8	2.6	0.5	1.8	5.2	31.0	61.7	34*
Mauritius	1.0	1.2	1.1	0.4	0.5	1.4	42.0	42.3	27*
Mozambique	12.7	18.8	2.2	1.9	6.7	6.2	14.6	35.6	18
Niger	5.9	11.8	3.3	0.8	2.6	5.8	13.3	22.1	35
Nigeria	75.8	136.5	2.7	21.5	63.6	4.9	28.4	46.6	16
Rwanda	5.5	8.4	1.5	0.3	0.6	3.1	4.8	6.6	45*
Senegal	5.9	10.2	2.6	2.1	5.1	4.2	36.4	49.6	43
South Africa	29.0	45.8	2.0	14.0	27.1	3.5	48.2	59.2	12
Tanzania	19.8	35.9	2.6	3.1	12.7	6.4	15.9	35.4	19
Togo	2.7	4.9	2.6	0.7	1.7	4.2	24.4	35.1	47*
Uganda	13.5	25.3	2.9	1.2	3.9	5.3	9.2	15.3	31
Zambia	6.1	10.4	2.2	2.4	4.2	2.4	39.8	40.3	33
Sub-Saharan Africa	406.3	704.5	2.5	88.6	237.6	4.6	21.8	36	24
EAP									
Cambodia	7.1	12.5	2.6	0.9	2.5	5.6	12.5	19	44*
China	1008.6	1280.4	1	211	498	3.6	20.9	39	2
Indonesia	154.2	211.7	1.4	36.6	94.7	4.2	23.7	44	13
Mongolia	1.8	2.4	1.3	0.9	1.4	1.2	53.2	57	55*
Philippines	50.4	79.9	2.2	20	49.7	3.9	39.6	61	63
Vietnam	55.7	80.4	1.6	10.8	20.7	3.3	19.4	25	23
East Asia & Pacific	1402.4	1838.5	1.5	314.8	725.5	3.6	22.4	39	8
SAS									
Bangladesh	89.9	135.7	1.7	14.3	37	4.1	15.9	27	31
India	718.4	1048.6	1.7	169.2	301.3	2.5	23.6	28	6
Nepal	15.2	24.1	2.4	1.1	3.2	5.2	7	13	20*
Pakistan	87.4	144.9	2.4	25	50.6	3.3	28.6	34	22
Sri Lanka	15	19	1.3	3.2	4.6	2.1	21.5	24	16*
South Asia	942.6	1401.5	1.8	215.4	403.5	2.8	22.9	28	10
MNA									
Egypt, Arab Rep.	43	67.6	1.9	18.9	28.9	1.8	43.9	43	37
Morocco	20.3	30.1	1.7	8.6	17.3	3	42.7	57	21
Tunisia	6.7	9.9	1.5	3.5	6.7	2.6	52.4	67	30
Yemen, Rep.	9.2	19.2	3.7	1.9	4.9	4.6	20.3	26	30
Middle East & North Africa	185.1	311.6	2.1	91.2	181.8	2.8	49.2	59	27
ECA									
Albania	2.8	3.2	-0.3	0.9	1.4	1.3	34.1	44	27*
Armenia	3.2	3.1	-1.1	2.1	2.1	-1.1	66	67	52
Azerbaijan	6.4	8.2	1.1	3.4	4.3	0.8	53.2	52	42
Bulgaria	8.9	7.8	-0.8	5.6	5.3	-0.7	62.5	68	20
Georgia	5.2	5.1	-0.5	2.7	2.9	-0.3	52.5	57	36
Kazakhstan	15.2	14.9	-0.7	8.3	8.3	-0.9	54.8	56	13
Kyrgyz Republic	3.8	5.1	1	1.4	1.7	0.3	38.3	34	47
Moldova	4.1	4.2	-0.2	1.7	1.8	-1.1	41.5	42	34*
Romania	22.5	21.7	-0.5	11.2	12.1	-0.2	50	56	14
Tajikistan	4.2	6.3	1.3	1.4	1.7	0.3	33.9	28	25*
Turkmenistan	3	4.9	2.2	1.4	2.2	2.2	46.6	45	45*
Uzbekistan	16.8	25.6	1.7	6.8	9.4	1	40.7	37	73
Europe & Central Asia	434.1	472.2	0.1	258.2	301.1	0.2	59.5	64	..
LAC									
Bolivia	5.6	8.8	2.1	2.6	5.6	3.2	47.4	64	26
Brazil	127.1	176.6	1.4	87	146.2	2.1	68.4	83	12
Ecuador	8.4	13	1.8	4.1	8.4	3	48.6	64	27
El Salvador	4.7	6.5	1.9	2.1	4.1	3.8	45.1	64	33
Guatemala	7.2	12.3	2.6	2.7	5	3.1	37.5	41	18
Honduras	3.8	7	2.9	1.4	3.9	4.9	36	56	25
Mexico	70.8	102.3	1.6	47.9	76.7	1.9	67.6	75	24
Nicaragua	3.1	5.5	2.8	1.6	3.1	3.4	50.8	57	35
Latin America & Caribbean	372.1	532.7	1.6	246.5	407.8	2.1	66.3	77	23
Low income	1637.3	2311.9	2	376.3	686.5	3.3	23	30	16
Lower middle income	1859.3	2655.5	1.1	673.7	1319.8	2.6	36.2	50	13
Upper middle income	246.1	333.1	1.3	164.8	251.1	1.7	67	75	26
High income	842.5	972.1	0.7	619.1	758.3	1	73.5	80	19
World	4585.2	6272.5	1.4	1833.9	3015.7	2.2	40	49	16

