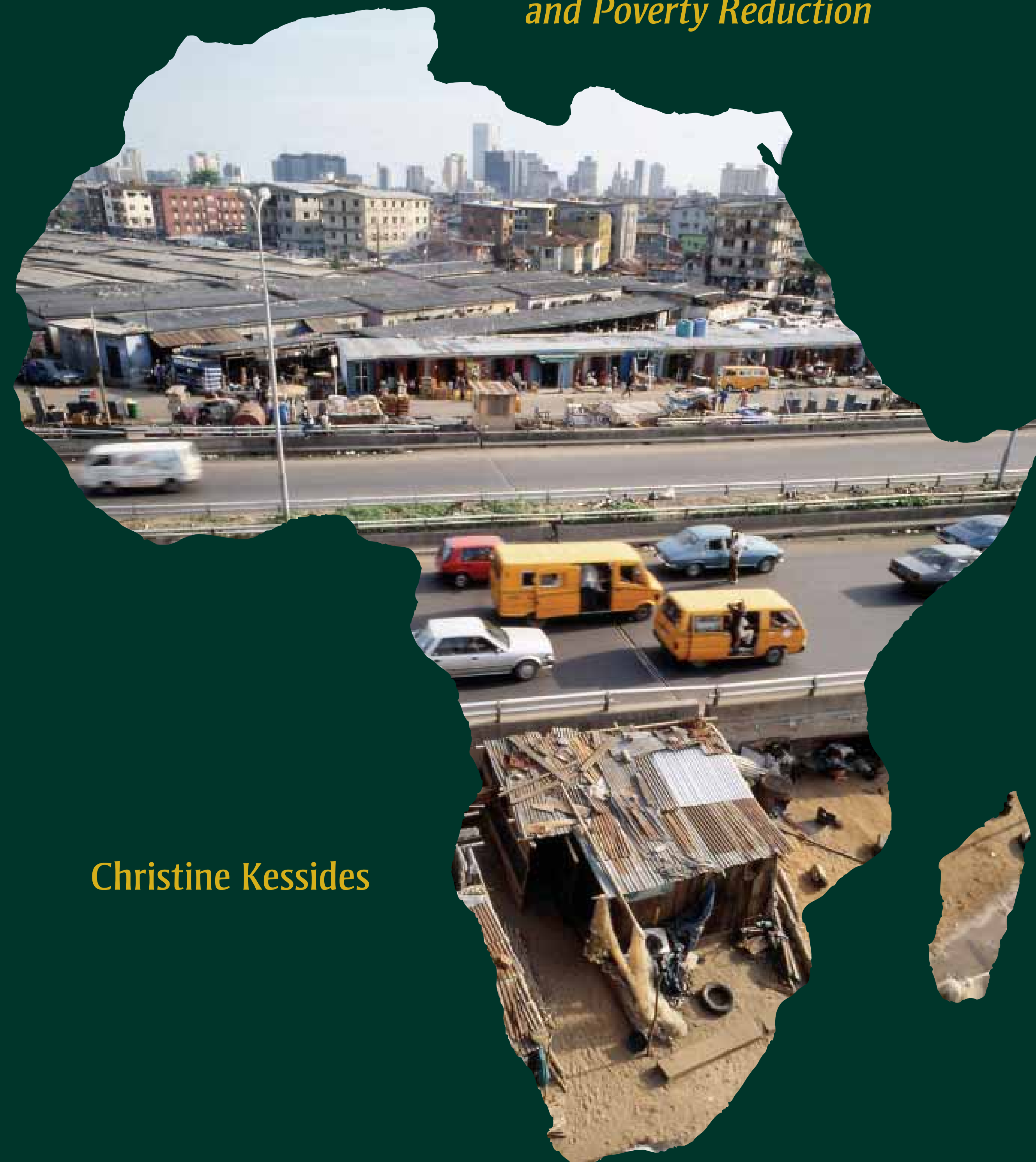
The Urban Transition in Sub-Saharan Africa

35564
Revised

Implications for Economic Growth and Poverty Reduction



Christine Kessides

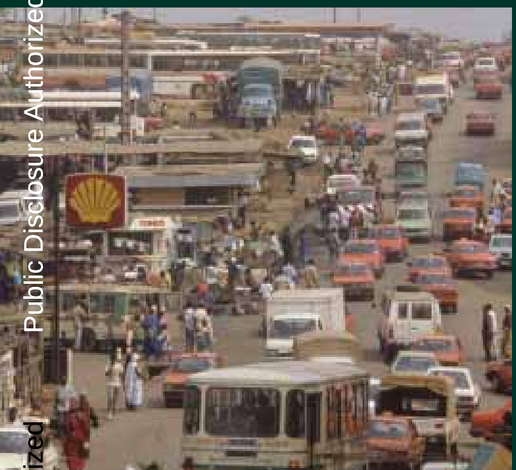
Cities Alliance
Cities Without Slums

Sida

THE WORLD BANK

The Urban Transition in Sub-Saharan Africa

Cities Alliance



Cities Alliance
Cities Without Slums

1818 H Street, NW
Washington, DC 20433 USA
Tel: (202) 473-9233
Fax: (202) 522-3224
info@citiesalliance.org
www.citiesalliance.org

35564
Revised

The Urban Transition in Sub-Saharan Africa

Implications for Economic Growth and Poverty Reduction

Christine Kessides

Cities Alliance
Cities Without Slums

Sida

THE WORLD BANK

1818 H Street, NW
Washington D.C., 20433, U.S.A.
http://www.citiesalliance.org

First printing, August 2006

Cover Photo: The fast–paced chaos of life in Lagos typifies both the challenges and opportunities urbanisation in Africa presents.
Edgar Cleyne / Still Pictures
Design: Circle Graphics, Inc.

Contents

FIGURES

TABLES

BOXES

Foreword

Africa is urbanizing fast. In this short treatise, Christine Kessides provides a succinct outline of the challenges that rapid urbanization constitutes specifically in sub-Saharan Africa and some of the ways in which these can be met. She examines the context in which this rapid urbanization is taking place: (i) how the emerging cities and towns can be made to contribute positively to the development of the continent, reducing the pervasive poverty among both rural and urban residents; (ii) what requirements need to be met to make this happen; (iii) what is at stake or what are the opportunity costs to African countries if these requirements are not met; and (iv) what are the strategic and operational choices and priorities that would enable most African countries to gain the best in the process of transition to a largely urbanized society.

These are all weighty questions to ask and even more daunting to attempt to answer. For the truth is that the urban transition in Africa is at the centre of two other major revolutions which are being played out with varying degrees of success in virtually all countries of the continent. These revolutions are, on the one hand, the increasing sway of democratic culture and values with its emphasis on decentralization and devolution of powers and resources to local and municipal governments; and, on the other hand, the displacement of state controlled economies by a very expansive free and globalizing market economy.

These revolutions are why Kessides' concern is about the implications of the urban transition in sub-Saharan Africa for its economic growth and poverty reduction. The report stresses that the urban transition in sub-Saharan Africa is proceeding at a historically unprecedented rate averaging over 5 per cent per annum over the past two decades. Consequently, the critical issues that each country must face in dealing with the expected high increases to its urban population in the next decade relate to the nature of the institutional and other arrangements being made to receive these additional populations, provide them decent housing and ample employment opportunities, strive to reduce poverty among them, and ensure that they enjoy a tolerable quality of life and standard of living.

Governance reforms and fiscal sustainability, based on participatory democracy and social inclusion, are thus one of four development priorities which

Kessides posits will be important to achieve these goals. The other three are *economic modernization* to foster increased productivity through mobilizing knowledge, skills, technology and innovation; *private sector development* to nurture entrepreneurship, develop centers of demand (larger markets), information-sharing, easier access to credit, and support risk-taking through various other income alternatives and through networks with other entrepreneurs; and finally, an *agricultural transformation* to enhance market demand for agricultural goods and for non-farm activities in rural areas, stimulate agricultural intensification and promote its evolution to higher value production, and generally transform the rural areas in keeping with enhanced living conditions in urban centres.

This publication contains numerous innovative ideas for fostering the development of urban centres in all countries of sub-Saharan Africa and ensuring that they make major contributions to the economic growth and development of their nations.

Ibadan, June 1, 2006
Akin L. Mabogunje

This concise publication pulls together evidence and analysis on key themes that together inform significantly the World Bank's approach to Africa. It takes on three key dimensions of African urbanization, setting the evidence squarely in an international context. First, while African cities are growing rapidly, the overall share of the population living in urban areas is on a familiar trend compared to the experience of other countries. Second, urbanization and economic growth typically go hand-in-hand in Africa as elsewhere in the world. Third, urbanization is not the cause of poverty but can make a significant contribution to its alleviation.

The recommendations here support the World Bank's strategy that acknowledges urbanization as a positive factor to promote development in Africa. The report calls for recognizing what cities can offer and suggests that urban policies and investments need to be far more central to national development efforts. Taking a balanced approach, the report links the modern themes of urban productivity and investment climate to the traditional sources of growth in Africa, such as rural development and agriculture, showing how together they can create a virtuous circle. Institutionally, the focus is on the proactive role that city governments and municipalities must play for Africa to realize the potential of urbanization. Both approaches can serve Africa and its development partners well.

Washington, D.C., July 27, 2006

Katherine Sierra
Vice President
Sustainable Development
The World Bank

Acknowledgements

This report is a revised version of an earlier draft prepared for the Cities Alliance 2004 Annual Report. Cities Alliance and the World Bank Africa Region's Water and Urban Sector Units (AFTU1 and AFTU2), commissioned and funded the work, with additional support from the Urban Development Anchor (TUDUR) in the Bank's Sustainable Development Vice presidency. The author would like to thank in particular the peer reviewers, Vandana Chandra, Marianne Fay, Humberto Lopez, and Roland White, as well as others who provided input and detailed comments at various stages; including Franc Bosquet, Billy Cobbett, Catherine Farvacque-Vitkovic, Matt Glasser, Mark Hildebrand, John Hine, Nina Schuler, and Deepali Tewari. The work was completed under the management review of Inger Anderson, Jaime Biderman, Eustache Ouayoro, and John Page. Mita Chakraborty (Consultant) conducted the economic growth and firm survey analyses. Matthew Ramsdell (Consultant) provided very able research assistance. Oscar Apodaca, Francis Muraya, and Kate Owens supplemented the content and aided in its presentation. Chii Akporji managed the editing and production of the report to its current form, supported by Erika Puspa.

Abbreviations and Acronyms

AFR	Africa Region
AFTU	Africa Region Water and Urban Unit
AIDS	Acquired immune deficiency syndrome
APHR	African Population and Health Center
CASSAD	Centre for African Settlement Studies and Development
CCRA	Council of Cities and Regions of Africa
CGIAR	Consultative Group on International Agricultural Research
CWIQ	Core Welfare Indicators Questionnaire
DFID	United Kingdom Department for International Development
DHS	Demographic and Health Survey
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
EPZ	Export protection zone
ERS	Economy Recovery Strategy
FAO	Food and Agriculture Organization
FIAS	Foreign Investment Advisory Service
GDP	Gross domestic product
GFS	Government Finance Statistics
GMR	Global Monitoring Report
HIV	Human immunodeficiency virus
ICA	Investment Climate Assessments
ILO	International Labor Organization
IMF	International Monetary Fund
LAC	Latin America and Caribbean Region
MDG	Millennium Development Goals
MNA	Middle East and North Africa Region

NGO	Nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
ODPM	United Kingdom Office of the Deputy Prime Minister
PREM	Poverty Reduction and Economic Management
PRSP	Poverty Reduction Strategy Paper
RIC	Rural investment climate
SACN	South African Cities Network
SAS	South Asia Region
SSA	Sub-Saharan Africa
SSATP	Sub-Saharan Africa Transport Policy Program
TUDUR	Urban Development Unit of World Bank
UNDP	United Nations Development Programme
WBG	World Bank Group
WDR	World Development Report
WHO	World Health Organization


JORGEN SCHYTTE/Still Pictures

Family life in a slum, Cotonu, Benin.

Executive Summary

To promote more sustainable growth and poverty reduction, much more attention must be spent unblocking the productivity- and welfare-enhancing potential of Africa's urban areas.

Sub-Saharan African countries (hereafter, Africa) face the formidable task of establishing sustained economic growth through increased productivity, the necessary basis for reducing poverty. Although these countries' situations are very diverse, with a few well established on an upward path and several others fostering the conditions necessary for growth and good governance, many more countries (and a majority of the African population) remain mired in place. This report asks how the ongoing processes of urban development—demographic and economic transformation and the management challenges for cities and towns that result—can, as they should, be made to benefit all of the Sub-Saharan African countries, and what conditions are needed to achieve these advantages. Urban transition represents an opportunity as well as a management challenge for Africa. Urban areas remain underutilised resources 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 processes of urbanisation and the growth of cities and towns favour national development by diversifying incomes, expanding options for more affordable service delivery, and widening horizons for innovation and skill acquisition. While ample evidence indicates that cities and towns do make such contributions to Africa's development goals, it is equally clear that the positive impacts are not as great as they could or should be. To promote more sustainable growth and poverty reduction, much more attention must be spent unblocking the productivity- and welfare-enhancing potential of Africa's urban areas.

The Context of Urban Development in Sub-Saharan Africa

The demographic setting: Not off the norm, but very demanding

Somewhat paradoxically, African countries on average are undergoing urbanisation (raising the urban share of their populations) at about the same pace as other regions, including the now-industrialised countries in their time. African urbanisation, however, is taking place in a context of severe constraints that other country groups in other periods did not face, among them 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 years. The urban growth rate reflects the continuing high natural growth of population. Yet the "take off" in Africa's urban population growth is still to come. On average, the population of Africa is now one-third urbanised, a proportion higher than South Asia's 28 percent. Africa is approaching a demographic inflection point, with the numbers of new urban residents projected to rise sharply by over 300 million between 2000 and 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 in other regions), while 52 percent (versus about 43 percent for other developing countries) live in urban areas with fewer than 200,000 people. Whereas cities below this size threshold in middle and high income countries typically have a reasonable asset base composed of the infrastructure, external transport links, educated human capital, and other basic services and amenities needed to support factories and universities, many of the small African cities remain bereft of such features while facing rapid growth in the numbers of 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 in this size range are completely unequipped in terms of facilities, finances, and 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 urbanisation expands: 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 movement mainly from rural to urban areas is by no means the whole story; in fact, that pattern is much less pronounced in overall population mobility than are circular and seasonal migrations. Moreover, rural and urban boundaries are artificial distinctions to households, which often distribute members across different spatial and economic activities to diversify income sources and reduce risk.

In sum, although the demographic picture in Africa is one of rapid and dramatic change, the situation is neither anomalous for its level of development nor wildly out of line relative to other regions. The real surge in Africa's urbanisation is yet to appear. In the next thirty years the urban population will become the majority. Population mobility will contribute to the growth of cities, especially in the least urbanised countries, but many households will retain footholds in both the rural and the urban economies. Both the large cities (one million-plus residents) and the many rapidly growing smaller cities will 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 in all sectors. But "urbanisation without growth" does not, in fact, describe what has been happening in most of the African countries examined here,[2] which show a normal linear relationship between urbanisation and economic growth, similar to that found in other regions. Moreover, the economic growth that has taken place in Africa in the 1990s derives overwhelmingly from the industrial (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 between 1990 and 2003. This is even more true of countries that have been 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 needed 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 in approaches more traditional than modern. While the dominance of public enterprise has faded, a competitive and entrepreneurial private sector has yet to materialise.

Several structural features and disadvantages in many of the African countries limit economic transformation and the maturation of firms, despite urbanisation. 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 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 versus 66 percent), greatly reducing accessibility, and almost twice Asia's share of population living at low density, implying high costs for service delivery. 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 urbanisation.

But "urbanisation without growth" does not, in fact, describe what has been happening in most of the African countries examined here, which show a normal linear relationship between urbanisation and economic growth, similar to that found in other regions.

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

In brief, probing the sources of and potential for economic growth in Africa is important because it is widely recognised that sustaining high income growth is a necessary condition for a significant reduction in poverty, although it is not a sufficient condition in countries with high inequality. It is estimated that reaching the millennium development goals (MDGs) would require that the real GDP of African countries 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 do traditional agricultural products, especially over the medium term.

Clearly, all the productive potential of the African countries must be mobilised much more forcefully to ensure a durable decline in poverty. This report argues that the sectors located mainly (and most efficiently) in urban areas should be the particular focuses of national growth strategies because of their *relatively* strong historical performance in Africa, as in other regions. This would be particularly true in African countries with less favourable 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 is expected, given that urban areas provide a wider and deeper labour market, creating a higher capacity to pay for services, and that the density of settlement and proximity to centres 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 rates of urbanisation, and assuming no change in rural and urban poverty incidence, in twenty years half or more of the poor would reside in urban centres in Benin, Kenya, Mauritania, Mozambique, Nigeria, and Senegal.

Informal settlements 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, or sanitation.

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 the 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 on them.

Large, statistically significant gaps exist between the access of the urban poor versus that of the urban non-poor to infrastructure and social services, even though extending services from the better-off to the less well-off neighbourhoods nearby would cost much less than would reaching the same number 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, 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 (6 of 24) of the 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 or councils. But access to revenues and the capacity to deliver services in response to expectations have been slower to materialise. Cities' financial means, and therefore also their performance in service delivery, depend in the first instance on the intergovernmental fiscal framework, which determines their authority to tax and access 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, African local governments rely less on taxation and more on transfers than do more decentralised economies; however, in several of the countries studied the local revenues represented 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 large cities and 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 for the lack of local capital funding. In Cameroon, less than 1 percent of state revenues are spent on capital expenditure for 18 cities, largely for the administrative capital (Yaounde) and the economic centre (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 neighbourhoods. 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 to 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"

Some observers see the urban trend in Africa as a symbol of what has gone wrong with these economies; they believe that Africa has shifted away from a "natural" historical sequence of development leading from increased agricultural productivity to the 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 to 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 nonfarm activities (Ellis and Harris 2004). Options for intensified agriculture and diversification into nonfarm production prove to be complementary; 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 interlinkages among urban and rural areas may be as a virtuous circle, whereby access to (urban) markets and services for nonfarm production stimulates agricultural productivity and rural incomes, which in turn generate demand and labour supply for more such goods and services. The circle provides multiple entry points, and opportunities should be seized where they appear. Individuals, households, and communities benefit wherever market access is eased and diverse economic activities become available, either through physical proximity (short distances to an urban centre) or through individual mobility. It is not surprising that poverty levels are lower and high-value agriculture more common closer to urban centres and that mobility for work starts at relatively short distances (for example, from a village to a local city). Even though cheap imports of certain foods, such as rice, may pervade urban markets, 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 centres as platforms for productivity, entrepreneurship, and economic modernisation

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, better 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 labour, inputs, and capital, but, even more importantly, they epitomise the process of endogenous growth, whereby productive resources are used more productively and in new ways.

The key question is whether poverty in cities is part of a healthy process of economic transition and mobility for a country and its households, or a perverse trap revealing dysfunctional institutions.

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 environments in which economic agents can easily interact, labour 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 leads to very high opportunity costs, 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, although agglomeration alone provides no guarantee of their presence. Whether nurturing domestic firms and promoting the graduation of small-scale operators or seeking international investors, African countries will need to make their 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 a country and its households or a perverse trap revealing dysfunctional institutions. Greater attention must be given to identifying the particular deprivations facing the urban poor and to tackling these directly by removing causes of economic and social exclusion, such as insecure tenure, and by providing effective access to affordable basic services.

Urbanisation supports the demographic transition

Africa has yet to fully experience the demographic transition associated with urbanisation. Africa's dependency rate[3] (89 percent) is not projected to fall below 50 percent until 2050. As this transition (characterised by falling birthrates and swelling labour forces) takes place, it will initially appear in urban areas and create a "dividend" for the economy. Urban areas provide an environment that tempers 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 for doing so, necessary conditions will include sound management of the urban economy and adequate urban public investment.

Providing social and infrastructure services and meeting the MDGs—more readily achieved 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 services 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, organising 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. Demand side factors in urban areas can also facilitate reaching the countries' MDGs. Individuals can more readily obtain information and witness the implications of certain behaviours—for example, by observing the opportunity costs of inadequate education and the 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 nonfarm 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 is 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 et al. 2003). A poverty study in Burkina Faso found no evidence that immigrants to urban areas suffered more unemployment than did 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 economy. Household surveys in Benin reveal that compared to nonmigrants with similar characteristics (for example, 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).

Access to income from nonfarm and urban-based activities is associated with reduced rural poverty, and options for such income multiply in proximity to urban markets.

Remittances represent such an important supplement to some household incomes that they clearly qualify as a tool (underutilised) 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 receiving households, such as microcredit or development assistance. A recent poverty study of Ghana found that a major contributor to poverty reduction through the 1990s has been migration from slower-growing to faster-growing regions. The biggest reduction in poverty was identified among the rural forest residents and was 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. Inequality should not be a dominant concern, however, in the face of overwhelming evidence of the benefits to individuals and households from income diversification and risk mitigation (Ellis and Harris 2004). Migration (or mobility) is clearly a favourable element in income growth and poverty reduction, for both urban and rural populations. Policies should *enable* labour mobility as an element of general welfare and poverty reduction strategies. At the same time, migration can pose a major challenge to the receiving areas by adding to near-term demands for services, raising the stakes for good urban management.

Urban local governments can form the vanguard of good governance and sustainable public finance efforts, as their performance is highly visible and they are the front line of public administration for citizens.

