MADAGASCAR URBANIZATION REVIEW

LEVERAGING CITIES AS DRIVERS OF GROWTH AND STRUCTURAL TRANSFORMATION

2024
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Visions for Territorial Development and Cities exists but have not been translated into a strategic plans to support Madagascar sustainable development.

Madagascar is not operating as a system of cities.

The lack of connectivity between cities limits the development of a working urban system and thus, urban growth potential.

Identifying value chains could put Madagascar on the path to structural transformation.

2.2. Spatial development of cities: urban expansion, land, housing and resilience

Malagasy cities are characterized by urban expansion (largely informal) into flood-prone areas.

The shortage of well-located affordable housing is a driver of informal settlements and uncontrolled urban expansion.

Dysfunctional urban land markets are hindering urban development.

Cities face multiple hazards that lead to massive damages and reversal of developmental gains; coastal cities are especially exposed.

2.3. Basic services and Infrastructure

Major infrastructure gaps and weak service delivery are apparent across all urban areas, with disparities between different sized cities and among the large cities:

local governments are not meeting the demand for basic services.

Investments in urban transport have not kept up with the extension of urban areas and population growth.

Solid waste production increases with growing urban populations, however solid waste management remains underdeveloped.

2.4. Urban governance: Decentralization and local government finance

The governance challenge of Urban Communes: incomplete decentralization and a weak urban policy leave local governments with poor capacity and direction to foster the sustainable growth of cities.

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THE MADAGASCAR URBANIZATION REVIEW AIMS TO:

- Contribute to the 2019 National Policy for Urban Development (Politique National de Développement Urbain), the main policy document outlining the priorities for cities in Madagascar.
- Serve as a diagnostic tool to identify the key barriers to sustainable and equitable urban growth in the country.
- Offer a set of recommended investment priorities and their sequencing, to support governments in making informed decisions on the future development of cities.
- Promote an integrated approach to urban development and improve government capacity.
- Help city leaders and national policy makers to:
  i. Think strategically about the opportunities offered by urbanization;
  ii. Address key bottlenecks that are holding back the potential benefits of urbanization;
  iii. Develop plans to address cities’ most pressing issues; and
  iv. Build consensus between the national and local levels to drive the urban policy agenda.
PART 1.

THE BIG PICTURE: MALAGASY CITIES AND URBANIZATION
Only 30 of Madagascar’s population lives in cities 7.7 million in 2018, less than the average of Sub-Saharan African countries. 41

But Madagascar is urbanizing faster than other SSA countries (urban pop. growth rate at 4.4% vs 4.0%). The share of urban population will surpass the rural share by 2036.

Madagascar is urbanizing at lower per capita GDP than world comparators. Malagasy cities generate 75% of the country’s GDP. However, they are not leveraging the opportunity for spatial and economic transformation that has accompanied urbanization in other countries.

Source: WDI using UN World Population Prospects 2019 data

Note: Gray dots correspond to values from 2017 for all countries.
RAPID URBAN POPULATION GROWTH IS OCCURRING IN A CONTEXT OF
OVERALL ECONOMIC STAGNATION WHILE POVERTY REMAINS HIGH

- Globally, economic growth and transformation are associated with increasing
urbanization the release of labor from agriculture as people move to cities and
take on more productive jobs lead to sustained labor productivity increases.
However, while Madagascar’s economy has been growing at a modest pace,
real income per capita has been declining currently about 45
below its 1960 level.

- The agriculture sector is the biggest employer, but GDP per capita has been
decreasing since the 90’s Services have the highest contribution to GDP per capita,
but value added has been stagnant since 1990.

- Poverty is increasing rather than reducing with urbanization: As of 2020 81
lived in extreme poverty nationally, up from 78 in 2010 and 64 in the early 2000s.

**GDP and population growth**

**Value added by sector to GDP**

**Contribution by sector to employment (%)**

*Source: Madagascar SCD 2022*

*Source: WDI 2022*
A sizeable share of urban residents are still employed in agriculture suggesting only limited structural transformation due to incipient urbanization.

- 24 of the total urban population still work in agriculture, many at subsistence level.

- The size of the urban area matters to the percentage of residents still engaged in agricultural activities, reaching more than 53 in small towns.

**Share of urban population employed in agriculture**

**Share of urban population employed in agriculture by city size**

*Source: Computed using Census, 2018*
MALAGASY CITIES ARE EXPERIENCING POPULATION GROWTH AT DIFFERENT RATES, WITH CAPITAL, ANTANANARIVO (TANA) LEADING THE COUNTRY’S DEVELOPMENT

- Antananarivo has 13 million people 4 times the size of the next city (Toamasina). The Greater Tana metropolitan region totals 3 million inhabitants.

- Population growth of Tana is steady with the city welcoming 60 000 to 100 000 new inhabitants every year. Tana is the country’s engine of economic growth contributing to 44% of the national GDP.

- But medium sized cities (25 k 100 k pop.) are growing in population faster than larger cities and small towns (5 k 25 k pop.)

**Distribution of the population over the 7 largest cities**

**Share of urban population employed in agriculture by city size**

**NUMBER OF CITIES BY POPULATION SIZE**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan area (&gt;1M)</td>
<td>1</td>
</tr>
<tr>
<td>Large city (100k - 1M)</td>
<td>6</td>
</tr>
<tr>
<td>Medium size city (25k - 100k)</td>
<td>49</td>
</tr>
<tr>
<td>Small town (5k – 25k)</td>
<td>116</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>172</strong></td>
</tr>
</tbody>
</table>
URBAN POPULATION GROWTH HAS BEEN DRIVEN BY NATURAL GROWTH AND MIGRATION. MIGRATION IS MORE RELATED TO A «PUSH» FROM RURAL AREAS COMBINED WITH THE PULL OF PROSPEROUS URBAN AREAS.

Declining national fertility and under 5 mortality rates while life expectancy increasing from 45 years in 1970 to 66 in 2016

Source: WDI, 2022

- Decline in agricultural output and in employment shares are perceived to be major drivers of rural-urban migration.
- Increasing droughts in the South have resulted in lower agricultural outputs and food insecurity, pushing those in rural areas to move to cities, notably Toliara.

Visualization of in/out migration of districts that have more than 10% of migrated population

Source: Computed using Census, 2018
MADAGASCAR URBANIZATION REVIEW

URBANIZATION IS TAKING PLACE IN A CONTEXT OF INCREASED NATURAL DISASTERS AND CLIMATE CHANGE

- Madagascar’s location, topography and socioeconomic conditions make it particularly vulnerable to climate change and extreme weather events, with cyclones, flooding, and drought posing the greatest risks in different parts of the country.

- The number of disaster related events impacting Madagascar has tripled over the last 20 years compared to the previous 20 year period. Recent cyclones (4 in January and February 2022) caused damages up to US$658 million.