* Own Calculations, based on the World Urbanization Prospects 2003

Source: World Development Indicators 2005

Table A2: Economic Sector Summary (Agriculture, Industry, Services) in GDP, 1990-2003

	Average annual % growth 1990-2003				Average GDP pc % growth 1990-2003	Average annual % share of GDP 1990-2003			Contribution of sector to GDP growth, 1990-03 (growth*share)			% GDP growth explained by Industry and Services**
	Agr	Ind	Svcs	GDP		Agr	Ind	Svcs	Agr	Ind	Svcs	
SSA												
Benin	5.3	5.2	4.3	4.8	1.9	36.0	13.9	50.1	1.9	0.7	2.1	60.2%
Botswana	-0.3	4.2	7.2	5.3	2.8	3.5	48.9	47.6	0.0	2.0	3.4	100.2%
Burkina Faso	3.7	2.4	4.9	4.0	1.6	31.7	17.8	50.4	1.2	0.4	2.5	71.2%
Cameroon	4.7	0.5	-0.1	1.6	-0.9	37.8	22.7	39.5	1.8	0.1	0.0	3.3%
Cote d'Ivoire	2.8	1.0	0.9	1.3	-1.5	26.6	21.7	51.8	0.7	0.2	0.5	48.2%
Ethiopia	1.4	2.3	4.9	3.1	0.7	51.9	10.0	38.1	0.7	0.2	1.9	73.7%
Ghana	3.2	3.4	5.8	4.3	1.9	38.5	23.2	38.3	1.2	0.8	2.2	71.3%
Guinea	4.3	4.0	3.1	3.8	1.3	23.5	34.4	42.1	1.0	1.4	1.3	72.3%
Kenya	1.0	1.6	2.8	1.8	-0.7	25.4	17.9	56.7	0.3	0.3	1.6	87.9%
Lesotho	0.9	6.2	3.6	3.7	2.6	18.1	39.9	41.9	0.2	2.5	1.5	96.2%
Madagascar	1.7	1.8	1.9	1.7	-1.2	28.9	12.9	58.2	0.5	0.2	1.1	73.5%
Malawi	7.3	0.9	2.2	3.2	1.1	37.0	20.8	42.2	2.7	0.2	0.9	29.4%
Mauritania	2.6	2.0	5.7	3.8	1.2	24.9	30.3	44.7	0.7	0.6	2.5	82.8%
Mauritius	1.0	5.3	6.2	5.2	4.0	9.3	32.0	58.7	0.1	1.7	3.6	98.3%
Mozambique	4.4	10.5	4.8	6.1	3.9	31.8	22.4	45.8	1.4	2.3	2.2	76.2%
Niger	3.3	2.0	1.8	2.3	-1.0	39.4	17.3	43.3	1.3	0.3	0.8	47.1%
Nigeria	3.6	2.8	4.7	3.6	0.8	30.6	46.3	23.1	1.1	1.3	1.1	68.7%
