



International  
Growth Centre

Cities that Work 

# Supporting the Urban Dimension of Development

## Cooperation:

Enhancing the financial position of cities in developing countries to achieve sustainable urban development

### Study Phase Overview

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- Cities that Work partnering with UN Habitat to delivery Phase 2 of the project: **the study phase.**
- To date conducted 4 week-long **city visits** for stakeholder interviews and information gathering, and developed early **case study drafts** for each city for feedback and verification from the Advisory Group, Senior Academics, and City Stakeholders.

## Dakar

**Senegal GDP per capita:**  
~US\$1,500

**Dakar Population:**  
Residents: 1M ; +- 1.5M

**Dakar revenue base (2016):**  
US\$100M

**Thematic areas of interest:**  
Untapped potential of investment  
in improving infrastructure

## Mzuzu & Lilongwe

**Malawi GDP per capita:** US\$290

**Mzuzu Population:**  
Residents: 220K ; +- 20K

**Mzuzu revenue base (2019):**  
US\$3.3M

**Thematic areas of interest:**  
Land value and dead capital not  
captured by public finance



## Hargeisa

**Somaliland GDP per capita:**  
US\$675

**Hargeisa Population:**  
Residents: 1.2M – 1.5M

**Hargeisa revenue base (2018):**  
US\$9.5M

**Thematic areas of interest:**  
Insufficient capacity of city  
financial and investment  
management

## Kampala

**Uganda GDP per capita:**  
US\$710

**Kampala Population:**  
Residents: 2M ; +- 2M

**Kampala revenue base (2018):**  
US\$85 million

**Thematic areas of interest:**  
Regulatory environment not  
conducive for access to finance



## Key reforms:

- Establishment of the Kampala Capital City Authority (KCCA) in 2010.
- Investments in high capacity staff and ongoing training.
- Automation and digitisation of internal processes, focussing primarily on revenue management → eCitie platform.
- Building the social contract → 'Citizen as a Client'.
- Property addressing and valuation
- A/A- national scale credit rating.

# Kampala



## Success factors:

- Strong leadership
- Authorising environmental amenable to efficient and effective decision making.
- Business process mapping
- Conducting reforms internally
- *Partnership* with development institutions.

## Ongoing challenges:

- The Greater Kampala Metropolitan Area (GKMA).
- Cap on borrowing: 10% of own-source revenues.
- Narrow tax base.
- Multiple, complex land tenure systems.
- Widespread tax exemptions and compliance
- Lacking capacity to develop bankable projects.
- Change management



## Key reforms:

- Building creditworthiness and designing bankable projects, regional scale credit rating BBB+
- Long term vision and strategic planning → Strategic Orientation Document (DOS).
- Financial management and system reform.
- Specialist, empowered and autonomous team.
- Prepared to launch the first 'real' African municipal bond.
- Bureau de Collectivite Locale (BCL) and Local Fiscality Commissions



## Dakar

## Success factors:

- Visionary leadership
- Internal capacity building
- Development partner assistance, financing reforms beyond the essentials.
- International (Central and West Africa) exchange: broader base of investors with no currency risk.
- Existing domestic market for bonds at the national level.

## Ongoing challenges:

- Decentralisation of responsibilities not matched by fiscal decentralization, continued reliance on central government transfers.
- Incentives around payment, collection and distribution.
- Cap on commercial borrowing (& high interest rates)
- Designing bankable projects.
- Repayment periods vs infrastructure life cycles.



## Key reforms

- REMOP, simple and fit-for-capacity property valuation and taxation system increased revenues 7-fold.
- The social contract: 'My City, My Responsibility'.
- Zomba electronic ticketing.
- Cabinet paper to transfer all public land to city administration.
- Local Development Fund (LDF) pooling transfers from development partners and central government.
- Development Fund for Local Authorities (DFLA) as 'lender of first resort'.

## Malawi – Mzuzu



## Success factors:

- Use of GIS and automated/digital systems.
- Inclusion of informal settlements.
- Flexibility of smaller cities.
- For REMOP, there was an immediate source of funds available.

## Ongoing Challenges:

- Legislation around valuation methods & political-economy of surveyors.
- Compliance & pilferage
- National rural bias
- Lacking financial management – audited and transparent accounts.
- Narrow tax base
- Lack of data
- Multiple land lords and gaps in land registration.



## Key reforms

- Application of simple digitised revenue management systems i.e. AIMS and BIMS.
- Capacity and competency reforms.
- Capturing the gains of urbanisation.
- Area-based property valuation.
- Reduction in the number of taxes levied.
- Private contributions of land on the peri-urban fringe.
- PPP for solid waste management



## Success factors:

- Flexible systems, tied to the capacity of local government.
- Community input into infrastructure delivery.
- Strong social contract and compliance.
- GIS multiple benefits Central government coordination and support.

## Challenges:

- Legislative restrictions on taking debt.
- Costs of doing business in Hargeisa are very high.
- Linkages between AIMS and BIMS, and to wider government.
- Collecting small fees very frequently.
- Decentralisation legislation lacks clarity
- Islamic finance only option.



# Key Messages Overview



Cities can (and should) do more to leverage land to finance rapid urbanisation



Kampala





Reforms of administrative systems represent quick wins to increase own-source revenue, without the need to change legislation



Hargeisa





Leading to external financing or not, creditworthiness reforms can be catalytic for investment


Dakar

THERE IS NO ECONOMY  
WITHOUT SKILLS



Mzuzu





Urban support should be demand driven and legislation appropriate.

## City feedback for supporting dimension of development cooperation

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1. Tend to choose 'social projects' which may not be sufficiently revenue generating.
2. Add bureaucracy into decision making. More transparency but takes longer, often losing the political window to act.
3. Large challenge to city & national governments is coordinating development partners.
4. Found often considerable overlap and cross-over on projects implemented by development support.
5. Influence which projects get funding, disrupt normal process of project prioritisation.
6. Need internal capacity building rather than getting external consultant to develop bankable projects.
7. Trailing and piloting innovative approaches in smaller cities can provide fertile and responsive testing ground.