**TROPICAL CYCLONES**
- Most prevalent hazard in Madagascar (occurrence average 3 times/year) across North.
- East 85% of Average Annual Losses (AAL)
- Recent cyclones (4 in 4 weeks) caused damages up to US$658 million

**FLOOD**
- Coastal zone retreat: Mahajanga (North-West)
- Morondava (southwest)
- Toamasina and Manakara (East)

**COASTAL EROSION**
- Coastal zone retreat: Mahajanga (North-West)
- Morondava (southwest)
- Toamasina and Manakara (East)

**DROUGHTS**
- 3,104 exposed municipalities with a population of 1,470,000
- Food insecurity affects 1/3 - 2/3 of the population
CITIES COULD PLAY A PIVOTAL ROLE IN POVERTY REDUCTION

Policies and investments at the city level that facilitate access to basic services and jobs would support overall reductions in poverty and inequality.

- **1 in 5 poor people live in areas near major cities.** High concentrations of urban poverty are noticeable around Toamasina, Tana, Antsirabe, and Toliara. In Tana, 66% are below the national poverty line.

- **Non-monetary poverty indicators deteriorated in urban areas** and mostly stagnated in the poorest regions in the South.

- There has been limited ‘spillover’ effects attributed to urban agglomeration to overcome regional spatial disparities.

Source: MICS (2018), DHS (2008), World Bank (Madagascar SCD Update 2022)
CITIES ARE CENTRAL TO THE ECONOMY BUT COULD BE LEVERAGED FURTHER

- The 7 largest cities (pop. >100k) house most formal sector jobs and attract a “well educated” labor force. **But most urban jobs are informal (60%).** On average, only 14% of the urban population is employed in a tradable sector. Agriculture still plays a significant role, especially in small towns (over 50% of jobs).

- Urban centers provide relatively stable markets for agri- and aquacultural produce, and they house universities, healthcare facilities, administration services, and banking institutions - all essential for improving living and economic conditions of the general population.

- The larger cities host most large firms and MSMEs. **BUT businesses experience significant growth constraints due to insufficient public services and infrastructure (especially in electricity).**

**Employment by city/town size and by status**

**Educational Attainment of Working Age Population (15-64)**

*Source: Computed using Census, 2018*
INFORMALITY IS HAMPERING PRODUCTIVITY, COMPETITIVENESS AND LIVABILITY IN URBAN AREAS

Over 60% of urban residents live in slums; in Tana, 77% of the settlements are informal and below UN Habitat standards.

- **In the absence of tenured, well-located land with access to services**: businesses and enterprises will not invest in cities, and private sector supply of affordable housing will not increase.

- **Without affordable housing alternatives** people who move to urban areas will resort to informal housing and slums will continue to grow. 77% of the settlements in Tana are informal and below UN Habitat standards.

- **Affordable housing is often built in the periphery of cities** without planning, increasing the unplanned sprawl of urban areas.

- **Urban expansion and informality make it increasingly costly for cities to provide basic services** – i.e., to extend water/sanitation/drainage networks, to increase SWM collection, etc.

- Improvement and upgrading of informal settlements is much more expensive than providing services to planned urban areas.

- Informal areas are much more vulnerable to natural disasters.

- Environmental degradation will continue to increase with pressure from transport emissions, disposal of sewage and waste.

**Continued imbalanced spatial growth in urban areas will exacerbate social inequalities.**
Urbanization in Madagascar reflects the increase of urban population without expected economic growth and structural transformation.

While the bulk of the poor still live in rural areas, people are migrating to cities and the number of urban poor is increasing.

Three quarters of the country’s GDP is concentrated in urban areas, but – when compared to peers - Malagasy cities could be much greater drivers of resilient economic growth and of poverty reduction and could relief from continued actual economic trajectory.

Climate change will greatly aggravate the situation as cities concentrate people and risks: in a business-as-usual scenario and non-resilient development, the economic costs and the vulnerability of the urban poor will increase exponentially with recurring natural disasters increasingly driven by climate change.

In the face of increasing urbanization and challenges that come with it, inaction will be costly in economical and social terms.

It is urgent to intervene to leverage the opportunities that more efficient urbanization would bring in terms of poverty reduction, increased economic growth, and improved livability in urban areas.

The following sections highlight the bottlenecks to tapping the urbanization potential of Malagasy cities and a plan to address the challenges and constraints, including a long-term roadmap and specific recommendations for interventions by city typology.
PART 2.

THE BOTTLENECKS: CHALLENGES AND CONSTRAINTS
MADAGASCAR TERRITORIAL DEVELOPMENT AND URBAN SYSTEM
VISIONS FOR TERRITORIAL DEVELOPMENT AND CITIES EXISTS BUT HAVE NOT BEEN TRANSLATED INTO A STRATEGIC PLANS TO SUPPORT MADAGASCAR SUSTAINABLE DEVELOPMENT.

Even if the policy put forward a territorial approach for urban development, strategic planning and action remains less integrated, more sectorial oriented and disarticulated from and between local and regional assets.

- The National Land Planning Policy was developed in 2006, and the 2019 National Urban Development Policy (PNDU) is the main policy document outlining the 2040 vision for cities.

- The vision is to “build a strong, prosperous, and united nation for the pride and well-being of the Malagasy people from (1) Well-planned, safer, resilient, inclusive, equitable, sustainable, and identity-based cities for the Malagasy society and (2) Cities that will fully ensure their functions as service providers, economic development engines and structuring of the national territory.”

MADAGASCAR ADMINISTRATIVE DIVISIONS IS DOMINATING THE SPATIAL PLANNING FRAMEWORK

- National
  - SNAT national land use plan
- Provinces
  - 06
- Regions
  - 23
- Inter-commune
  - SAIC intercommunal land use plan
- Communes
  - 1579
- Urban sub sectors
  - PUDé detailed urban plan
- Neighborhoods (fokontany)
  - Tools developed by the Ministry of Planning
ECONOMIC GROWTH PROSPECTS VARY ACROSS THE ISLAND: DEVELOPING A SYSTEM OF CITIES COULD IMPROVE PROSPECTS

Economic growth prospects are measured as a composite of population density, market access and rural access (both conditioned by road access, population density), literacy and agricultural production. The highest prospects are identified as:

- (a) the corridor between Antananarivo and the port city of Toamasina,
- (b) the Sava region (the largest producer of vanilla),
- (c) and (c) areas along the Eastern shore.

Source: WB, Madagascar Project Targeting Index (PTI), 2022.
MADAGASCAR IS NOT OPERATING AS A SYSTEM OF CITIES

- **Madagascar is more than Tana:** every city should have a role to play in an urban system
  - Antananarivo dominates and is the engine of Madagascar’s economy
  - But this should not prevent the growth of other cities and the development of a multi-centric urban system.

