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December 2025

Financing the Just City

*Urban Infrastructure Development Financing
and Participatory Democracy in Africa*

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Executive Summary

Africa is undergoing one of the fastest urban transitions worldwide, with its urban population projected to exceed 1.5 billion by 2050. This growth, driven by migration, natural increase, and settlement reclassification, has outpaced formal employment expansion, leaving up to 85% of non-agricultural jobs in the informal sector. Over 60% of urban residents in sub-Saharan Africa live in informal settlements, intensifying socio-economic inequalities and straining cities' ability to provide housing, services, and infrastructure.

At the same time, fiscal constraints limit governments' capacity to respond. Domestic public finances remain weak due to narrow tax bases, large informal economies, and illicit financial flows estimated at US\$88.6 billion annually. Declining Official Development Assistance (ODA) down 17% globally has widened Africa's infrastructure financing gap to US\$68–108 billion per year.

In response, the UN's Financing for Development (FfD) agenda has promoted leveraging private capital through mechanisms such as Public-Private Partnerships, municipal bonds, and impact-investment platforms. While these approaches introduce efficiency and innovation, they often deliver limited fiscal impact and risk prioritizing profit over affordability, accessibility, and democratic values. The financialization of urban infrastructure challenges the traditional social contract and threatens the principles of the "Just City"—dignity, equality, diversity, and participation.

Amid insufficient infrastructure, rising user fees, and climate vulnerabilities, urban residents across African cities are increasingly demand new democratic spaces through which they can influence planning, financing and infrastructure delivery.

This working paper explores the intersection of Africa's evolving infrastructure financing landscape and democratic participation. It examines emerging financing trends, participatory models within key instruments, and innovative mechanisms across Eastern, Southern, and Western Africa. The paper concludes with recommendations for embedding participatory democracy into financing frameworks to ensure transparent, inclusive, and sustainable urban infrastructure development aligned with the global FfD agenda.

1. Introduction

Africa is experiencing one of the fastest and most complex urban transitions globally. Driven by rural-to-urban migration, natural population increase, and settlement reclassification, the continent's urban population is growing at about 3.5% per year, nearly twice the global average, and will exceed 1.5 billion by 2050.¹ 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.² Meanwhile, over 60% of sub-Saharan Africa's urban residents live in informal settlements (UN-Habitat 2022, p. 72).³ These patterns have intensified spatial and socio-economic inequalities and placed extraordinary pressure on cities to provide basic services, housing, mobility, energy and water infrastructure. In this context, African cities require a significant increase in infrastructure investment to match the demographic change and service deficits.

However, this need emerges at a moment of tightening fiscal constraints. Domestic public finances - Africa's largest source of infrastructure investment - remain structurally weak due to narrow tax bases, large informal sectors, and the loss of public revenues through illicit financial flows, estimated at US\$88.6 billion annually, exceeding total annual development assistance.⁴ Global tax rules have further limited African countries' ability to mobilise revenue, a concern repeatedly raised in multilateral fora. At the same time, Official Development Assistance (ODA) has declined by 17% globally, driven by donors' reallocation of budgets toward domestic and geopolitical priorities.⁵ This has resulted in a widening infrastructure financing gap estimated at US\$68-108 billion per year.⁶

It is within this context that the United Nations Financing for Development (FfD) conferences - from Monterrey (2002)

to Seville (2025) - promoted a shift toward using public budgets and ODA to leverage private capital. The Addis Ababa Action Agenda framed this ambition as moving "from billions to trillions" to meet global development needs.⁷ The rationale advanced by multilateral institutions and donor governments is that private finance can introduce efficiency, innovation and managerial capacity that fiscally constrained governments and shrinking ODA lack. This expanding "private turn" in infrastructure financing has reshaped urban governance across Africa. While private and blended finance have enabled new mechanisms - including Public-Private Partnerships, municipal bonds and impact-investment platforms - research shows their limited fiscal impact.⁸ Private-finance-driven models often sideline affordability, accessibility and developmental sovereignty.⁹ In addition, the financialization of urban infrastructure (i.e. the embedding of financial market rationalities in the development, operation and governance of urban infrastructure) risks overshadowing the 'Just City' values of dignity, equality, diversity and democratic participation.¹⁰ As municipal governments shift toward profit-oriented financing, the traditional social contract, where states finance and provide public services to urban residents, becomes strained.