Rwanda	4.7	2.8	2.9	3.3	0.5	40.8	20.0	39.2	1.9	0.6	1.1	47.2%
Senegal	2.6	5.0	3.6	3.7	1.0	18.8	20.0	61.1	0.5	1.0	2.2	86.8%
South Africa	0.7	0.9	2.5	1.8	-0.2	4.0	33.9	62.1	0.0	0.3	1.5	98.5%
Tanzania	3.5	4.5	3.7	4.1	1.3	46.2	15.7	38.1	1.6	0.7	1.4	56.3%
Togo	2.9	2.9	2.3	2.3	-0.3	37.5	20.4	42.1	1.1	0.6	1.0	58.3%
Uganda	3.8	10.0	7.8	6.5	3.4	44.0	16.6	39.4	1.7	1.7	3.1	73.7%
Zambia	3.8	0.2	2.5	1.5	-0.8	21.5	35.4	43.1	0.8	0.1	1.1	58.4%
Sub-Saharan Africa	**2.8**	**2.0**	**2.7**	**2.4**	**-0.1**	**18.9**	**31.1**	**50.0**	**0.5**	**0.6**	**1.3**	**78.8%**
EAP												
Cambodia	3.8	15.2	5.1	6.6	4.0	43.6	19.9	36.5	1.7	3.0	1.8	74.4%
China	3.9	12.2	8.1	9.3	8.2	19.4	48.1	32.5	0.8	5.9	2.6	91.9%
Indonesia	2.1	5.6	5.0	4.6	3.1	17.6	42.7	39.7	0.4	2.4	2.0	92.3%
Mongolia***	2.2	-0.7	0.3	-1.3	-2.6	33.5	21.7	44.9	0.7	-0.2	0.1	-1.5%
Philippines	2.2	3.0	4.1	3.3	1.0	18.8	32.5	48.7	0.4	1.0	2.0	87.9%
Vietnam	3.8	10.5	7.2	7.3	5.6	28.2	31.8	40.2	1.1	3.3	2.9	85.1%
East Asia & Pacific	**3.0**	**10.1**	**7.0**	**7.7**	**6.5**	**18.7**	**45.3**	**36.0**	**0.6**	**4.6**	**2.5**	**92.8%**
SAS												
Bangladesh	3.4	7.0	4.6	4.9	3.1	26.1	24.5	49.4	0.9	1.7	2.3	81.7%
India	2.9	5.8	7.4	5.6	3.8	27.8	26.8	45.5	0.8	1.6	3.4	86.0%
Nepal	2.9	6.0	5.2	4.5	2.1	42.6	21.2	36.2	1.2	1.3	1.9	71.9%
Pakistan	3.6	4.4	4.5	3.9	1.4	25.7	24.0	50.3	0.9	1.1	2.3	78.5%
Sri Lanka	2.0	5.7	5.6	4.8	3.5	22.6	26.5	51.0	0.5	1.5	2.9	90.6%
South Asia	**2.9**	**5.7**	**6.7**	**5.3**	**3.4**	**27.4**	**26.2**	**46.3**	**0.8**	**1.5**	**3.1**	**85.4%**
Egypt, Arab Rep.	3.1	5.4	3.8	4.2	2.2	17.1	32.3	50.5	0.5	1.7	1.9	87.2%