- **A territorial/spatial development framework** would allow the country to leverage the potential of the different urban areas, and to bring opportunities in a more spatially efficient manner.
  - **Small cities** can serve as links to rural areas, where farmers can have access to markets and services
  - **Medium-sized cities** could specialize based on their endowments (e.g., tourism), or concentrate economic activities (e.g., agro-industry) and can serve as logistics hubs for transporting goods and linking local markets
  - **Large cities** can serve as gateways to the global economy
  - **23 regions** exist administratively and are just starting to be capacitated to manage development at the regional level.
Poor road quality

- Madagascar is rated 2.2 on a scale of 1 to 7 (Global Competitiveness Index, 2019)
- Poorly maintained roads are often damaged by heavy rains or natural catastrophes, contributing to severe connectivity disruptions

Variable road access

- Relatively high access in areas around major secondary cities: Toamasina, Antsiranana, Mahajanga, Toliary and along key highways
- Limited rural access: Only 11% of the rural population estimated to live within 2 km of an all-season road in good condition.

Source: Madagascar Spatial Analysis of Transport Connectivity and Growth Potential, 2019
IDENTIFYING VALUE CHAINS COULD PUT MADAGASCAR ON THE PATH TO STRUCTURAL TRANSFORMATION

Formal employment generation can be seen in the tourism, food processing (including fishery products), ICT and textile sectors; agribusiness and textile manufacturing are leading Madagascar’s exports while export of telecom-related services are rising.

Supporting the growth of these value chains could have positive effects on the generation of formal jobs in urban areas.

**Source:** CEM Madagascar, 2020
2.2 SPATIAL DEVELOPMENT OF CITIES: URBAN EXPANSION, LAND, HOUSING AND RESILIENCE
MALAGASY CITIES ARE CHARACTERIZED BY URBAN EXPANSION (LARGELY INFORMAL) INTO FLOOD-PRONE AREAS.

- Urban expansion is largely unplanned and uncontrolled.
- Non-compliance with land use regulations have fostered unsustainable urban growth patterns, increasing the costs to build, operate and maintain infrastructure in expanding urban areas - making it difficult for local governments to provide access to basic urban services.
- Infrastructure development to serve settlements in flood-prone areas is challenging if not infeasible.

According to the 2019 National Housing Policy, **there is a deficit of 1.73 million housing units in Madagascar.**

**Over 60% of urban residents live in slums.**

Public resources allocated to housing are very low (less than 5% of the Public Investment Program). Minimal involvement of the private sector to increase the supply of affordable housing.

Urban expansion often takes place in flood-prone areas, increasing the vulnerability of those who settle informally under fragile housing conditions.

A large share of urban housing is built with fragile materials, prone to damage during extreme weather events – over 90% of urban housing has a fragile roof and majority of housing in small to large cities is built with fragile walls.

The recent initiatives undertaken in terms of housing development could be supported by focusing on affordable housing.

**Source:** Census, 2018
DYSFUNCTIONAL URBAN LAND MARKETS ARE HINDERING URBAN DEVELOPMENT

- The innovative Land Reform initiated by the Government in 2005 has been successful in decentralizing land management in rural areas, recognizing rural customary rights and securing rural ownership rights.

- Urban land governance was not covered by the Land Reform and faces different challenges:
  - Land registries and cadaster records are incomplete, outdated, and do not reflect current land occupation.
  - Land markets in urban areas are active but mostly informal.
  - Urban land administration capacity needs to be strengthened to satisfy local needs.

- The lack of clarity on urban property rights and weak land administration systems raise serious challenges in growing urban areas:
  - Constrain urban planning, limit private sector investment, and hinder development of urban areas.
  - Threaten social cohesion due to conflicts within families, between neighbors and with government.
  - Limit the collection of taxes and thus the ability of local governments to raise essential resources.

An urban land reform comparable to that undertaken for rural areas is urgently needed.
CITIES FACE MULTIPLE HAZARDS THAT LEAD TO MASSIVE DAMAGES AND REVERSAL OF DEVELOPMENTAL GAINS; COASTAL CITIES ARE ESPECIALLY EXPOSED

- Cities are exposed to earthquakes, cyclones, floods, sea level rise and coastal erosion. Cities from the Diana region (Antsiranana, Ambilobe, Ambanja, Hell-Ville) show the highest value of average annual losses (~2%) and probable maximum loss (~38%).

- 30% of urban communes are coastal cities (70% of medium size cities). Soalala, Morondava, and Toliary on the west coast are projected to be amongst the most exposed cities in terms of total proportion of built-up areas exposed to sea-level rise. Mahajanga, Toamasina and Manakara are also located within coastal erosion zones.

Exposure to sea level rise will increase if global climate mitigation efforts fail to substantially reduce greenhouse gas emissions.

Source: World Bank with data from SWIO-RAFI
Note: AAL = Average Annual Losses and PML = Probable Maximum Loss
2.3 BASIC SERVICES AND INFRASTRUCTURE
MAJOR INFRASTRUCTURE GAPS AND WEAK SERVICE DELIVERY ARE APPARENT ACROSS ALL URBAN AREAS, WITH DISPARITIES BETWEEN DIFFERENT SIZED CITIES AND AMONG THE LARGE CITIES: LOCAL GOVERNMENTS ARE NOT MEETING THE DEMAND FOR BASIC SERVICES

**Access to direct water and sanitation by city size**

- **Percent of households**
  - **Antananarivo**: 73.4%
  - **Large (> 100k)**: 70.2%
  - **Medium (50-100)**: 67.6%
  - **Small (20-50)**: 65.5%
  - **Very Small (<20k)**: 62.1%
  - **Rural**: 11.8%

- **Access to electricity by city size**

- **Percent of households with access to electricity**
  - **Antananarivo**: 89.8%
  - **Large (> 100k)**: 80.7%
  - **Medium (50-100)**: 67.0%
  - **Small (20-50)**: 53.7%
  - **Very Small (<20k)**: 47.9%
  - **Rural**: 29.2%

**Access to selected services in Antananarivo and large cities**

- **Source**: 2018 Census
INVESTMENTS IN URBAN TRANSPORT HAVE NOT KEPT UP WITH THE EXTENSION OF URBAN AREAS AND POPULATION GROWTH

- Urban transport services are mostly “informal” and loosely regulated.

- In Antananarivo, minibus (taxi-be) is the most utilized means of transport (60,000 passengers/day), however, 50% of residents and majority of the poor walk to commute to work – transport services are unreliable and costly, especially for the poor. Private car ownership is very low at 6%.

- Informal transport services are often overconcentrated where the demand is high, increasing traffic congestion in urban areas, while less populated areas or remote suburban areas are left unserved.

- Lack of coordination between the two regulatory authorities in Greater Antananarivo results in bus services being duplicated geographically, adding to traffic congestion.

