Urban Development
Opportunities in MENA
World Bank Engagement

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Agenda

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2. Implications of the Arab Spring
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1. Key Urban Development Challenges

A. Diverse Region with Distinct Urbanization Challenges
B. Rapidly Urbanizing Countries
C. Increasing Infrastructure & Housing Deficits
D. Legacy of Highly Centralized Governments
E. Dysfunctional Land & Housing Markets
F. High Vulnerability to Natural Disasters & Climate Change
G. Cultural Heritage & Tourism Under Threat
A. Diverse Region with Distinct Urbanization Challenges

Urbanization challenges vary significantly by country (basic service delivery, slum upgrading in some countries vs decentralization in others)....but some common trends exist.

Among the highest income and resource rich countries in the world, i.e. GCC countries....

...to low income post conflict/fragile states, i.e. Yemen, Djibouti and WBG.
B. Rapidly Urbanizing Countries

• The MNA region is currently 60% urbanized compared to the global average of 52%
  – But with a wide range: Yemen: 32%, Morocco: 57%, and Qatar: 99%

• MNA will experience a 45% increase in its urban population by 2030 – equal to 106 million additional urban inhabitants
  – Average growth rate of 2.3% (global average 2.1%) and ranging from less than 1% in Lebanon to over 6% in Qatar
  – Egypt, Iraq, WB&G, Syria, Yemen, Kuwait, and Djibouti will see a double of their urban population

• Urban demographics are changing
  – MNA is experiencing its largest youth cohort: 114 million youth aged 15-29 year-old

• Cities key engines of economic growth, but also hotspots of poverty and unemployment
  – About 64% of GDP generated in cities, with a dominance of primary cities
  – Poverty is urbanizing, with the poor located in informal settlements and slums
Only one Mega City with > 10m: Cairo
But 70 cities > 500,000 inhabitants
Additional urban population by 2030:
  • Middle East: + 70m
  • North Africa: + 20m
  • GCC: + 16m

Economic Activity Highly Concentrated in (Primary) Cities, in light of Strong Agglomeration Economies

Source: G-Econ Project Yale
Tunisia’s cities - engines of growth
9 out of 10 industrial establishments located within 1 hour’s travel of a large city
C. Increasing Infrastructure and Housing Deficit

• **Access to basic infrastructure services relatively high, but lags significantly in other areas**
  – Access to improved urban water sources ranges from 72% in Yemen to 100% in the GCC countries...
  – ...urban public transport systems only emerging - only two metro systems: Cairo and Algiers

• **However, quality and sustainability of services are a major challenge**
  – Cost recovery ratios low, with insufficient maintenance of existing infrastructure

• **To accommodate new urban population and address quality challenges, infrastructure investments needs very high**
  – 106 billion US$ required per year or 6.9 percent of GDP till 2020

• **Major challenge is proliferation of slums and informal settlements**
  – Between 20% and 50% of urban residents live in slums
D. Legacy of Highly Centralized Governments

• Highly centralized planning and decision-making processes, coupled with limited institutional capacity at the local level

• Decentralization process only slowly progressing – and expected to remain a medium term challenge
  – Egyptian constitution (signed Dec 2012) included limited decentralization provisions
  – Draft Tunisian constitution (expected in 2013) enshrines decentralization principles
  – Ongoing National Dialogue in Yemen identifying ways to improve local governance

• Limited fiscal decentralization and discretion over budgets
  – Low local share of total gov’t expenditure: from 3% of GDP in Jordan to 18% in Egypt
  – Own source revenue share small for most e.g. 6% for Egyptian cities
    • Some exceptions e.g. local share in West Bank & Gaza ~85%
  – Limited discretion over local budgets e.g. 90% of local spending on wages on Egypt

• Unsustainable debt burden for cities in many countries
  -- Tunisian cities’ debt increased >2x between 2005-2011 leading to bailouts of most
MNA Countries Have Low Shares of Local Government Expenditures