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

Urban local governments can form the vanguard of good governance and sustainable public finance efforts, as their performance is highly visible and they are the front line of public administration for citizens. Institutional reforms, including improving the collection of local revenues and making municipal governments more directly accountable for the performance of public services under their control, would strengthen bonds with the governed in a very concrete way. The health of the city economies should not be of concern only to urban specialists or mayors. 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, indicate that firms in Africa often face hostile and unstable environments. But few of the surveys have enquired into firms' perceptions of the city in which they are located and of local government performance. For most of the African respondents, institutional issues and infrastructure pose equal degrees of concern. The firms' most pervasive complaints relate to inadequate network infrastructure (power, telecoms, and transportation), 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's 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 the 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 realised in Africa to the extent they should be, even in the largest or capital cities. Therefore, a firm located in an African city gains a much lower productivity advantage than would be expected when comparing it to its non-urban counterpart, sometimes lower than that of firms in other regions facing otherwise similar conditions, such as market size or labour 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 are 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 to be hamstrung by problems rooted in both national economic and city management. The advantages that enterprises gain from an urban location can be swept away by poor economic and 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 to provide their own services, even in the absence of a functioning local government. But clearly, much greater benefits could be mobilised for the country and for urban inhabitants by providing complementary local public goods in a safe and secure environment. This implies focusing on basic investment and on 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. Land and housing (and related construction activity) account for large shares of total investment, consumption services, savings, and employment in most countries,[4] and they 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, for example, 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 illegal—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 being settled. Misregulation leads to low density sprawl, further raising the costs of services. Upgrading existing slums, while recognising the 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 but also of 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 "liveable" 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. Ease of movement of 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 the circulation of goods, again shuttering the urban marketplace in Africa. In many cities, even where a working bus system exists, the poor are simply priced out of using it. 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 signalised 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 their local governments mature as well.

Governance and financial management. 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 their local governments mature as well. This obviously does not happen automatically. But where systematic support has been given to improving practices and procedures and to creating environments in which local and national authorities commit to making government more responsive to citizens, municipal performance has improved remarkably.

In Benin, for example, the recently completed Decentralised City Management project enabled practices that more than doubled municipal revenues in the three largest cities. Similarly, in Senegal, municipal adjustment and investment programmes achieved increases in municipal savings and rationalised the allocation of current revenues to much needed maintenance. All 67 municipalities under the Senegal programme have signed municipal contracts that commit both the national and the local governments to explicit standards of improved performance. Introducing simple systems of street addressing in two cities—Thies and Kaolack—permitted municipal tax billing to increase by about 50 percent, with 90 percent collected (Farvacque-Vitkovic et al. 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 the social order and to public health, and crime. These risks, while never entirely avoidable with population concentration, become greater and are *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 these cities have virtually no working public transport or safe waste disposal, much of the land is held in public control with little available to meet market demand or the requirements of public good purposes, and infant mortality is rising due to poor public sanitation in the neighbourhoods in which most of the work force lives.

Higher costs and reduced competitiveness of firms

Unreliable infrastructure and high transactions costs undermine firms domestically, but they can be fatal to potential exporters. Africa, whose share of world trade remains miniscule and declining, cannot afford a comparative *dis*advantage from the failure to nurture the business environment of cities and the 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 with the regional or global economies.

Worsening risks to public health and security

One good overall reading of a population's welfare comes from its health status, as it stems both from issues with specific services (for example, health care or the 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 et al. 2003). Children in the slums of Nairobi, for example, face enormously higher risks than do their peers living elsewhere in the same cities or in rural settlements. Apparent proximity to health centres 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 programmes—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 accompany 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, the extreme weakness of national police and justice systems, and the absence of trust between communities and local governments compound the issue. Crime is now recognised as a significant risk factor in African cities, especially those of South Africa and in Nairobi and Lagos, where local and national governments and their police forces are working with the civil societies 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 the spatial focus of urban policy is becoming a source of contention, for example, in Ghana. Often, political preference is given to reducing the relative dominance of the largest (primate) city and to promoting 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

JORGEN SCHYTTE/Still Pictures

Children at work and play in a slum in Accra, Ghana.

argument is heard that smaller cities would link better to the rural hinterland; against this view is stated the concern that investment should focus on very few cities to maximise their role as trade centres.

A network of cities well-connected within the country or across its borders can be a key ingredient in the growth of interregional trading groups, an increasing priority of African governments.

African countries need not adopt a very deliberate or directive approach to reducing their primacy rate and dispersing 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 the 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 realised is more a testament to the neglect of urban policy, as noted earlier, than a function of their sizes. As African countries urbanise and incomes grow, more cities will emerge and expand naturally and gain in economic importance. Decentralising 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 centres of officialdom. At the same time, global trade competition and fiscal decentralisation tend to perpetuate spatial inequalities, and these differences can prove to be very difficult to reduce through deliberate policy.

A network of cities well-connected within the country or across its 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 their 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 to mobilise revenues and to respond to the evolving demands in their jurisdictions for effective 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. Rather than attempting to manipulate urban development, the best approach to mitigating spatial inequality is the integration of rural areas within large urban markets, the mobilisation of labour and remittances, and strong fiscal mobilisation in cities supported by intergovernmental transfer policies.

Interest is growing in Africa in providing *special industrial or export promotion zones (EPZs) as a way of targeting favourable conditions* (both in infrastructure and institutions) for new investment, especially in export sectors. The experience of many export processing zones should give pause, however, because the successful cases have been relatively few, and many have been costly failures, including some 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 favourable investment enclaves, a more sustainable and scaled-up approach would be to make the cities work better as support centres for business. A strategy favouring export promotion or other targeted investment zones may be justified in some cases, but this 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 centre of urban policy.

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 centre of urban policy*. Mature municipal management requires that local investment be on-budget and part of an expenditure plan, rather than undertaken through *ad-hoc* assistance arrangements. Accountability to the local population and a voice for citizens should be encouraged as elements of mainstream performance by 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 of 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 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 or primate cities versus the more numerous and faster growing secondary cities. Existing data sources should also be explored, notably through wider analysis of the 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

Good urban management feeds into the entire national growth and welfare agenda, stimulating agricultural intensification and diversification of rural income, poverty reduction, good governance, and fiscal resource mobilisation.

large and growing urban areas, can meet the challenges they face.

Conclusions

The development community, including African policy makers and donors, needs to move beyond debates that either criticise the process of urban growth in the Region or apologise 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 if their economies are to transform, but they also need to transform their cities.

FIRST—the development community must recognise and move beyond the myths that cloud much of the discourse on African urban development:

Myths about the demographics.

- African countries are *not* urbanising faster than did other countries, and the distribution of urban population among large and very small cities is *not* unusual given these countries' 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 favourable, on balance, for both sending and receiving areas in Africa. But population mobility is much more fluid than is recognised in the rural-to-urban model, and households wisely diversify their activities across both areas.

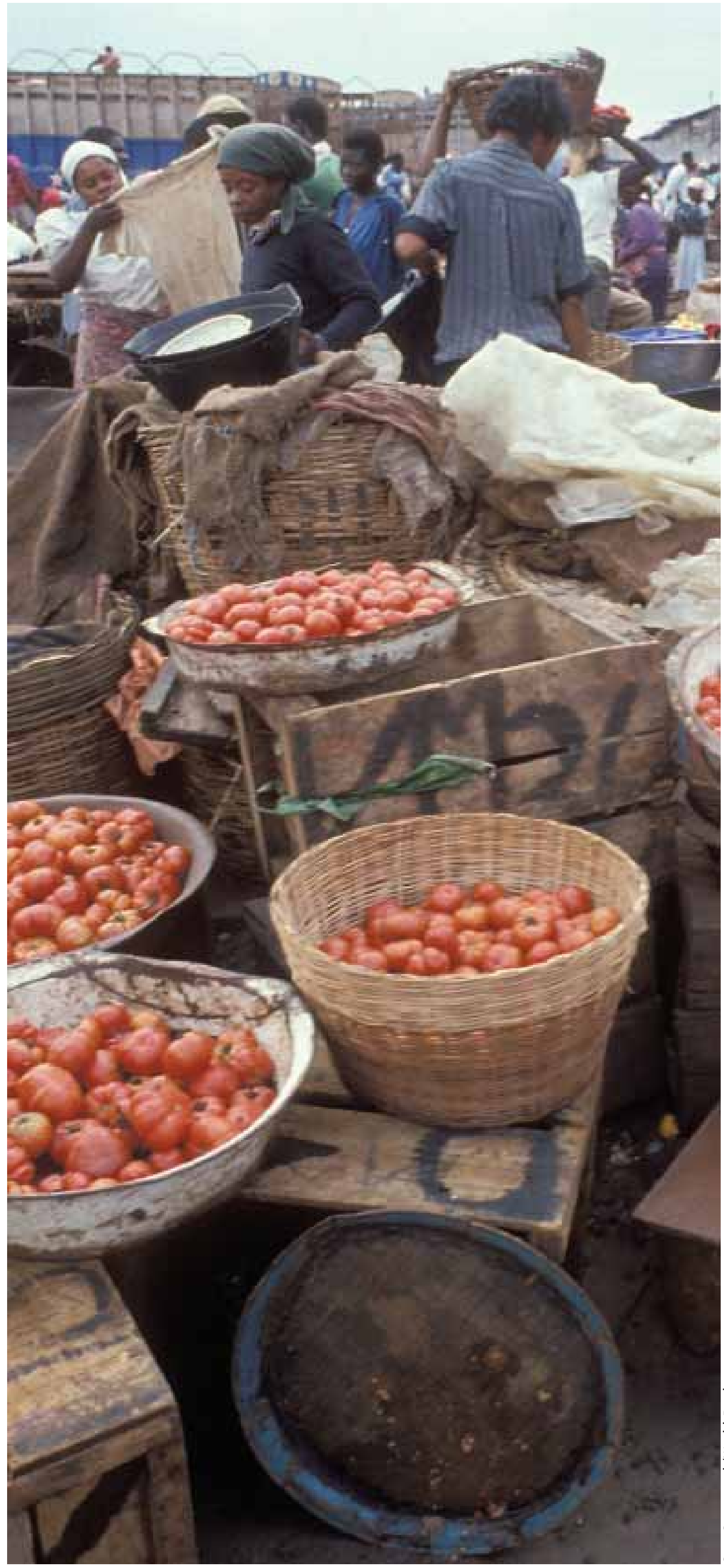
Myths about the urban economies. Africa *cannot* simply be characterised as "urbanisation without growth," and the term does not even fit many of the countries. The economic growth that has taken place in the past decade derives mainly from urban-based sectors (industry and services), and this is especially 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 the failure of urban economies in Africa. Evidence shows that much of the deprivation in cities and the emerging urban public health problems relates to institutional failures that perpetuate social exclusion and inequalities between the urban poor and the urban non-poor.

SECOND—the development community must recognise what cities can contribute to 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. Urban advocates and urban critics need to take a hard look both at what the urban phenomena can offer national development across numerous channels and at 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 mobilisation. African cities have the potential to be strong platforms and laboratories for most of the economic and social behaviours needed for transformative growth and productivity—including creative innovation, technological application, entrepreneurship, open attitudes toward 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 Africa as they have proven to be 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 to achieve 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, linking up with each other (as the metro cities have done in South Africa) to share lessons and information to make their case. National governments and external donors should welcome the voice of local authorities and should include them in dialogues on the wide range of policies and actions affecting cities and towns. Supporting these efforts, the many good practices and lessons from external assistance programmes—including those of Alliance members—should be applied with renewed commitment to unblocking the development contribution of cities.



Curt Carnemark/World Bank


JORGEN SCHYTTE/Still Pictures

For women in Africa the informal economy is estimated to represent 92 percent of all job opportunities. Scene from an Accra market.

1 Introduction

Urbanisation is an opportunity as well as a challenge for Africa, and urban areas are underutilised resources that concentrate much of a country's physical, financial, and intellectual capital, and will inevitably continue to do so.

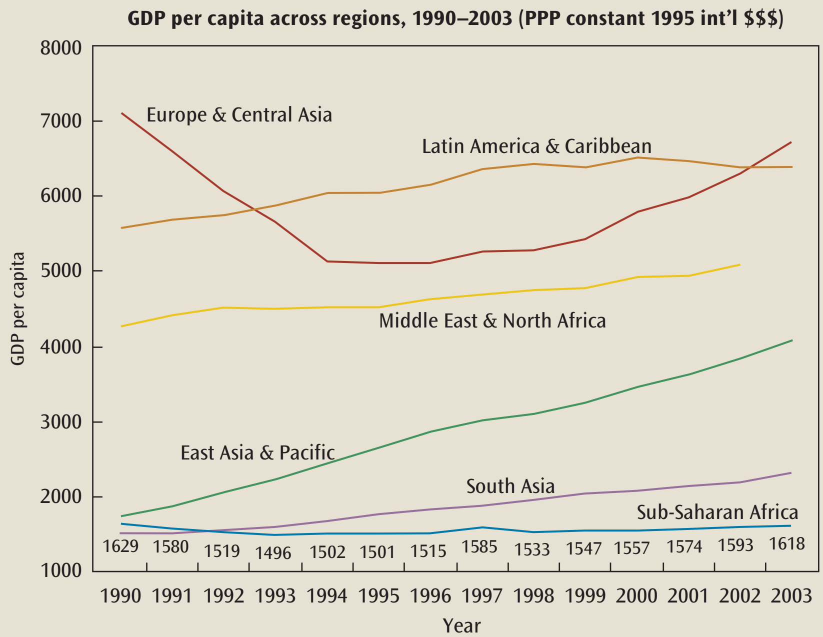
It has long been recognised that the growth of cities and towns and the shifting of population into these urban areas from rural settlements are inevitable aspects of the long-term process of economic development. Yet in Sub-Saharan Africa (hereafter, Africa), the real contributions of urban development 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, due to weaknesses in policy or institutions, or to other factors.

Much has been written in recent years about Africa's disappointing record of economic growth (Sachs et al. 2004; The Commission for Africa 2005; The Millennium Project 2005a; World Bank 2005a). Over most of the last two decades, total factor productivity, labour 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 in many cases has worsened.

This average picture does not tell the full story, of course, as the continent is highly diverse and becoming more so. A few notable success stories tell of income gains coupled with declining poverty over the past decade or more (for example, in Botswana, Mauritius, and 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, and Tanzania). But most countries, and the majority of the African people, are mired in place. Virtually all of the countries in the Region must find more viable growth strategies based on improving productivity and sharing its benefits more widely. In the face of this development challenge, every available asset and every phenomenon experienced in the African countries should be scrutinised to determine how effectively it contributes to ensuring greater welfare and a more positive future for the population.

Given this context, this paper asks how urban development—the process of demographic and economic transformation and the resulting management requirements of the affected cities and towns—can and should benefit the countries and what conditions are needed to achieve these benefits. Africa has been

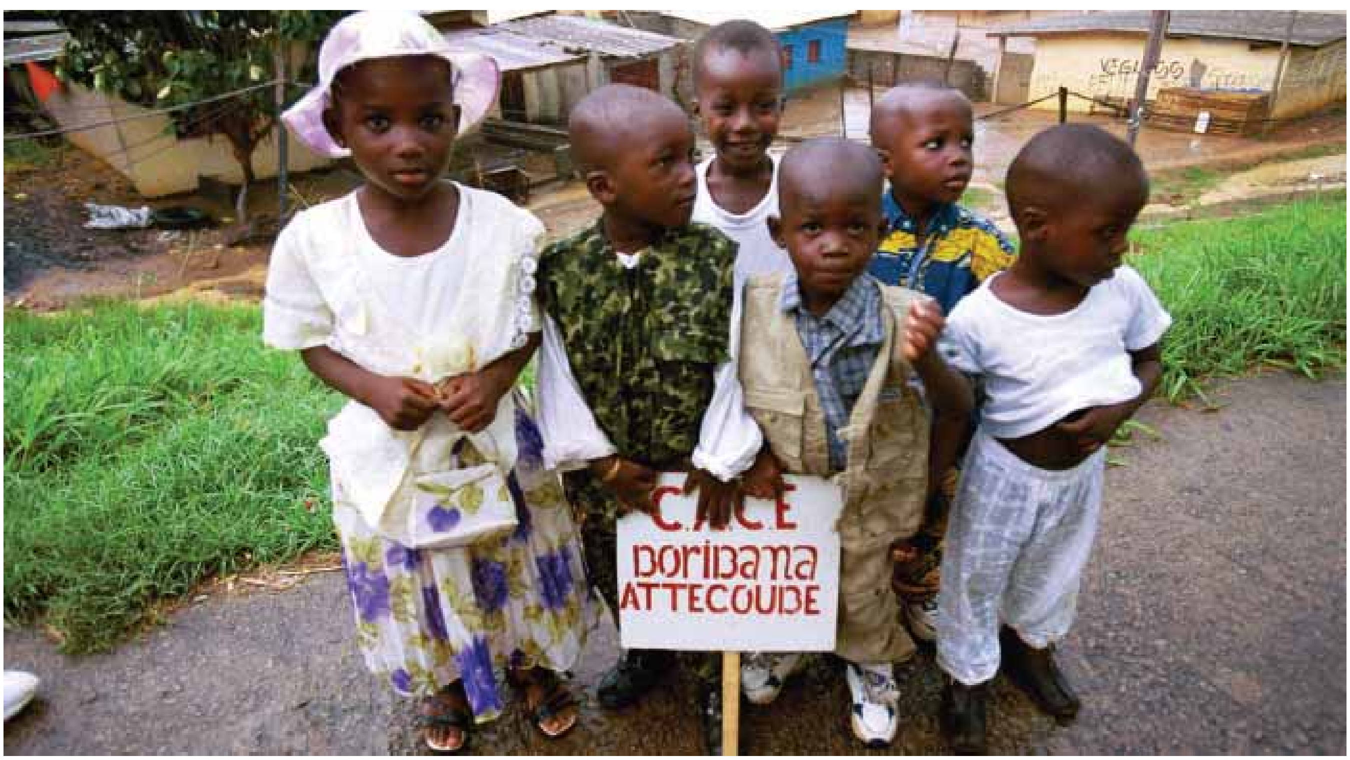
FIGURE 1.1. Real Per Capita Income Has Stagnated in Sub-Saharan Africa



Source: GDF & WDI (August 2004) , SIMA, 2004

experiencing a historically high rate of urban growth, implying on average a doubling of the urban population in the next 15 years. This paper views urbanisation as an *opportunity as well as a challenge* for Africa and considers urban areas to be *underutilised resources* 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 urban areas can serve the national growth and poverty reduction agendas. The countries cannot afford to continue neglecting their cities; they must, rather, 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 this report, com-



Ami Vitale/World Bank


MARK EDWARDS/Still Pictures

Abidjan, Cote d'Ivoire.

parative data and analysis from other regions are cited where these help to elucidate the issues and the circumstances prevailing in Africa. Of necessity, given data shortages and limited comprehensive research, anecdotal evidence is sometimes cited to illustrate points. Section III summarises 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 for achieving these benefits, while section V suggests what is at stake for a country failing to ensure these conditions. Section VI lays out strategic and operational implications and choices posed by the above analysis. A final section draws conclusions from these various perspectives.


Curt Carnemark/World Bank

The urban population growth rate in Africa averages almost 5 percent per year over the past two decades.

2

The Context of Urban Development in Sub-Saharan Africa

What is even more important to recognise is that that economic growth that has taken place in recent years in Africa is on the whole mainly urban-based.

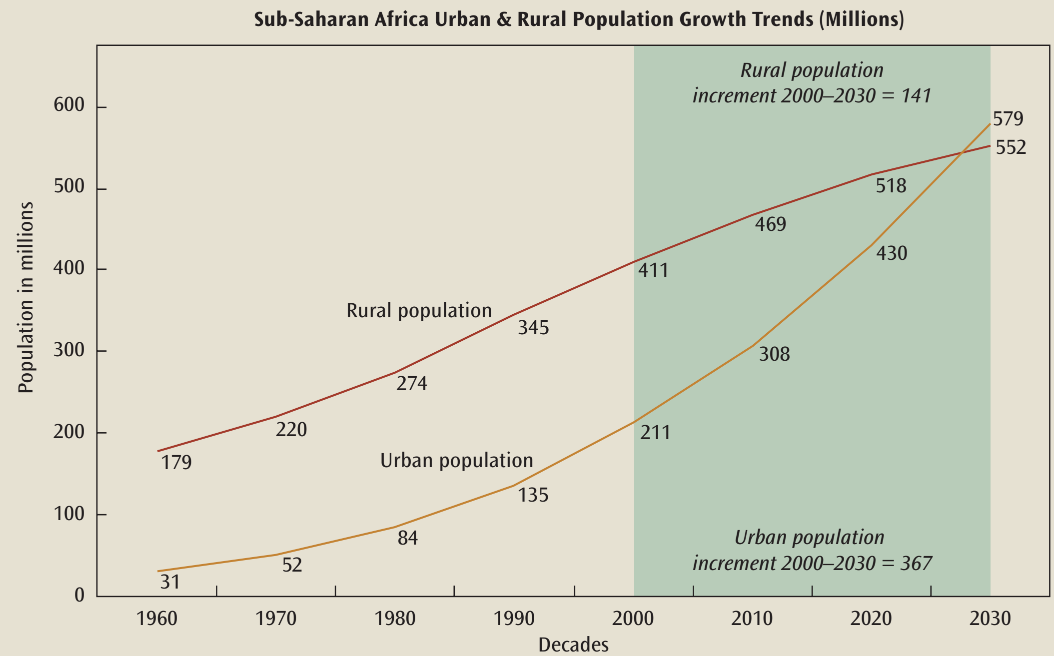
The Demographic Setting for the Urban Challenge

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

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

While there is no formula to suggest what an optimal level of urbanisation would be at any point in a country's development, clearly many countries are con-

FIGURE 2.1. Most Population Growth in the Next Thirty Years Will Be in Urban Areas



Source: UN-World Urbanization Prospects, 2003

fronting bigger demands to manage urban areas than they appear able to handle. African urbanisation is also taking place in a context of severe constraints that many other country groups in other periods did not face—notably, full exposure to the pressures of global competition; more limited outlets for external migration (WDR 2003); and depredation of the productive workforce and of family security due to HIV/AIDS, which also drains the weak capacity of local administrations.

Africa's urban landscape is not dominated by very large cities. Much public attention about urban growth focuses on the proliferation of "mega" cities (defined by the UN as those with more than 10 million residents) or very large cities (over 5 million residents). In 1970, Sub-Saharan Africa had no cities in the latter group; in 2000, there were two (Kinshasa and Lagos), and the UN's latest population projections do not assume that this number will increase by 2015 (United Nations 2004).[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 size) makes a disproportionate contribution to the national economy—Addis Ababa, for example, with 2.6 million residents representing only 4 percent of the total population, accounts for almost one-fifth of GDP (Cour 2003). In many developing countries, especially in Africa, the quality of urban management is the first issue in realizing the productive potential of cities, regardless of population size.

