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# Fiscal Status of African Cities and the Scope for Attracting Finance

**A Policy Brief by the Urban2063 Coalition**

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# Fiscal Status of African Cities and the Scope for Attracting Finance

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# Prologue

This policy brief was prepared by the African Centre for Cities (University of Cape Town) as part of South Africa's hosting of the Group of Twenty (G20). The G20 is organised around three core pillars - *solidarity, equality and sustainability,* and the five main objectives - *inclusive growth, employment, and less inequality; critical minerals; reform of the global financial architecture; artificial intelligence & innovation; and food security,* urbanisation, as one of the most important meta drivers of the 21st Century is absent. Thus, under the auspices of the ACC, an Urban2063 Coalition was formed to focus the G20, and especially the African Union, deliberations on the links between these pillars and objectives and the trajectory of Africa's rapidly growing cities over the next decade.

The stakes attached to Africa's urbanisation, and the prospects of the roughly 900 million people that will be living in African cities in 2035, could not be higher. As "grand living laboratories", African cities could offer new modes of planning, financing, insurance, construction and manufacturing to a global economy seeking to shift from extraction and pollution to circularity and regeneration.[1] This is critical for the African Union's *Agenda 2063* which envisages urbanisation as an "Opportunity … [for a] positive turn around" in which "cities and other settlements [become] hubs of cultural and economic activities, with modernized infrastructure, and people have access to affordable and decent housing including housing finance together with all the basic necessities of life such as, water, sanitation, energy, public transport and ICT".[2] Should the goal of sustainable urbanisation fail, Africa's rapidly evolving urban spaces will default to becoming a source of ecological and social instability, a liability rather than an asset to the global economy.

In order to foster an evidence-based debate across the African continent and with its global partners, the Urban 2063 Coalition produced 8 Policy Briefs on the following topics. The first four briefs are diagnostic and the last set of four is propositional.

1. Demographic and socio-economic data that underpins the urbanisation megatrend;
2. Prevailing fiscal status of African cities and the scope for attracting finance;
3. Linkages between African urbanisation and climate change;
4. Links between trade, industrialisation and urbanisation in Africa;
5. Policy recommendation number one: encourage Multilateral Development Banks to establish a dedicated lines of credit to National Development Banks for subnational lending
6. Policy recommendation number two: anchor the G20 international trade and finance agenda in initiatives that drive structural transformation in African cities;
7. Policy recommendation three: Global financial reform requires a paradigm shift that places African cities at the core; and
8. Policy recommendation four: Improve the quality and reliability of sub-national data through a shared protocol across African Statistical Agencies.

1 Pieterse, E., (2024), Panel Discussion on Infrastructure Finance at the Africa Urban Forum, Addis Ababa, September 2024.
2 African Union (AU), (2015), Agenda 2065: The Africa We Want.

# Prevailing fiscal status of African cities and the scope for attracting finance

It is a harsh reality that the continent most in need of investment in urban infrastructure and services attracts the least investment. Data discordances frustrate estimates of urban investment in infrastructure, with the compounding influence of national budgets that do not stipulate what is spent in cities, and cities that rely on infrastructure such as dams located outside their boundaries. What is clear is that **significant infrastructure investment deficits prevail in almost every African city.**

This is a function of various factors: small public sector budgets for infrastructure; national governments that struggle to transfer budgets to the city scale; local authorities that collect very little revenue of their own and hold inadequate influence over national allocations for urban infrastructure, resulting in inefficient and sometimes contradictory investments; and perceptions of risk that make it expensive to raise finance for systemic urban development.[3] Kebede & Gauntner applied ratios to estimate Africa's urban infrastructure needs at $157 billion per annum, 5.34% of regional GDP (Table 1).[4]

**TABLE 1:** Estimated infrastructure investment needs in African cities ($ billions)

| | Constructed within cities ($ billion per annum) | Nationally constructed with cities in mind ($ billion per annum) |
|---|---|---|
| Water and sanitation | $44 | $14 |
| Roads | $20 | $17 |
| Power | $13 | |
| Public transportation | $17 | |
| Flood protection | $14 | $5.3 |
| Rail, ports, airports | $7.7 | $0.4 |
| ICT | $3.2 | |
| Waste management | $1.3 | |
| TOTAL | $157bn per annum | |
| TOTAL NEED PER CAPITA (2025) | $104.7 | |
| TOTAL INFRASTRUCTURE SPEND (2018) | $62bn | |

Source: Kebede & Gauntner (2024)[5]

3 Robinson, J. et al., (2025), Reframing Urban Development Politics: Transcalarity in Sovereign, Developmental and Private Circuits, Urban Studies, 62(1), 3–30.

