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# Financing the Just City:

## *Urban Infrastructure Development Financing and Participatory Democracy in Africa*

### 1. Introduction

Africa is experiencing one of the fastest urban transitions globally. The continent's urban population is growing at approximately 3.5% per year - nearly twice the global average - and will exceed 1.5 billion by 2050.<sup>1</sup> However, urbanisation has outpaced the expansion of formal employment, producing large informal labour markets that account for up to 85% of non-agricultural jobs in sub-Saharan Africa.<sup>2</sup> Over 60% of sub-Saharan Africa's urban residents live in informal settlements.<sup>3</sup> These patterns have intensified spatial and socio-economic inequalities and placed extraordinary pressure on cities to provide basic services and urban infrastructure.

This rapid urbanisation coincides with tightening fiscal constraints. Domestic public finances remain structurally weak due to narrow tax bases and illicit financial flows estimated at US\$88.6 billion annually.<sup>4</sup> Official Development Assistance (ODA) has declined by 17% globally, driven by donors' reallocation of budgets toward domestic and geopolitical priorities.<sup>5</sup> This has resulted in a widening infrastructure financing gap estimated at US\$68-108 billion per year.<sup>6</sup>

In this context, the United Nations (UN) Conference on Financing for Development (FfD) has historically promoted a shift toward using public finance and ODA to leverage private capital, billed as "from billions to trillions", despite recent data showing limited fiscal impact.<sup>7</sup> Private-finance-driven models often sideline affordability, accessibility, equity and developmental sovereignty.<sup>8</sup> The financialization of urban infrastructure risks overshadowing 'Just City' values of dignity, equality, diversity and democratic participation as over-arching principles of urban governance.<sup>9</sup>

**In the face of increasingly insufficient infrastructure, rising user fees, continuing informality, widening inequality and climate-related vulnerabilities, urban residents across Africa's cities are increasingly demanding new democratic spaces through which to influence planning, financing and infrastructure delivery.**

### 2. Contemporary Debates on Urban Infrastructure Financing in Africa

#### The Infrastructure Financing Gap

Africa's infrastructure investment needs are estimated at between US\$130-170 billion annually, with average annual commitments of around US\$83 billion during 2016-2020. This leaves a financing gap of roughly US\$50-90 billion per year. National governments remain the largest financiers, contributing approximately 41% of commitments, followed by external partners (35%), and the private sector providing the balance.<sup>10</sup> Private capital has grown but remains modest: across 2012-2023, Africa recorded 847 private infrastructure deals worth US\$47.3 billion, with energy and telecoms absorbing 81% of the value.<sup>11</sup> In 2022, private capital represented only around 2% of Africa's annual infrastructure need, compared with 25-44% in the Americas and Oceania.

### The 4th Financing for Development Conference 2025: Seville Commitment

The 4th UN International Conference on FfD in Seville (2025) acknowledged the widening global financing gap but produced contested outcomes. Key debates relevant to African cities included:

- a. Domestic public finance, debt and tax cooperation:** the Seville outcome encouraged domestic resource mobilisation but fell short of endorsing a binding UN tax convention or comprehensive sovereign debt mechanism;
- b. The private turn in development financing:** despite Global South opposition, Seville reiterated commitment to blended finance and integrated over 130 initiatives focused on expanding private investment and de-risking mechanisms;
- c. Declining ODA:** the Commitment reaffirmed ODA's importance but did not provide time-bound commitments to increase aid; and
- d. Human rights, gender and labour:** Seville reaffirmed human rights-based approaches to channelling development financing.

### Implications of the Private Turn

Disproportionate reliance on private financing for infrastructure development undermines the public goods character of urban infrastructure and reduces democratic oversight, replacing public accountability with contractual obligations to investors.<sup>12</sup> When infrastructure provision is shaped primarily by affordability thresholds and cost-recovery imperatives, the poorest urban residents are systematically excluded. For example, Kenya's Nairobi Expressway, financed via a PPP, improved mobility for higher-income motorists while restricting access by lower-income motorists and commuters.<sup>13</sup> Similarly, in Lagos, the Lekki-Epe Expressway PPP triggered protests over toll costs and exclusionary planning.<sup>14</sup> Large 'bankable' projects attract global investors but often fail to address pressing needs for low-

cost housing, affordable transport, and universal water and sanitation.