- About 2/3 of overall trips are made between Antananarivo and suburban areas, with commuters spending on average 45 minutes to and from the city - limited road networks result in heavy traffic congestion, affecting productivity and lowering quality of life.

A well-integrated urban transport system is necessary to promote the mobility of people and an appropriate regulatory framework must be put in place to ensure safe and efficient operations.
SOLID WASTE PRODUCTION INCREASES WITH GROWING URBAN POPULATIONS, HOWEVER SOLID WASTE MANAGEMENT REMAINS UNDERDEVELOPED

- **Limited waste collection.** In Antananarivo, the solid waste collection rate is 75% (2016); in other cities, municipal waste collection is less than 50% on average.

- **Improper disposal.** More than 50% of solid waste is disposed illegally into canals, obstructing the drainage system and contributing to increased flooding.

- **Local Solid Waste Management (SWM) operators face technical, financial and organizational challenges** - cities (e.g., Toamasina, Fiaranatsoa, Toliara) rely on a combination of informal, private sector and NGO partnerships for service delivery.

- **Insufficient landfills.** Majority of cities do not have sufficient supply of sanitary landfills, creating serious environmental and public health concerns – Tana only has 1 landfill to serve its entire population.

- **Minimal recycling.** Local recycling practices are emerging with support by NGOs but remain limited.

*Andralanitra*: Antananarivo landfill since 1960, polluting the east part of the city with dust and gases, where 3000 waste pickers are living. While the landfill was supposed to close in 2012 it still operational today.

*Source: Projet Tatom.*
2.4

URBAN GOVERNANCE: DECENTRALIZATION AND LOCAL GOVERNMENT FINANCE
THE GOVERNANCE CHALLENGE OF URBAN COMMUNES: INCOMPLETE DECENTRALIZATION AND A WEAK URBAN POLICY LEAVE LOCAL GOVERNMENTS WITH POOR CAPACITY AND DIRECTION TO FOSTER THE SUSTAINABLE GROWTH OF CITIES.

A main impetus for the challenges and constraints facing Malagasy cities lies in the overarching systems: urban governance and local government finance systems that are hampered by incomplete decentralization and a weak national urban policy.

- According to the 2014 decentralization law, urban communes are mandated to provide basic services, but the law does not provide clear guidance on which services UCs must provide or provide clear delegation of responsibilities. Numerous central government departments and a range of parastatal organizations are involved in urban service delivery – thus, Madagascar remains highly centralized.

- Decentralization has not been accompanied by requisite institutional, technical and financial capacity at the local level, thus, local governments are limited in their ability to provide services. In general, LGs provide registration and sub-optimal solid waste management services and manage and regulate local retail markets.

- A decentralization framework exists, but it has not been implemented. The 2021 Letter of Policy of Emerging Decentralization (LPDE) represents a positive step, proposing multiple reforms to empower local governments by 2030. Action plan resulting from the LPDE is finalized and constitutes as essential pivot for the good governance of cities.

- The 2019 National Urban Development Policy (PNDU) is the main policy document outlining the priorities for cities, but implementation of objectives remain a challenge. The policy is based on 10-year-old data.
THE FINANCIAL CHALLENGE OF URBAN COMMUNES: INSUFFICIENT FINANCIAL RESOURCES TO PLAY AN ACTIVE ROLE IN URBAN DEVELOPMENT

01. REVENUES ARE LOW

Fiscal transfers

- Transfers from State Budget represent less than 5% of the revenues of urban communes. This makes Madagascar a global outlier. Globally, grants and subsidies/transfers are in the order of 50% of subnational government revenues.

- Fiscal transfers are insufficient and ad hoc. Transfers/grants vary considerably from year to year, and from one local government to another.

- All communes receive transfers/grants to finance operating expenditures, but not all receive funds for capital expenditures. The share of capital grants varies every year. These are available through the Local Development Fund and are subject to qualification criteria and conditions.

Own Source Revenues (OSR)

- Annual OSR account for 95% of all subnational revenues, but:
  - Property tax collection is very limited
  - Service provision is priced well below cost-recovery
  - Limited user fees and charges
02. RECURRENT EXPENDITURES ARE HIGH

- Recurrent spending accounts for over 90% of total expenditure, while capital spending accounts for less than 10%.
- Salaries and benefits alone typically account for around 75% of total expenditure.
- Spending on infrastructure and service delivery is marginal.
03. MUNICIPAL BORROWING IS NON-EXISTENT

- Urban communes are legally allowed to borrow, with the approval of the Ministry of Finance.
- In practice, no urban commune has borrowed funds to finance public investments or used lines of credit to pay for cash low deficits.
- Given the precarious financial situation of urban communes, borrowing from commercial financial institutions is unlikely.

The financing gap for urban infrastructure and services is staggering.

- The Urban Master Plan for Greater Tana has identified investment needs in infrastructure up to US$ 2 billion.
- Other cities in the country also face major financial challenges in addressing infrastructure and service needs.
- Public financing at the scale that is needed is not available.
- Private sector not incentivized to finance/co-finance urban infrastructure.
- Urban communes are highly dependent on international donor-funded investment programs for the construction, operation and maintenance of infrastructure.
Malagasy cities face a multitude of challenges and constraints, many of which are interlinked.

The bottlenecks hamper balanced territorial development and spatial development of urban areas, access to basic services and infrastructure, and the effective management of urban areas.

However, considering Madagascar is still in the process of urbanizing, the country has a key opportunity to intervene to better plan, manage and coordinate the development of its cities and regions - as a national urban system - and to make necessary investments to improve productivity and livability before urban growth is locked in.

However, change will not happen overnight! It is critical to lay out a vision to sequence policy reforms and priority interventions in order to achieve the desired outcomes.

The next section presents a plan to leverage urbanization in Madagascar and to put cities on a path to support structural transformation and poverty reduction.
PART 3.

THE PLAN TO TRANSFORM MADAGASCAR’S CITIES AS DRIVERS OF GROWTH AND RESILIENCE
A LONG-TERM ROADMAP FOR TAPPING THE URBANIZATION POTENTIAL OF MADAGASCAR
# A Long-Term Roadmap for Tapping the Urbanization Potential of Madagascar

<table>
<thead>
<tr>
<th>01.</th>
<th>Strengthen the National Urban Development Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Integrated strategy with national objectives &amp; interventions for regions &amp; cities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>02.</th>
<th>Implement a Coordinated Policy Framework at National Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Policy reforms across sectors for fiscal, environmental and social sustainability of cities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>03.</th>
<th>Increase Investments and Financing for Resilient Urban Infrastructure and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Investing in priority needs &amp; improving the fiscal base to support investments</td>
</tr>
</tbody>
</table>

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<tr>
<th>04.</th>
<th>Improve Institutional Performance and Capacity of Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Setting the institutional basis for stronger management of cities</td>
</tr>
</tbody>
</table>
Pillar 1. STRENGTHEN THE NATIONAL URBAN DEVELOPMENT POLICY

- ESTABLISH A HIERARCHY OF CITIES AND DEFINE THE FUNCTIONAL ROLES OF STAKEHOLDERS.
  - Clarify the roles and responsibilities of National, Regional and Commune-level governments in planning, delivery and operations of infrastructure, services, and economic development interventions.
  - Develop coordination mechanisms among the various tiers of government, as well as across communes in the same regions.