4 Kebede, G. K., & Gauntner, P., (2024), African Cities at the Crossroads: Closing the Urban Infrastructure Investment Gap. Kebede & Gautner applied World Bank, IFC, AfDB and IMF datasets to estimate urban infrastructure needs. They applied World Bank ratios (Foster & Briceño-Garmendia, 2010), urbanisation rates and the assumption that cities are responsible for 70% of Africa's GDP.

5 Ibid.

Urban infrastructure deficits are a subset of general under-investment in productive assets on the continent. Gross fixed capital formation (GFCF) refers to all money spent on infrastructure, machinery and equipment by government, businesses and households (less the value of infrastructure, machinery and equipment that has been sold or scrapped). As such, GFCF is a key determinant of economic productivity but not a data point that many African countries report on regularly. In 2015, GFCF in African countries was $400 per capita, lower than Latin America ($950) and Asia ($1,400).[6] Very little of the investment that was forthcoming was controlled by sub-national governments. Adjusting for purchasing power parity, **sub-national governments spent just $155 per capita in total in 2020 - forty times less than European and North America sub-national governments**, underscoring the dependence of Africa's urban expansion on national governments.[7] Infrastructure investments by State Owned Enterprises (SOEs) and national departments frequently struggle to align with the service delivery needs and affordability of urban dwellers and sometimes undermine the spatial coherence of cities.[8] Compounding the infrastructure deficit, sub-national entities in Africa have the highest proportion of budget allocated to salaries of any region in the world.[9]

Several studies have raised the question of how African cities might close the infrastructure investment gap. Respective studies highlight the roles of African governments at various scales spending their budgets more effectively, the role of private investors and financiers, and the multilateral development banks.[10] All studies concur that closing the urban infrastructure gap would enhance welfare and economic productivity and avoid the negative consequences of makeshift sanitation and water systems, the burning of wood and charcoal, congested roads that lack safe spaces for pedestrians and piecemeal systems for solid waste management. Quite simply, enhanced urban infrastructure would save lives. The same studies concur that **there is limited institutional capacity in Africa's cities to raise investment for infrastructure or to spend existing money well. Creating this capacity remains a priority, but in the interim the role of national governments will remain important in the short term in most African countries.**

The inability to curate the infrastructure portfolios that African cities need is acute in the energy sector and most constraining on urban development. **There are 746 million people in the world without access to reliable electricity, and 600 million of these are in Africa.** The number of people living without electricity in Africa grew by 100 million between 2000 and 2022.[11] While access to safe, reliable electricity tends to be better in towns and cities than in rural areas, the continent requires an estimated $200 billion annually between 2026 and 2030 to meet SDG7 ("access to affordable, reliable, sustainable, and modern energy") but only received $110 billion in 2024[12] Kebede & Gautner estimate that $30 billion per annum is required for urban electricity, specifically.[13] African cities have not harnessed the growing investment in renewable power, grid capacity, energy storage and energy efficiency - unlike China, the European Union, India and Latin America. On the contrary, both the quantum per capita and the composition of energy investment has remained the same in Africa since 2019.[14]