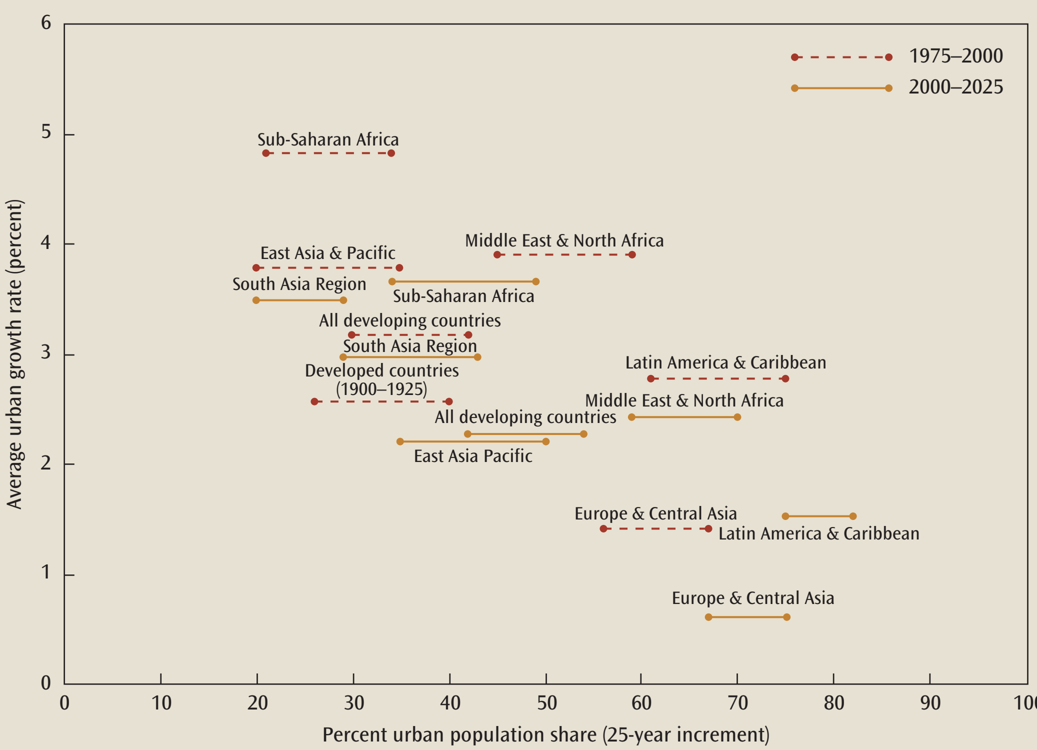
Africa's city size distribution is also not unusual. The share of the urban population in the largest city (the urban primacy rate) is also not out of line, on average, for Africa's level of development, compared to that in the Middle East–

North Africa (MNA) and Latin America and the Caribbean (LAC) regions.[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 redress most of these negative variables thereby reducing urban primacy naturally, even without active policy attempts to affect the relative weight of the largest city.

The urban population in Africa is widely dispersed across mainly small settlements, but not unusually so compared to other regions. As seen in Figure 2.3, Africa's city size distribution is quite comparable to that of other regions at all income levels, although a slightly higher share of urban Africans live in the settlement class below 200,000 inhabitants—about 52 percent versus 42 percent for all developing countries. [11]

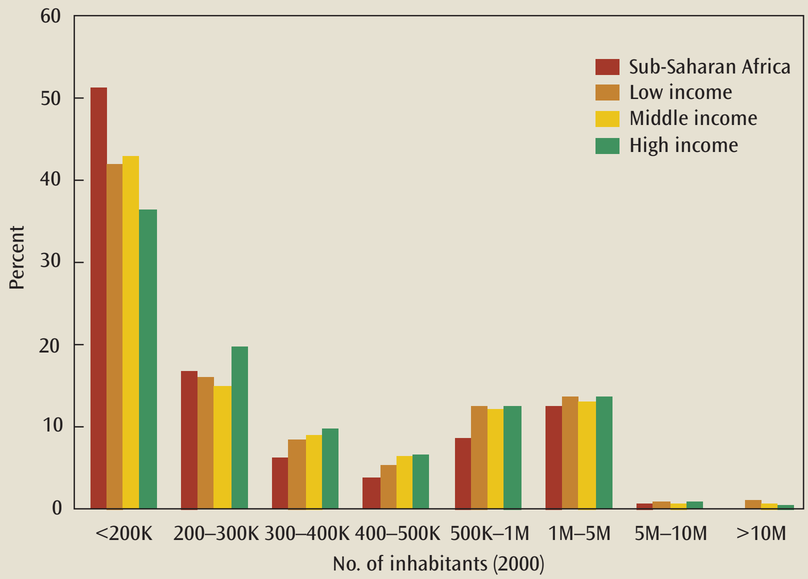
About 12 percent of urban Africans live in settlements of 1 to 5 million people, almost the same proportion as in other developed and developing regions. This city size category, which has the greatest potential for urban productivity, poses major management challenges, especially for countries with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

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



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.

FIGURE 2.3. Africa's Urban Population Distribution by Settlement Size is Similar to that of Other Regions (2000 estimates)



Source: Vernon Henderson, World City Populations, 2002

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

Migration from rural areas is not the primary explanation for urban population growth. A common misconception exists that the vast majority of new inhabitants in urban areas are migrants from the countryside. Urban demographic growth has three sources: natural increase among existing urban residents, reclassification of formerly rural areas as urban, and internal rural-urban migration. While it is difficult statistically to separate reclassification from migration on the basis of census results, estimates consistently indicate that the median value of these two factors combined accounts for less than half (about 40 percent) of urban growth in most developing countries.[12] Internal migration rates tend to rise in periods of economic growth and to 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 create a "push." The latter may be stronger in some countries of Africa where agriculture has been stagnant or declining or where local conflict has devastated the countryside, even in the face of economic problems in the receiving areas. But migration research in recent decades has found that the traditional view of one-way movements mainly from rural to urban areas is by no means the whole story and is much less important in overall population mobility than are circular and seasonal migrations (Ellis and Harris 2004). Moreover, rural and urban boundaries are artificial distinctions to households, which often distribute members across different spatial and economic activities to diversify income sources and reduce risk. Options for migration, or, more accurately, population mobility, are crucial to ensuring sustainable livelihoods, especially for households facing constant uncertainty in climates and markets, as in Sub-Saharan Africa. Such mobility is essential as well to enable individuals to gain new experiences and income they can use wherever and however they perceive maximum utility.

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

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

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

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

FIGURE 2.4a. Developing and Transition Economies: Comparing Levels of Per Capita Income and Urbanisation,1990–2003

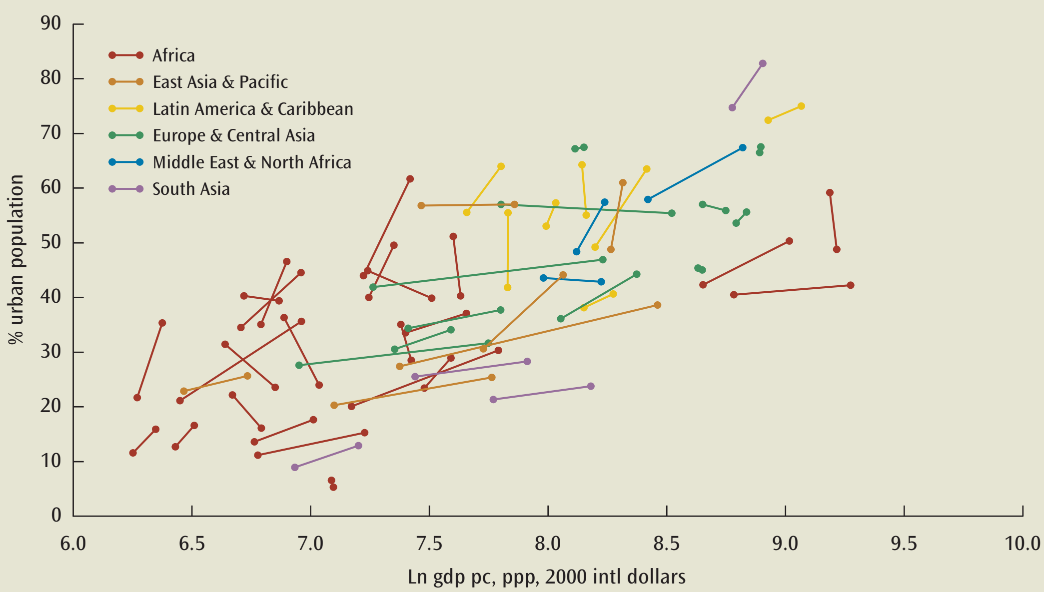
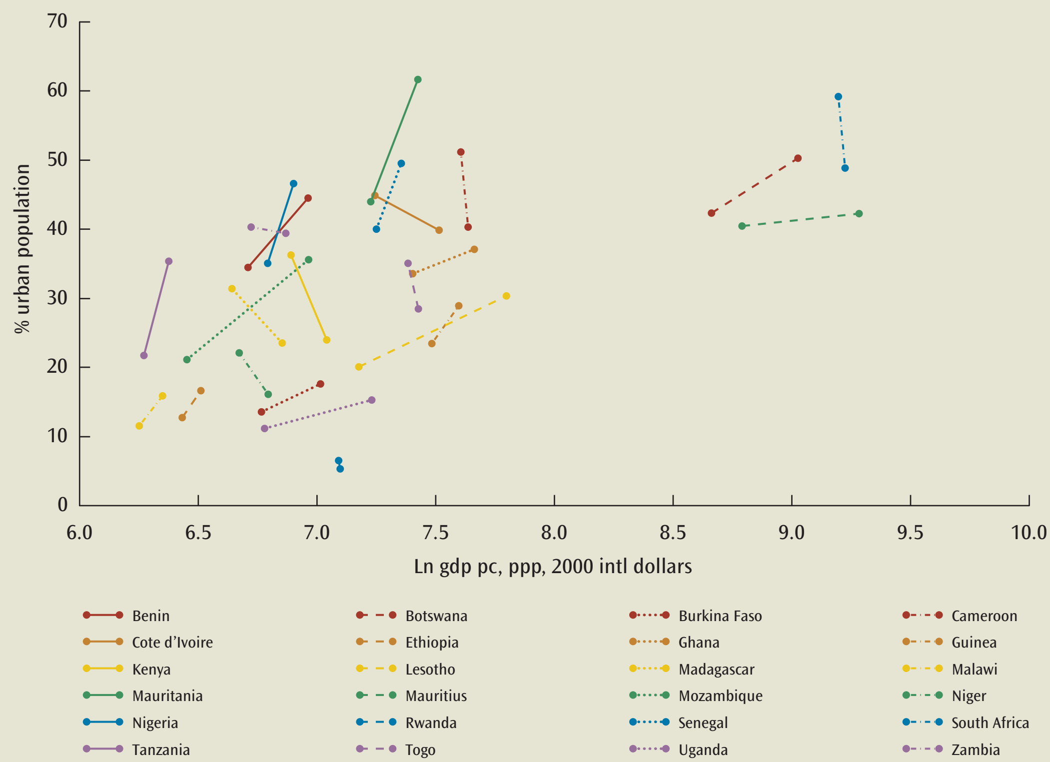


FIGURE 2.4b. Sub-Saharan Africa: Comparing Levels of Per Capita Income and Urbanisation, 1990–2003



While between 1990 and 2003 *some* countries in Africa experienced increasing "urbanisation without growth" (Fay and Opal 2000), the urban trend is no more responsible for this disconnect or for explaining the weak growth performance of the economy than is any other phenomenon during this period, such as structural adjustment or reforms in governance. In other words, Africa's "growth tragedy" in the 1990s has disappointed hopes and expectations of all sectors. Yet what is even more important to recognise, as illustrated below, is that the economic growth that has taken place in recent years in Africa is on the whole mainly urban-based. It has just not been sufficient to propel the countries into the rate of per capita income increase they need to overcome poverty sustainably.

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

A very rough approximation of the contribution of the urban-based activities to the national economy can be made from the secondary and tertiary sectors (industry and services, respectively), which *in general* take place in cities and towns, especially in terms of formal enterprise. Agriculture, the primary sector, is of course mainly rural-based, although urban agriculture is quite significant in developing countries.[17]

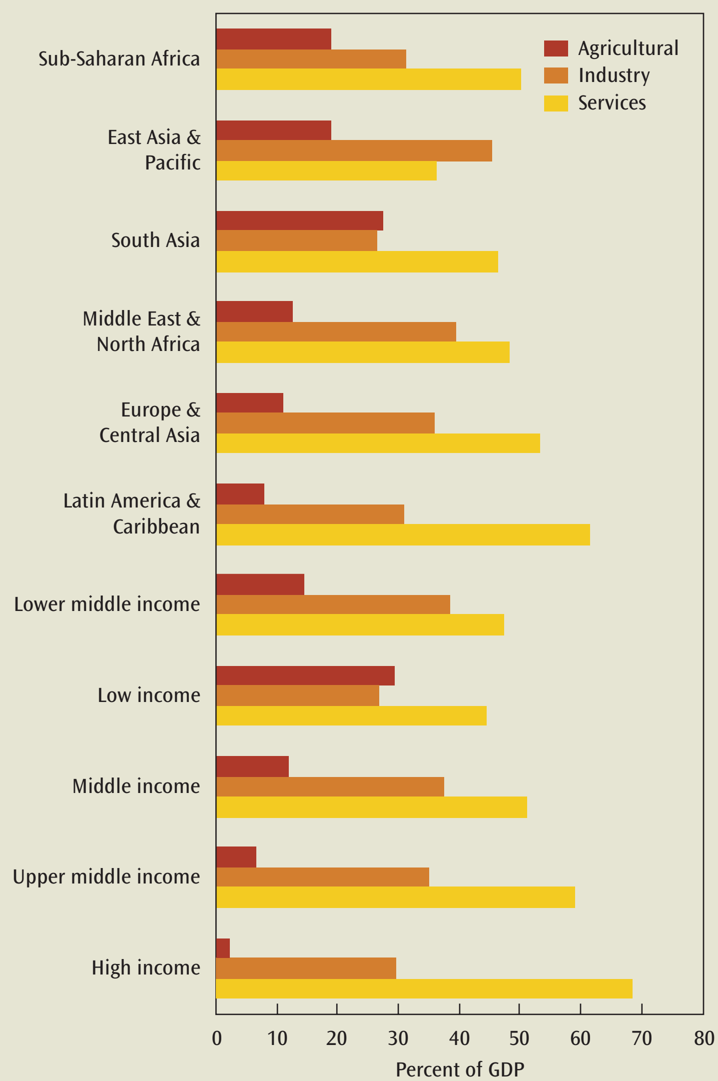
Recognising that some margin of error may lead to both overestimation and underestimation of the value-added produced in urban areas, Table SA2 in the Appendix summarises the sectoral shares of GDP, the annual growth rates of each sector, and the combined contribution of industry and services (the putative "urban share") to overall GDP growth, over more than the past decade (1990 to 2003).

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

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

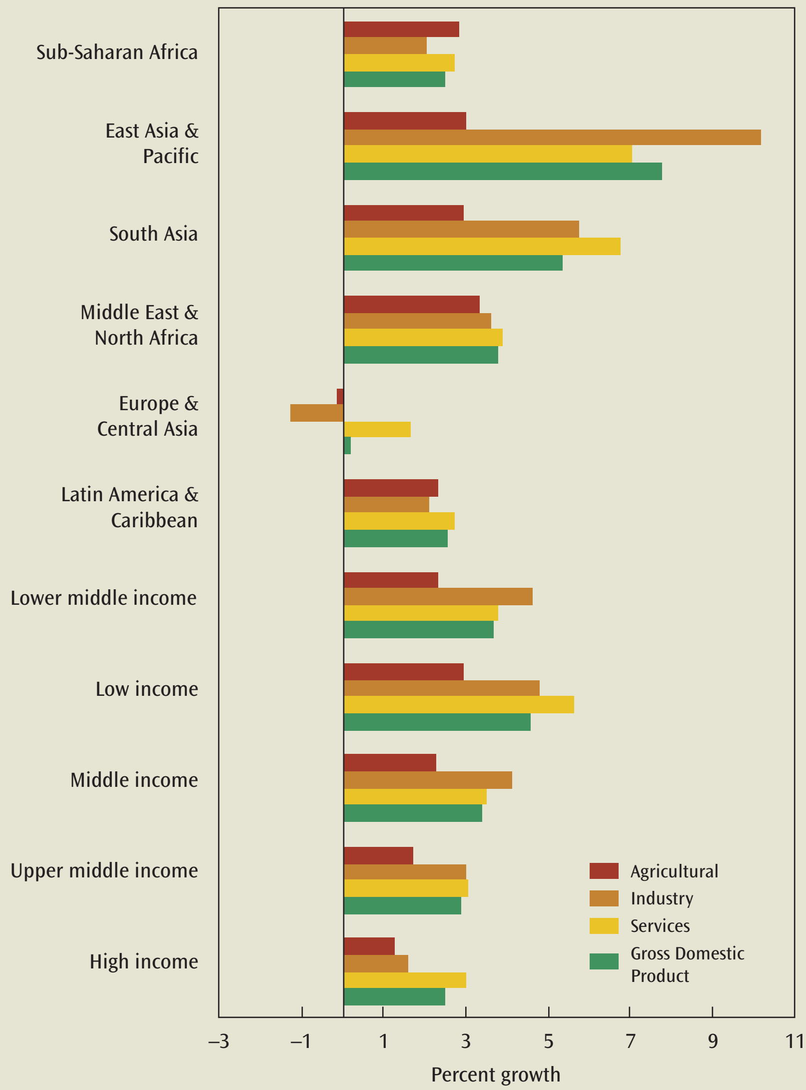
Combining the effects of sectoral share and sectoral growth rates gives the percentage contribution that industry and services have made to total GDP growth over the past decade (Figure 2.5c): from 79 percent in Africa to about 100 percent in ECA. Thus, despite the rather sluggish performance of industry in many cases, it is rare that the secondary and tertiary sectors combined fail to provide the main power behind overall

FIGURE 2.5a. Sectoral Output as Share of GDP, 1990–2003 (average %)



Source: GDF & WDI Central, April 2005

FIGURE 2.5b. Average Annual Growth of Output by Major Sector, 1990–2003 (%)



Source: GDF & WDI Central, April 2005

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

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

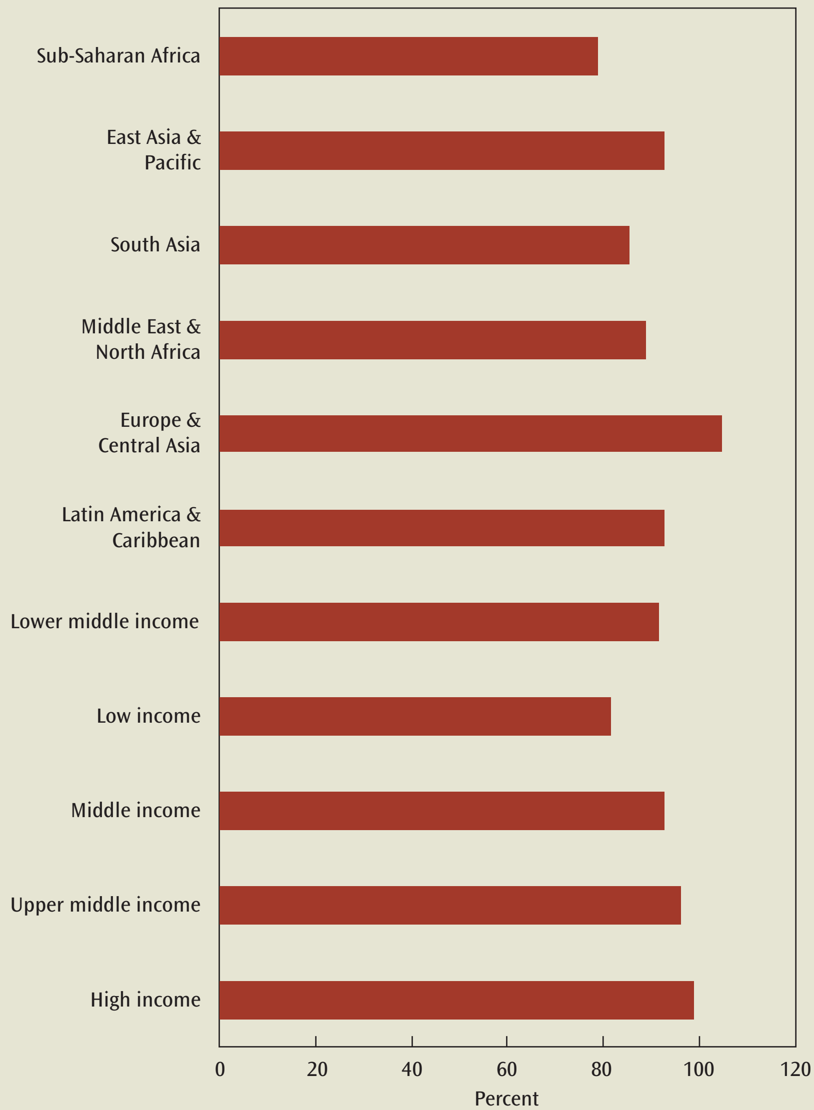
Despite the relatively stronger performance of the urban-based sectors, for most of Africa the growth of total GDP in per capita terms has been insufficient to achieve a turnaround in poverty. Clearly, countries need to mobilise more effectively all of their productive capacities—including not only agriculture,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

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

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

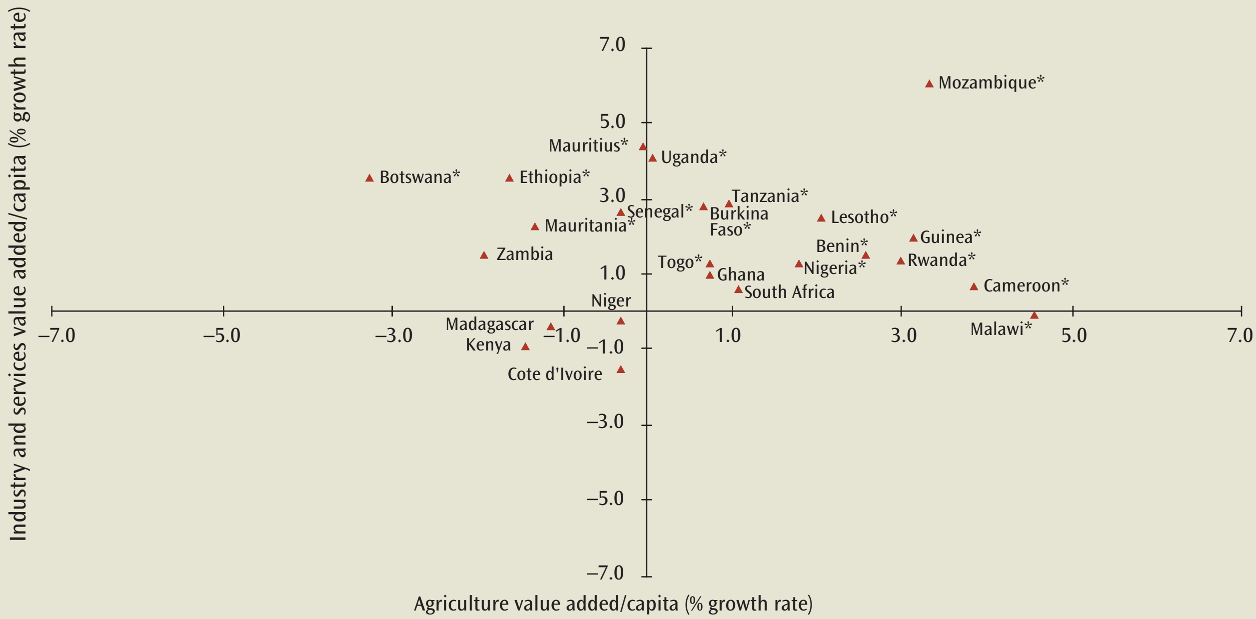
While it was once commonly believed that the informal economy is entirely marginal and unproductive, growing evidence in all developing countries illustrates its contributions in output and its importance both to workers and to consumers (for example, see Maloney 1999 on Mexico). Such findings make a case for enabling policies. In South Africa, surveys reveal that the openly unemployed are less well-off than are persons in informal employment and that the latter activities may have significant entry barriers, such as required experience and social networks (Kingdon and Knight 2003). A survey of the informal manufacturing sector in Nigeria found, however, that most such enterprises appear profitable for their owners but generate little employment through firm growth. They often remain very small and undercapitalised and have minimal transactions with larger, formal sector companies (CBN/NISER/FOS 2003). A parallel study looked at

FIGURE 2.5c. Contribution of Industry and Services to Total GDP Growth, 1990–2003 (%)



Source: Appendix Table SA2.

