Institutional dimensions of the Urban Development Crisis in Africa

ACC & UNU-Wider Seminar | 05 June 2012
Edgar Pieterse, NRF SARCHI Chair in Urban Policy
“One of the most widely held criticisms of urban policies in Africa is that they are inconsistent, haphazard, and not coherently articulated... Physical planners rarely work with economists. There are no ministries of urban affairs, and even well-defined problems such as housing and urban transportation run the gamut of intra-governmental negotiations before anything serious can be attempted. The division of function and jurisdiction between local and central government also leaves a great deal of room for manoeuvre, conflict, and overlap in urban policy.”

- Richard Stren, 1972: 505
1. **Scope and prospects of Urbanisation in Africa**

2. **Key drivers**

3. **Solutions discourses**

4. **Recast and reconfigure: institutional implications**
Urbanization 1990:
199 million
31% of Pop

Urbanization 2010:
380 million
39% of Pop

Urbanization 2030:
800 million
50% of Pop

Urbanization 2050:
1.2 billion
61% of Pop

Source: UN-Habitat, 2008
## Regional African Trends

<table>
<thead>
<tr>
<th>Region</th>
<th>% Urban, 2007</th>
<th>Ave Annual Urbanization rate 2005-10</th>
<th>Ave annual pop growth rate 2005-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Africa</td>
<td>50.92</td>
<td>2.40</td>
<td>2.40</td>
</tr>
<tr>
<td>West &amp; Central Africa</td>
<td>41.75</td>
<td>4.02</td>
<td>4.03</td>
</tr>
<tr>
<td>East Africa</td>
<td>20.48</td>
<td>4.05</td>
<td>3.92</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>45.60</td>
<td>2.56</td>
<td>1.47</td>
</tr>
<tr>
<td>Africa</td>
<td>38.70</td>
<td>3.31</td>
<td>3.31</td>
</tr>
</tbody>
</table>

Africa’s Informal Urbanism

- Between 2000-2030, Africa’s urban population will double: 294-742m
- Most of African urbanites live in settlements of less than 0.5m
- Informality in terms of economy and settlement is the norm in African cities

Source: UN-Habitat, 2010
Structural poverty, inequality & limited employment manifest in Slum Living as the norm

<table>
<thead>
<tr>
<th>Region</th>
<th>% Slums</th>
<th>Moderated (1-2 deficiencies)</th>
<th>Severely (3-4 deficiencies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>62</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>LAC</td>
<td>27</td>
<td>82</td>
<td>8</td>
</tr>
<tr>
<td>Southern Asia</td>
<td>43</td>
<td>95</td>
<td>5</td>
</tr>
</tbody>
</table>

[1. overcrowding; 2. informal housing; 3. lack of access to water and sanitation; 4. insecure tenure]
Access to infrastructure services

(Source: Ajulu & Motsamai 2008: 3)
Africa manifests the fastest rate of urbanization, yet it is the least prepared. The prospect for inclusive and resilient urbanism is bleak.
Urban pop by region, 2005 & 2050

Source: UN-Habitat, 2008
Source: Pardee Centre & Institute for Security Studies, 2011
African population below $2.15 per day, per region

- Central Africa ($2.15)
- Eastern Africa ($2.15)
- Northern Africa ($2.15)
- Southern Africa ($2.15)
- Western Africa ($2.15)

Source: Pardee Centre & Institute for Security Studies
Africa GDP Per Capita income trends by region, 2005-2050

Source: Pardee Centre & Institute for Security Studies
Diverging growth of per capita income, by region, 1820-2008

1990 international Geary-Khamis dollars

- Africa
- Asia
- Eastern Europe
- Western Europe
- Former USSR
- Japan
- Western offshoots
- Latin America and the Caribbean

Source: UN World Economic & Social Survey 2011
There is a profound policy vacuum to deal with Africa’s Urban Transition...
STRUCTURAL OBSTACLES:

• Limited state understanding or appetite to address urbanization
• Regulations that penalize informality
• Discrimination re identity politics of affiliation
• Entering global markets with ltd leverage or unified positions
• Costs of large-scale dysfunction paid by voiceless slum dwellers
• Small & skewed formal economies—limited tax base
Inverted economy: majority informal

Low & erratic HH incomes

Small tax base

Insufficient private & public investments

Skewed allocative systems

Demand for services outstrip supply
There is a profound policy vacuum to deal with Africa’s Urban Transition...
Global Private Sector think tanks are stepping into the breach...
Sustained economic growth over past decade

**African annual real GDP, 2008**

- **$ billion**
- **Compound annual growth rate, %**

**Compound annual real GDP growth, 2000–08**

- Emerging Asia: 8.3%
- Middle East: 5.2%
- Africa: 4.9%
- Central and Eastern Europe: 4.8%
- Latin America: 4.0%
- World: 3.0%
- Developed economies: 2.0%

SOURCE: International Monetary Fund; World Bank World Development Indicators; McKinsey Global Institute
Not just robust growth but fantastic ROI

The rate of return on foreign direct investment in Africa is higher than in other developing countries

Rates of return\(^1\) on inward foreign direct investment \%

1 The rate of return is calculated as direct investment income for the current year divided by the average of FDI stock of the previous year and the current year. The figures for 2007 rates of return are based on 39 countries in Africa, 33 in Latin America and the Caribbean, 11 in West Asia, and 18 in Asia.

SOURCE: United Nations Conference on Trade and Development; McKinsey Global Institute
“This pattern of bottom-up development indicates that the economic future of SSA is more connected to the success of its cities, and the competitive clusters based there, than to its nation states. Cities today generate most of the subcontinent’ wealth, with many thriving despite obvious challenges. Rapid urbanization turbocharges economic growth and diversification, enhances productivity, increases employment opportunities, and improves standards of living.”
Part of a larger search for virgin consumer markets: 
global middle-classes with disposable income

By 2030, another 1.3 billion people will live in emerging-market cities, more than the total population of today’s developed-market cities.

World population (millions)

Emerging-market cities

All rural areas

Developed-market cities

1.3 billion new residents, bringing the total population of emerging-market cities to 3.9 billion

100 million new residents of developed-market cities

Share of world population (%)

Developed-market cities

Emerging-market cities

The resources to feed existing and new middle-class appetites depend on African logistical systems and infrastructure investment...

**Approximately 170 people join the middle class every minute**

<table>
<thead>
<tr>
<th>Middle-class and above-middle-class population (millions)</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>172</td>
<td>314</td>
</tr>
<tr>
<td>India</td>
<td>186</td>
<td>366</td>
</tr>
<tr>
<td>Russia</td>
<td>91</td>
<td>123</td>
</tr>
<tr>
<td>Indonesia</td>
<td>48</td>
<td>103</td>
</tr>
<tr>
<td>Brazil</td>
<td>48</td>
<td>69</td>
</tr>
<tr>
<td>Turkey</td>
<td>44</td>
<td>59</td>
</tr>
<tr>
<td>Mexico</td>
<td>34</td>
<td>43</td>
</tr>
<tr>
<td>South Africa</td>
<td>17</td>
<td>22</td>
</tr>
</tbody>
</table>

Middle-class population increase, 2010–2015 (millions): 142, 180, 32, 54, 21, 15, 9, 4

**Approximately 460 million people in emerging-market cities will enter the middle class between 2010 and 2015, an increase of 70 percent.**

**Sources:** Economist Intelligence Unit; Brazilian Institute of Geography and Statistics (IBGE); Instituto Nacional de Estadística y Geografía (INEGI); BCG China population and income forecast database, 2010; “The Great Indian Middle Class,” National Council of Applied Economic Research (NCAER), 2004; BCG analysis.

1Middle-class households are those with annual income exceeding $5,000.