Historically, African countries have gone out of their way to attract foreign direct investment (FD) to make up the shortfall in budget allocations. Despite these efforts, and being home to a fifth of the world's population, African countries attracted just 3.5% of global **FDI ($45bn) in 2022 and hold less than 3% of the global investment stock.**[15] With the exception of North Africa, FDI has been decreasing as a share of gross fixed capital formation since 2006. In 2006, FDI comprised 26.7% of GFCF, but by 2019 this had fallen to 7.8%, revealing the lack of institutional capacity to crowd-in FDI off the back of growing public sector budget allocations.[16] Most FDI has been in the form of private loans and government infrastructure bonds. Foreign creditors own 43% of Africa's debt primarily through the bond market, but also from Chinese and UK financiers. Multilateral creditors, dominated by the multilateral development banks, account for 34% of FDI and bilateral finance deals dominated by China provide 23% of FDI (Harcourt et al., 2025). All forms of FDI have been expensive. **On average,**

6 International Finance Corporation (IFC) and AfDB and ACET, (2018), Trends in FDI and Cross-Border Investments in Compact with Africa Countries.
7 SNG-WOFI, (2025), World Observatory on Sub-National Government Finance and Investment.
8 Robinson, J. et al., (2025), Reframing Urban Development Politics: Transcalarity in Sovereign, Developmental and Private Circuits, Urban Studies, 62(1), 3–30.
9 SNG-WOFI, (2025), World Observatory on Sub-National Government Finance and Investment.
10 Haas, A. et al., (2023), From Millions to Billions: Financing the Development of African Cities, African Development Bank and Big Win Philanthropy; Kebede, G. K., & Gauntner, P., (2024), African Cities at the Crossroads: Closing the Urban Infrastructure Investment Gap; Lakmeeharan, K. et al., (2020), Solving Africa's Infrastructure Paradox, McKinsey. Organization for Economic Cooperation and Development (OECD) et al., (2022), Africa Urbanization Dynamics 2022, OECD.
11 World Bank, (2025), World Bank Data.
12 International Energy Agency (IEA). (2024). Africa Energy Outlook 2022: World Energy Outlook Special Report (Revised in 2023).
13 Kebede, G. K., & Gauntner, P., (2024), African Cities at the Crossroads: Closing the Urban Infrastructure Investment Gap.
14 International Energy Agency (IEA). (2024). Africa Energy Outlook 2022: World Energy Outlook Special Report (Revised in 2023).
15 UNCTAD, (2024), Handbook of Statistics 2024.
16 International Finance Corporation (IFC) and AfDB and ACET, (2018) Trends in FDI and Cross-Border Investments in Compact with Africa Countries; UNCTAD, (2024) Handbook of Statistics 2024. UN-Habitat et al., (2018) State of African Cities 2018: The Geography of African investment.

**African countries pay five times more for their capital than the International Bank for Reconstruction and Development (IBRD) pays.[17] By some estimates, the cost of capital to African countries is 2.9% above what their macro-economic fundamentals and credit ratings warrant.**[18]

The cost of capital has contributed to a doubling of African countries' debt to foreign creditors since 2014. African countries will spend $88.7 billion in external debt servicing in 2025. In 2024, debt servicing accounted for 13.6% of public sector spending, significantly more than public spending on healthcare (6.3%) and almost as much as allocated towards education (14.7%).[19] The debt burden is not evenly distributed across the continent, but the perception that Africa is debt-laden and risky prevails despite average public external debt being just 24.5% of countries' GDP. By comparison, the United Kingdom (98.5%), Japan (249%), France (110%), United States (123%), Brazil (76.1%) and China (84%) have significantly higher debt-to-GDP ratios. While middle- and high-income countries owe two thirds of $92 trillion global debt, it is the $685.5 billion debt from African countries that is considered unsustainable and the subject of macro-economic interventions that prioritise cheap commodities at the expense of sustainable urban development.[20]

Financiers attribute Africa's limited access to affordable credit to what they term the 'risk-reward ratio': historically, African countries were perceived to present high risks of defaulting and limited capacity to generate returns on investment.[21] **The evidence on defaulting does not support this perception of risk, and low revenue collection and high levels of urban informal activity and dependence on remittances misrepresent willingness to pay for effective services** (Amani et al., 2019). The cumulative infrastructure debt default rate for all African countries from 2009 to2020 was just 1.9%, compared with Western Europe and Asia (4.6%), North America (6.6%) and Latin America (10.1%).[22] Comparing all project finance, Africa's 10-year cumulative default rate is 5.3%, which can be compared with Western Europe (4.6), North America (7.1%) and Latin America (10.1%). Demand for credit from Africa is undermined by tenure arrangements, that are perceived to be insecure, and macroeconomic volatility, but some of that volatility is a function a self-replicating debt cycle.)[23]