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 demand new democratic spaces through which to influence planning, financing and infrastructure delivery. As demonstrated in Nairobi's Mukuru settlements, Mbizana and Cape Town in South Africa, urban residents are increasingly mobilising for participatory democracy, seeking co-design, co-decision and co-production of infrastructural futures, especially where representa-

1 United Nations Human Settlements Program, 'World Cities Report 2022: Envisaging the Future of Cities' (United Nations Human Settlements Program 2022) 58-60.

2 International Labour Organization, 'Women and Men in the Informal Economy: A Statistical Picture' (International Labour Organization 2018) 21.

3 United Nations Human Settlements Program (n 1) 72.

4 United Nations Conference on Trade and Development, 'Tackling Illicit Financial Flows for Sustainable Development in Africa' (United Nations Conference on Trade and Development 2020) 14.

5 Organization for Economic Development and Cooperation, 'Cuts in Official Development Assistance: OECD Projections for 2025 and the near Term' (Organization for Economic Co-operation and Development 2025) Policy Brief.

6 African Development Bank, 'African Economic Outlook 2018' (African Development Bank 2018) xv.

7 United Nations, 'Addis Ababa Action Agenda of the Third International Conference on Financing for Development' (United Nations 2015).

8 Javier Pereira, 'Blended Finance: What It Is, How It Works and How It Is Used' (Oxfam International 2017) Oxfam Research Report.

9 Edgar Pieterse and Katherine Hyman, 'Disjunctures between Urban Infrastructure, Finance and Affordability', The Routledge handbook on cities of the global south (Routledge 2014).

10 Jeremmy Okonjo, Jane Jebichii Sego and Olive Chege, 'Urban Infrastructure Financialization in African Cities' (Friedrich Ebert Stiftung 2024) Working Paper 1.

tive democratic institutions fail to reflect their priorities.¹¹

Against this backdrop, this working paper examines how Africa's evolving urban infrastructure financing landscape interacts with democratic participation and explores how innovative financing mechanisms might embed participatory democracy to build more inclusive and just cities. Section 2 explores emerging trends and debates on urban infrastructure development financing in Africa. Section 3 examines the role of participatory democracy in urban infrastructure development and its linkage with financing mechanisms. Section 4 analyses the participatory models embedded in key financing instruments and considers options for deepening democratic participation. Section 5 discusses innovative urban infrastructure financing mechanisms in Eastern, Southern and Western Africa and how they incorporate different models of participation. Section 6 concludes with recommendations for democratic, transparent and sustainable urban infrastructure financing models for "just cities" in Africa, situated within the evolving global Financing for Development agenda.

¹¹ Philipp Horn, 'Enabling Participatory Planning to Be Scaled in Exclusionary Urban Political Environments: Lessons from the Mukuru Special Planning Area in Nairobi' (2021) 33 *Environment and Urbanization* 519; Christine Dube, Lukhona Mnguni and Alain Tschudin, 'Peacebuilding through Public Participation Mechanisms in Local Government: The Case Study of Mbizana Local Municipality, South Africa' (2021) 2 *Journal of Illicit Economies and Development*.