Morocco	6.4	3.5	3.3	3.1	1.3	16.5	31.6	51.9	1.1	1.1	1.7	72.6%
Tunisia	2.9	4.2	5.2	4.8	3.2	13.3	28.7	58.0	0.4	1.2	3.0	91.6%
Yemen, Rep.	6.4	5.0	5.8	5.4	1.6	18.7	34.4	46.9	1.2	1.7	2.7	78.8%
Middle East & North Africa	**3.3**	**3.6**	**3.9**	**3.8**	**1.5**	**12.5**	**39.4**	**48.2**	**0.4**	**1.4**	**1.9**	**88.9%**
ECA												
Albania	5.3	-0.2	3.7	2.2	2.4	37.5	23.5	39.0	2.0	0.0	1.4	41.2%
Azerbaijan	0.8	4.5	134.5	-0.8	-1.8	23.5	39.5	37.0	0.2	1.8	49.8	99.6%
Bulgaria***	2.2	-3.1	-2.0	-0.8	0.1	15.5	34.7	49.8	0.3	-1.1	-1.0	119.4%
Georgia	-0.2	6.1	7.5	-4.8	-4.4	34.1	24.2	41.6	-0.1	1.5	3.1	101.3%
Kazakhstan	-1.2	4.5	3.1	-0.1	0.7	12.6	36.2	51.2	-0.1	1.6	1.6	104.8%
Moldova***	-7.8	-4.2	1.1	-5.2	-5.0	31.5	27.6	36.8	-2.4	-1.2	0.4	24.1%
Romania***	0.2	-0.9	-7.1	-0.5	-0.1	18.1	40.6	41.3	0.0	-0.4	-2.9	100.9%
Tajikistan***	-1.6	-5.3	4.0	-3.9	-5.2	30.3	31.4	38.3	-0.5	-1.7	1.5	22.2%
Turkmenistan	3.2	-0.1	0.8	2.7	0.5	22.7	44.9	32.3	0.7	0.0	0.3	25.0%
Uzbekistan	1.5	-1.4	0.8	1.0	-0.7	33.3	27.9	38.8	0.5	-0.4	0.3	-19.8%
Europe & Central Asia	**-0.2**	**-1.3**	**1.6**	**0.2**	**0.0**	**11.0**	**35.8**	**53.2**	**0.0**	**-0.5**	**0.9**	**104.9%**
LAC												
Bolivia	2.3	3.5	3.6	3.5	1.3	15.9	31.4	52.7	0.4	1.1	1.9	89.2%
Brazil	3.8	1.1	2.0	1.8	0.4	7.6	31.2	61.1	0.3	0.3	1.2	84.6%
Ecuador	-0.7	1.1	4.1	2.3	0.4	13.4	29.8	56.8	-0.1	0.3	2.3	103.5%
El Salvador	1.4	4.4	4.6	4.1	2.1	12.5	28.5	59.0	0.2	1.3	2.7	95.9%
Guatemala	2.5	3.3	4.2	3.6	1.0	23.9	19.7	56.3	0.6	0.7	2.4	83.7%
Honduras	2.8	3.3	3.2	2.9	0.1	19.3	30.1	50.6	0.5	1.0	1.6	82.8%
Mexico	1.9	3.1	3.1	3.0	1.4	5.6	27.7	66.7	0.1	0.9	2.0	96.4%
Nicaragua	2.6	3.0	2.4	2.9	0.1	22.4	23.8	53.8	0.6	0.7	1.3	77.7%
Latin America & Caribbean	**2.3**	**2.1**	**2.7**	**2.5**	**0.9**	**7.7**	**30.9**	**61.4**	**0.2**	**0.6**	**1.6**	**92.8%**
Lower middle income	2.3	4.6	3.8	3.6	2.5	14.3	38.5	47.3	0.3	1.8	1.8	91.5%
Low income	2.9	4.8	5.6	4.5	2.4	29.2	26.6	44.2	0.9	1.3	2.5	81.4%
Middle income	2.2	4.1	3.5	3.4	2.2	11.7	37.3	51.0	0.3	1.5	1.8	92.7%
Upper middle income	1.7	3.0	3.0	2.8	1.5	6.4	34.9	58.7	0.1	1.0	1.8	96.3%
High income	1.2	1.6	3.0	2.5	1.7	2.2	29.5	68.2	0.0	0.5	2.0	99.0%

Source: GDF & WDI central (April, 2005), SIMA Database

** Calculated using the values from "contributions of sector to GDP growth" by the following formula:
(Industry+Services)/(Agriculture+ Industry+Services)

***For these countries, the numbers in last column denote the extent to which the negative growth rate can be explained by decline in the growth rates of the industry and the services sectors combined, given their shares.