Certainly, global capital markets have struggled to reach the "grand bargain" called for by the African Development Bank and have not invested in the infrastructure required to support Africa's urban health and unlock economic opportunity on the continent. **Only two African countries (Botswana and Mauritius) have "investment grade" credit ratings, ruling out most institutional investors and effectively handing the role of rating investment worthiness to the International Monetary Fund (IMF).** The IMF has called for budget cuts under the rubric of "fiscal consolidation".[24] This has undermined the provision of infrastructure and services needed to enhance urban productivity that would allow African countries to escape the volatility of commodity dependence.

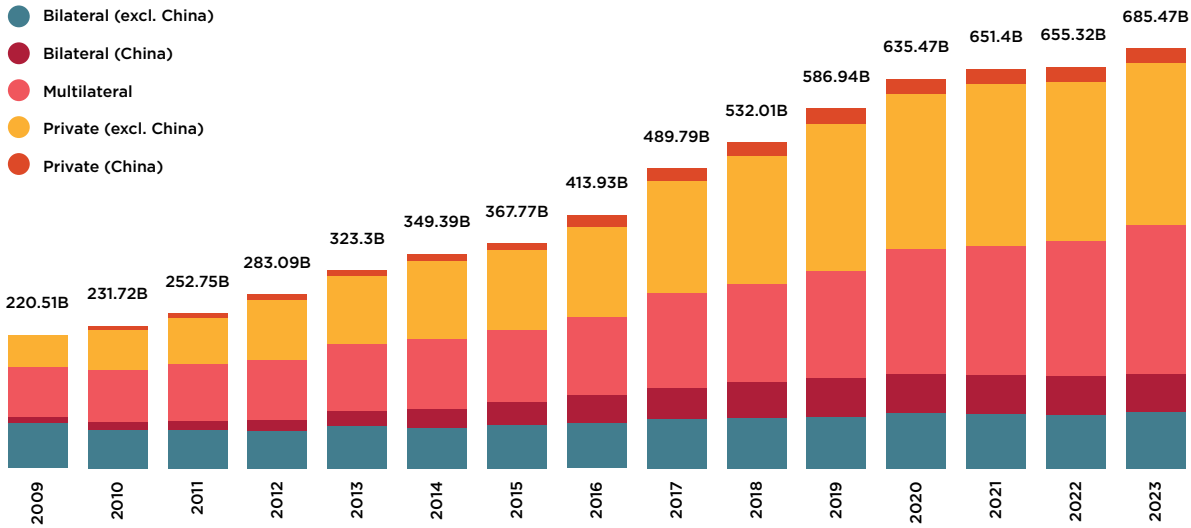
Crucially, **most African cities are not legally able to apply for development finance, and those that are able to borrow approach financial markets in very weak bargaining positions.**[25] As a result, the finance and investment that has been advanced to African countries has selectively picked the low-risk, high return projects such as mines, shopping malls, toll roads, ports and gated communities. These investments yielded spectacular returns on investment (11% between 2006 and 2011, when prices for African commodities were high and global average returns were just 5.1%), but have failed to generate the economic multipliers typically associated with infrastructure investment.[26] Not investing in a broad portfolio of service delivery infrastructure, due to perceived financial risk, generates financially systemic risks of its own, but this is not a risk that is currently imputed in the allocation of global capital.[27]