FIGURE 2.6. Industry and Services Were the Main Sources of GDP Growth among the Better African Performers from 1996–2003



*Denotes countries with an average GDP/capita growth rate of more than 1 percent over the period 1996-2003
Source: Appendix Table SA3.

informal distributive trading, which has grown to dominate the informal economy in Nigeria because real production, such as manufacturing, has been discouraged by infrastructure bottlenecks and by macro instabilities. Such circumstances have discouraged risk-taking entrepreneurship and have favoured short-term, rent-seeking activities, such as merchandising. The studies found little exchange between the informal manufactures and traders, however, and neither group reported using formal banking channels (CBN/NISER 2003).

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

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

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

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

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

TABLE 2.1. Relative Importance of the Informal Economy in Employment

Informal Workforce, as share of:	Africa	the Caribbean	Asia
Nonagricultural 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.

TABLE 2.2. Contribution of the Informal Sector to the GDP in Selected Developing Countries[a]

Country (year)	Informal Sector GDP as Percentage of Nonagriculture GDP
Northern Africa	**27**
Sub-Saharan Africa	**41**
Benin (1993)	43
Cameroon (1995–96)	42
Kenya (1999)	25
Mozambique (1994)	39
Tanzania (1991)	43
Latin America	**29**
Colombia	25
Mexico (1998)	13
Peru (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).
[a] 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.

Curt Carnemark/World Bank

Straw craft industry in Lagos, Nigeria.

its natural resource base at a rapid rate, as indicated by land per capita endowments that have fallen by almost half in several countries between 1960–69 and 1990–90 (Sachs et al. 2004; WDR 2003). This trend reflects population growth as well as reductions in the quality of land and water available for effective cultivation. African farming has continued to depend on extensive production rather than shifting to intensive (higher productivity) cultivation, which would be key to rural transformation (World Bank 2002a).

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

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

Urban Poverty: Already Significant, and Likely to Grow

An almost universal finding in developing countries is that whether measured in terms of income, consumption, or expenditure, rural poverty rates exceed urban poverty rates, often by a very large margin, and rural poverty is deeper (further from the estimated poverty line).[19] This result would be expected, given that urban areas provide a wider and deeper labour market, permitting higher incomes and capacity to pay for services, and that density of settlement and proximity to centres of government should allow provision of many services at lower per capita cost. Location in non-urban areas and sometimes even distance from cities are found to be markers for poverty in country studies.

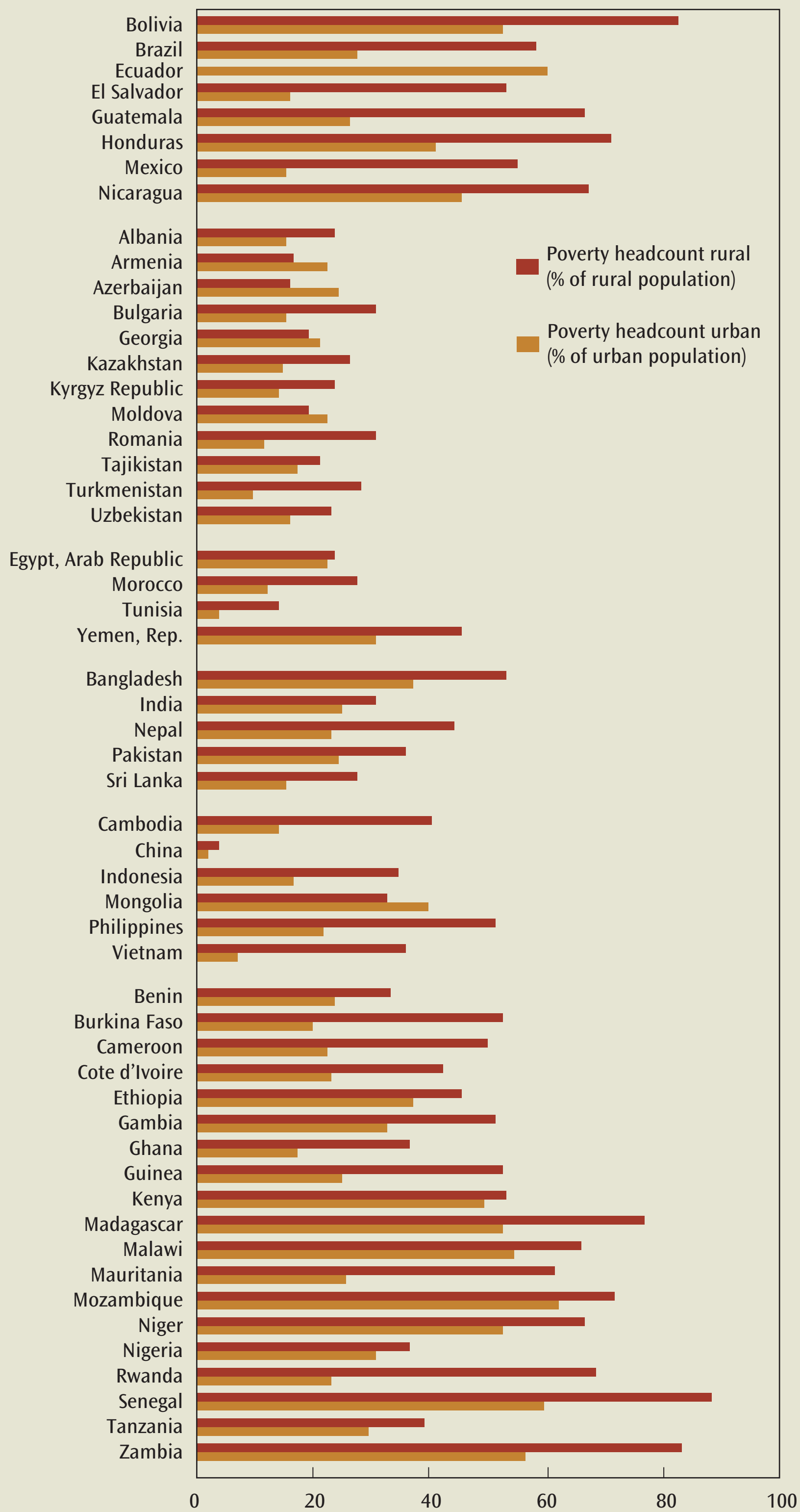
Figure 2.7a shows the poverty incidence (headcount rates) for a sample of countries in Africa and other regions based on official data for both urban and rural aggregates.[20] Given the expected real economic advantages of urban location, what is striking is not where the figures show wide gaps but where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

With projected urbanisation, the relative rural and urban poverty rates, if unchanged over the next twenty years, would imply a growing share of total poverty occurring in urban areas[21]—approaching or exceeding the majority in Benin, Kenya, Mauritania, Mozambique, Nigeria, and Senegal (Figure 2.7b).

Urban poverty rates are not mainly a function of pressures from urban population growth. The correlation between these two phenomena is weak, with a coefficient of 0.41 for the cross-regional sample, 0.22 for the Africa subsample alone (Figure 2.8). This indicates that urban poverty is not simply a matter of queuing for jobs and services. The phenomenon of urban poverty can reflect various economic and institutional factors, varying across cities in the same country. As a general rule, access to essential services is better, and income poverty rates are lower, in larger versus smaller cities, although it is especially difficult to generalise for Africa.[22]

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

FIGURE 2.7a. Rural and Urban Poverty Rates, latest year



Source: Appendix Table SA4.

mum food basket" ranges from 1.0 in Burkina Faso (nonfood expenditures are assumed to be equivalent to food expenditure) to 2.0 in Chad, while in the United States, a coefficient of 3.0 is used (Satterthwaite 2004a).

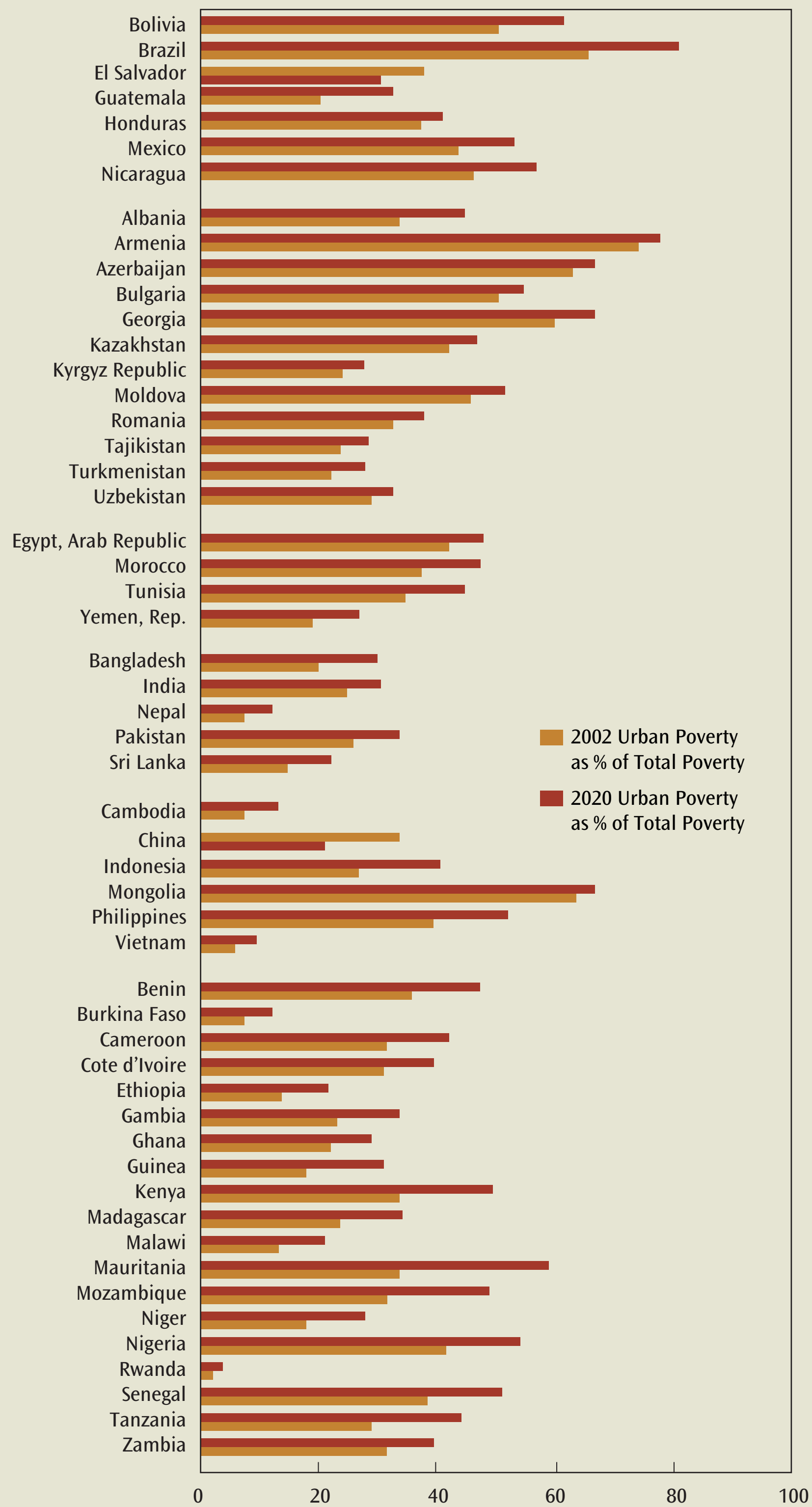
Estimates of actual expenditure on nonfood items do not reflect whether households' nonfood needs are being met—for example, when they walk long distances rather than take public transportation to work or report consuming limited quantities of water.[23] Non-monetary costs of obtaining water can be very significant in urban areas, despite reported physical proximity to supply points, because of the sheer numbers of people depending on them. It has been shown that in 10 urban sites in East Africa, for example, for households lacking in-house connections, the average queuing time for water rose from 28 minutes per day in 1967 to 92 minutes in 1997 (Thompson et al. 2000).

Assessing the nature and extent of urban poverty requires looking beyond monetary measures. Some deprivations result from issues of affordability, which may explain, for example, the food insufficiency reported in the Benin poverty assessment as being equally prevalent in urban as in rural areas (World Bank 2003c). But low income is not always the barrier. Problems in obtaining adequate infrastructure and social services, health and education status, and personal and communal security can reflect underlying institutional obstacles and social exclusion that even middle-income households cannot fully surmount, as further described below.

Disaggregating urban access data reveals the extent of intra-urban inequalities. As would be expected for reasons listed earlier, the Demographic and Health Surveys (DHS) confirm that in all major developing regions rural residents almost invariably have much lower rates of access to infrastructure services (either piped water on premises, flush toilet, electricity, or all three) than even the urban poor. At the same time, there are large, statistically significant gaps between the access of the urban poor versus the urban non-poor, and these gaps are often greater than those between the urban poor and the rural residents. This observation is a testament to urban inequality and institutional rigidities rather than to absolute resource constraints in urban areas. In many cases, extending services from the better-off to the less well-off neighbourhoods nearby would cost much less than would extending those same services to the more remote and scattered rural populations.[24]

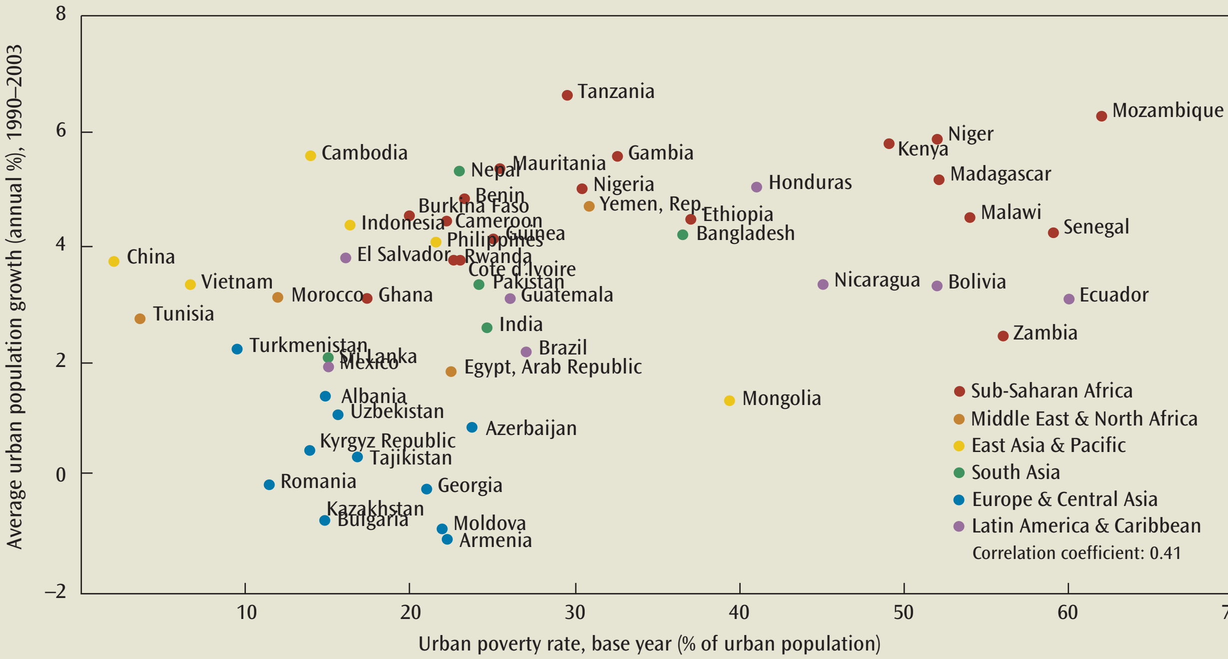
Neighbourhoods of extreme deprivation in terms of basic services and local public goods—typically informal settlements, which often lack secure tenure and are located in environmentally precarious sites—are home to a majority of the population in most African cities (for example, 72 percent in Douala and 62 percent in Yaoundé, Cameroon) (World Bank 2004a). For all of Africa, over 70 percent of the urban population is estimated to suffer shelter deprivation in terms of inadequate housing, water supply, or sanitation (UN-Habitat 2003).[25] In many developing countries, the informal settlements or slums house a mix of socioeconomic classes,

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



Source: Appendix Table SA4.

FIGURE 2.8. Urban Poverty Rates Are Not a Function of Urban Population Growth



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.[26] The widespread lack of sanitation standards adequate to urban density helps to explain why the MDG target of reducing infant mortality is projected to be met in urban areas in only one-quarter (6 of 24) of the countries studied by Sahn and Stifel (2002), even less than in rural areas where 10 of 24 countries are projected to be on-target. So-called "neighbourhood effects" can also be seen in the exposure that residents of some areas face in terms of the threat of crime and violence, which are often very spatially concentrated within cities.

The urban population is dependent on cash income to purchase all of their necessary goods and services, including food. Therefore, macroeconomic shocks, including cuts in government expenditures with fiscal adjustment, tend to hit urban areas particularly hard. Such effects were seen in Zimbabwe after the combined fiscal retrenchment and drought in the early 1990s (Ersado 2003). In Burkina Faso and other West African countries, the devaluation of the CFA regional currency and related structural reforms led to a proximate rise in urban poverty (Grimm and Gunther 2004).[27] These impacts reflect the vulnerability of the urban population to food price increases and to declines in public sector employment, which then have second-order effects on the urban poor as overall demand for their labour and services declines.