Table A3: Sectoral Sources of Growth among High Growth African Countries (1996-2003) % per capita p.a.

Country Name	GDP growth rate	Agriculture growth rate	Non-agric. growth rate
Mozambique*	5.40	3.3	6.14
Mauritius*	3.97	0.0	4.47
Botswana*	3.37	-3.3	3.60
Uganda*	2.51	0.0	4.18
Guinea*	2.34	3.1	2.06
Tanzania*	2.25	0.9	2.96
Burkina Faso*	2.22	0.7	2.88
Lesotho*	2.20	2.0	2.52
Cameroon*	2.18	3.8	0.71
Senegal*	2.15	-0.3	2.72
Rwanda*	2.13	3.0	1.42
Benin*	1.95	2.6	1.55
Ethiopia*	1.60	-1.6	3.61
Mauritania*	1.42	-1.3	2.30
Nigeria*	1.37	1.8	1.32
Togo*	1.11	0.7	1.36
Malawi*	1.10	4.5	0.01
Ghana	0.93	0.7	1.07
South Africa	0.62	1.0	0.65
Zambia	0.53	-1.9	1.59
Niger	-0.23	-0.3	-0.16
Madagascar	-0.40	-1.2	-0.30
Kenya	-1.10	-1.4	-0.82
Cote d'Ivoire	-1.16	-0.3	-1.46
Median	**1.78**	**0.68**	**1.57**

Non-agriculture consists of all industry and services.
Growth rate calculated between endpoint years
Countries marked * sustained minimum 1% GDP growth pa over period

Source: WDI 2005

Table A4: Poverty Rates, Urban and Rural, and Urban Share of Total Poor (most recent year and 2020)

	Poverty headcount, urban (% of population)	Poverty headcount, rural (% of population)	Year ***I-PRSP **PRSP *SIMA	Most Recent Year Urban Poverty as % of Total Poverty	2020 Urban Poverty as % of Total Poverty (1)
SSA					
Benin	23.2	33.0	1999**	35.3	47.1
Botswana	..	..	..	..	..
Burkina Faso	19.9	52.3	2004**	7.4	11.9
Cameroon	22.1	49.9	2001*	31.0	41.5
Cote d'Ivoire	23.0	42.0	1998***	30.5	39.1
Ethiopia	37.0	45.0	2000*	13.7	21.4
Gambia	32.5	51.1	1998**	22.9	33.1
Ghana	17.3	36.0	1998/99**	21.8	28.5
Guinea	25.0	52.5	2002**	17.8	30.5
Kenya	49.0	53.0	1997*	33.5	48.9
Lesotho	..	..		..	..
Madagascar	52.1	76.7	1999*	23.2	33.7
Malawi	54.0	65.5	1998**	13.1	20.7
Mauritania	25.4	61.2	2000*	33.1	58.2
Mauritius	..	..	..	..	..
Mozambique	62.0	71.3	2000**	31.3	48.6
Niger	52.0	66.0	1993**	17.8	27.4
Nigeria	30.4	36.4	1993*	41.3	53.9
Rwanda	22.6	67.9	2000**	2.2	3.7
Senegal	59.0	88.0	2001(2)**	38.2	50.3
Tanzania	29.5	38.7	2001*	28.4	43.9
Togo	..	..		..	..
Uganda	..	..		..	..
Zambia	56.0	83.1	1998*	31.1	38.8
EAP					
Cambodia	13.9	40.1	1999*	7.0	12.7
China	2.0	4.6	1998*	20.8	33.2
Indonesia	16.3	34.1	(3)	26.5	40.2
Mongolia	39.4	32.6	1998*	62.8	66.0
Philippines	21.5	50.7	1997*	39.0	51.5
Vietnam	6.6	35.6	2002*	5.7	9.4
SAS					
Bangladesh	36.6	53.0	2000*	19.6	29.4
India	24.7	30.2	2000*	24.2	30.3
Nepal	23.0	44.0	1996*	7.0	11.8
Pakistan	24.2	35.9	1999*	25.6	33.1
Sri Lanka	15.0	27.0	1996*	14.5	21.6
MNA					
Egypt, Arab Rep.	22.5	23.3	1996*	41.9	47.4