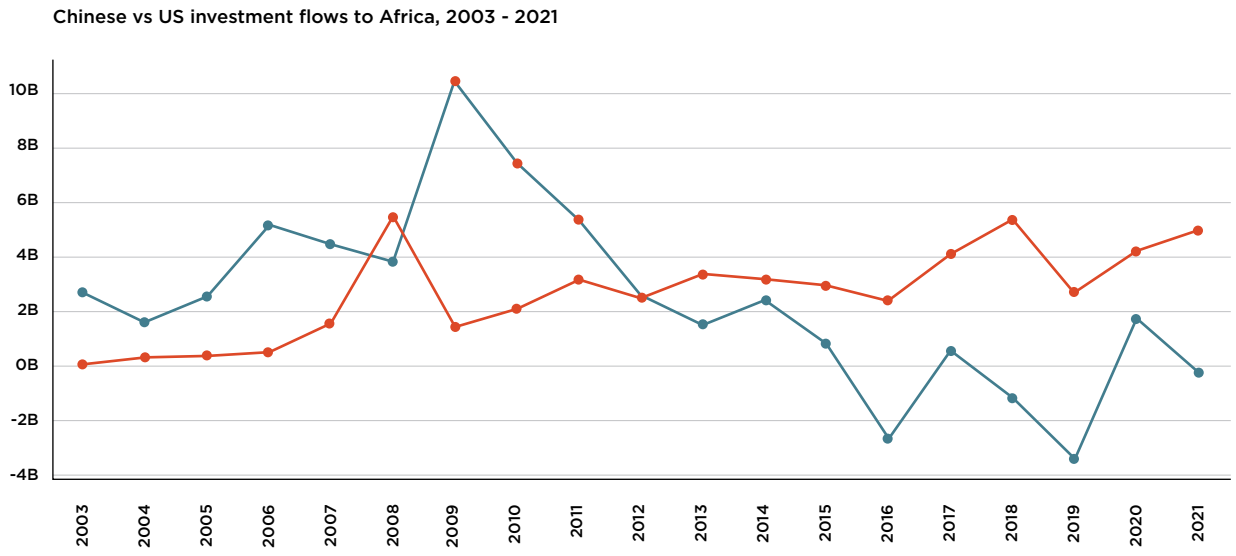
The emergence of new Development Finance Institutions (DFIs) and supply-side options, particularly the role of China as a supplier of finance and investment, has diversified development finance in ways that have assisted African countries. Chinese loans tend

17 South African Institute of International Affairs (SAIIA), (2024), Cost of Capital Commission: A Proposal. Report by David McNair.
18 UNDP, (2023), Lowering The Cost Of Borrowing In Africa—The Role Of Sovereign Credit Ratings.
19 ILO (2025) estimated Africa's debt servicing at $165bn in 2024, citing AfDB (2024) & Schwidrowski (2024).
20 Kaboub, F., (2024), Address to the UN Human Rights Council 2024 Social Forum, Geneva.
21 Halbert, L., & Attuyer, K., (2016), Introduction: The Financialisation of Urban Production: Conditions, Mediations and Transformations, Urban Studies, 53, 1347–1361; McHugh, C. A., (2023), Competitive Conditions in Development Finance, J. Int. Financ. Mark. Institutions Money, 83; Robinson, J. et al., (2025), Reframing Urban Development Politics: Transcalarity in Sovereign, Developmental and Private Circuits, Urban Studies, 62(1), 3–30.
22 The private Moody Analytics' report, "Examining Infrastructure as an Asset Class" (September, 2020) has not been sourced but has been cited by the World Bank's Global Infrastructure Hub and the President of the African Development Bank.
23 Kaboub, F., (2024), Address to the UN Human Rights Council 2024 Social Forum, Geneva.
24 Adler, G. et al., (2024), An Updated Action-based Dataset of Fiscal Consolidation (Working Paper 2024/210), IMF.
25 Haas, A; Cartwright, A; Garang, A and Songwe, V. (2023). From Millions to Billions: financing the development of African Cities. Report for the African Development Bank and Big Win Philanthropy. https://www.afdb.org/en/documents/publications
26 Anyanwu, J. C., & Yaméogo, N. D., (2015), Regional Comparison of Foreign Direct Investment to Africa: Empirical Analysis, African Development Review, 27, 345–363.
27 Schoenmaker, D., & Van Tilburg, R., (2016), What Role for Financial Supervisors in Addressing Environmental Risks?, Comparative Economic Studies, 58, 317–334.