In comparing changes in asset poverty and in seven education and health indicators between DHS periods in African countries, the Sahn and Stifel (2003) dataset reveals that only in 8 out of 24 countries have the majority of these indicators shown greater improvement in urban areas than in rural areas (or less deterioration in urban than in rural areas). The urban areas showed relatively better improvement than rural areas in terms of asset poverty, neonatal care, and contraceptive use—indicators in which urban areas might be expected to show advantages reflecting the supposed ease of infrastructure coverage and service access. In all the other indicators studied, however, including school enrolments, infant mortality rates, child stunting, and female adult malnutrition, urban populations improved less (or worsened more) than did the rural populations.[28] These indicators could reflect multiple inadequacies, including deteriorating service quality and social and institutional barriers to effective access to services.[29]

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

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

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

Cities' financial performance, and therefore also their performance in service delivery, depends in the first instance on the intergovernmental fiscal framework that determines their authority to tax and their access to various forms of central revenues (directly or through transfers). Local government revenue (including taxes and grants) and expenditure as a share of GDP varies widely across all regions, partly as a reflection of decentralisation policy. In the European Community, for example, local public expenditure averages 11 percent of GDP (spanning 31 percent in Denmark to 2.8 percent in Greece).[30] Local revenue and expenditure each represent 1.4 percent of GDP for Mexico and range from 5 to14 percent of GDP for a sample of transition countries.[31]

In Africa, local revenue amounts to 5 percent of GDP in Uganda and 3.5 percent in South Africa (IMF GFS 2004), but the more common level is 1 percent or less, as in Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Madagascar, and Senegal (Chambas and Duret 2000). African local governments rely less on taxation and more on transfers than do more highly decentralised economies; however, in these last seven countries, local revenues represent no more

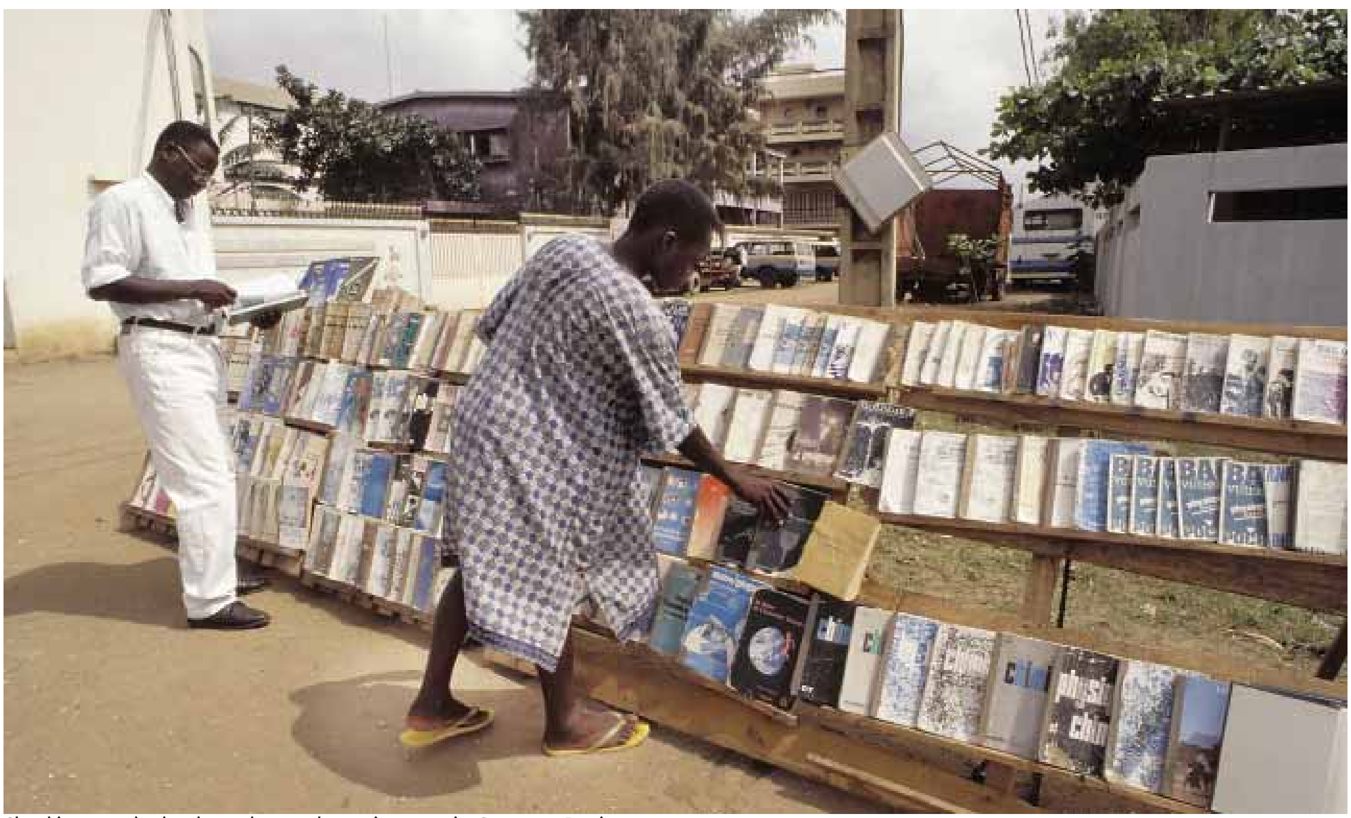
The growth of urban populations and increasing urbanisation will enlarge the numbers of urban poor and will most likely raise their share among the country's total poor, but this trend will also tend to dampen the overall incidence of poverty, since urban areas usually offer lower risks of poverty.

than 5 percent of central government receipts. An analysis of municipalities in Ghana, Madagascar, and Senegal found that their annual per capita revenues amounted to less than US$10 (Chambas and Duret 2000).

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

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

Although African municipalities continue to have very weak fiscal and administrative means,



JORGEN SCHYTTE/Still Pictures

Checking out the book vendor on the main street in Cotonou, Benin.

elected local authorities are beginning to perceive their new potential and to look to each other for encouragement and good practice. Illustrations of this trend include a region-wide conference, "Africities" held every three years by the Municipal Development Partnership since 1998, the formation of the South African Cities Network among the nine largest metropolitan cities in that country, and the creation in 2005 of a Council of Cities and Regions of Africa (CCRA) from the merger of three other subgroups on the continent with the aim of providing "a unified voice for sustainable local government development in Africa."[32]

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


Maputo City

Aerial view of Maputo Bay, Mozambique.

3 What Cities and Towns Can Do for a Country's Development Agenda—and How

Good urban management poses numerous synergies with the prevailing national development goals of sustainable growth, poverty reduction, and good governance.

Urban and Rural Development as a Virtuous Circle

Urban economic theory and most urban history hold that urbanisation emerges from the transformation of agriculture, with the resultant release of labour and growth in demand for more diversified goods and services. Yet in most of Sub-Saharan Africa agricultural productivity has not "taken-off" over the decades since independence (ILO 2004).[33] Many parts of these countries still face major obstacles due to constraints of geography and transport and natural resource limitations in terms of declining soil fertility and the economic feasibility of exploiting water for crops (Bryceson 2004). The World Bank estimated in its 2003 World Development Report that 250 million people in Africa, or 30 to70 percent of the inhabitants of most of the countries, live in "fragile" ecosystems, which, by definition, have very limited agricultural potential.[34] The physical and institutional conditions for a technology-based revolution in agriculture, such as occurred in Asia, are not yet apparent in most of the African continent (Ellis and Harris 2004). This means that the urban economies lack a buoyant source of domestic demand from the hinterland, although they have access to a wealth of basically unskilled labour 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 Harris (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, a localised nonagricultural economy will be unlikely to 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. (See Box 3.1.)

BOX 3.1. Urbanisation, 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. Urbanisation 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.

Numerous studies have pointed to very much higher rural transport tariffs (with ratios from 2.5 to 6 times) in Africa as 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, and it is much more difficult to match demand with supply. As a result, more frequent empty running occurs and a poorer quality of service is 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 centres emerge, the easier for competition to become established and for efficient operators to negotiate for work directly and achieve higher utilisation. In contrast to Africa, Pakistan, with its very low transport costs, has no centralised lorry parks. A typical town will have ten to twenty freight agents widely spread on the main roads, all competing with each other for business.

Agricultural produce markets in Africa are also inefficient compared with those in 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—a much greater variation than the ranges observed in the large markets of Asia, and one not explained by transport prices. Large price differences result from 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 among the least urbanised. In order to develop agriculture, a strong secure market is necessary. A good, reliable agricultural price will help to provide the financing needed to invest in agriculture. Many of Ethiopia's development problems, for example, result directly from the small size of its 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 country's substantial water resources for irrigation, because urban markets are distant and relatively small.

Source: John L. Hine, Transport and Urban Development, World Bank.

References

Afeikhena, Jerome, and Olawale Ogunkola. 2000. Characteristics and behaviour of African commodity/product markets and market institutions and their consequences for economic growth. Center for International Development (CID) Working Paper No. 35, Harvard University.

Hine, J. 1993. Transport and marketing priorities to improve food security in Ghana and the rest of Africa. International Symposium, Regional Food Security and Rural Infrastructure, Giessen, Germany.

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

Rizet, C., and J. Hine. 1993. A comparison of the costs and productivity of road freight transport in Africa and Pakistan. *Transport Reviews* 13 (2).

Ersado (2003) cites research showing that in Zimbabwe's 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 nonfarm income decreases income inequality because such opportunities are more widely available. The Benin Poverty Assessment finds that agricultural specialisation and intensification, as well as off-farm activities, are most common in the regions around urban centres. By the same token, often the fastest-growing urban centres occur in regions where agricultural productivity is also increasing very rapidly (Montgomery et al. 2003).

The most constructive way of looking at the productive interlinkages among urban and rural areas may be as a *virtuous circle.* Such virtuous circles consist of access to (urban) markets and services for nonfarm production, which contributes to agricultural productivity and rural incomes, which in turn generate demand and labour 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 a successful fight against rural poverty. It is therefore important to recognise that multiple entry points into a circle are possible, and opportunities should be seized wherever 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 centre) or through individual mobility. It is not surprising that poverty is lower and high-value agriculture more common closer to urban centres or that mobility for work (migration) starts over relatively short distances (for example, from village to a local urban area.)

National development strategies should, therefore, build on factors that promote the virtuous circle of rural and urban development— rather than hinging 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 that 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 in which increased productivity of towns is needed to improve urban incomes, thereby providing alternative work for the rural labour 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 centres can be more favourable to agriculture than are 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 urbanisation trends.[35] While imports account for only about 7 percent of total food consumption in Africa, foods favoured by urban dwellers, including dairy, meat, fish, 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

Much of Africa is entering the stage in which increased productivity of towns is needed to improve urban incomes, thereby providing alternative work for the rural labour and stimulating agricultural investment in intensification through growing demand.

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.

Kampala, for example—and is an important source of nutrition especially for the poor.[36] 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 Centres in Fostering Productivity, Entrepreneurship, and Economic Modernisation

A long tradition of scholarship explains the role of cities (or more generally, of urban areas) as contributors to economic growth and 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. Externalities may also arise in the markets for goods and services, enabling wider access to services, infrastructure, workers, and buyers, as well as "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 labour, inputs, and capital: Even more importantly, they epitomise the process of *endogenous* growth whereby productive resources are used more efficiently and in new ways.

Thus, urban areas function not only in line with traditional growth theories by aggregating larger pools of labour, inputs, and capital: Even more importantly, they epitomise 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 favouring 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 favoured by agglomeration (Glaeser et al. 1992; Duranton and Puga 2002). Evidence from both theory (including the New Economic 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 to 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 labour prices (Venables 2005).

Cities nurture entrepreneurs by providing centres 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- to 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 modernisation and diversification to higher value forms of production. Successful competition in global markets requires mobilising 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 of remaining 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. Nothing in the academic theory of agglomeration economies guarantees that the mere physical concentration of people and of firms will result in a well-functioning city, let alone a liveable one. As identified by Rosenthal and Strange (2001) and summarised in Freire and Polese (2003), the microeconomic foundations of agglomeration economies are characterised by three elements: knowledge spillovers, labour market pooling, and input sharing. Each of these depends on the ability of cities—and notably, of their governments—to create an environment in which: (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 operates in the urban area.

Failures of these ingredients undermine the economic performance of cities, especially in Africa. Poorly functioning cities create a drag on 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 realise the benefits of agglomeration is particularly damning to firms that 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 do cities in other regions. But Africa's cities require a commitment to ensuring that their urban assets are better managed to realise 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 people living in cities because of the attraction of greater job opportunity and the 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 advantages of cities and towns as marketplaces for goods, services, and ideas do not arise entirely laissez-faire, independent of public policy.

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

Urbanisation supports the demographic transition. Africa has yet to fully experience the demographic transition that follows urbanisation. Africa's dependency rate[37] (89 percent) is well

A local market in Maputo, Mozambique.

JORGEN SCHYTTE/Still Pictures

above 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 do the rest of a country, for many reasons—including higher effective demand for smaller families, more adoption of family planning, and generally better access to health services.[38] Urban age structures are typically more concentrated in the working-age and reproductive ages than are those of the total population. This implies a one-time demographic (and economic) bonus, largely an urban phenomenon. (Montgomery et al. 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 destabilizing 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 in families. Yet the experience of Asian and other countries shows 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 et al. 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 depressing wages. So while urban areas generally favour the demographic transition, nothing guarantees they will deliver such advantages in the absence of sound management and adequate public investment in the urban economy.

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 must be higher than in rural areas (as in the case of sanitation).

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. Unmet urban demand remains for essential services, especially for the poor and for 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 must be higher than in rural areas (as in the case of sanitation). It is also easier to attract and retain personnel,[39] obtain spare parts and materials, and thus realise the desired operating efficiency and quality of service, relative to circumstances in 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 in urban areas also facilitate the provision of services and attainment of goals such as the MDGs. In the urban setting, it is easier to share information and to witness examples of changed behaviours. Individuals can appreciate the opportunity cost of inadequate education, lack of family planning, and the health impacts of poor sanitation in their neighbourhoods. 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. Organising 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 destabilising.

Urban settings also 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 in 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 Whitworth1999; Kelly 2003).

Migration and remittances provide economic options and mitigate vulnerability. Evidence from many household surveys shows that dependence on agriculture as the sole or major source of livelihood is associated with poverty (World Bank 2005d). One of the main contributions made by the urban economy is the provision of 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.

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.[40] 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.[41] No greater disadvantage was found when the migrants from rural areas were singled out.[42] 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.[43]

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 unemployed in greater proportions than are other residents (Grimm and Gunther 2004). Household surveys in Benin reveal that breadwinners who migrate for employment achieve higher consumption levels for their households than do others with similar characteristics (for example, education level) who do not migrate. This was especially true for breadwinners who migrated to urban areas; their households' consumption increased by 14 percent versus 7 percent in the case of migrants to another rural area. The Benin Poverty Assessment observes that "it pays to take risks and migrate when looking for work" and that migra-


Edwin Huffman/World Bank

Children collecting water from a community water pump, Lusaka, Zambia.

BOX 3.3. Urban Migrants Have Done Well in Uganda

Preliminary analysis of the 2002–2003 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 represents non-migrants, versus 35.8 percent for the poorest urban quintile. The rural sample contains 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 are 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 also, 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, 2002–2003,
Courtesy: Louise Fox, Africa Region, World Bank.

The same table shows that the richer households migrate more often than do the poorer ones, both in the rural and the 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 do the rural respondents. 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 policy makers 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.

tion has proven to be one of the most effective coping strategies both as a short-term (for example, dry season for farmers) and as a permanent solution to poverty for many households (World Bank 2003c). In Niger, it is estimated that each year half of the male household heads between the ages of 20 and 29 seek work in urban areas, at least temporarily, after the harvest (World Bank 2004c).

Remittances by migrants are often found to be very important both to senders and to receivers, although data are typically lacking to identify remittance flows of domestic urban origin.[44]

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 as 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, no correlation was found between length of stay and remittances home, with most remittances (61 percent) made by households in residence from one to five years. Households engaged in informal sector activities sent more money home than did 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 labour to South Africa, cash remittances in the year 1994–1995 amounted to about one-quarter of total incomes across the board, only slightly less for the very poor than the non-poor.[45] 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.

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 throughout the 1990s has been migration from slower 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 of domestic and international origin) have increased from 14 percent to over 20 percent of household incomes between 1992 and 1998 (McKay and Aryeetey 2004).

The people of Africa have fewer options for migration abroad (outside the continent) than did poor populations in earlier periods.[46] It is therefore especially critical to the welfare of the populations in Africa's rural areas (and especially those on fragile lands) 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 produc-

It is therefore especially critical to the welfare of the populations in Africa's rural areas (and especially those on fragile lands) that domestic migration remain unrestricted, so that individuals can make their own location decisions.

tive members could also weaken the economy of origin. Inequality, however, 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 favourable element in income growth and poverty reduction, both for urban and rural populations. Policies should *enable* labour 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 urbanisation, 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 decentralised, 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


Curt Carnemark/World Bank

Community construction efforts in Dakar, Senegal.

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 primary concerns of African governments as the urban transition accelerates.

Conclusion: Good urban management poses numerous synergies with the prevailing national development goals of sustainable growth, poverty reduction, and good governance. 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 urbanisation 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 chapter details some of the key ingredients to make better-functioning urban areas in the region.

BOX 3.4. Sustainable Growth Draws on Phenomena Requiring 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 organisations are established. Entrepreneurs will invest . . . to produce new products and adopt new organisational 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, 11).

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

Susan Mbau/UN-HABITAT

Unblocking the economic potential of cities.

4

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

Neglect of African cities does not remove the impetus for their expansion, because they remain the most efficient setting in which entrepreneurs can operate, relative to the alternatives.

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" that both theory and experience have led us reasonably to expect of more effective cities. The key ingredients that are weak or relatively absent include: (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 summarised as follows (see the Appendix for more detail). Within infrastructure category, lack of reliable *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. Undeveloped *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. Poor *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 or primate cities, transportation issues were more pervasive and actually rated much worse in the secondary city samples in Mozambique, Tanzania, and Zambia. Problems with access to *skilled labour* were rated about equal to transport by the African firms.

These findings concern the infrastructure sectors and the labour market that are largely the responsibility of national authorities and therefore are 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 realised in African cities, even in those that might be considered relatively favoured, such as the capitals. Therefore, a firm locating in such a city gains a much lower productivity advantage than would its counterpart elsewhere, all else being constant (such as city size, natural resource base, labour supply, and so on).

The last infrastructure variable surveyed, access to *land,* was least cited as a moderate/major constraint in the African sample, although it is a big issue in Ethiopia, with a 65 to 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.

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 or 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 con-

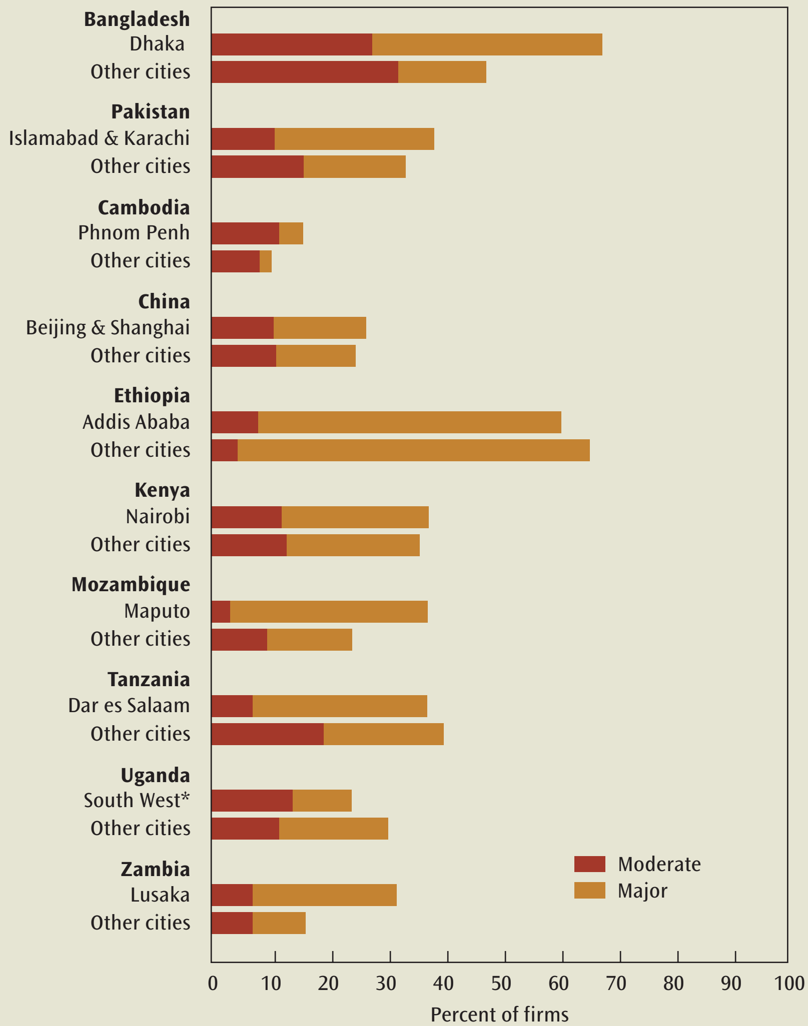

MARK EDWARDS/Still Pictures

Congestion of people and services in Abidjan, Cote d'Ivoire.

cern with *crime, theft, and disorder.* Surprisingly, firms in capital or primate cities do not claim to suffer this problem more than do those in secondary cities. *Business licensing* received the fewest negative ratings. In sum, for most of the African countries institutional and infrastructure issues are about equal as areas of concern.

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.[47] 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.

FIGURE 4.1. Access to Land as a Constraint in Urban Centres

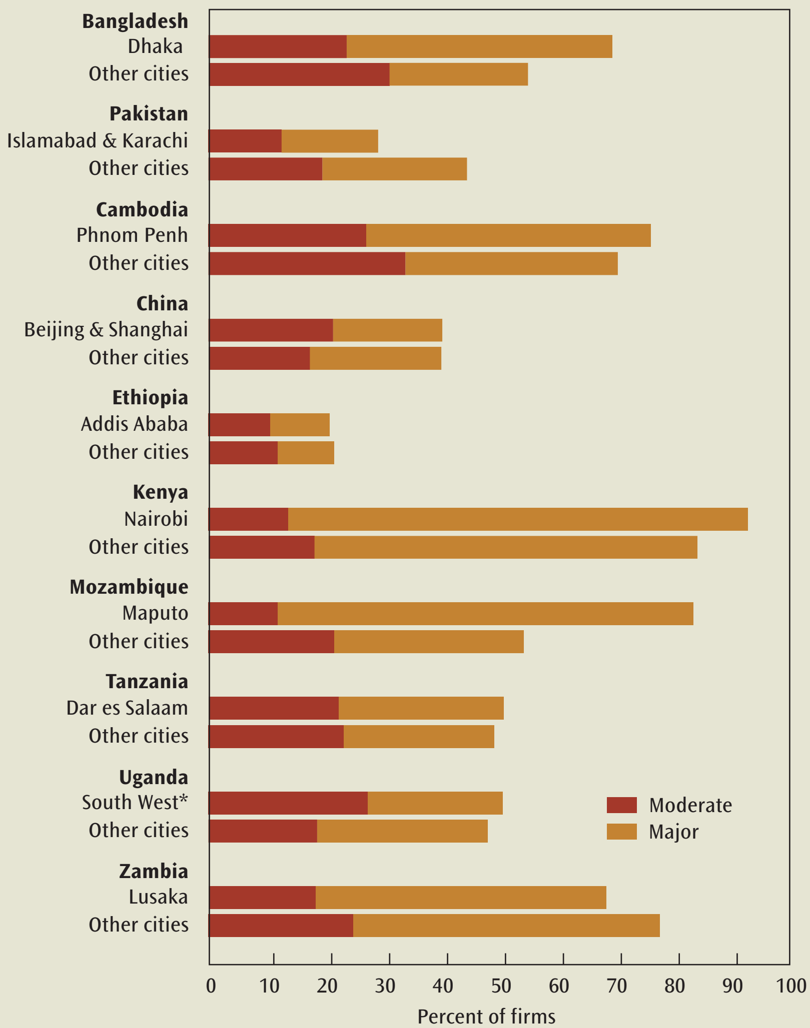


* Includes Kampala
Source: Chakraborty (2005).