2. Contemporary Debates on Urban Infrastructure Financing in Africa

The Infrastructure Financing Gap

Urban infrastructure financing in Africa is at the centre of contemporary development debates. The financing landscape is evolving rapidly, shaped by fiscal constraints, declining aid flows, and increasing reliance on private and blended finance. 2025 assessments estimate Africa's infrastructure investment needs 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. Annual commitments fluctuated between US\$67 billion in 2016 and US\$101 billion in 2018.¹ Private capital has grown but remains modest in scale: across 2012–2023, Africa recorded 847 private infrastructure deals worth US\$47.3 billion, with energy and telecoms absorbing 81% of the value.² In 2022, private capital was only around 2% of Africa's annual infrastructure need, compared with 25–44% in the Americas and Oceania.

These developments have manifested differently across African regions and city types. While the continent as a whole faces a widening infrastructure financing gap, the intensity and character of these pressures vary significantly. Southern African countries such as South Africa and Namibia - classified as upper-middle-income yet fiscally constrained - grapple with ageing metropolitan infrastructure and declining real transfers to major cities like Johannesburg and Cape Town, as national budgets tighten under rising debt-service obligations. In East Africa, rapidly growing cities such as Nairobi, Kampala and Dar es Salaam face some of the world's highest urbanisation rates, large informal economies and increasingly volatile national debt positions that restrict the fiscal space needed for basic services, mobility systems and settlement upgrading. West African countries including Ghana, Nigeria and Senegal experience acute debt-service ratios and currency vulnerabilities, limiting the ability of cities such as Accra, Lagos and Dakar to expand transport, drainage, water and housing infrastructure at the pace demanded. In Central Africa, where cities like Kinshasa, Brazzaville and Douala operate with structurally weaker revenue systems, high sovereign

indebtedness further constrains municipal investment and basic service delivery.

These structural differences are compounded by the fact that sub-national governments in Africa account for only about 24% of total public investment and roughly 0.7% of GDP, far below global averages, leaving cities heavily dependent on central government transfers that are themselves shrinking under fiscal consolidation. Secondary and intermediary cities—such as Kisumu, Gulu, Tamale or Lubumbashi - face the steepest challenges: they have limited administrative and revenue-raising capacity and experience rapid demographic pressures with few financing instruments at their disposal. As a result, Africa's urban infrastructure financing crisis is both continental and deeply differentiated across regions and city types.

The 4th Financing for Development Conference 2025: Seville Commitment

Urban infrastructure development financing in Africa, significantly shaped by the Monterrey, Doha and Addis Ababa FfD agendas, entered a new phase at the 4th International Conference on FfD in Seville in 2025, where delegates acknowledged the widening global financing gap and propose a “renewed global framework”. For African countries, where rapid urbanization has intensified pressures on urban infrastructure, informality and local public finance, the Seville outcome lies at the intersection of ongoing debates between global South coalitions, on the one hand, and global North coalitions, on the other hand, on the future of development financing. Four contentious issues discussed in Seville remain relevant for African cities.

a. Domestic Public Finance, Debt, Tax Cooperation and Illicit Financial Flows

Global South coalitions argue that domestic public financing of urban infrastructure development is the best source of financing that guarantees developmental sovereignty and the embedding of public interest in the infrastructure developments, yet domestic fiscal capacity is eroded by unsustainable sovereign debt repayments, unfair global tax rules, and illicit financial flows. On sovereign debt, for example, a total of 3.4 billion people live in 48 developing

¹ Africa Europe Foundation and AUDA-NEPAD, 'The Missing Connection: Unlocking Sustainable Infrastructure Financing in Africa' (Africa-Europe Foundation 2025) Technical White Paper.

² African Private Capital Association, 'Private Capital Investment in Africa's Infrastructure' (African Private Capital Association 2025) 21.

countries that spend more on interest payments than on either health or education.³ Global North coalitions, on the other hand, have insisted on reforming existing international financial architecture rather than creating a United Nations-led debt regime.