**Urban infrastructure projects should embed the interests of urban residents impacted by this 'private turn' in the design, development, operation and governance of these projects.**

## 3. Participatory Democracy and Urban Infrastructure Development Financing

### Why Democratic Participation Matters

Democracy has historically been considered a pillar of governance of public affairs. Democratic participation, in theory, legitimizes decisions that shape the urban environment and has traditionally been secured through representative democracy. However, over the last few decades, the model of representative democracy has suffered a loss of legitimacy due to many reasons, including: inability of municipal governments to respond to challenges affecting citizens; bureaucratic governance structures; and the lack of integrity of public officials.<sup>15</sup> In Lagos, protests against toll charges in the Lekki-Epe Expressway, for example, demonstrated the misalignment between the interests of local government and residents.<sup>16</sup>

### Conceptualising Participatory Democracy

Participatory democracy is defined as the institutionalised avenues for residents of urban spaces to exercise influence on how urban spaces are planned, financed, delivered and governed, beyond periodic elections.<sup>17</sup> It complements representative democratic governance by opening spaces for citizens in co-design, co-decision and co-production in infrastructure development cycles.<sup>18</sup> Three basic rationales support embedding participatory democracy:

- a. it increases legitimacy and trust;
- b. it improves quality of information in governance processes by surfacing local knowledge; and
- c. it counterbalances technocratic drift in municipal decision-making.<sup>19</sup>

Additional rationales include: the distributive implications of current construction of **green cities**<sup>20</sup> and **smart cities**<sup>21</sup> in various African countries, which risk creating 'elite enclaves' without inclusive participation; and increasing social and economic inequality.

### Spectrum of Public Participation

Adapting the spectrum of public participation developed by Sondou et al. (2024) and the International Association for Public Participation (IAP2), public participation includes the following:

- **Information:** Citizens informed about decisions without being able to influence the process (e.g. websites or brochures).
- **Consultation:** Citizens consulted on specific projects but have no direct power (e.g. public enquiries or meetings).
- **Involvement:** Citizens participate in workshops or working groups that help shape decisions
- **Co-production:** Citizens work directly with authorities in planning and implementation (e.g. citizens committees).
- **Empowerment:** Citizens co-decide on projects through formalised participatory mechanisms (e.g. participatory budgeting).<sup>22</sup>

## 4. Democratic Participation Models in Infrastructure Financing Mechanisms

Infrastructure financing mechanisms determine not only project design but also which actors participate, make decisions, and benefit. Reframing urban infrastructure as an investable asset rather than a public good moves decision-making into opaque, extra-territorial arenas (offshore SPVs, complex contracts, investor committees), reducing political debate and public scrutiny.

Using the Spectrum of Public Participation outlined in section 3 above, this section highlights the impact of various infrastructure financing mechanisms on public participation.

**4.1 Public Financing** (intergovernmental transfers, municipal borrowing, own-source revenues): Typical participation level is **Information → Consultation**. Taxpayer funds are anchored in constitutional and statutory frameworks requiring budget disclosures and statutory hearings.

Practical strategies for deepening participation include institutionalised participatory budgeting, participatory land value capture with Community Benefits Agreements, and community-led infrastructure trusts.

**4.2 Private Financing** (private equity, municipal bonds, PPPs, privatization): Typical participation level is **Information only**. Private financing is driven by anticipated financial returns, with commercial confidentiality and risk-return imperatives limiting community engagement. Strategies for deepening participation include legally mandated stakeholder consultation and FPIC, multi-stakeholder advisory panels, community equity models, and binding consent agreements.

**4.3 Hybrid/Blended Financing** (credit enhancements, pooled facilities, thematic bonds): Typical participation level is **Information → Consultation**, sometimes Involvement. Risk shields and pooled vehicles are technical and distant from residents. Strategies for deepening participation in-

clude integrating civil society into fund governance, community-led project pipelines, community equity in SPV structures, and outcomes-based financing mechanisms e.g. Social Impact Bonds.

**4.4 Official Development Assistance** (concessional MDB loans, bilateral lending, grants, credit enhancements): Typical participation level is **Information → Consultation**. ODA funders are bound by normative frameworks requiring institutional safeguard policies, ESIA's, and disclosures. Strategies for deepening participation include mandated multi-stakeholder platforms, community-driven development grants, ODA-funded participatory budgeting, and independent accountability mechanisms.

**4.5 Philanthropic Sources** (foundation grants, endowments, community trusts, crowdfunding): Typical participation level is **Information → Consultation**, potential for higher levels of resident participation (in the adopted participation scale), e.g. empowerment, co-ownership etc. Philanthropic financing can be more flexible and mission-driven. Strategies for deepening participation include civic crowdfunding with institutional match-funding, community panels for grant decision-making, and community foundations with majority-resident governing boards.

