LEVERAGING CITIES AS DRIVERS OF GROWTH AND STRUCTURAL TRANSFORMATION

MADAGASCAR URBANIZATION REVIEW 2024

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4. **ROADMAP PROPOSAL**  
   Key reform areas and priority actions
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.
## Madagascar’s typology of cities by population size

<table>
<thead>
<tr>
<th>Definition</th>
<th>METROPOLITAN CITY</th>
<th>LARGE CITIES</th>
<th>MEDIUM-SIZE CITY</th>
<th>SMALL CITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antananarivo agglomeration area</td>
<td>2,664,647</td>
<td>1,526,146</td>
<td>2,272,970</td>
<td>1,209,223</td>
</tr>
<tr>
<td>Population</td>
<td>Number</td>
<td>Population</td>
<td>Number</td>
<td>Population</td>
</tr>
<tr>
<td>Scarcity of land</td>
<td>1</td>
<td>1,526,146</td>
<td>49</td>
<td>1,209,223</td>
</tr>
<tr>
<td>High social inequalities: access to services, housing and land</td>
<td></td>
<td>2,272,970</td>
<td></td>
<td></td>
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<tr>
<td>High density even in the risk areas</td>
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<tr>
<td>Urban sprawl</td>
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<tr>
<td>Need for institutions, tools and robust financing to “remake” the city</td>
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<tr>
<td>Very important economic function</td>
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<tr>
<td>Coordination between 38 communes</td>
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<tr>
<td>Strategic economic / geographic roles</td>
<td></td>
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<tr>
<td>Major service delivery challenges</td>
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<tr>
<td>Beginning of urban sprawl</td>
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<tr>
<td>Substantial funding needed to operate the city</td>
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<tr>
<td>Rapid population growth</td>
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<td></td>
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<tr>
<td>Have a role of relay cities in the growth areas</td>
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<tr>
<td>Faced with the challenge of developing the facilities in parallel with rapid urban growth</td>
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<tr>
<td>Need for simple but effective planning that matches municipal capacities and sizes</td>
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<tr>
<td>Can anticipate land capital investments</td>
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<td></td>
</tr>
<tr>
<td>Under-equipped</td>
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<tr>
<td>First urban interface with the rural areas</td>
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<tr>
<td>Dependent on direct support from central government</td>
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<td></td>
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<tr>
<td>Local institutional capacity to be strengthened</td>
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</table>
AN OPPORTUNITY:

Urbanization should contribute to economic growth and poverty reduction

- 75% of the country’s GDP is generated in cities - with 44% in the capital Antananarivo
- Despite having a faster rate of urbanization than other countries in sub-Saharan Africa (4.4% vs. 4.0%), Madagascar has a lower GDP per capita than comparator countries and real income per capita has been declining - currently about 45% below its 1960 level.
- Value-added in the services sector – which is one of the main economic activities in cities - has been stagnant since 1990 as a share of GDP.
Cities attract people and develop, but mainly in an informal way.

- **Most jobs in Malagasy cities are informal**, based on low-productivity non-tradable services. Roughly 60% of jobs in cities are informal and only 14% of people are employed in tradable sectors.

- **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. 1 out of 5 poor people live in areas near major cities.
INVEST NOW OR PAY MORE LATER

More than half of the population will live in urban areas by 2036, due to rural exodus, the transformation of large towns into cities, and the growth of the cities themselves.

- Migration is happening mostly due to “push” factors coercing people to move from rural areas, rather than the “pull” of cities as centers of prosperity - “push” factors include declines in agricultural output and increasing climate-induced disasters and shocks affecting rural areas.

- Population growth of Tana is steady, with the city welcoming 60,000 to 100,000 new inhabitants every year.

- But medium-sized cities (25k – 100k pop.) are growing in population faster than larger cities and small towns (5k – 25k pop.).
Rapid urbanization has led to:

- **Underserviced and tenure insecure informal settlements**, housing **over 60% of urban residents** and hosting most informal jobs. In Tana, 77% of the settlements are informal and below UN Habitat standards.

- **Severe environmental degradation and increased disaster risk (especially flooding)** as planning and land management are failing to cope with growth. Informal development largely taking place in risk-prone areas.

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

**URBAN EXPANSION IN FLOOD-PRONE AREAS OF ANTANANARIVO**

*Source: World Bank with data from DLR (2020) and Fathom (2015)*
THE BOTTLENECKS:

1. A DEFICIENT LAND USE PLANNING SYSTEM AND SUBSEQUENT IMPLEMENTATION CHALLENGES HINDER SUSTAINABLE URBAN DEVELOPMENT AND RESILIENCY

Madagascar’s administrative divisions and land use planning framework

- There are visions of territorial development and cities, but they have not been translated into strategic plans to support the sustainable growth of cities.
- The SNAT and the National Urban Development Policy (PNDU) are the main guiding documents defining the vision of cities, but planning and strategic actions are more sector-oriented and disarticulated from and between local and regional assets.
- Most cities do not have an urban master plan (PUDi) and only 3 urban agglomerations have a regional plan (SRAT).
- Local governments lack financial and institutional capacity to develop, implement, monitor and enforce plans.
- The land use planning system does not prevent development in vulnerable areas. National regulations have recently been adopted to include climate change and risks in urban planning instruments; however, only a few cities have built resilience measures into their plans.
2. WEAK LAND ADMINISTRATION EXACERBATES INFORMALITY AND HAMPERS ECONOMIC 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. But 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.
An urban land reform comparable to that undertaken for rural areas is urgently needed.