The Seville Commitment encouraged increased support for domestic resource mobilisation and recognised the importance of concessional finance, especially for vulnerable countries, but did not reverse or compensate for the sharp recent decline in ODA volumes. It recognised that “high debt premiums, especially in Africa, restrict access to affordable financing” and articulated support for international tax cooperation, but fell short of endorsing a binding UN tax convention or a comprehensive sovereign debt mechanism. The failure to address sovereign debt, tax cooperation and illicit financial flows continues to undermine African city governments that rely on national fiscal transfers. For example, Uganda’s growing debt service obligations have contributed to a tight national budget, constraining national government transfers that make up around 40% of the Kampala Capital City Authority budget, leaving major road, drainage and basic service investments underfunded.⁴

b. The Private Turn in Development Financing

Since Addis, global North governments, multilateral development banks, and private sector actors have rallied behind the call to close the financing gap by using the dwindling public and ODA sources of development financing to “crowd-in” private sector finance, into a new financing mechanism referred to as “blended finance”. Global South coalitions have opposed the concept of “blended finance”, which requires the use of public finance to de-risk private sector investments using guarantees and PPP models, on the basis that blended finance often displaces public priorities, increases fiscal risks, and bypasses democratic decision-making.⁵ Indeed, studies have shown that over the last decade, the de-risking of private investment has failed to raise development financing in the scale projected by multilateral development banks and other proponents of blended finance.⁶ Despite this opposition, the Seville Outcome document reiterated the commitment to blended finance and integrated over 130 initiatives within a ‘Seville

Plan of Action⁷ most of which were focused on expanding private investment, risk-sharing tools, and de-risking mechanisms.

The private turn in development financing has had immediate implications on urban infrastructure financing in Africa, where private sector investment has favoured sectors with reliable financial returns, e.g. energy and telecoms, and avoided lower-returns sectors such as urban transport, water and sanitation, and low-income housing.⁸ Where these lower-return sectors were de-risked, the trade-offs included inaccessibility of the infrastructure. For example, Kenya’s Nairobi Expressway, financed by via a Kenya-Chinese Public-Private Partnership (PPP), improved mobility for higher-income motorists while restricting access by lower-income motorists and commuters.⁹ In Lagos, the Lekki-Epe Expressway PPP triggered protests over toll costs and exclusionary planning.¹⁰ While blended finance can mobilize private financing for infrastructure projects, it requires strong regulatory and community oversight to avoid inequitable outcomes. Without strengthening public governance, private finance risks widening spatial inequality in African cities.¹¹

c. Declining Official Development Assistance and International Development Cooperation

The widening development financing gap in African is also caused by the sharp reductions by donor countries of their budgetary commitments of 0.7% of domestic national income to official development assistance, which has been the main source of development financing in Africa, aside from domestic public finance. Donor countries have justified the cuts on the basis of their respective domestic political priorities (which in the case of the UK, for example, has been the need to redirect funding to defence spending) while calling for the remaining ODA to catalyse private investments in development projects. The global South coalitions have stressed that concessional public finance remains essential for urban infrastructure, climate adaptation and social services, and have critiqued donor countries for the sharp ODA cuts and for substituting private finance mobilisation for grant-based cooperation.

The Seville Commitment reaffirmed ODA’s importance, but

3 United Nations Conference on Trade and Development, ‘A World of Debt: It Is Time for Reform’ (United Nations Conference on Trade and Development 2025) UNCTAD/OSG/TT/INF/2025/ 21.

4 Astrid RN Haas and Gundula Loffler, ‘Municipal Finance: Cross-Cutting Report’ (African Cities Research Consortium 2025) Working Paper 28 11.

5 Celine Tan, ‘Creative Cocktails or Toxic Brews? Blended Finance and the Regulatory Framework for Sustainable Development’ in C Gammage and T Novitz (eds), *Sustainable Trade, Investment, and Finance: Toward Responsible and Coherent Regulatory Frameworks* (Edward Elgar); Samantha Attridge and Lars Engen, ‘Blended Finance in the Poorest Countries: The Need for a Better Approach’ (Overseas Development Institute 2019).