## 5. Innovations in Urban Infrastructure Development Financing in Africa

### 5.1 Defining Innovative Finance and Its Strategies

Innovative infrastructure finance' refers to various strategies for increasing the effective use of existing financial resources, or generating new financial resources, to achieve specific international, national, sectoral or project-level goals.<sup>23</sup>

Participatory democracy in infrastructure financing can be enhanced through the following strategies:<sup>24</sup>

- a. **More effective use of existing finance** – e.g. participatory budgeting ensures resources are allocated according to community priorities;
- b. **Innovating old mechanisms** – e.g. blended finance structures could require mandatory citizen consultation committees;
- c. **New financing mechanisms** – e.g. green bonds linked to participatory oversight structures;
- d. **New sources of finance** – e.g. philanthropic contributions through community foundations;
- e. **New providers of finance** – e.g. local savings cooperatives embedding accountability; and
- f. **Mobilising additional finance** – e.g. civic crowdfunding campaigns enabling direct citizen participation.

## 5.2 Case Studies on Participatory Democracy Innovations

- a. Public Finance Innovation:** Participatory Budgeting (Senegal) - In Matam and Fissel, participatory budgeting shifted decision-making from closed council processes to open forums where citizens accessed budgetary information, proposed projects, and deliberated priorities. Impacts included increased tax compliance, improved trust between citizens and authorities, and better alignment of investments with community needs.
- b. Private Finance Innovation:** Green Municipal Bonds (Tanzania) - The Tanga UWASA Green Bond (February 2024) raised TZS 53.12 billion for water and sanitation infrastructure. Innovations included green bond certification, requiring eligible categories, project evaluation, ring-fenced proceeds, and annual public reporting with external assurance. While it broadened investor bases and improved accountability, community co-decision remained limited.
- c. Blended Finance Innovation:** Community Ownership Trusts (South Africa) - South Africa's Renewable Energy Independent Power producer Procurement Program mandated local community ownership through Community Trusts, typically holding 9-12% equity. Trusts are projected to receive dividends for reinvestment in education, healthcare, and infrastructure. This mechanism shifts participation toward co-production and partial empowerment.
- d. ODA Innovation:** Digital Accountability (Kenya) - MajiVoice, introduced under the World Bank-funded WaS-SIP project, enabled citizens to report water service delivery issues via SMS. The platform significantly improved response times and accountability, enhancing user participation in governance of ODA-funded urban infrastructure.
- e. Philanthropy Innovation:**  
**Community-Led Infrastructure Finance (Namibia):** The Shack Dwellers Federation of Namibia pools community savings into the Twahangana Fund for land, housing, and basic infrastructure. Savings groups collectively decide on priorities, negotiate with municipalities, and manage fund allocation - shifting participation from consultation to empowerment.

**Civic Crowdfunding (Kenya):** M-Changa has raised over KES 1 billion across more than 60,000 campaigns. The Mathare Community Toilet Project mobilised KES 2.5 million, now serving over 1,000 people daily. Contributors influence priorities, receive real-time SMS updates, and oversee management of urban infrastructure projects.

## 6. Conclusions and Recommendations

### Proposals for Democratic, Transparent and Sustainable Financing

- a. Strengthen Domestic Resource Mobilisation:** Expand municipal revenues but embed participatory budgeting and citizen oversight. Use community benefit agreements for land-based financing tools.
- b. Mandate stakeholder consultation and FPIC for licensing and PPPs.** Institutionalise multi-stakeholder advisory panels. Pilot community equity models.
- c. Reframe ODA for Local Participation:** Condition funding on participatory mechanisms. Strengthen accountability through independent complaint mechanisms and open-data reporting.
- d. Scale Community-Led Innovations:** Support civic crowdfunding through matching municipal funds. Institutionalise community foundations with direct community decision-making.
- e. Leverage Climate Finance for Just Cities:** Embed participatory democracy in green bonds and climate funds through community advisory councils and open-data dashboards.
- f. Institutionalise Participatory Democracy:** Embed participatory mechanisms into municipal charters and national frameworks. Harmonise with international participation norms.

The financing of Africa's urban transformation must go beyond resource mobilisation to address democratic legitimacy. Urban infrastructure financing models that empower citizens by embedding transparency, inclusivity, and participatory democracy can transform urban infrastructure into a vehicle for building just, sustainable, and democratic cities.

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