Integrated strategy with national objectives and interventions for regions and cities
### Promote the Development of a Productive ‘System of Cities’ Across the Country.

- Supporting the growth of other cities besides Tana will create jobs across the country, in a spatially balanced manner. The Urban Policy needs to support prioritized interventions for each type of city.

<table>
<thead>
<tr>
<th>Large Cities</th>
<th>Medium-Sized Cities</th>
<th>Small Cities</th>
<th>Metropolitan Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can function as gateways to the global economy and become engines of job creation for the urban poor.</td>
<td>Can specialize based on their natural endowments (e.g., tourism) or concentrate economic activities (e.g., agri-business) and serve as logistics hubs linking local markets.</td>
<td>Can serve as links to rural areas providing access to markets and services.</td>
<td>Better coordination and connectivity across cities can encourage regional development.</td>
</tr>
</tbody>
</table>
Pillar 2. IMPLEMENT A COORDINATED POLICY FRAMEWORK AT NATIONAL LEVEL

Policy reforms across sectors for fiscal, environmental and social sustainability of cities

- **ENERGY**
  Policies to integrate renewable energy as a supply source are required, as well as a long-term strategy for Malagasy cities to adopt a more sustainable and ecological approach to their operations through energy savings, given the depletion of resources.

- **SOLID WASTE MANAGEMENT**
  A national SWM policy is needed to set up the institutional, legal and financial framework for the provision of SWM services at different levels.

- **WATER AND SANITATION**
  Investment does not keep pace with the growth in demand. The challenge is therefore to coordinate these investments so that there is less of a gap in terms of access but above all to ensure the maintenance of WSS infrastructure.

- **CLIMATE CHANGE AND DISASTER RISK MANAGEMENT (DRM)**
  Resiliency standards need to be mainstreamed in urban master plans, building regulations (and compliance). The National standard for building construction resistant to natural hazards (decree no. 2019-1957) should be localized as part of UC regulations, risk-informed land use planning, business continuity – of basic municipal services – in the wake of disasters and climate change.

- **AFFORDABLE HOUSING**
  A national policy to address affordable housing gap needs to tackle: (a) programs to increase access to housing finance in a fiscally sustainable manner; and (b) increasing the private sector led supply of affordable housing in urban areas.

- **SPATIAL AND URBAN DEVELOPMENT**
  Land planning policy (2006) need to be updated and urban development policy (2019) must be coordinated with the land development policy. Moreover, it should be translated into a strategic and an operational plan. Coordination and synergies with other sectorial policies is a must.

- **DECENTRALIZATION AND MUNICIPAL FINANCE**
  Cities need to be given cleared roles and responsibilities, the financing and the tools to plan and manage their territory according to their projected population, economic advantages and climate and disaster risk level. National policy needs to ensure reliable formula-based fiscal budget transfers, commensurate with local functions, responsibilities, and size are needed for communes to be able to plan expenditures.

- **URBAN MOBILITY**
  An urban mobility policy should plan, finance and implement urban mobility projects in a sustainable manner that is integrated with the national vision and goals.

- **URBAN LAND**
  The 2005 Land Reform focused on the decentralization of land management in rural areas. An urban land policy should allow to update land tenure records in urban areas to better manage land use and thus plan for the resilient growth of cities, as well as to improve municipal financing through property tax collection. This will also promote private sector investment to urban areas.

- **POPULATION**
  A national migration management policy should be formulated, prioritizing the observation of migratory movements and their impact on cities.
Government should avail funding – either directly or through fiscal transfers to local governments - to finance priority urban infrastructure investments, improve economic productivity and quality of life in cities, and foster resilience to hazards.

Targets and benchmarks are needed for long-term physical and financial sustainability of capital investments.

Risk-informed land use planning and enhanced building zone compliance is needed to reduce the number of vulnerable people exposed to disaster impacts.
Increase the fiscal resource base of cities to support investments

- For large cities such as Tana and secondary cities, own-source revenue (OSR) collection needs to be increased.
- In medium and smaller cities, strengthened fiscal transfer mechanisms are needed to support urban development.

Establish performance-based financing of urban communes

- A national program of performance-based fiscal transfers for large and medium-sized cities can provide an incentive to increase their fiscal base, improve urban management and institutional performance, as well as increase investments in resilient urban infrastructure.
Setting the institutional basis for stronger management of cities.

In parallel to interventions in the other pillars, there is a need to set the institutional basis for stronger management of cities by improving the institutional performance, governance, and capacity of regional administrations and urban communes. This will entail:

- **STRENGTHENING THE INSTITUTIONAL AND MANAGEMENT CAPACITY OF CITIES**
  to perform their statutory and strategic functions, and to meet legal requirements, by providing capacity building support to urban communes and regional administrations. The Government could utilize a national program of performance-based financing of local governments (see Pillar 3) to achieve this objective.

- **DEVELOPING AND IMPROVING RELIABLE DATA AND REPORTING SYSTEMS**
  on urban development, urban service delivery, municipal financial management, and institutional performance of cities and local governments, under agreed performance benchmarks developed for local context.
3.2

SPECIFIC RECOMMENDATIONS TARGETED BY CITY TYPOLOGY
SUMMARY OF RECOMMENDATION

NATIONAL LEVEL
Orienting urban policy towards economic’s development objectives
1. Build a vision and policy of Malagasy national ‘system of cities’ leading to investment plans in different cities, consistent with local economic development priorities
2. Support cities to become climate resilient
3. Implement urban land reform

METROPOLITAN LEVEL: for a more efficient and sustainable management of the city
1. Improve the governance within Greater Tana taking account of the institutional, geographical and economic composition of the region
2. Develop coherent metropolitan-level planning and land management approach to address urban expansion
3. Finance and enable priority capital investments for the metropolitan region

LARGE CITIES: close the financial gap and invest
1. Define funding strategies for each city
2. Invest in structuring infrastructures

MEDIUM-SIZED CITIES: Anticipate the challenges of rapid urbanization
1. Plan more effectively to meet the basic needs of the population
2. Anticipate future land development needs

SMALL CITIES: Connect in the urban system and provide better basic services
1. Increase the governance capacity of small cities
2. Support small towns to provide essential community facilities
3. Improve economic connectivity
National Urban Policies need to focus on reforms to strengthen the policy connection between spatial and economic planning and development. Support the strengthening of urban centers to promote territorial development, i.e., convergence of economic and living standards across the country.
# NATIONAL LEVEL: ORIENT URBAN POLICY TOWARDS THE ECONOMIC DEVELOPMENT OBJECTIVES OF THE TERRITORY

