



United Nations
Economic Commission for Africa

Committee on Social Policy, Poverty and Gender (CSPPG) Pre- Event
Addis Ababa, Ethiopia
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AIDE MEMOIRE

Expert Group Meeting

on

The State of Urbanization in Africa: *The Role of Cities in Domestic Resource Mobilization*

I. Background

With an increasing number of African countries embarking on a new generation of national development plans and industrial and urban policies to accelerate growth and transformation, and a pressing need to meet the socio-economic development needs of a growing population, there is a sustained commitment to increase the share of domestic resources in development financing. The Addis Ababa Action Agenda (AAAA) issued in 2015, has given a new impetus to this effort by calling for increased mobilization and effective use of resources underpinned by national ownership. The New Urban Agenda (NUA) that came on the heels of the SDGs and AAAA, underscored the transformative role of cities and called for leveraging urbanization to generate endogenous resources and revenues including capturing the benefits of urbanization.

Cities are increasingly the drivers of African economies, and hold potential to be drivers of revenues. Already Africa's cities are generating a large share of GDP and are home to the manufacturing and services sectors leading economic structural transformation. Globally across countries, urbanization and a shift away from agriculture is associated with higher taxes as a percent of GDP. Agriculture is often difficult to tax due to the large number of unregistered, widely dispersed farmers who may operate below taxable thresholds; and natural resources revenues are volatile and can undermine countercyclical fiscal policy and macroeconomic stability. Urban-based tradable economic sectors, on the other hand, can provide a broad, stable and growing tax base. Therefore, cities and urban economies, which play a central role in economic structural transformation and are home to Africa's consumer class, are becoming Africa's engines of domestic revenue mobilization. However, African countries have yet to fully realize the revenue benefits arising from urbanization

Against this background, the United Nations Economic Commission for Africa (ECA), has prepared a draft policy report entitled *State of Urbanization in Africa: The Role of Cities in Domestic Resource Mobilization*. The report examines the role and potential of cities in boosting domestic resource mobilization in Africa, taking into consideration the role of cities in transforming African economies in job creation and poverty reduction, and provides policy directions in this regard. An Expert's Group Meeting is being organized on 12 and 13 November 2019 to review the draft report and strengthen its robustness, policy relevance and applicability in the context of Africa's pursuit of inclusive economic growth.

The EGM's content will especially be geared towards African cities and will facilitate peer-to-peer exchanges and promote learning from shared experiences. Given that the report looks at the urban variables that determine tax revenues and returns on public investments and provides options that Africa can consider for increasing domestic revenues in cities, the review meeting will critically look at and review the feasibility and implementability of suggested policy options on: opportunities that urbanization brings in increasing revenues; addressing inequalities and informalities with a broadening urban tax base; raising resources at the local government level; potential benefits of land capture in raising local resources and transforming cities to increase revenue potential.

Following the review process and meeting GPSPD will publish the finalized report with suggested policy options that African member States can consider for increasing domestic revenues to finance development at either local government and national levels.

II. Objectives

The main objective of the meeting is to provide a platform for national experts from member States to review the draft report on the *Role of Cities in Domestic Resource Mobilization* and suggest practical strategies that member States can implement to leverage the potential of cities in increasing domestic revenues.

Specifically, the meeting will:

1. Gather feedback from experts and member States that will be used to formulate and review the suggested set of policy options to optimize the role of cities in domestic resource mobilization in Africa;
2. Identify opportunities for the application of the report's findings through technical cooperation interventions in selected African countries; and
3. Provide suggestions on how to proceed with the dissemination and uptake of the policy options by member States for consideration.

III. Expected Outcomes and Outputs

The outcomes and outputs are expected from the Expert Group meeting include:

Outcomes

- Well-informed policy options and suggestions to increase domestic resource mobilization in cities to finance development;
- Lessons learned, experiences and good practices that can inform strategies for implementing the policy options in countries;
- Improved knowledge on integrated approaches to raising domestic revenues at the city level.

Outputs

- Key policy options and suggestions on the role of cities in domestic resource mobilization;
- A revised report on “State of Urbanization in Africa: The Role of Cities in Domestic Resource Mobilization”.

IV. Format of the Meeting

The work of the meeting will be held in plenary sessions as per the attached draft agenda which will inform the policy suggestions and options.

V. Participation

The Expert Group Meeting will comprise of experts from ECA member States drawn from ministries responsible for Housing and Urban Development and National Development Planning, officials from the African Development Bank and the United Nations System specifically the United Nations Human Settlements Programme, United Nations Capital Development Fund, Civil Society Organizations (CSOs) and the academia.

Contact:

Sandra Zawedde
Urbanization and Development Section
Gender, Poverty and Social Policy Division
Economic Commission for Africa
zawedde@un.org