MNA Local Government Expenditures
(% of total public expenditures)

- Worldwide (federal)
- EU countries
- Worldwide (unitary)
- EU accession countries
- Egypt
- Morocco
- WBG
- Iran
- Lebanon
- Tunisia
- Jordan

Data Source: Serageldin. 2012.
E. Dysfunctional land and housing markets

- Prevalence of informal settlements with insecure tenure
- High transactions costs for formalizing land
- High value & appreciation of urban land
- Underdeveloped mortgage finance markets
- Land based financing markets for infrastructure and housing project under-developed
- Increasing urban sprawl
F. High Vulnerability of Cities to Natural Disasters and Climate Change

• Floods and droughts increasingly affecting economies and societies
  High frequency and cost of natural disasters
    – ~ 120 disasters in last 5 years with average cost of 1bn USD/year
    – 418K people affected by natural disasters in past decade

• Climate change increasing the vulnerability of MNA cities
  - Region with 2nd highest threat of sea level rise: .1 - .3 m increases projected by 2050
  - Pressure from weather-induced migration: climate conditions est. to account for 10-20% of current migration flows

• Risks particularly acute for coastal cities
  - Economic activity concentrated in coastal cities: 80% of Moroccan industry & services in 3 coastal cities & 40% of Egypt’s industry in Alexandria
  - Coastal populations projected to increase from 60mn in 2010 to >100mn in 2030
G. Cultural Heritage and Tourism Under Threat

• **Rich cultural heritage threatened by degradation and destruction of irreplaceable assets**
  – Thefts, pilferage, illegal excavations, and willful damage to monuments depleting cultural assets

• **Tourism has potential as a key growth sector, but is still struggling to recover**
  – Sites are afflicted during conflict (e.g. Syria) through looting, illegal excavations, and willful damage
  – Illegal demolitions and constructions in medinas and historic cities
  – Tourism contributed 16% of GDP in Egypt and 14% of jobs; and 17% of GDP and 15% of jobs in Tunisia – before the Arab Spring
Economic and Employment Contribution of Tourism Sector in 2010

2. Implications of the Arab Spring
Post Arab Spring Implications for the Urban Agenda

✓ Continued integration of voice and accountability through greater citizen’s participation

✓ Improved accountability through better urban governance and greater local empowerment/decentralization

✓ Increased urgency for provision of basic services to all

✓ Strengthened role of cities to promote economic growth and job creation

✓ Reduced inequality by addressing regional disparities
3. MENA Urban Sector Strategy
Our urban portfolio marries knowledge with financing to support development initiatives in MENA

17 Projects in MNSUR Portfolio Countries

Net Commitment by Country (894.8 million USD)

Number of Projects by Theme

Data from February 2013
As MENA transforms, so too does the World Bank’s approach to engaging in MENA

- Working with **broader sets of partners**, including more local level clients and regional partners
  - Direct engagement with Mayors under Urbanization Platform, facilitating exchange of knowledge and repositioning of cities
  - Partnership with key regional institution (AUDI)

- More **programmatic engagements** providing combinations of diagnostic, policy & institutional reform, &/or financial support – supporting
  - Decentralization and local governance in Yemen and Tunisia
  - Sustainable local service delivery in Morocco
  - Integrated risk management in Morocco
  - Municipal development in the Palestinian Territories

- More **flexibility and agility** with greater distinction over short term vs. long term realities & needs
Key Pillars of the MNA Urban Action Plan: Tailoring Responses

1. **Sustainable and Resilient Urban Communities**
   - Improve resilience of cities & communities to shocks
   - Promote integrated management of the urban environment

2. **Inclusive Cities and Accountable Local Governments**
   - Promote country-led decentralization
   - Strengthen inclusive & accountable grassroots institutions of the poor

3. **Vibrant and Growing Urban Economies**
   - Deliver quality infrastructure & services
   - Promote sustained growth & job creation