## PRIORITY 1. BUILD VISION AND POLICY OF MALAGASY CITY SYSTEM LEADING TO A CITY INVESTMENT PLAN THAT IS CONSISTENT WITH TERRITORIAL DEVELOPMENT

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinate investments in infrastructure with land use and sectorial plans to support economic development while improving quality of urban living</td>
<td>Conduct a review of all national sectorial policies (e.g., housing, transport, water and sanitation, solid waste management, climate change and disaster risk management) and align policies with the national urban policy</td>
<td>Ministry in charge of planning (MP)</td>
<td>Mid term</td>
</tr>
<tr>
<td>Support horizontal and vertical cooperation (across ministries, jurisdictions and administrative/territorial level) for various urban plans (land use and sectorial plans) to support sustainable spatial development of cities and improve efficiency and effectiveness of investments</td>
<td>Support road investments to improve intra- and inter-city connectivity</td>
<td>Ministry in charge of public works (MPW)</td>
<td>Mid term</td>
</tr>
<tr>
<td>Support local governments to develop and adopt urban plans</td>
<td>Develop an effective mechanism for financing, incentivizing and monitoring the implementation of urban plans</td>
<td>Ministry in charge of planning (MP)</td>
<td>Mid term</td>
</tr>
</tbody>
</table>
### NATIONAL LEVEL: ORIENT URBAN POLICY TOWARDS THE ECONOMIC DEVELOPMENT OBJECTIVES OF THE TERRITORY.

#### PRIORITY 2. SUPPORT CITIES TO BECOMING CLIMATE RESILIENT

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support cities to implement climate resilient and risk-informed urban plans</td>
<td>Scale up national risk-informed planning guidelines by supporting cities to develop and implement climate resilient and risk-informed urban plans</td>
<td>MP</td>
<td>Short term</td>
</tr>
<tr>
<td>Support disaster-proofing improvements to housing and infrastructure systems</td>
<td>Popularize hazard resistant building standards Promote innovative technologies corresponding to local capacities</td>
<td>Ministry in charge of housing (MH)</td>
<td>Short term</td>
</tr>
</tbody>
</table>

#### PRIORITY 3. IMPLEMENT URBAN LAND REFORM

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop urban land policy for the efficient management of urban land and land production in response to population growth (for housing + basic services)</td>
<td>Update land information through a systematic inventory and the development of PLOFs (Local land use plan)</td>
<td>Ministry in charge of land management (MLM)</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Develop new tools for efficient land management in order to formalize and secure land tenure</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Develop a method for restructuring and securing land tenure in precarious neighborhoods</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Increase and diversify land supply to improve its accessibility</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Develop mechanisms to increase the supply of formal rental housing thereby reducing precarious occupations</td>
<td>MLM</td>
<td>Long term</td>
</tr>
</tbody>
</table>
Recommendations are specific to the metropolitan region of Antananarivo and address the governance of its 38 municipalities. They reflect the significant population share and primary role the metro region plays in the national economy. The priorities for Greater Antananarivo would be to establish a metropolitan-level governance structure, followed by the control of urban sprawl and investment for a more resilient city.
### Metropolitan Level: Manage the Antananarivo Metropolitan Region More Effectively and Sustainably

#### Priority 1. Improve the Governance Within Greater Antananarivo Taking Account of the Institutional, Geographical and Economic Composition of the Region

<table>
<thead>
<tr>
<th>Objective</th>
<th>Action</th>
<th>Lead Institution</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Establish a metropolitan governance model that supports the efficient, effective delivery of services across jurisdictions within the metropolitan area</td>
<td>Greater Antananarivo municipalities (GTM)</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Support the horizontal cooperation of Antananarivo and the 37 surrounding municipalities to identify service gaps and to establish metropolitan-level governance structures</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provide local governments within Greater Tana with powers and resources to enable them to capture the economic gains associated with agglomeration, i.e., to increase revenues to support improved city management</td>
<td>Ministry in charge of Decentralization (MD)</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Support the delegation of some city management responsibilities to the fokontany level to improve delivery of services to citizens</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provide technical assistance to local governments to develop strategies to increase OSR, e.g., staff capacity building in built property and land valuation and mechanisms to improve collection of fees and taxes</td>
<td>MD</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Define the most effective governance arrangements for metropolitan-wide services such as transportation and integrated solid waste management</td>
<td>GTM &amp; MD</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Establish a well-functioning coordination mechanism or unit with clear mandates and responsibilities for planning, financing, regulating, operating and maintaining metropolitan-wide services</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Consult and decide in a transparent manner the most appropriate management models for the provision of services (e.g., Direct management, delegation of services, partnership with civil society, etc.)</td>
<td>GTM &amp; MD</td>
<td>Short term</td>
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</tbody>
</table>
### PRIORITY 2. Develop Coherent Metropolitan-Level Planning and Land Management Approach to Address the Challenge of Urban Sprawl

<table>
<thead>
<tr>
<th>Objective</th>
<th>Action</th>
<th>Lead Institution</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop spatial vision for Greater Antananarivo and support resilient planning and development of the region with more compact and multifunctional districts</td>
<td>Develop a legislative framework to require horizontal cooperation between the Municipality of Antananarivo and the 37 surrounding municipalities to develop a regional spatial vision and local master plans to implement the vision</td>
<td>MP</td>
<td>Short term</td>
</tr>
<tr>
<td>Support local land administrations to improve urban land management and to generate land to address the growing population within Greater Antananarivo</td>
<td>Strengthen the capacities of the 37 surrounding municipalities to develop, implement and monitor progress of local master plans, in coordination with the regional spatial vision for Greater Antananarivo</td>
<td>MD &amp; MP</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Support capacity building of IPAM as the agency supporting planning and development of Greater Antananarivo</td>
<td>GTM</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Update land information system according to real occupation via a systematic assessment and the development of Urban PLOFs (Local Land Occupancy Plans)</td>
<td>MLM</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Upon regularization and developing up-to-date land information systems, support municipalities in generating land to meet the demand for housing and basic services</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Support land consolidation, collective or joint ownership</td>
<td>MLM</td>
<td>Long term</td>
</tr>
</tbody>
</table>
### PRIORITY 3. FINANCE AND ENABLE PRIORITY CAPITAL INVESTMENTS FOR THE METROPOLITAN REGION