to be from state-owned entities, secured against unconventional collateral such as harbours, mines and airports, and debt repayment is often supported by commodity exports, training and the contracting of Chinese companies. As of December 2023, 44 Sub-Saharan African countries and 19 countries in North Africa and the Middle East had signed on to China's Belt and Road Initiative (BRI), a global infrastructure development strategy. The BRI is said to have invested over US $170 billion in African countries since 2000 via grants and loans, significantly more than Western Countries over the same period.[28] In Egypt, Morocco and Tunisia, every $1 billion invested by China is reported to have created an estimated 110,000 jobs. China still only accounts for 12% of Africa's external debt, but countries in which the World Bank and China were active lenders saw the World Bank apply less stringent conditions on its loans between 2008 and 2013.[29]

**FIGURE 3:** Composition of Africa's debt and China's growing share of investment in Africa




28 Opalo, K. (2024b). https://www.africanistperspective.com/p/2024-year-in-review

29 Hernandez, D., (2017), Are "New" Donors Challenging World Bank Conditionality?, World Development, 96, 529–549. Qian, J. et al., (2023), The Impact of China's AIIB on the World Bank, International Organization, 77, 217–237.

African country enthusiasm for the Paris Agreement, an international climate change agreement adopted in 2015, is predicated on the expectation of climate finance on more favourable terms. (Libya is the only African country not to have signed the agreement). African countries have estimated that they will need $250-280 billion per year to implement their Nationally Determined Contributions (NDCs). The intention, since the Copenhagen Accord of 2009, reiterated by the Paris Agreement (Article 4.4, and also 4.8, 4.9), was that 'developed countries' provide $100 billion per year from 2020 to 'developing countries', spread evenly between adaptation and mitigation. As of April 2025, the Green Climate Fund (established within the framework of the UNFCCC) had committed $16.7 billion but disbursed just $5.6 billion in total.[30] Total commitments to date were expected to avoid 3.1 billion tons of CO2e (carbon dioxide equivalent), just 6% of the annual greenhouse gas emissions.[31] At COP29 held in Azerbaijan, parties revised the 'New Collective Quantified Goal on Climate Finance' (NCQG) with a pledge to provide $300 billion annually to developing countries - but only by 2035; a date that is too late to prevent the considerable damage caused by exceeding the 1.5°C warming threshold.[32] In response, African leaders have called for $1.3 trillion in climate finance annually. In January 2025, a $35 billion deal with the World Bank and African Development Bank to provide electricity to 300 million Africans (primarily through solar powered mini-grids) was agreed. **To date, however, climate finance has required extensive negotiations and attracted significant media attention but has not been forthcoming on any significant scale and has not altered the structural constraints that have curtailed general finance to Africa.**

A more effective approach to securing FDI would see African countries leverage their relatively low-carbon status, and abundance of carbon sinks, to compete for a share of what the World Bank estimates to be $5.2 trillion that will be spent every year post-2030 to ensure a climate resilient society. (McKinsey put this estimate at $9 trillion per year). Anticipating and supplying future demand has underpinned China's response to climate change. In 2015, China released the "Made in China 2025" plan - not as a protectionist measure but based on its understanding of the future needs of the manufacturing sector.[33] The plan charts China's intention to be the leading global supplier of clean technologies, electric vehicles, rare earth minerals and semiconductors, and reflects the inevitability of the need to respond to climate change.[34] For African countries, seeing infrastructure investment and climate change not just as an entitlement to climate finance but as an economic opportunity, would redirect attention to readily achievable and critically needed domestic and regional policies and programmes. These include better allocation of existing budgets and SOE investment, the mobilisation of domestic savings (pension funds, the roughly 25 sovereign wealth funds), clamping down on illicit financial flows, the harnessing of remittances (estimated to comprise $83.3 billion, equivalent to 2.6% of the continent's GDP)[35] that would allow infrastructure investments to be funded and invested in domestic currencies[36], and the encouragement of legal remittances given that remittances have grown 12.1% a year over the past two decades, which is faster than FDI (5.2%) and Official Development Assistance (ODA) (4.7%).[37]