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.
3. WEAK AND UNDERFUNDED URBAN COMMUNES HAVE LITTLE CAPACITY TO CHAMPION LOCAL DEVELOPMENT

- The 2014 decentralization law lacks clear guidance on the services that urban communes (UCs) should provide and the clear delegation of responsibilities.

- Decentralization has not been accompanied by the required institutional, technical and financial capacities at the local level, which limits the ability of UCs to deliver services.

- UCs do not have sufficient financial resources to play an active role in urban development:
  - **Revenues are low**
    State budget transfers typically account for less than 5% of UC revenue – making Madagascar a global outlier. Own source revenues account for 95%, but property tax collection is limited partly due to incomplete land registration and user fees/charges are priced well below cost recovery and are also limited.
  
  - **Recurrent expenses are high**
    Recurrent expenditures represent more than 90% of total expenditures, leaving little room for capital spending on infrastructure and services.
  
  - **Municipal borrowing is non-existent**
    UCs are legally allowed to borrow, but in practice, none have borrowed funds to finance public investments or used lines of credit to pay for cash flow deficits. Given the precarious financial situation of UCs, borrowing from commercial financial institutions is unlikely.

Source: WB, Administrative account data by municipality 2020
4. LACK OF CONNECTIVITY BETWEEN CITIES LIMITS THE DEVELOPMENT OF A WORKING URBAN SYSTEM AND THUS, URBAN GROWTH POTENTIAL

POOR ROAD QUALITY AND VARIABLE ROAD ACCESS:

- Poorly maintained roads are often damaged by heavy rains or natural catastrophes, contributing to severe connectivity disruptions.
- Relatively high access in areas around major cities but limited rural access: Only 11% of the rural population estimated to live within 2 km of an all-season road in good condition.

MADAGASCAR DOES NOT OPERATE AS A SYSTEM OF CITIES:

- Madagascar is not just about Tana: every city should have a role to play in an urban system.
- Tana dominates and is the engine of the Malagasy economy, BUT this should not prevent the growth of other cities and the development of a multicentric urban system.
- A territorial/spatial development framework would enable the country to harness the potential of different urban areas, improve prospects for economic growth and create opportunities in a more spatially efficient manner.

Source: Census 2018
A LONG-TERM ROADMAP FOR TAPPING THE URBANIZATION POTENTIAL OF MADAGASCAR

- Given the identified challenges and constraints, there is an urgent need to act now to transform Malagasy cities for future economic growth, productivity, and resilience.

- Considering the country is still in the process of urbanizing, Madagascar has a key opportunity to intervene now to gain the productive benefits of urbanization by improving the planning, financing, management, and coordination of cities and regions - before urban growth is locked in.

- Madagascar cannot afford the cost of inaction in transforming its cities, considering the status quo, growth projections and the expected impacts of climate change. Without urgent action, cities will continue to grow informally with negative economic, environmental, and social outcomes.

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

- This section proposes a roadmap, strategic approach, and prioritized interventions for transforming Malagasy cities so that they can play a stronger role in economic growth and poverty reduction.
FOUR PILLAR REFORM AREAS

Strengthen the national urban development policy
Integrated strategy with national objectives & interventions for regions & cities

Implement a coordinated policy framework at national level
Policy reforms across sectors for fiscal, environmental and social sustainability of cities

Increase investments and financing for resilient urban infrastructure and services
Investing in priority needs & improving the fiscal base to support investments

Improve institutional performance and capacity of cities
Setting the institutional basis for stronger management of cities
Integrated strategy with national objectives and interventions for regions and cities

- 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.
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 &amp; services</td>
<td>Better coordination &amp; 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 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.
Govern 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 resiliency 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

Establish performance-based financing of urban communes

- 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.

- 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.
Prioritized Reforms and Interventions Targeted By City Typology

Supporting an urban development policy across a nationwide system of cities will require actions across various geographic levels of intervention:

**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
ACKNOWLEDGEMENTS

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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).

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MADAGASCAR 2024

A woman is walking on a bridge over a body of water with floating plants. She is carrying a bag on her head and wearing a striped shirt and blue pants. The background includes wooden structures and other people walking on the bridge.
Wichtiger HINWEIS!
Innerhalb der Schutzzone (hellblauer Rahmen) darf kein anderes Element platziert werden! Ebenso darf der Abstand zu Format- resp. Papierrand die Schutzzone nicht verletzen! Hellblauen Rahmen der Schutzzone nie drucken!
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