	Poverty headcount, urban (% of population)	Poverty headcount, rural (% of population)	Year ***I-PRSP **PRSP *SIMA	Most Recent Year Urban Poverty as % of Total Poverty	2020 Urban Poverty as % of Total Poverty (1)
Morocco	12.0	27.2	1999*	36.7	47.0
Tunisia	3.6	13.9	1995*	34.2	44.0
Yemen, Rep.	30.8	45.0	1998*	18.9	26.4
ECA(4)					
Albania	15.1	23.4		33.3	44.0
Armenia	22.4	16.6		73.6	77.1
Azerbaijan	23.9	15.6		62.3	66.1
Bulgaria	14.9	30.6		50.2	54.2
Georgia	21.0	19.0		59.2	66.2
Kazakhstan	14.8	26.2		41.7	46.1
Kyrgyz Republic	14.1	23.2		24.1	27.4
Moldova	21.9	19.0		45.3	51.3
Romania	11.4	30.2		32.0	37.6
Tajikistan	16.8	20.9		23.4	28.1
Turkmenistan	9.5	28.0		21.9	27.8
Uzbekistan	15.6	22.6		28.6	32.1
LAC (5)					
Bolivia	52.0	82.0	1999	50.0	61.1
Brazil	27.0	58.0	1998	65.0	80.2
Ecuador	60.0	..	1998	n.a.	..
El Salvador	16.0	53.0	1998	30.0	37.5
Guatemala	26.0	66.0	1998	20.0	32.2
Honduras	41.0	71.0	1998	37.0	40.4
Mexico	15.0	55.0	1998	43.0	52.5
Nicaragua	45.0	67.0	1998	46.0	56.1

Urban and Rural Headcount are for most recent year available. All figures cited are for basic poverty, not extreme poverty.
Source: *GDF & WDI central (April 2005), SIMA database, except where noted.

**PRSP data summarized in: Mitlin, Diana. "Understanding Urban Poverty: What the Poverty Reduction Strategy Papers Tell Us". 2003. Poverty Reduction in Urban Areas Series, Working Paper 13. Human Settlements Programme, International Institute for Environment and Development, London. For Burkina Faso, poverty data is from the PRSP, July 2004. For Guinea, poverty data is from the PRSP, January 2002. ***For Cote d'Ivoire, poverty data is from the Interim PRSP, January 2002.

Notes:

(1) Population data from United Nations (2004). Estimated taking base year urban and rural poverty headcount rates and applying them to projected 2020 urban and rural populations.
(2) The PRSP indicates a range of 44-59% urban poverty and 72-88% rural poverty. The highest values have been used for this table.
(3) Based on "iterative method", see Pradhan, Menno, Asep Suryahadi, Sumarto Sudarno, and Lant Pritchett, (2000). "Measurements of Poverty in Indonesia: 1996, 1999 and Beyond." Social Monitoring and Early Response Unit (SMERU) Working Paper, Jakarta Indonesia.
(4) *Dimensions of Urban Poverty in ECA*, Final Draft, March 11, 2004, Energy and Infrastructure (ECSIE), Europe and Central Asia Region
(5) Fay, 2005.

For some countries there are large disparities in poverty headcounts from different sources. e.g. alternative poverty headcounts from PRSPs, as cited by Mitlin:

	Urban poverty	Rural Poverty
Cambodia	42.4(14.6)	56.1
Vietnam	7.8	19.7
Yemen	10	19.9
Honduras	37	58

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