30 Green Climate Fund (GCF), (2025), Project Dashboard.
31 Green Climate Fund (GCF), (2025), Project Dashboard.
32 Intergovernmental Panel on Climate Change (IPCC), (2022), Sixth Assessment Report WGII, Chapter 6.
33 Bearak, M., (2025), The Climate Solution That Does Not Mention Climate, New York Times. Buckley, L., & Hopkins, C., (2021), Engaging with China's Ecological Civilisation.
34 Thibault, H., (2025), Ten Years On, the Relative Success of Beijing's Made in China 2025 Plan.
35 These official statistics may be conservative given a significant share of remittances to Africa occurs via informal channels.
36 International Labour Organisation (ILO), (2025) World Employment and Social Outlook: Trends 2025. Lopes, C., (2024) The Self-Deception Trap: Exploring the Economic Dimensions of Charity Dependency within Africa-Europe Relations, Palgrave Macmillan.
37 International Labour Organisation (ILO), (2025), World Employment and Social Outlook: Trends 2025.

**TEXT BOX:** Fiscal devolution in Africa relative to the rest of the world

The African Union Charter on the "Values and Principles of Decentralisation, Local Governance and Local Development" is clear on the need for decentralisation, and the manner in which national governments should support the process. Similarly, Article 3(1) of the African Union's Africa Urban Forum Declaration on Sustainable Urbanisation for Africa's Transformation seeks to "Encourage national governments to put in place transparent mechanisms for sharing public financial resources in order to ensure that investment and operations costs of managing urban development are met at the appropriate level of governance."

Progress on the continent has been uneven, but it is worth reflecting on Africa's decentralisation and devolution relative to other regions.

- Wealthier countries, and countries with higher Human Development Indices, in all regions of the world tend to have higher levels of expenditure decentralisation.
- Only 12% for Low Income Country expenditure is by sub-national entities, while High Income Countries spend 28% of their money through sub-national entities. The relationship between GDP per capita and degree of sub-national expenditure is mediated by a range of historic and institutional factors, but generally positive.
- A sample of 135 countries (conducted at the height of the COVID-19 crisis) reported an annual increase in local government revenue of 2.6% in the year to 2020. This was accompanied by growing opportunities for local authorities to access debt-finance.
- Across a sample of 122 countries, sub-national governments collect 14.5% of total government tax revenue, but amongst African countries this figure stood at 4.9% in 2020. In China, Germany, Canada and Pakistan, sub-national entities collect over 50% of government revenue.
- Globally, sub-national governments account for 21.5% of total public expenditure, 39.5% of investment in gross fixed capital and 8.3% of GDP, but most African countries are below the global average on each of these counts. Half of the countries sampled (61 countries) have both a regional and a municipal tier of sub-national government, while 38 countries have only a municipal sub-national tier.
- At least 21 African countries have explicit National Urban Policies aimed at allocating service delivery responsibilities and budgets, and 35 African countries are improving their "enabling environment" for cities between 2012 and 2018 (UCLGA/ Cities Alliance, 2018). Avoiding the emergence of unfunded or underfunded mandates is the central focus of decentralisation strategies.
- Multi-level governance arrangements are dynamic. While local governments are merging and consolidating in Europe and North America, in rapidly urbanising Africa new local governments are being demarcated. There is a growing trend towards local authority co-operation and support, and towards decentralising to capacitated sub-national entities while removing responsibilities from struggling national entities ("asymmetric decentralisation").
- Across 122 samples countries, property tax comprised 34.1% of sub-national tax revenue and 8.2% of sub-national revenue. In most African cities, property tax and land value capture represent an underutilised source of revenue.