Neglect of the African cities does not remove the impetus for their expansion, because they remain the most efficient setting in which entrepreneurs can 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 the costs of obtaining premises for expansion, as well as general congestion and security concerns. Despite these diseconomies rooted in 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

FIGURE 4.2. Crime, Theft, and Disorder as a Constraint in Urban Centres



* Includes Kampala
Source: Chakraborty (2005).

urban location can be swept away by poor national economic/institutional frameworks. By the same token, it may be expected that a city attractive for business is likely to be located in a similarly hospitable country. To enhance private sector enterprise and firm competitiveness, both national and city leaders must focus 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 mobilised 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 to 8 percent of GDP, and the flow of housing services accounts for another 7 to 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 to 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 the 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. Suggestive, however, is an analysis of certain zoning regulations in Bangalore, India (the floor-to-area ratio, a restriction on building heights that deters intensive development in central city locations), that found that the welfare costs could amount to 3 to 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 et al. 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 being settled. Authorities overly restrict on-plot development and generally under-provide the infrastructure that would valorise land. Misregulation 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. The *most efficient* solution for rapidly growing urban areas, however, even cheaper on a per-household basis than *in-situ* upgrading, is to block out areas for new settlement in advance and to install very basic sanitation and street layouts, enabling progressive construction as the neighbourhood grows (The Millennium Project 2005b).

The most efficient solution for rapidly growing urban areas, however, even cheaper on a per-household basis than in-situ *upgrading, is to block out areas for new settlement in advance and to install very basic sanitation and street layouts, enabling progressive construction as the neighbourhood grows*

The lack of mortgage financing and of microcredit 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 have been 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 the 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 cost 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 the 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 et al.2004).

A study of three African cities reports that in Addis Ababa (a city of 3.6 million people), 70 percent of trips are made by walking, and public transport is estimated to cost 3 to 37 percent of household income. The average distance walked per journey is 5 kms. In Nairobi, the average is 4 kms (where 48 percent of trips are by non-motorised transport, including walking). 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 signalised 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. UN-Habitat city data, however, reveal that in Africa the capital or primate cities have much higher travel times—in the range of 45 to 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 can other urban areas, even with higher demand. Such figures testify to the policy neglect that leaves the upper middle class to untrammelled use of motorised vehicles and everyone else to walking.

Sustainable municipal finances. Urbanisation tends to raise the profile of local government functions. It is therefore critical that, as cities grow, the professionalism and accountability of local government mature 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 Decentralised City Management project fostered dramatic increases in municipal resource mobilisation in the three largest cities (Table 4.1). Similarly, in Senegal municipal adjustment and investment programmes introduced by the Bank-supported first Urban Development and Decentralisation Programme (closed December 2004) achieved increases in municipal savings and

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%	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, Decentralised City Management Project, implementation completion data.

rationalised the allocation of current revenues to much needed maintenance. All 67 municipalities under the Senegal programme have signed municipal contracts that commit both the national and local governments to improved performance within a simple framework. This framework aims to help the local governments prioritise and plan service delivery; formulate, implement, and monitor budgets; mobilise fiscal and nonfiscal revenues; and become accountable to communities.

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 systems of street addressing in two cities in Senegal—Thies and Kaolack—increased municipal tax billing 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 organise solid waste collection and secondary street maintenance (Farvacque-Vitkovic et al. 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 to involving stakeholders among local businesses 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 a management contract agreed to with central government. Currently, a few instances of such municipal activism are taking place in Africa, and these experiences must be shared with other local governments.

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 to involving stakeholders among local businesses and the community.

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 favour 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.

The opportunity costs of neglecting infrastructure in Maputo, Mozambique.

Maputo City

5 The Opportunity Cost of Neglecting the Cities

What Is at Stake for National Development in Africa

Neglecting the cities 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 the social order and to public health, and crime.

The failure to satisfy the basic conditions for effective cities will, in simplest terms, dilute the 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 the 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 is declining (from 1.9 percent of all merchandise exports in 1990 to 1.5 percent in 2003), cannot afford a comparative disadvantage from failure to nurture the business environment of cities and from the 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 few signs show that they are maturing in size or interacting with larger or formal firms companies.[48] The cities should nurture not just the proliferation but also the maturing of these 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.

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.

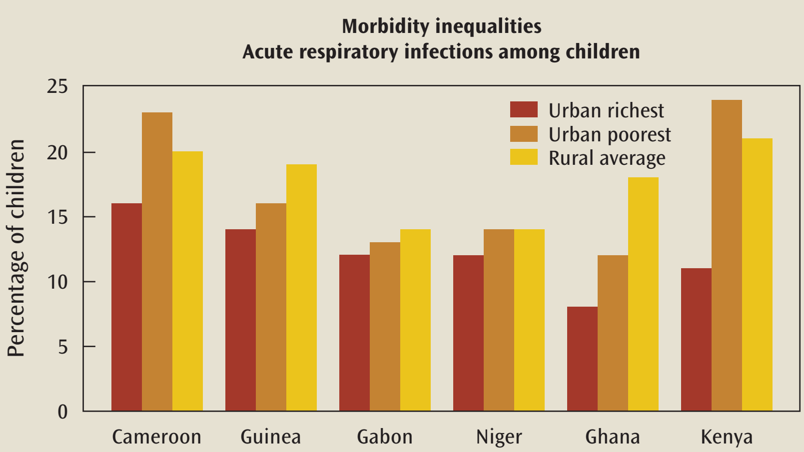
Worsening risks to public health and security. Health status provides a good overall reading of risks to welfare, both stemming from issues with specific services (health care or water supply) and from environmental or social risk factors related to location. The DHS and other studies that disaggregate by urban and rural areas generally confirm 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. Poor urban children are found to be much less healthy than non-poor urban children (Figure 5.1), however, 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.[49] A comparison of DHS results in 22 African countries, for example, found that diarrhoeal point prevalence was higher on average for the poorest quintile in urban areas than for 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 by infant and child mortality and diarrhoea incidence in Kenya. The data reveal that children in the slums of Nairobi face enormously higher health risks than do their peers living elsewhere in the same cities or in rural settlements.

The 2001 to 2002 Zambia DHS found that slum children in Lusaka were more likely to have suffered diarrhoea or a 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 centres 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 programmes—indicating that other risks such as poor sanitation or food insecurity may be at play.

Negative health externalities often affect spatially concentrated areas of disadvantage, such as slums. These are *urban health penalties,* in the sense of risks more highly associated with urban than with rural

FIGURE 5.1. Urban Poor Children Face Higher Disease Risks than their Rural Peers



Source: Mboup (2003)

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.[50]

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 of being 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.[51] 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 recognised as a significant risk factor especially in the cities of South Africa and in Nairobi and Lagos, where the governments, the private sector, and the citizens have been developing various strategies to confront the problems (Box 5.1).

TABLE 5.1. Health Status of Children in Kenyan Slums

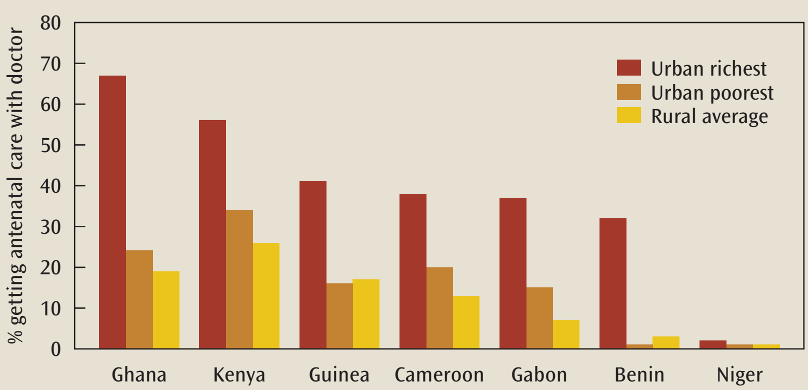
Infant and Under-Five Mortality Rates and Diarrhoea Prevalence in Kenya

Location	Infant Mortality Rate (per 1000)	Under-5 Mortality Rate (per 100)	Prevalence of Diarrhoea* (%)
Kenya (national)	74	112	3.0
Rural	76	113	3.1
Nairobi	39	62	3.4
Other urban centres	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 diarrhoea with blood in children under 3 in the two weeks prior to interview.

Source: African Population and Health Research Centre (2002). Table from Satterthwaite (2004b).

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 highly associated with urban than with rural living.

BOX 5.1. Crime Issues and Responses in Three African Countries

Kenya. The security situation in Kenya has deteriorated in recent years, particularly in the country's urban centres, 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 cooperation of the business community, the police in Nairobi have constructed information centres 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 realises 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 coordination 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. 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 marginalisation 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 programmes. All levels of government are involved in the programme. The internationalisation 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 cooperation between government and the private sector businesses have begun to show effects against crime.

Nigeria. In Nigeria, law enforcement has long been seen as not doing enough to protect life and property both in the rural and the urban areas. The country has developed its own versions of community-based crime prevention, with many vigilante groups forming in response to requests from Nigeria's various ethnic groups. Throughout the years, "neighbourhood watch" has grown from an "extra eyes and ears" approach to crime prevention to a much more proactive, community-oriented endeavour. Neighbourhood Watch groups are now incorporating activities that not only address crime prevention issues, but also restore pride and unity to a neighbourhood. It is not uncommon to see Neighbourhood Watch groups participating in neighbourhood 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 to 2000 (United Nations Office on Drugs and Crime, Centre for International Crime Prevention); United Nations Office on Drugs and Crime, Centre for International Crime Prevention website; Centre for the Study of Violence and Reconciliation (South Africa) website.

Curt Carnemark/World Bank

Children in Kibera slum, Nairobi, Kenya.


World Bank

A market along rail tracks in Accra, Ghana.

6

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 environment and investment climate at the national level.

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. In supporting cities, getting the right institutional balance 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 chapter Two, the urban system of most African countries is not unusual in comparative terms, often the prevailing political preference is 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 favour of focusing resources in few locations: the major cities.

The weight of both theory and empirical evidence suggests, however, 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. Multicentric, metropolitan areas tend to be the centres of the most diversified production, of innovative and information-intensive industries and services, and of entrepreneurship because they offer the deepest labour market and more opportunities for exchange of ideas (Henderson, Shalizi, and Venables, 2001).[52] There is no reason to believe that the large cities in African countries do not exert this functional advantage, despite the many developmental constraints unrelated to the cities that limit producers' efforts. The observation that large African cities pose major diseconomies even before all the potential gains of size have been realised is a testament to the neglect of urban policy. The blame for serious congestion, for example, should fall first on the virtual absence of public transport services and the lack of traffic management, not on the size of the city itself. Similarly, the 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 the low coverage of household sanitation explain high levels of 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 populations in Africa is very difficult to implement effectively and can be very costly if exercised through public fiscal transfers, as evidenced from the disappointing regional development policies of many other countries, such as Brazil.[53] As African countries urbanise and incomes grow, more cities will emerge and expand naturally, gaining relative economic importance. Decentralising 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.[54] Providing more and better infrastructure in and between secondary cities would, of course, facilitate this process.

As African countries urbanise and incomes grow, more cities will emerge and expand naturally, gaining relative economic importance.

A network of cities that is well-connected within a country or across its 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 neighbouring settlements and industrial areas. City-regions often develop following the location of industry along transport corridors or occur in greenfields that 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.[55] Many African cities do feature physical "sprawl" at very low density, with wide swaths of peri-urban 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 peri-urban settlements with the rest of the city, and the lack of large-scale industrial manufacturing investment that forms the core of such urbanised 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 mobilise revenues to the extent possible from their emerging local economies, while recognising that smaller cities will likely remain more reliant on fiscal transfers than the larger cities.[56] 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 World Bank's municipal development projects in Africa, 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 urbanised and less urbanised 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. This report argues that urban policies can be made more effective in ensuring cities' contributions to growth and poverty reduction 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 labour and remittances, strong fiscal mobilisation in cities, and appropriate intergovernmental transfer policies—rather than simply to 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 favourable conditions (infrastructural and institutional) for new investment. The argument is that many other countries have pursued this strategy to stimulate export sectors especially and that African countries can at best afford to provide the desired conditions in a few locations.

As summarised 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 on the current debate. The successful cases have been relatively few, while costs in public expenditure and foregone tax revenues can be considerable.[57] 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 programmes, such as those in Mauritius, have proven more successful than others. The solution to creating more employment in such zones, however, 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 access to a major city and its amenities.

The best response to mitigate inequality is to encourage the integration of rural areas with large urban markets, mobility of labour and remittances, strong fiscal mobilisation in cities, and appropriate intergovernmental transfer policies—rather than simply to avoid urban development out of fear of inequality.

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 favourable investment enclaves, a more sustainable and scaled-up approach would be to make the cities work better as support centres for business. Increasingly, even developed countries are gearing their industrial policies to build on the localised 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 favour private investment and fiscal policies that give local governments (especially of the larger cities) the means to mobilise revenues and to deliver decent

Creating efficient and responsive local governments is key to creating effective cities.

services to the entire city. An industrial policy favouring export promotion or other targeted investment zones may be justified in cases, but it 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. Resource-scarce coastal countries (such as Ghana), for example, may be most inclined to consider an export-led approach, for manufacturing or services. External competitiveness begins with an efficient domestic marketplace, but rigid urban land use policies can distort the location or relocation of factories. Land-locked resource-scarce countries (for example, Uganda and Rwanda) may choose to foster more regional integration to facilitate their trade and develop modernised services sectors with low transport costs—but these sectors will also require that their major cities become more attractive to educated workers and investors. 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 Africa will have major urban development implications. This will be especially true for countries that emphasise 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) recognise the need for further conditions and choices—in particular, putting municipal development at the centre 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 World 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 made through ad-hoc assistance arrangements or special extra budgetary funds.

Third, accountability to the local population and a voice for citizens should be encouraged as part of the mainstream performance of elected local governments and instilled through open, transparent budgeting and monitoring processes. Community involvement in neighbourhood investments should be encouraged as part of municipal planning, but it cannot be the solution to creating 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

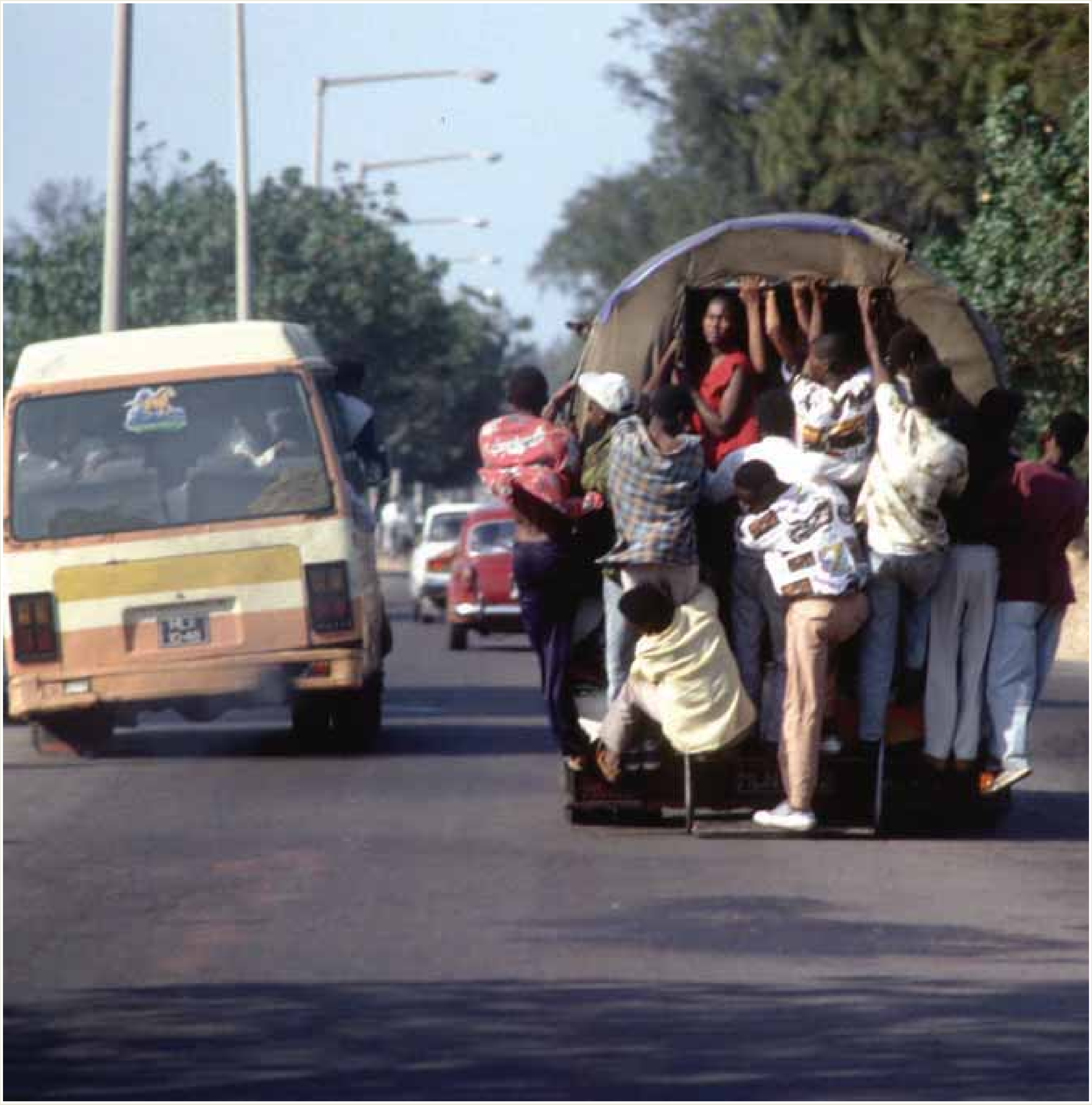
Collecting city-level data. On virtually every topic mentioned in this paper, the state of knowledge is very limited with respect to Africa. A particularly notable gap is the lack of quantified city studies because of the dearth of reliable data at the city level that would permit tracking key indicators 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 in the 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 with a reasonable fiscal harvest that might be gleaned from the observed economic activity—would be a revealing and possibly energising research.[58] Each of these topics could inform the urban and national policy dialogue and help define better-tailored urban interventions.

Dakar, Senegal.

Curt Carnemark/World Bank



Maputo City

Boarding the Matatu to the city in Maputo, Mozambique.

7 Conclusions

Much better managed urban development could therefore play a significant role in launching African economies onto a stronger, more sustained path of economic growth.

FIRST—recognise and move beyond the myths that cloud much of the discourse on African urban development.

Myths about the demographics:

- African countries are *not* urbanising faster than other countries have, and the distribution of urban population among the large and very small cities of Africa 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 underserviced.
- Internal migration is *neither* the only nor even the 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 favourable on balance for both sending and receiving areas in Africa. But population mobility is much more fluid than the rural-to-urban model would indicate, and households wisely diversify their activities across both areas.

Myths about the urban economies. Africa *cannot* simply be characterised as "urbanisation 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. Evidence indicates that much of the deprivation in cities, and the consequent 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—recognise what cities can offer the national development agenda—and what this requires in turn. Much of the development dialogue over the past

What is needed from 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.

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 from 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 on many fronts.

- *The agricultural transition.* By providing market demand for agricultural goods and for the nonfarm activity of rural areas, cities are an underutilised resource for stimulating 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 centres of demand (larger markets), information sharing, relatively easy 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 modernisation.* Whether to gain access to export markets or for more competitive domestic markets, African countries must foster productivity by mobilising 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 allow the economy to 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 mobilisation 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 recognised as signals of serious neglect. To put it bluntly, it is not credible to argue that diseconomies outweigh 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 neighbourhoods where most of the work force lives.

African cities have the potential to be strong platforms and laboratories for most of the economic and social behaviours needed for transforma-

tive growth and productivity. These favourable economic and social behaviours include 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 to be 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 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—look to cities and municipalities to play greater roles in national development agendas. Increasingly, African governments responsive to their citizens and eager for a sustainable growth path are doing just that. Local governments can become the strongest advocates for cities, linking 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 the formulation of major fiscal reforms. Supporting these efforts, the many good practices, as well as lessons from less successful attempts, in past assistance programmes should be applied with renewed commitment to unblocking the development contribution of cities.

JORGEN SCHYTTE/Still Pictures

New slum shacks in Nouakchott, Mauritania.


Curt Carnemark/World Bank

Nairobi city park with the skyline in the background, Kenya.

APPENDIX

A Review of Investment Climate Survey Results for Sub-Saharan Africa and Selected Asian Countries[59]

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 with formal (registered) manufacturing enterprises located in urban areas. These firms' responses provide a view of the business environment in which they operate—which comprises conditions pertaining not only 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 four 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.

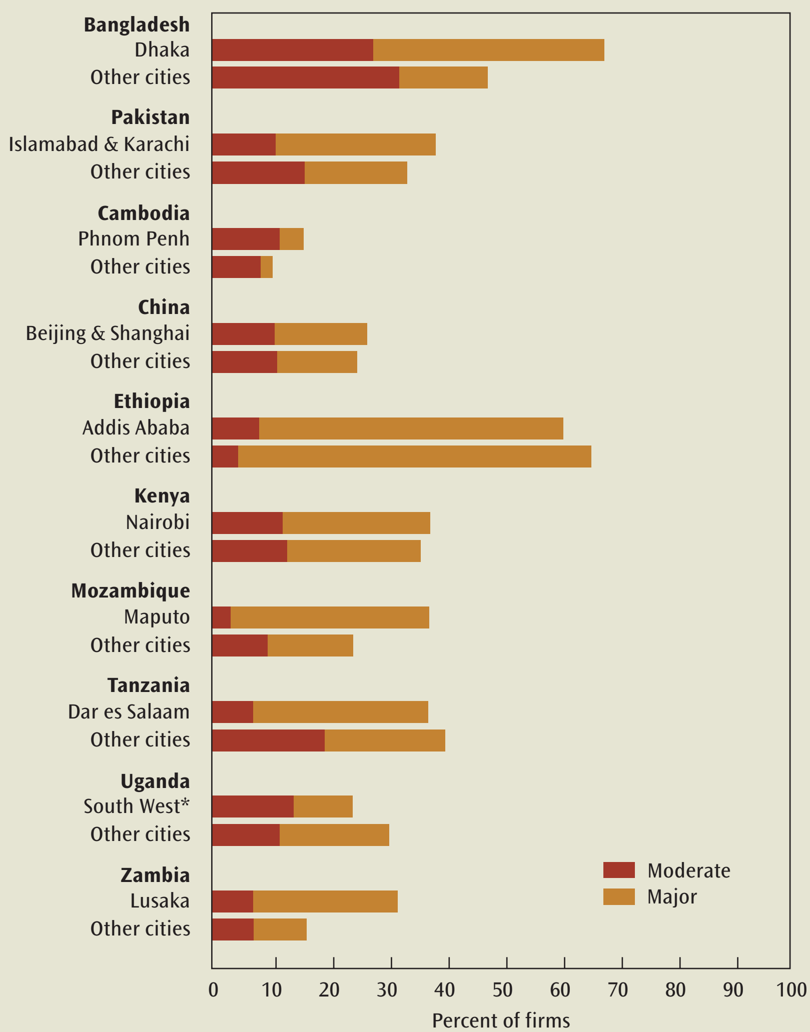
The factors chosen for analysis are those that could shed light on the business environment in the various cities and, to the extent possible, policy implications for the local government. In most cases, the questionnaires were not sufficiently detailed to distinguish the source of policies or practices as between the local government and the national government. Two categories of indicators were examined: (i) *infrastructure, land and labour*—including telecommunications, electricity, transportation, access to land (the only variable in this category largely under the responsibility of local government), and the skills and education of workers; and (ii) *institutional constraints*—including tax administration, customs and trade regulations, labour 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 summarised as follows.