2Middle-class households are those with annual income exceeding $10,000.
## Numbers (millions) and Share (%) of the Global Middle Class

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North America</strong></td>
<td>338</td>
<td>333</td>
<td>322</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>664</td>
<td>703</td>
<td>680</td>
</tr>
<tr>
<td><strong>Central &amp; South America</strong></td>
<td>181</td>
<td>251</td>
<td>313</td>
</tr>
<tr>
<td><strong>Asia Pacific</strong></td>
<td>525</td>
<td>1740</td>
<td>3228</td>
</tr>
<tr>
<td><strong>SSA</strong></td>
<td>32</td>
<td>57</td>
<td>107</td>
</tr>
<tr>
<td><strong>M-East &amp; N-Africa</strong></td>
<td>105</td>
<td>165</td>
<td>234</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td>1845</td>
<td>3249</td>
<td>4884</td>
</tr>
</tbody>
</table>

# Spending by the Global Middle Class, 2009 to 2030
(millions of 2005 PPP dollars)

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>5602</td>
<td>5863</td>
<td>5837</td>
</tr>
<tr>
<td>Europe</td>
<td>8138</td>
<td>10301</td>
<td>11337</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>1534</td>
<td>2315</td>
<td>3117</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>4952</td>
<td>14798</td>
<td>32596</td>
</tr>
<tr>
<td>SSA</td>
<td>256</td>
<td>448</td>
<td>827</td>
</tr>
<tr>
<td>M-East &amp; N-Africa</td>
<td>796</td>
<td>1321</td>
<td>1966</td>
</tr>
<tr>
<td>World</td>
<td>21278</td>
<td>35045</td>
<td>55680</td>
</tr>
</tbody>
</table>

World Economic Output Over 50 Years, 1984-2034 (2005 PPP $)
Overall Infrastructure spending needs for SS Africa, $bn

<table>
<thead>
<tr>
<th>Infrastructure sector</th>
<th>Capital Expenditure</th>
<th>Operation &amp; Maintenance</th>
<th>Total spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>7.0</td>
<td>2.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Irrigation</td>
<td>2.9</td>
<td>0.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Power</td>
<td>26.7</td>
<td>14.1</td>
<td>40.8</td>
</tr>
<tr>
<td>Transport</td>
<td>8.8</td>
<td>9.4</td>
<td>18.2</td>
</tr>
<tr>
<td>Water &amp; sanitation</td>
<td>14.9</td>
<td>33.0</td>
<td>47.9</td>
</tr>
<tr>
<td>Total</td>
<td>60.4</td>
<td>33.0</td>
<td>93.3</td>
</tr>
</tbody>
</table>


Current annual shortfall at least: $50bn. So what gets prioritized?
Built manifestation: extreme splintered urbanism—slum neglect combined with enclave elite urbanism
“Urban governance is here understood to encompass a range of actors, multiple sites, various layers of relations, a broad range of activities or practices aimed at steering economy and society, involving various modes of power, as well as different scales.”
Ilda Lindell, 2008: 1885.
Carefully drawn “situated maps” of governance dynamics & relations politics + Experimentation: local & city-region; present and future with an eye on effecting disruptive change

Disruptive technologies & cultures: recast sustainable infrastructure

- Institutional meshworks
- Democratic pressure valves
- New symbolic politics & spaces in order to establish a new set of publics
1. Open-source social infrastructures through organisation (e.g. SDI or StreetNet);

2. Jobs linked to the crises of social mal-development and the growing environmental crisis;

3. Infrastructure-led actions and urban reforms to simultaneously address economic, social and environmental challenges that coalesce in cities;

4. Appropriate land-use and land value policies and regulation;

5. Effective accountability to ensure a correlation between democratic deliberation and negotiation, and resource allocation decisions;

6. Robust institutions, networks and learning as the preferred means to address knotty urban problems that manifest uniquely in different urban settings; and

7. Effective data collection and analysis to inform processes, decisions and action on an ongoing and recursive basis.
Thank You