

## Urbanisation in Africa: Cities as Growth Engines

### Moderator

Mark Rathbone, Asia Pacific Infrastructure Leader, PricewaterhouseCoopers (PwC) Singapore

### Panellists

1. Kevin K. Kariuki, Head of Infrastructure, Industrial Promotion Services Ltd (Aga Khan Group)
2. Kum Mun Lock, Group Senior Managing Director, Business Development, Hyflux
3. Oliver Andrews, Chief Investment Officer and Executive Director, Africa Finance Corporation
4. Teo Eng Cheong, Chief Executive Officer, Surbana Jurong

The urban story in Africa is expected to lead to enormous economic growth and organizations are key drivers behind consumers, government policies, financing and investment opportunities. With that comes a number of challenges.

Although Asia and Africa share a number of similarities in their development, there are important divergent points between the two continents that will require particular focus: illiteracy rates, lack of broad investment in infrastructure, weakness of institutions. In order to foster economic growth through urbanization these challenges will have to be addressed.

The major themes discussed in the panels include the following:

**Electricity connectivity:** Africa has an immense electricity generation potential, from traditional coal to renewables. This potential is far from being explored to the level required by the continent's population. The poorest segments of the society either have partial access to electricity or do not have access to it at all. The growth and reach of electricity access is not keeping up with the population growth.

**Transport infrastructure:** Apart from Johannesburg, the African metropolises lack a good urban transportation system. Many African cities receive an influx of people during the day time. After working hours this portion of the population leaves the city, going back to their homes in the outskirts of the metropolises. This movement of people requires an increasing complexity of transportation systems, with a comprehensive web of subway lines, monorail, buses and roads. Building this infrastructure is something that governments in Africa have not been able to do in the rapid pace it is required.

**Housing:** Informal settlements that emerge in the poorer areas, with no planning or proper infrastructure, pose a challenge to city administrators. As they grow, it becomes more difficult to create proper water, electricity and waste management systems that can address the needs of the population living in these areas. Resettling the residents of shantytowns to locations where infrastructure is in place, also carries a challenge in itself.

**The Public Housing concept:** Singapore has a good success story in public housing. Currently, 82% of the population live in public housing and it is part of the local culture. Besides being implemented in an organized fashion and having planned infrastructure, this concept also works as a social equalizer for the population. Africa would benefit greatly if governments replicate the Singaporean case.

**Urban vs. Rural population growth:** Urban population growth in Africa is higher than the growth of rural residents. It imposes strains on all areas of infrastructure development of cities as the pace of improvement most of the times does not follow the increase of population in urban areas. Most of the metropolises were built by the colonists in a time when populations were much smaller. These cities have a design that does not fit the growing number of people that now inhabit there.

**Building new business centres:** Lagos is an example of a metropole where urban planning is making some progress. The most important business area in Lagos is Victoria Island. This concentration creates infrastructural problems as mentioned above. To tackle this issue, a new urban centre is being built in the Eastern part of Lagos, with a power plant and planned transportation system. When completed, the new area will attract business and take part of the influx of people that currently work in Victoria Island.

**GDP growth in cities is higher than in rural areas:** As cities grow in Africa, the GDP of the continent is expected to grow at a higher rate. That phenomenon was observed in Asia, with China as its most prominent example. Differently from Asia, Africa has a smaller population compared to its land area. This allows for a possibly easier urbanization path for the African continent when compared to Asia.

**How to start the growth engine?** Infrastructure development and urban planning are the most important factors to propel economic growth in the early stages of development. Interconnectivity between cities is paramount in this process as trade becomes easier and faster. Ports, airports, roads and railways create the links between countries and people, which unfolds in imports and exports growth, job creation and industrialization.

**Singapore investment in Africa:** While China has heavily invested in building infrastructure in Africa, most of its investment has been Government to Government (G2G). Singapore shares a common colonial heritage with Africa, with similar laws. The city-state can pursue partnerships in the private sector, benefiting from local and reliable partners that are prepared

to match dollar to dollar in investments, sharing the risks equally and having knowledge of the local ground. However, for that, the Singaporean companies willing to invest in Africa will also have to go and spend time in the continent. Having a foot on the ground is always helpful when assessing whether a new partner is reliable or not.

**Local government involvement is still key:** In large infrastructural projects, having the local government as a partner, is still seen as a big advantage. Having a delegation formed by government members involved in all the steps of a project greatly helps when there are timely critical decisions to be made that normally get stuck because of bureaucracy. Estate owned companies can also provide financing to the projects at a low interest rate as compared to international banks.

**What can Africa learn from China's history of growth?** Two points are decisive in promoting the high growth levels seen in China in the past decades: openness to foreign investment and infrastructure development. The former should not be seeing with fear that the local industry will be negatively affected. The competition generated by foreign investment will force the local industries to develop and invest in themselves. In the infrastructure development area, prioritizing power generation is key, coming before road connectivity and other infrastructure projects.

**Creating an enabling investment environment:** In order to attract business and investments, countries in Africa should create enabling policies that incentivize foreign ventures to invest in the continent. Having a transparent bidding process, with no room for corruption and with clear rules, is very important. Besides that, a well-developed project will attract more competitive financing because there is credibility in the process. Also, success attracts success. A successful project will attract investors willing to bid in the next coming projects. Capital follows the path of least resistance and paths that were already explored.

**Biggest challenges for Africa urban development:**

- Get the local governments to cooperate and not see foreign investors as someone who is going to steal their countries, but as partners;
- Develop capacity for the public sector to engage in infrastructure development talks head-to-head with the private sector;
- Focus on transportation, housing and power generation;
- Create an enabling investment framework that attracts private sector investment;
- Put national interest on top of personal motivations.