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
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</thead>
<tbody>
<tr>
<td>Develop inclusive housing policy to enable increased supply of affordable housing</td>
<td>Dedicate funding and develop incentives to support affordable housing development in partnership with the private sector.</td>
<td>MH</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Promote alternative forms of access to housing to ownership (e.g., subsidies for rental, cooperative forms of access to housing, or co-production)</td>
<td>MH</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Strengthen capacity of local governments to better regulate urban services through performance monitoring and evaluation, especially when a service is provided by more than one operator (public or private)</td>
<td>MD</td>
<td>Short term</td>
</tr>
<tr>
<td>Provide support to local governments in the metropolitan region to improve the accessibility, quality, efficiency and resiliency of basic services</td>
<td>Identify new landfill sites and develop an integrated SWM system</td>
<td>Ministry in charge of Sanitation (MS)</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Provide support to local governments to expand infrastructure systems and provide basic services where needed and to upgrade systems to make them resilient to natural and climate-induced disasters</td>
<td>Sectorial ministries &amp; MD</td>
<td>Short term</td>
</tr>
</tbody>
</table>
Secondary cities have planning tools at their disposal and have comparative economic advantages. However, these cities lack sufficient financial resources to support necessary urban investments. It is therefore recommended to have an investment plan for the city that will ensure not only the financing of capital investments, but also the maintenance and operation of investments that have been made. The role of the private sector could be strengthened given the opportunities that are already in place. The central government is called upon to significantly increase the financing of these cities commensurate with the functions assigned to them.
### LARGE CITIES: CLOSE THE FINANCIAL GAP AND INVEST IN INFRASTRUCTURE AND RESILIENCE

**PRIORITY 1. DEFINE FUNDING STRATEGIES FOR EACH CITY**

<table>
<thead>
<tr>
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<th>ACTION</th>
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<th>TIMELINE</th>
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</thead>
<tbody>
<tr>
<td>Capital investments should not be “played by ear”</td>
<td>Develop a capital investment plan for each city</td>
<td>MD - Ministry in charge of Industrialization, Trade &amp; Consumption (MITC)</td>
<td>Mid term</td>
</tr>
<tr>
<td>Based on a performance system, increase fiscal transfers to communal governments in line with their responsibilities</td>
<td>Reform regulations to allow large cities to receive increased levels of transfers based on performance in meeting key basic benchmarks (e.g., “clean” audits, meeting minimum service standards, etc.). Transfers should be indexed to qualitative benchmarks to incentivize improvements in commune performance</td>
<td>MD</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Provide technical assistance to communes to identify strategies to maximize finance for development through private sector involvement</td>
<td>MITC</td>
<td>Short term</td>
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</tbody>
</table>
### PRIORITY 2. INVEST IN STRUCTURING INFRASTRUCTURES

<table>
<thead>
<tr>
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<th>ACTION</th>
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<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support communes with infrastructure improvements to meet the demand of the growing population and to foster economic development</td>
<td>Support increased investments in priority infrastructure sectors: drainage and flood protection; sewage treatment; solid waste management; affordable housing</td>
<td>MP – MS</td>
<td>Long term</td>
</tr>
<tr>
<td></td>
<td>Initiate neighborhood revitalization programs in strategic areas</td>
<td>MP</td>
<td>Mid term</td>
</tr>
<tr>
<td>Foster cooperation between the large cities and the smaller cities in their region to pool resources, share knowledge and develop viable climate adaptation and mitigation strategies to address the region challenges</td>
<td>Protect environmentally sensitive lands and reserve rights-of-way early (avoiding the costly mistakes of Antananarivo)</td>
<td>MP – Ministry in charge of Environment (ME)</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Develop a capacity-building program to support the roll-out of regional facilities i.e integrated solid waste management (separate waste collection and recovery/recycling) system</td>
<td>MS</td>
<td>Short term</td>
</tr>
</tbody>
</table>
The most rapid population growth is taking place in mid-sized cities, and mid-sized cities are expected to receive a large part of the urban population in the coming years. The challenge is therefore to anticipate and address the needs of the growing population and position cities to seize the opportunities associated with population growth, while reducing exposure and risk through risk- informed land use planning, and resilient urban development.
# MEDIUM CITIES: ANTICIPATE THE CHALLENGES OF RAPID URBANIZATION

## PRIORITY 1. IMPROVE PLANNING TO MEET THE BASIC NEEDS OF THE POPULATION

<table>
<thead>
<tr>
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<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan efficiently and effectively</td>
<td>Support more flexible and operational planning tools according to the capacity of the communes</td>
<td>MP</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Reduce exposure and risk through risk-informed land use planning, and resilient urban development</td>
<td>MP &amp; MESD</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Support investment in urban data collection and information management systems to guide policy decisions for master plan development (land use and sectoral plans)</td>
<td>MP &amp; MD</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>Support connectivity investments to overcome the physical isolation linked to poor quality roads between large and small cities</td>
<td>MPW</td>
<td>Long term</td>
</tr>
<tr>
<td>Strengthen human, technical and financial capacity of communes</td>
<td>Introduce e-governance technology to improve access to municipal services and to facilitate efficient payment of services</td>
<td>Ministry in charge of Digital Development (MDD)</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Establish one-stop shops or windows (“guichets uniques”) through which citizens can access multiple regulatory services at the same time, to post fees and charges, and streamline procedures</td>
<td>MD -MDD</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Pursue own source revenue enhancement opportunities through completing cadaster and increasing property tax base</td>
<td>MD</td>
<td>Short term</td>
</tr>
</tbody>
</table>

## PRIORITY 2. ANTICIPATE FUTURE LAND DEVELOPMENT NEEDS

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish land reserves for future public investment</td>
<td>Develop land rights inventory and land registration system</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Begin proactively banking /safeguarding land needed for future anticipated development</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Invest early in serviced land and road infrastructure; clearly demarcate public land reserved for roads to facilitate transport connectivity in future years</td>
<td>MLM</td>
<td>Mid term</td>
</tr>
</tbody>
</table>
Small towns are the «links» between rural and medium-sized cities. They are often located in landlocked regions and should be more and better connected to balance the territorial development. They have the advantage of being the first «urban» interface and thus have a role to play in the agricultural value chain as the «first» market.
### SMALL TOWNS: CONNECT CITIES TO URBAN SYSTEM AND IMPROVE ACCESS TO BASIC SERVICES

**PRIORITY 1. INCREASE THE GOVERNANCE CAPACITY OF SMALL CITIES**

<table>
<thead>
<tr>
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<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen capacity of local governments to perform the most «basic» responsibilities</td>
<td>Support cities in identifying and articulating what are their economic attributes towards the urban system as part of their “business plan” seek governmental support for needed capital investments</td>
<td>MD</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Support institutional and technical capacity building of local governments to provide minimum basic services</td>
<td>MD</td>
<td>Short term</td>
</tr>
<tr>
<td>Increase fiscal transfer allocations from the central government, as capital investments will depend heavily on government support</td>
<td>Dialogue and exercise for more transfer to small cities</td>
<td>MD &amp; Ministry in charge of Finance (MF)</td>
<td>Short term</td>
</tr>
</tbody>
</table>
### SMALL TOWNS: CONNECT CITIES TO URBAN SYSTEM AND IMPROVE ACCESS TO BASIC SERVICES