Source: SNG-WOFI (2022)[38]

38 SNG-WOFI, (2025), World Observatory on Sub-National Government Finance and Investment.

The 11 major Multilateral Development Banks (MDBs) hold $1.8 trillion in assets (African Development Bank held $43 billion in 2021 and New Development Bank $18.8 billion) but are confronting calls to lend against "callable" capital that is guaranteed when MDBs need it, so as to expand their lending book by $1 trillion.[39] The key to longer-term financial stability will be directing this money to the right investments, of which Africa's urban infrastructure forms a crucial part. **Without recognising the centrality of cities to other efforts focussed on energy sovereignty and pan-African industrial policy, for example, finance will simply entrench Africa's status as the supplier of cheap raw materials.**[40]

More effective fiscal policy from African countries would strengthen calls for reform of the global financial architecture and for increasing risk appetite from MDBs, and simultaneously ensure enhanced revenue collection and improved budget allocations. **The average tax-to-GDP ratio is 16.5% in Africa** (Brookings, 2023),[41] lower than other regions such as Asia and the Pacific (19.1%), Latin America and the Caribbean (21.9%), and Organization for Economic Cooperation and Development (OECD) countries (33.5%). There is now **easy scope to support digitally enabled improvements in urban revenue collection for land and services to complement resource taxes** that have proven unstable and difficult to collect and reinvest in urban spaces.[42] Globally, sub-national entities contribute 14.5% of public sector revenue, but the average for Africa is 4.9%, even when donor grants are considered.[43]

Only two African countries (South Africa and Nigeria) have local governments generating more than 20% of national revenue. There are 17 African countries with sovereign wealth funds in Africa, but to date these have not supported urban infrastructure and have not significantly enhanced access to infrastructure finance by ushering in the type of assets deemed "investable" by institutional investors.

The G20 has a history of calling for debt service relief and the re-channelling of Special Drawing Rights (Jacobs et al., 2024) but **unlocking Africa's urbanisation dividend through investments in urban infrastructure holds a key to the type of growth that would enhance debt serviceability and macro-economic stability, while ensuring financial market stability.** Locally funded investments would better account for critical operation and maintenance costs that are often under-estimated in FDI projects. Effective maintenance reduces the life-cycle cost of transport and water and sanitation infrastructure by more than 50%.[44] Addis Ababa's light rail system, built with FDI at a cost of $475 million and operating since 2015, is now suffering under a $60 million maintenance deficit and only able to transport a fraction of the anticipated passengers.[45] For African cities, this financing strategy is only possible if multilevel governance arrangements deliver transparent and predictable transfers from national governments and enhanced revenue collection – something that India has shown can be enabled through digital technology (Text Box).

39 Léautier, F. & others, (2022), Boosting MDBs' Investing Capacity: An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks.
40 Kaboub, F., (2024), Address to the UN Human Rights Council 2024 Social Forum, Geneva.
41 Other estimates put tax to GDP at 12.5% (Kebede & Gautner, 2024)
42 Kebede, G. K., & Gauntner, P., (2024), African Cities at the Crossroads: Closing the Urban Infrastructure Investment Gap.
43 SNG-WOFI, (2025), World Observatory on Sub-National Government Finance and Investment.
44 Rozenberg, J., & Fay, M., (2019), Beyond the Gap: How Countries Can Afford the Infrastructure They Need while Protecting the Planet.
45 Tadessa, F., (2024), A Crumbling Metro Reveals Failed Promise of China's Billions in Africa.

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# About the authors of this series

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# About the Urban2063 Coalition

The Urban2063 Policy Brief Series forms part of a larger initiative led by the African Centre for Cities, University of Cape Town focused on foregrounding the importance of sustainable urbanization as central to Africa's structural transformation in line with the vision of Agenda 2063. During 2025, the work of the Urban2063 Coalition is focused on the deliberations of the G20, with specific focus on the Urban 20 outcomes.

The Urban 2063 Coalition is comprised of contributing partners that include: African Centre for Cities, African Climate and Development Institute, Association of African Planning Schools, ARUP – Africa Region, Cambridge Institute for Sustainability Leadership (Africa chapter), Centre for Sustainability Transitions – Stellenbosch University, Climate KIC, Club of Rome (Africa Section), Urban Futures Studio – Utrecht University, Women in Employment Globalizing and Organizing (WIEGO), World Resource Institute (WRI), Overseas Development Institute (ODI) & GSM Association (GSMA).

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