Constraints within infrastructure:

- *Electricity* is by far the biggest obstacle cited for all of the African firms, 65 to 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 or primate cities cited worse problems, except in Ethiopia and Zambia. The reported objective indicators of electricity quality (days of connection, extent of outages, and so on) 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, for example, 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.

FIGURE A1. Access to Land as a Constraint in Urban Centres



* Includes Kampala

- *Telecommunications* was reported to be a much less serious obstacle than was 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.[60] Firms in the capital or 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 the Asian samples. Whereas problems in electricity and telecoms were felt more in capital or 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 among types 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 are 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 realised in developing country cities, even in those that might be considered relatively favoured. Therefore, a firm locating in such a city gains a much lower productivity advantage than its counterpart elsewhere possesses, all else remaining constant (such as city size, natural resource base, labour supply, and so on).

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

TABLE A1. Burdens of Obtaining Land

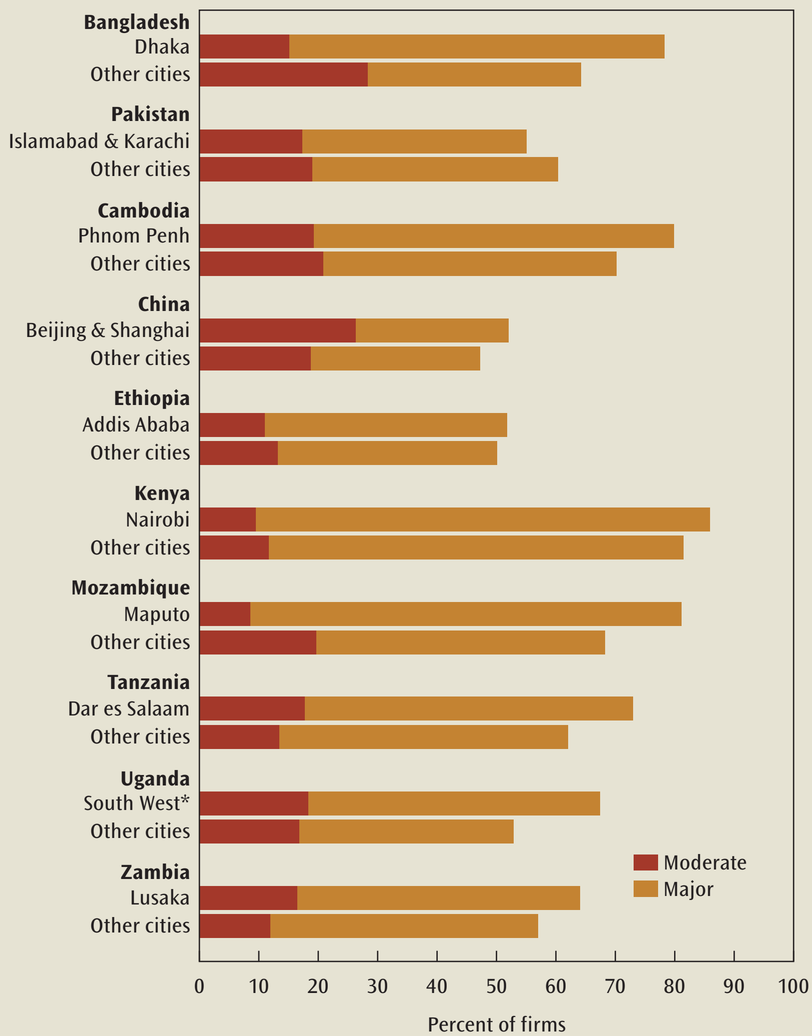
Country	Days for land City	Days from the date of release to the use of the plot, acquisition	average (median)
Ethiopia	Addis Ababa	538.0 (180.)	115.0 (60.)
	Other urban	150.6 (120.0)	58.0 (60.0)
Mozambique	Maputo	38.3 (12.0)	
	Other urban	11.7 (2.5)	
Zambia	Lusaka	232.8 (180.0)	
	Other urban	393.2 (240.0)	

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

TABLE A2. 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	Dhaka		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

FIGURE A2. Corruption as a Constraint in Urban Centres



* Includes Kampala

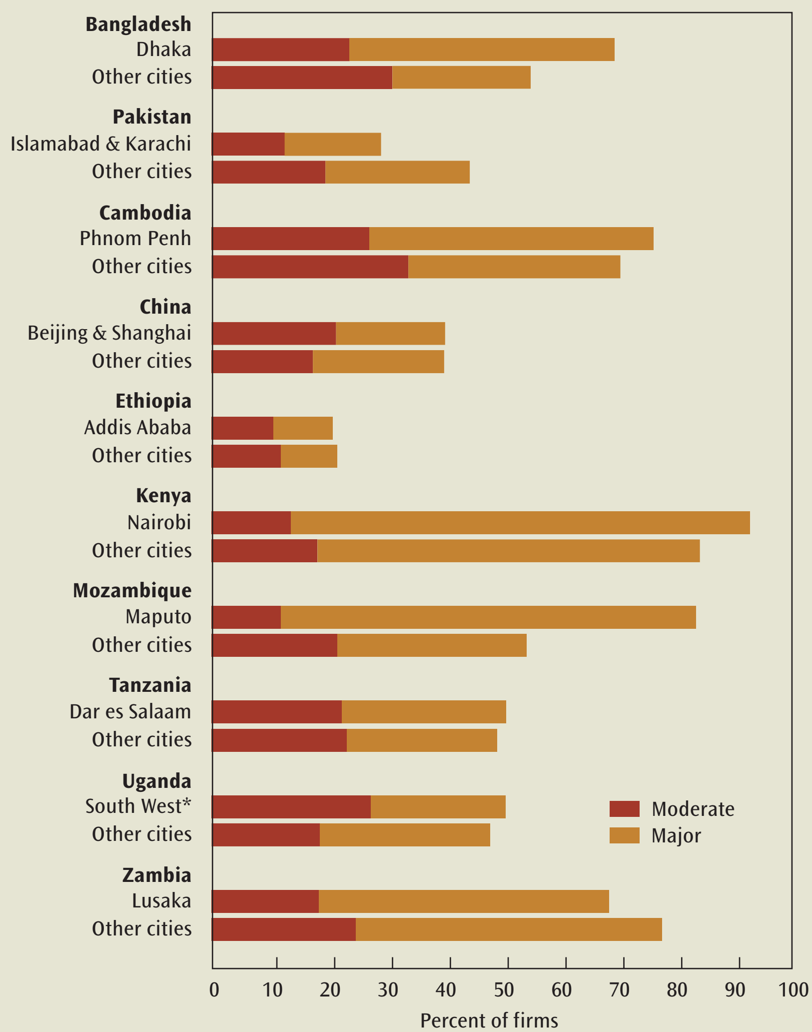
least cited as being a moderate/major constraint in the African sample, in Cambodia, and in China, although it is a big issue in Dhaka and in Ethiopia (with a 65 to 70 percent rating). (See Figure A1.) Land acquisition may be rated less badly in IC surveys because, unlike other factors and services, it is not a frequent expenditure. Reported land acquisition delays are very long in Ethiopia and in Zambia (Table A1). 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 being 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).

Constraints within institutions:

- *Corruption* dominates the other issues as a major concern for all the African countries (except Ethiopia) and for the Asian countries (except China). Generally, corruption is felt to be a bigger problem in the capital or primate cities, indicating that it may pertain especially to national government officials (Figure A2).
- *Tax administration* is the second most frequently 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.

- *Crime, theft and disorder* occasion a very large inter-country variation in reported levels of concern (Figure A3). This issue is cited by 80 to 90 percent of firms in Kenya and Maputo, closely followed by other Zambian cities and by Phnom Penh. Surprisingly, firms in capital or primate cities do not claim to suffer this problem more than do those in secondary cities. Firms in other urban areas in Kenya and Tanzania, and in Lusaka, reported incurring the highest levels of costs or sales losses due to security issues, but the African cities did not rate worse in all cases than did the Asian cities (Table A2).
- *Business licensing* had the least negative 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. The two types of cities did not show a large difference in response on this point.

FIGURE A3. Crime, Theft, and Disorder as a Constraint in Urban Centres



* Includes Kampala
Source: Chakraborty (2005).

Summarising 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 and the infrastructural issues 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.

Additional Statistical Tables

Note: Countries within each Region shown in these tables are an indicative subset for which the World Bank has an active operational dialogue and data available; excluded are very small countries or those in extensive civil conflict. Regional averages include all countries in Africa according to World Development Indicators data.

TABLE SA1. Population Growth 1982-2003—Total Population, Urban Population, Urbanisation, and Population in Largest City (Primacy)

	Total population (in millions)			Total 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
Sub Saharan Africa									
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	37.0
Cameroon	9.3	16.1	2.5	3.1	8.2	4.3	33.1	51.2	22.0
Cote d’Ivoire	8.8	16.8	2.7	3.2	7.6	4.3	35.8	44.9	44.0
Ethiopia	39.9	68.6	2.3	4.3	11.4	4.4	10.9	16.6	23.0
Ghana	11.8	20.7	2.3	3.7	7.7	3.1	31.6	37.1	24.0
Guinea	4.6	7.9	2.4	0.9	2.3	4.1	20.1	28.9	60.0
Kenya	17.9	31.9	2.4	3.1	11.6	5.6	17.6	36.3	22.0
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	31.0
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	18.0
Niger	5.9	11.8	3.3	0.8	2.6	5.8	13.3	22.1	35.0
Nigeria	75.8	136.5	2.7	21.5	63.6	4.9	28.4	46.6	16.0
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	43.0
South Africa	29.0	45.8	2.0	14.0	27.1	3.5	48.2.	59.2	12.0
Tanzania	19.8	35.9	2.6	3.1	12.7	6.4	15.9	35.4	19.0
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	31.0
Zambia	6.1	10.4	2.2	2.4	4.2	2.4	39.8	40.3	33.0
Total	**406.3**	**704.5**	**2.5**	**88.6**	**237.6**	**4.6**	**21.8**	**36.0**	**24.0**
East Asia and Pacific									
Cambodia	7.1	12.5	2.6	0.9	2.5	5.6	12.5	19.0	44*
China	1008.6	1280.4	1.0	211.0	498.0	3.6	20.9	39.0	2.0
Indonesia	154.2	211.7	1.4	36.6	94.7	4.2	23.7	44.0	13.0
Mongolia	1.8	2.4	1.3	0.9	1.4	1.2	53.2	57.0	55*
Philippines	50.4	79.9	2.2	20.0	49.7	3.9	39.6	61.0	63.0
Vietnam	55.7	80.4	1.6	10.8	20.7	3.3	19.4	25.0	23.0
Total	**1402.4**	**1838.5**	**1.5**	**314.8**	**725.5**	**3.6**	**22.4**	**39.0**	**8.0**
South Asia Region									
Bangladesh	89.9	135.7	1.7	14.3	37.0	4.1	15.9	27.0	31.0
India	718.4	1048.6	1.7	169.2	301.3	2.5	23.6	28.0	6.0
Nepal	15.2	24.1	2.4	1.1	3.2	5.2	7.0	13.0	20*
Pakistan	87.4	144.9	2.4	25.0	50.6	3.3	28.6	34.0	22.0
Sri Lanka	15.0	19.0	1.3	3.2	4.6	2.1	21.5	24.0	16*
Total	**942.6**	**1401.5**	**1.8**	**215.4**	**403.5**	**2.8**	**22.9**	**28.0**	**10.0**

TABLE SA1. Population Growth 1982-2003—Total Population, Urban Population, Urbanisation, and Population in Largest City (Primacy) *(Continued)*

	Total population (in millions)			Total 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
Middle East & North Africa									
Egypt, Arab Rep.	43.0	67.6	1.9	18.9	28.9	1.8	43.9	43.0	37.0
Morocco	20.3	30.1	1.7	8.6	17.3	3.0	42.7	57.0	21.0
Tunisia	6.7	9.9	1.5	3.5	6.7	2.6	52.4	67.0	30.0
Yemen, Rep.	9.2	19.2	3.7	1.9	4.9	4.6	20.3	26.0	30.0
Total	**185.1**	**311.6**	**2.1**	**91.2**	**181.8**	**2.8**	**49.2**	**59.0**	**27.0**
Europe & Central Asia									
Albania	2.8	3.2	-0.3	0.9	1.4	1.3	34.1	44.0	27*
Armenia	3.2	3.1	-1.1	2.1	2.1	-1.1	66.0	67.0	52.0
Azerbaijan	6.4	8.2	1.1	3.4	4.3	0.8	53.2	52.0	42.0
Bulgaria	8.9	7.8	-0.8	5.6	5.3	-0.7	62.5	68.0	20.0
Georgia	5.2	5.1	-0.5	2.7	2.9	-0.3	52.5	57.0	36.0
Kazakhstan	15.2	14.9	-0.7	8.3	8.3	-0.9	54.8	56.0	13.0
Kyrgyz Republic	3.8	5.1	1.0	1.4	1.7	0.3	38.3	34.0	47.0
Moldova	4.1	4.2	-0.2	1.7	1.8	-1.1	41.5	42.0	34*
Romania	22.5	21.7	-0.5	11.2	12.1	-0.2	50.0	56.0	14.0
Tajikistan	4.2	6.3	1.3	1.4	1.7	0.3	33.9	28.0	25*
Turkmenistan	3.0	4.9	2.2	1.4	2.2	2.2	46.6	45.0	45*
Uzbekistan	16.8	25.6	1.7	6.8	9.4	1.0	40.7	37.0	73.0
Total	**434.1**	**472.2**	**0.1**	**258.2**	**301.1**	**0.2**	**59.5**	**64.0**	**..**
Latin America & Caribbean									
Bolivia	5.6	8.8	2.1	2.6	5.6	3.2	47.4	64.0	26.0
Brazil	127.1	176.6	1.4	87.0	146.2	2.1	68.4	83.0	12.0
Ecuador	8.4	13.0	1.8	4.1	8.4	3.0	48.6	64.0	27.0
El Salvador	4.7	6.5	1.9	2.1	4.1	3.8	45.1	64.0	33.0
Guatemala	7.2	12.3	2.6	2.7	5.0	3.1	37.5	41.0	18.0
Honduras	3.8	7.0	2.9	1.4	3.9	4.9	36.0	56.0	25.0
Mexico	70.8	102.3	1.6	47.9	76.7	1.9	67.6	75.0	24.0
Nicaragua	3.1	5.5	2.8	1.6	3.1	3.4	50.8	57.0	35.0
Total	**372.1**	**532.7**	**1.6**	**246.5**	**407.8**	**2.1**	**66.3**	**77.0**	**23.0**
Low income	1637.3	2311.9	2.0	376.3	686.5	3.3	23.0	30.0	16.0
Lower middle income	1859.3	2655.5	1.1	673.7	1319.8	2.6	36.2	50.0	13.0
Upper middle income	246.1	333.1	1.3	164.8	251.1	1.7	67.0	75.0	26.0
High income	842.5	972.1	0.7	619.1	758.3	1.0	73.5	80.0	19.0
World	4585.2	6272.5	1.4	1833.9	3015.7	2.2	40.0	49.0	16.0

*Own Calculations, based on the *World Urbanization Prospects* (2003)

Source: World Development Indicators (2005)

TABLE SA2. 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	
Sub-Saharan Africa												
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
Median	**2.8**	**2.0**	**2.7**	**2.4**	**–0.1**	**18.9**	**31.1**	**50.0**	**0.5**	**0.6**	**1.3**	**78.8**
East Asia & Pacific												
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
Median	**3.0**	**10.1**	**7.0**	**7.7**	**6.5**	**18.7**	**45.3**	**36.0**	**0.6**	**4.6**	**2.5**	**92.8**
South Asia												
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
Median	**2.9**	**5.7**	**6.7**	**5.3**	**3.4**	**27.4**	**26.2**	**46.3**	**0.8**	**1.5**	**3.1**	**85.4**

TABLE SA2. Economic Sector Summary (Agriculture, Industry, Services) in GDP, 1990–2003 *(Continued)*

	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	
Middle East & North Africa												
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
Median	**3.3**	**3.6**	**3.9**	**3.8**	**1.5**	**12.5**	**39.4**	**48.2**	**0.4**	**1.4**	**1.9**	**88.9**
Europe & Central Asia												
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
Median	**–0.2**	**–1.3**	**1.6**	**0.2**	**0.0**	**11.0**	**35.8**	**53.2**	**0.0**	**–0.5**	**0.9**	**104.9**
Latin America & Caribbean												
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
Median	**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: Global Development Finance (GDF) & *World Development Indicators* (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 SA3. 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	3.30	6.14
Mauritius*	3.97	0.00	4.47
Botswana*	3.37	–3.30	3.60
Uganda*	2.51	0.00	4.18
Guinea*	2.34	3.10	2.06
Tanzania*	2.25	0.90	2.96
Burkina Faso*	2.22	0.70	2.88
Lesotho*	2.20	2.00	2.52
Cameroon*	2.18	3.80	0.71
Senegal*	2.15	–0.30	2.72
Rwanda*	2.13	3.00	1.42
Benin*	1.95	2.60	1.55
Ethiopia*	1.60	–1.60	3.61
Mauritania*	1.42	–1.30	2.30
Nigeria*	1.37	1.80	1.32
Togo*	1.11	0.70	1.36
Malawi*	1.10	4.50	0.01
Ghana	0.93	0.70	1.07
South Africa	0.62	1.00	0.65
Zambia	0.53	–1.90	1.59
Niger	–0.23	–0.30	–0.16
Madagascar	–0.40	–1.2	–0.30
Kenya	–1.10	–1.40	–0.82
Cote d'Ivoire	–1.16	–0.30	–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 SA4. 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	Urban poverty as % of total poverty, 2020[1]
Sub-Saharan Africa					
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
East Asia & Pacific					
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
South Asia					
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
Middle East & North Africa					
Egypt, Arab Rep.	22.5	23.3	1996*	41.9	47.4
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

(Continued)

TABLE SA4. 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	Urban poverty as % of total poverty, 2020[1]
Europe & Central Asia[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
Latin America & Caribbean[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 summarised in Diana Mitlin, 2003, "Understanding Urban Poverty: What the Poverty Reduction Strategy Papers Tell Us," *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). Figures were estimated by 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 Menno Pradhan, Asep Suryahadi, Sumarto Sudarno, and Lant Pritchett2000, "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; for example, 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	10.0	19.9
Honduras	37.0	58.0

Endnotes

EXECUTIVE SUMMARY

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.
2. Excluding the smallest and most of the most conflict-ridden countries.
3. Defined as the ratio of non-working-age population (under 15 and over 64 years old) to the working age population.
4. Shelter can represent 5 to 10 percent of GDP, 15 to 20 percent of capital formation, more than half of national wealth, and three-quarters of the financial sector activity in developed markets.
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 urbanisation to stimulate rural and national economic development.

CHAPTER 2

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. (The latest census for Benin is from 1992, for Cameroon 1987, for Ethiopia 1994, for Madagascar 1993, for Nigeria 1991 [provisional], and for 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 the official estimates 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-to-total population ratio.
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 spe-

cialisation in labour 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, labour, housing, and other necessities, the city can grow and thrive. Once diseconomies of urban scale (negative impacts such as traffic congestion, pollution, and crime) become too great, however, the city may start to lose its edge in creating jobs, attracting high quality labour, 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 Table SA1 in the Appendix.
11. An alternative data source was also looked at that breaks down the smallest settlement category to a minimum of 100,000 residents (www.citypopulation.de). Possibly incomplete coverage, especially in the small-settlement category, makes further breakdown at this end of the distribution unreliable, however.
12. The range of estimates runs from about 7 to 70 percent (Montgomery et al. 2003, Table 3-4, 90; Lucas 1998). Both the rates of urban natural increase and migrant shares of growth tend to be high at the initial stages of urbanisation and to decline as urbanisation rises (Montgomery et al. 2003, 151).
13. Montgomery et al.2003, Figure 3-4, 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.
14. During 1990 to 2002, only 18 countries experienced declining urbanisation 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 urbanisation 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.
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 Cameroon in 2002, which is 50 percent urbanised, 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 rurally located), construction, and utilities. Services include banking and insurance, trade, and all other services. Agriculture includes forestry and fishing.
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 to 2002 and the three years 2000 to 2002. The results are basically the same in all cases, with these two sectors accounting for over 80 to 95 percent of average GDP growth in every country grouping.
19. 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 to or quality of essen-

tial services, education and health status, satisfaction, security, and so on, 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, and natural resources) or in terms of vulnerabilities and risks faced.