**PRIORITY 2. SUPPORT SMALL TOWNS TO PROVIDE ESSENTIAL COMMUNITY FACILITIES**

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>LEAD INSTITUTION</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a community-level governance structure to identify priority investments and then seek financial and technical support from central government and other external organizations</td>
<td>Support consultations between local chiefs and citizens to identify critical infrastructure and facility needs</td>
<td>MD</td>
<td>Mid term</td>
</tr>
<tr>
<td></td>
<td>Support investment of resilient infrastructure and community facilities</td>
<td>MP</td>
<td>Mid term</td>
</tr>
</tbody>
</table>

**PRIORITY 3. IMPROVE ECONOMIC CONNECTIVITY**

| Mitigate the physical fracture between small towns and their regions       | Improve connectivity between small and medium-sized cities to improve market access                                                 | MPW             | Long term  |
According to INSTAT that implements the national censuses, the 2018 Malagasy population was 25.7 million, with 19% being urban residents. INSTAT uses commune boundaries and defines a commune as being urban that has at least 20,000 inhabitants. This definition yields 78 urban areas and 1617 rural communes. The Ministry of the Interior and Decentralization is in charge of defining the administrative status of communes.

The Ministry of Territorial Development and Land Services (OATf) is in charge of the development of cities and is seeking a more granular definition of ‘urban’. Similar to the EU-OECD urban definitions (developed by Dijkstra et al 2019), the approach is based on satellite imagery, but uses lower thresholds than the EU-OECD to define an area as urban. Here, cities are agglomerations characterized by ‘a continuity of buildings, with a population of at least 5,000 and density of at least 1,500 inhabitants per km²’. According to these definitions, there are 172 urban areas yielding an urbanization rate of 30% for 2018. 116 of these urban areas have populations between 5 and 25 thousand.

The World Development Indicators (WDI) apply the urban definitions defined by the UN World Urbanization Prospects (also coinciding with UNDESA). The UN WUP definition generates an even higher urbanization rate of 37%.

Apart from different urbanization rates, different definitions also deliver a different number of cities and towns by category. While cities above 100k are identical between INSTAT and OATF, the number of towns/cities between 25 and 100 thousand are two less according to INSTAT and much different below 25k due to different thresholds.

These differences are substantial and must be reconciled by the relevant institutions of the Malagasy government, as they critically affect the effectiveness of funding allocation for infrastructure and other services.

<table>
<thead>
<tr>
<th></th>
<th>INSTAT</th>
<th>OATf</th>
<th>WDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban population</td>
<td>4,942,902</td>
<td>7,672,986</td>
<td>9,767,217</td>
</tr>
<tr>
<td>Urbanization (in %)</td>
<td>19.30%</td>
<td>29.88%</td>
<td>37.20%</td>
</tr>
<tr>
<td>Population of capital city</td>
<td>1,274,225</td>
<td>2,664,648</td>
<td>3,058,387</td>
</tr>
<tr>
<td># of cities above 100k</td>
<td>7</td>
<td>7</td>
<td>n/a</td>
</tr>
<tr>
<td># of cities between 25 and 100k</td>
<td>47</td>
<td>49</td>
<td>n/a</td>
</tr>
</tbody>
</table>
## Définir l’urbanisation à Madagascar

<table>
<thead>
<tr>
<th></th>
<th>Metropolitan City</th>
<th>Large Cities</th>
<th>Medium-Size City</th>
<th>Small Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Défis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>2,664,647</td>
<td>1,526,146</td>
<td>2,272,970</td>
<td>1,209,223</td>
</tr>
<tr>
<td><strong>Number</strong></td>
<td>1</td>
<td>6</td>
<td>49</td>
<td>116</td>
</tr>
</tbody>
</table>

- Scarcity of land
- High social inequalities: access to services, housing and land
- High density even in the risk areas
- Urban sprawl
- Need for institutions, tools and robust financing to “remake” the city
- Very important economic function
- Coordination between 38 communes

- Strategic economic / geographic roles
- Major service delivery challenges
- Beginning of urban sprawl
- Substantial funding needed to operate the city

- Rapid population growth
- Have a role of relay cities in the growth areas
- Faced with the challenge of developing the facilities in parallel with rapid urban growth
- Need for simple but effective planning that matches municipal capacities and sizes
- Can anticipate land capital investments

- Under-equipped
- First urban interface with the rural areas
- Dependent on direct support from central government
- Local institutional capacity to be strengthened

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**Définition**

- Antananarivo agglomeration area
- Pop > 100k
- Pop > 25k – 100k
- Pop under 25k
DAMAGE BY REGION ASSOCIATED WITH 4 CYCLONES IN JANUARY/FEBRUARY 2022
ACKNOWLEDGEMENTS

The Madagascar Urbanization Review was prepared by a team led by Gael Raserijaona (Urban Specialist) and Sohaib Athar (Senior Urban Development Specialist), and consisting of Judy L. Baker (former lead economist), Aanchal Anand (Senior urban economist), André Teyssier (Senior land administration specialist), Oscar anil Ishizawa Escudero (Senior Disaster Risk Management Specialist), Lira Hariravaka Rajenarison (Public Sector Specialist), Kirsten Homman (Senior Economist), Atishay Abbhi (Disaster Risk Management Specialist), Reyna Alorro (Consultant), Joan Razafimaharo (Consultant), Michael Winter (Consultant), Ratsialonana Rivo Andrianirina (Consultant), Armel Firmin Kemajou (Consultant), Christine Lovasoa Razanamahandry (Consultant), Bora Ju (former Land and Geospatial Analyst), Njaka Ranaivoarimanana (Consultant), Razafimandimby Solofoniaina (Consultant), Jin Rui Yap (Consultant), John Michael LaSalle (Consultant), Rodrigo Deiana (Consultant), Miangaly Rabodomalala (Former Consultant), Joaquin Muñoz Díaz (Consultant). Administrative support was provided by Sandrine Razafimahefa and Seraphine Nsabimana. Cover and production design was done by Mpanao Hatsarana, MpH™.

The report was prepared under the leadership and overall guidance of Marie Chantal Uwanyiligira (Former Country Manager for Madagascar) and Atou Seck (Country Manager for Madagascar) and the supervision of Catalina Marulanda (Practice Manager, Urban, Resilience and Land).

The report was peer reviewed by Mark Roberts (Lead Urban Economist), Zoe Trohanis (Lead Disaster Risk Management Specialist) and Diana Tello Medina (Urban Development Specialist). Additional inputs were provided by Francis Muamba Mulangu (Senior Economist), Jean-Pascal Nguessa Nganou (Senior Economist) and Paulo Guilherme Correa (Former Program Leader).

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