20. Note that poverty incidence rates should not be compared across countries because of differences in estimated poverty thresholds. See Table SA4 in the Appendix.
21. Urban poverty incidence is actually higher than the rural average in Mongolia and in Armenia, Azerbaijan, Georgia, and Moldova. Given the extent of urbanisation and relative urban-to-rural poverty rates, the urban poor already represent half or more of the total poor in these countries, as well as in Bulgaria, Bolivia, Brazil, and several other LAC countries. This is also a pattern common to upper-middle income and high income countries; for example, it is true of Hungary and Russia, as documented in World Bank (2004b).
22. Montgomery et al. (2003, Table 5-3,173-174) 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. The contrasts are less often statistically significant for Sub-Saharan Africa than for the other regions, however.
23. 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 Antananarivo, Madagascar, was only 20 litres (the level considered by WHO to be 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).
24. 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 difficult 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 et al., 2003, Table 5-4, 175).
25. 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.
26. For example, according to the Zambia Living Conditions Monitoring Survey of 1998, only 6 to 8 percent of urban residents, across all expenditure quintiles, have their household garbage collected.
27. Similar effects on urban poverty were seen in Indonesia due to the financial crisis of 1997 to 1998 (World Bank 2003b).
28. 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 between 1997 and 2003 (WB memo by Carlos Cavalcanti, 9/27/04).
29. 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.

30. DEXIA 2003. www.dexia.com.
31. Including Bulgaria, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, and Romania(International Monetary Fund [IMF] Government Finance Statistics [GFS], 2004).
32. From founding congress final declaration of CCRA, May 2005 (www.uclga.co.za).

CHAPTER 3

33. According to ILO (2004), both labour 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 and3.15).
34. WDR 2003 (Tables 4.2, p. 61 and 4.3, p. 62).
35. Estimate by Clare Romanik, Urban Institute (December 2004 draft, "An Urban-Rural Focus on Agricultural Markets"), extrapolated from Malawi and Mozambique household survey data.
36. 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.
37. Defined as the ratio of non-working-age population (under 15 and over 64 years old) to the working age population.
38. 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 et al., 2003).
39. There is widespread evidence of difficulties in recruiting and retaining health and education personnel to rural areas, relative to urban centres (*Global Monitoring Report* 2005).
40. Black et al. (2003) found that of 48 Poverty Reduction Strategy Papers (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.
41. The DHS queries this detail of women respondents of reproductive age, of whom one-fourth reported moving to her current city or town within the past 5 years.
42. 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 et al. 2003, 287).
43. A household living standards survey study in Indonesia, the Philippines, and Vietnam likewise found that migrants were not worse off than were other respondents. A major shortcoming of the Vietnam household survey, however, was that it did not capture non-registered migrants, who are officially excluded from access to public benefits and services (World Bank 2003).
44. 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).
45. These shares had dropped from about one-third of incomes in 1986 to 1987, due to external factors (World Bank 2003f, p. 56).
46. While in the late nineteenth–to early twentieth centuries as much as a third of the labour force migrated abroad from depressed rural areas (for example, 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 and 2000 accounted for less than 2 percent of the labour

force in Sub-Saharan Africa and less than 5 percent in LAC (the region with the highest migration ratio); moreover, while the labour inflows in the last century consisted mainly of peasants, today more than half the migrants to the United States have higher education or other skills (WDR 2003, Box 4.4).

CHAPTER 4

47. 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 or local government, closely followed by "help with access to credit" and "safety and security on the streets" (Tewari and Banerjee, 2005).

CHAPTER 5

48. 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.
49. Evidence summarised in Montgomery et al. (2003), Chapter 7, Table 7-4.
50. 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).
51. Cited by Carsten Hyttel, Eastern Africa regional representative for the U.N. Office on Drugs and Crime, Centre for International Crime Prevention.
52. 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 has studied metropolitan areas in developed countries.

CHAPTER 6

53. 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 the 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 an 1980s 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. The urban population concentration in Seoul barely changed, however. See Kyu Sik Lee and Sang-Chuel Choe, 1989, "Changing Location Patterns of Industries and Urban Decentralisation Policies in Korea," in Jene K. Kwon, ed., *Korean Economic Development* (Westport, CT: Greenwood Press); and Henderson, Shalizi, and Venables 2001.
54. This was one of the lessons from the Korean efforts toward industry de-concentration.
55. 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.
56. 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 equalisation transfers.

57. 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, 2005, “Identifying the key constraints to growth, export competitiveness and employment in Tanzania’s manufacturing sector,” World Bank, PREMED, draft Executive Summary).

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

APPENDIX

59. The median number of hours lost was about 10, so the range experienced was very wide.

References

Adams, Richard. 2004. Remittances and Poverty in Guatemala. Presentation at World Bank.

Ades, Alberto F., and Edward L. Glaeser. 1995. "Trade and Circuses: Explaining Urban Giants." *The Quarterly Journal of Economics* (February):195–227.

African Population and Health Research Centre (APHRC). 2002. *Population and Health Dynamics in Nairobi's Informal Settlements.* Nairobi.

Becker, Kristina Flodman. 2004. *The Informal Economy*. SIDA Fact Finding Study. Sweden.

Bell, Clive, Shantayanan Devarajan, and Hans Gersbach. 2003. The Long-Run Economic Costs of AIDS: Theory and an Application to South Africa. World Bank: Policy Research Working Paper WPS3152.

Bertaud, Alain. 2001. The Costs of Utopia: Brasilia, Johannesburg and Moscow. Revised. http://alain bertaud.com/ (Accessed June 10, 2006)

Bertaud, Alain, and Jan K. Brueckner. 2004. Analyzing Building Height Restrictions: Predicted Impacts, Welfare Costs, and a Case Study of Bangalore, India. World Bank, Transport and Urban Development Department, Urban Unit. Policy Research Working Paper 3290.

Bertaud, Alain, and Bertrand Renaud. 1995. Cities Without Land Markets: Location and Land Use in the Socialist City. World Bank Policy Research Working Paper 1477.

Bertaud, Alain, Robert Buckley, Sumila Gulyani, Kate Owens, and Kevin Villani. 2004. Real Estate Reform in Addis Ababa: Making the City a Platform for Market Development. Executive Summary.

Black, R., R. Sabates-Wheeler, R. Skeldon, C. Waddington, and A. Winters. 2003. Mapping Study of Migration Issues. Sussex Centre for Migration Research.

Boerma JT, A. Nunn and J. Whitworth. "Mortality impact of the AIDS epidemic in less developed countries: Evidence from community studies," AIDS (1998) 12(Supplement 1) S4–S13.

Boerma, J.T., A.J. Nunn, and A.G. Whitworth. 1999. "Spread of HIV infection in a rural area of Tanzania." *AIDS* 13: 1233–1240.

Bourguignon, Francois. 1999. Crime, Violence and Inequitable Development." World Bank Annual Bank Conference on Development Economics, Washington, D.C.

Bryceson, D.F. 2004. "Rural livelihoods and agrarian change in Sub-Saharan Africa: processes and policies." In *Rural Livelihoods and Poverty Reduction Policies*, ed. F. Ellis and H.A. Freeman. London: Routledge.

Carruthers, Robin, with Malise Dick and Anuja Saurkar. 2004. Affordability of Public Transport in Developing Countries. Transport and Urban Development Department, World Bank.

Central Bank of Nigeria (CBN) and Nigerian Institute of Social and Economic Research (NISER). 2003. An In-Depth Study of Nigeria's Informal Distributive Trade Sector. Draft. Abuja.

Central Bank of Nigeria (CBN), Nigerian Institute of Social and Economic Research (NISER), and Federal Office of Statistics (FOS). 2003. Indepth Study of Nigerian Informal Manufacturing Sector. Draft Final Report. Abuja.

Centre for African Settlement Studies and Development (CASSAD). 2002. Economic and Employment Trends in Karu. Ibadan, Nigeria.

Chakraborty, Mita. 2005. Acting Locally While Thinking Globally: Subnational Strategies to Promote Investment Climate. TUDUR. Draft.

Chambas, Gerard, and Elsa Duret. 2000. *La Mobilisation des Ressources Locales au Niveau des Municipalities d'Afrique Subsaharienne*. Ministere des Affaires Etrangeres, Direction Generale de la Cooperation Internationale et du Développement. France.

Club du Sahel and Programme de Développement Municipal (PDM). 2004. Assessing Local Economies and their Prospects. Technical Document 1.3, Ecoloc Handbook, vol. 1.

Collier, Paul, and J.W. Gunning. 1999. "Explaining African Economic Performance." *Journal of Economic Literature* 37 (1): 64–111.

The Commission for Africa. 2005. *Our Common Interest: Action for a Strong and Prosperous Africa.* London.

Cour, Jean-Marie. 2004. Assessing the "benefits"' and "costs" of urbanisation in Vietnam. Annex to "Urbanisation and Sustainable Development: A Demo-Economic Conceptual Framework and its Application to Vietnam." Report to Fifth Franco-Vietnamese Economic and Financial Forum, Ha Long.

______. 2003. Sustainable development and poverty reduction strategy revisited: a demo-economic conceptual framework and its application to Ethiopia. The Ethiopian Economic Association, 2003 International Conference on the Ethiopian Economy. Addis Ababa. Draft.

Dollar, David, and Aart Kraay. 2002. "Growth is good for the poor." *Journal of Economic Growth* 7: 195–225.

Doumani, Fadi M. 2002. *Environmental Health in Sub-Saharan Africa: A Road Map.* World Bank, Africa Region. Annex VIII. Draft.

Duranton, G., and D. Puga. 2002. "Diversity and Specialisation in Cities: Why, Where and When Does it Matter," in P. McCann (ed.) *Industrial Location Economics,* ed. P. McCann. Cheltenham, U.K.: Edward Elgar.

Eifert, Benn, Alan Gelb, and Vijaya Ramachandran. 2004. Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data. World Bank. Draft.

Ellis, Frank, and Nigel Harris. 2004. New Thinking about Urban and Rural Development. Keynote paper for DFID Sustainable Development Retreat, University of Surrey. Draft.

Ersado, Lire. 2003. Income diversification in Zimbabwe: Welfare Implications from Urban and Rural Areas, World Bank. Draft.

Farvacque-Vitkovic, Catherine, and Lucien Godin. 1998. *The Future of African Cities: Challenges and Priorities for Urban Development.* Directions in Development Series. Washington, D.C.: The World Bank.

Farvacque-Vitkovic, Catherine, Lucien Godin, Hugues Leroux, Florence Verdet, and Roberto Chavez. 2005. *Street Addressing and the Management of Cities*. World Bank Directions in Development Series. Washington, D.C.: The World Bank.

Fay, Marianne, ed. 2005. *The Urban Poor in Latin America*. Directions in Development Series. Washington, D.C.: The World Bank.

Fay, Marianne, and Charlotte Opal. 2000. Urbanisation without Growth: A Not So Uncommon Phenomenon. World Bank Policy Research Working Paper 2412, Washington, D.C.

Fox, Louise, Gordon Betcherman, Vandana Chandra, Benn Eifert, and Arvil Van Adams. 2004. Realizing the Potential of the Labour Force in Africa: Barriers and Opportunities. Paper prepared for World Bank Labour Markets Conference (November 18–19, 2004). Draft.

Freire, Mila, and Mario Polese. 2003. *Connecting Cities with Macroeconomic Concerns: The Missing Link*. Montreal: Institut National de la Recherché Scientifique and the World Bank.

Gasper, J., and E. Glaeser. 1998. "Information Technology and the Future of Cities." *Journal of Urban Economics* 43: 136–156.

Glaeser, Edward L. 1998. "Are Cities Dying?" *Journal of Economic Perspectives* 12 (2): 139–160.

Glaeser, E.L., H.D. Kallal, J.A. Scheinkman, and A. Shleifer. 1992. "Growth in Cities." *Journal of Political Economy* 100 (6): 1126–1152.

Grimm, Michel, and Isabel Gunther. 2004. Operationalising Pro-Poor Growth: A Country Case Study on Burkina Faso. Joint initiative of AFD, BMZ (GTZ, KfW Development Bank), DFID and the World Bank.

Henderson, J. Vernon. 2000. How Urban Concentration Affects Economic Growth. World Bank Policy Research Working Paper 2326, Washington, D.C.

______. 1999."Inter-City and Inter-Regional Patterns of Production with Economic Development. Brown University. Draft.

Henderson, J., Zmarak Shalizi, and Anthony J. Venables. 2001. "Geography and development." *Journal of Economic Geography* 1 (1): 81–105.

International Labour Organisation (ILO). 2002. *Decent work and the informal economy.* International Labour Conference, 90th session.

______. 2004. *World Employment Report 2004-05.* Geneva.

International Monetary Fund (IMF). 2004. *Government Finance Statistics*. Washington D.C.

Iradian, Garbis. 2005. Inequality, Poverty and Growth: Cross-Country Evidence. IMF Working Paper WP/05/28. Washington, D.C.

Kaufmann, Daniel, Frannie Leautier, and Massimo Mastruzzi. Governance and the City: An Empirical Exploration into Global Determinants of Urban Performance. World Bank Institute. Draft.

Kelly, K. 2003. Supporting Local Government Responses to HIV/AIDS: Positions, Priorities, Possibilities. Centre for AIDS Development, Research and Evaluation, Institute for Social and Economic Research, South Africa. Paper presented at 2003 Urban Research Symposium, World Bank, Washington, D.C.

Kingdon, Geeta Gahdhi, and John Knight. 2003. Unemployment in South Africa: The Nature of the Beast. Oxford University, Centre for the Study of African Economies.

Kraay, Aart. 2003. "When is Growth Pro-Poor? Cross-Country Evidence." *Journal of Development Economics.*

Lopez, Humberto. 2005. Growth and Inequality. Paper presented at Pro-Poor Growth Seminar, World Bank, Washington, D.C. Draft.

Lucas, Robert E. B. 1998. Internal Migration and Urbanisation: Recent Contributions and New Evidence. World Bank, Washington, D.C.

Madani, Dorsati. 1999. A Review of the Role and Impact of Export Processing Zones. The World Bank Development Research Group. PRWP 2238. Washington, D.C.

Maloney, W. 1999. "Does Informality Imply Segmentation in Urban Labour Markets? Evidence from Sectoral Transitions in Mexico." *World Bank Economic Review* 13: 275–302.

Mboup, Gora. 2004. Lusaka, Zambia: Intra-City Differentials. Internal report. Nairobi: UN-Habitat, Monitoring Systems Branch.

Mboup, Gora. 2003. Improving Health Conditions of Slum Communities: Health Interventions versus Slum Upgrading. Urban Poverty and Health in Sub-Saharan Africa. Nairobi Urban Health Equity Gauge Conference, APHRC, Nairobi.

McKay, Andrew, and Ernest Aryeetey. 2004. Operationalising Pro-Poor Growth: A Country Case Study on Ghana. Joint initiative of AFD, BMZ (GTZ, KfW Development Bank), DFID and the World Bank.

McKinsey Global Institute. 2001. "India: The Growth Potential." http://www.mckinsey.com/mgi/publications/India.asp.

The Millennium Project. 2005a. *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. New York: UN Office of Secretary General and UN Development Group.

______. 2005b. *A Home in the City: Task Force on Improving the Lives of Slumdwellers.* New York: UN Office of Secretary General and UN Development Group.

Montgomery, Mark, Richard Stren, Barney Cohen, and Holly E. Reed, eds. 2003. *Cities Transformed: Demographic Change and its Implications in the Developing World*. Washington, D.C.: National Research Council of the National Academies, National Academies Press.

Murphy, J.T. 2002. "Networks, Trust and Innovation in Tanzania's Manufacturing Sector." *World Development* 30 (4): 591–619.

New Star Publishers, *The Tenth Five-Year Plan of China* (Summary). Beijing: China, 2001.

Office of the Deputy Prime Minister (OPDM). 2003. *Productivity in the UK*. London: HM Treasury.

Prud'homme, Remy. 1994. On the Economic Role of Cities. Paper prepared for conference on Cities and the New Global Economy, organised by Government of Australia and the OECD, Melbourne.

Quigley, John M. 1998. "Urban Diversity and Economic Growth." *Journal of Economic Perspectives* 12 (2): 127–138.

Rakodi, C. 1999. "Trans-border urban regions — are they emerging in Africa?" In *Development and Urban Africa, ed.* C. Stein, 199–219. Barcelona: Centre d'Estudis Africans.

Rodriguez-Pose, Andres, and Nicholas Gill. 2003. "Is there a Global Link between Regional Disparities and Devolution?" *Environment and Planning* A 36 (2004): 2097–2117.

Rosen, Sydney, and Jonathon Simon. 2003. "Shifting the burden: the private sector's response to the AIDS epidemic in Africa." *Bulletin of the World Health Organisation* 81 (2): 131–137.

Rosenthal, S.R., and W.C. Strange. 2001. "The Determinants of Agglomeration." *Journal of Urban Economics* 50: 191–229.

Sachs, J., J. McArthur, G. Schmidt-Traub, M. Kruk, Chandrika Bahadur, Michael Faye, and G. McCord. 2004. Ending Africa's Poverty Trap. Paper prepared for the Millennium Project, Draft. New York: Columbia University.

Sahn, David E., and. David C. Stifel. 2003. "Urban-Rural Inequality in Living Standards in Africa." *Journal of African Economies* 12 (4): 564–597. Centre for the Study of African Economies.

______. 2002. "Progress Toward the Millennium Development Goals in Africa." *World Development* 31 (1): 23–52.

Satterthwaite, David. 2002. *Coping with rapid urban growth.* RICS Leading Edge Series, Royal Institute of Chartered Surveyors.

______. 2004a. The under-estimation of urban poverty in low and middle-income nations. Poverty Reduction in Urban Areas Series Working Paper 14. London: International Institute for Environment and Development.

______. 2004b. Urban poverty and inequality: How their scale is hidden by aggregate data. London: International Institute of Environment and Development. Unpublished manuscript.

South African Cities Network (SACN). 2004. *State of the Cities Report 2004.*

Starkey, P., S. Ellis, J. Hine, and A. Ternell. 2002. Improving Rural Mobility—Options for Developing Motorised and Nonmotorised Transport in Rural Areas. World Bank Technical Paper No. 525. Washington, DC: The World Bank.

Storper, Michael, and Anthony J. Venables. 2004. "Buzz: The Economic Force of the City." *Journal of Economic Geography*. 4.

Sub-Saharan Africa Transport Policy Programme (SSATP), World Bank and Economic Commission for Africa. 2002. Scoping Study: Urban Mobility in Three Cities. SSATP Working Paper No. 70.

Tanzania Planning Commission and Ministry of Labour and Youth Development. 1991. Tanzania the Informal Sector 1991. Dar-es-Salaam.

Tewari, Deepali, and Sudeshna Banerjee. 2005. Lagos Strategy for Economic Development and Poverty Reduction: Preliminary Findings from Four Firm Level Surveys. World Bank, AFTU2. Draft.

Thompson, J., I.T. Porras, E. Wood, J.K. Tumwine, M.R. Mujwahuzi, M. Katui-Katua, and N. Johnstone. 2000. "Waiting at the tap: changes in urban water use in East Africa over three decades." *Environment and Urbanisation* 12 (2): 37–52.

Tiffen, Mary. 2003. "Transition in Sub-Saharan Africa: Agriculture, Urbanisation and Income Growth." *World Development* 31 (8): 1343–1366.

UN-Habitat. 2003. *The Challenge of Slums: Global Report on Human Settlements 2003.* Nairobi: Global Urban Observatory.

United Nations. 2004. *World Urbanisation Prospects: The 2003 Revision. Data Tables and Highlights.* Department of Economic and Social Affairs, Population Division, New York.

United Nations Millennium Project. 2005. "Africa's Special Needs." Chapter 10 in *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals.* New York.

Venables, Anthony J. 2005. "Spatial disparities in developing countries: cities, regions and international trade." *Journal of Economic Geography* 5: 3–21.

Webster, Douglas. 2004. *Summary of Peri-Urbanisation: The New Global Frontier.* Enschede, Netherlands: International Institute for Geo-Information Science and Earth Observation.

World Bank. 2005a. "Africa's Growth Tragedy: An Institutional Perspective." Country Note G in *Economic Growth in the 1990s: Learning from a Decade of Reform.* Washington, D.C.

______. 2005b. *Global Monitoring Report 2005—Millennium Development Goals: from Consensus to Momentum.* Washington, D.C.

______. 2005c. *World Development Report 2005: A Better Investment Climate for Everyone.* The World Bank and Oxford University Press.

______. 2005d. *Pro-Poor Growth: Country Experiences in the 1990s*. World Bank, PREM Network.

______. 2004a. Le Secteur Urbain au Cameroun: Contribution de l'IDA a la Stratégie du Gouvernement. Central and West African Urban and Water Sector Unit Draft.

______. 2004b. *Dimensions of Urban Poverty in ECA*. Energy and Infrastructure Department, Europe and Central Asia Region.

______. 2004c. République du Niger: Stratégie d'Appui au Secteur Urbain. Central and West African Urban and Water Sector Unit (AFTU2). Draft.

______. 2004d. Competitiveness and Private Sector Development in Africa: Lessons from Investment Climate Assessments. Office of the Chief Economist, Africa Region. Draft.

______. 2003a. *World Development Report 2003: Sustainable Development in a Dynamic World.* World Bank and Oxford University Press.

______. 2003b. Urban Poverty in East Asia: a Review of Indonesia, the Philippines, and Vietnam. East Asia Urban Working Paper Series No. 11.

______. 2003c. Benin Poverty Assessment. Africa Region, Poverty Reduction and Economic Management Network.

______. 2003d. Burkina Faso: Risk and Vulnerability Assessment. Africa Region, Human Development Unit. AFTH2.

______. 2003e. Senegal: Policies and Strategies for Accelerated Growth and Poverty Reduction—A Country Economic Memorandum. Africa Region, PREM 4.

______. 2003f. Lesotho Country Economic Memorandum: Growth and Employment Options Study. World Bank, Report 26130-LSO. Draft.

______. 2002a. From Action to Impact: the Africa Region's Rural Strategy. Rural Development Operations, the Africa Region.

______. 2002b. Madagascar Poverty and Socio Economic Developments: 1993-1999. Report No. 23366-MAG.

______. 2002c. South Africa Constraints to Growth in Johannesburg's Black Informal Sector. Africa Region, PREM 1, Report No. 24449-ZA.

______. 2001. République de Madagascar: Développement Urbain Note de Strategy. Central and West African Urban and Water Sector Unit. Draft.