6 Pereira (n 8).

7 Sevilla Platform for Action : <https://financing.desa.un.org/ffd4/sevilla-platform-action>

8 African Private Capital Association (n 13) 11.

9 See Sam Dennis Otieno, ‘Mobility and Marginalization via the Nairobi Expressway’ (2025) 95 *Africa* 123; see also Richard Mulwa, ‘When Urban Green Spaces Meet Infrastructure Development in Kenya: A Case of the Nairobi Expressway’ (2019) 2019 *East African Law Journal* 66.

10 Augustine E Arimoro, ‘Impact of Community Stakeholders on Public-Private Partnerships: Lessons from the Lekki-Epe Concession Toll Road’ (2015) 3 *International Journal of Law and Legal Studies* 165.

11 Tan (n 16).

did not provide time-bound commitments to increase aid. It stressed domestic resource mobilisation and blended finance as primary drivers. As ODA declines, African cities risk losing essential funding for ‘unbankable’ infrastructure projects, including water and sanitation networks, slum upgrading, and resilient transport systems - areas central to equitable urban development. Cities that have benefited from ODA concessional funding include Dakar’s Bus Rapid Transit, which was financed largely through concessional loans, due to the system’s low profit margins. In addition, Addis Ababa’s Light Rail was also financed through sovereign and concessional financing rather than private investments.

d. Human Rights, Gender, Labour and Social Protection

Global South coalitions have framed financing as a human rights and developmental justice issue, arguing that the right to development requires democratic participation, gender equality, labour protections and universal social protection, especially in the context of rapid urbanisation and increased economic informality. Civil society coalitions have argued that human rights and gender equality are “not secondary concerns, but essential requirements” for ensuring resources reach those who need them most, including women, marginalised communities and workers in the informal economy.¹² They have called for universal, adequately resourced social protection and public services and links these directly to structural reforms in debt, trade and taxation.¹³

This language has been opposed by global North coalitions, which have seen the language of developmental rights as oppositional to the market-based blended financing model they have advocated. The Seville Commitment, which reaffirms human rights and the right to development and contains language supporting care economies, gender equality and formalisation of informal workers, was in fact watered down by global North coalitions.

Implications of the Private Turn in Development Financing

Reliance on private capital has important democratic implications. It undermines the public goods character of infrastructure and reduces democratic oversight, replacing public accountability with contractual obligations to investors. For example, Pieterse and Hyman warn that when infrastructure provision is shaped primarily by affordability thresholds and cost-recovery imperatives, the poorest urban residents - often the majority - are systematically ex-

cluded.¹⁴ This is demonstrated, for example, in the toll-based Nairobi expressway project in Kenya that has locked out low-income motorists commuters. In urban contexts, this plays out starkly. Large “bankable” projects (expressways, real estate developments, special economic zones) attract global investors but often fail to address pressing needs for low-cost housing, affordable transport, and universal water and sanitation.¹⁵ In this policy context, there is growing recognition that citizen participation and local deliberation are critical to sustaining the legitimacy of urban infrastructure developments, especially in the face of the failure of conventional representative democratic institutions at the municipal level. For example, evidence from West African cities of Ho (Ghana) and Kpalime (Togo) demonstrates that current models of participation in urban planning often remain at the level of information and consultation, far from true co-decision in financing and service delivery.¹⁶

Communities and other stakeholders impacted by this private turn in urban infrastructure development finance therefore need to be engaged in these projects, to ensure that their concerns are addressed. Public oversight can take various forms, including participatory budgeting in the case of public financing, as demonstrated in the municipalities of Matam and Fissel in Senegal. For private financing mechanisms, public oversight has been embedded in green municipal bonds through the green bond certification by independent third parties, and annual reporting, as demonstrated in Tanzania’s Tanga Urban Water Supply and Sanitation Authority (UWASA) green bond. Public oversight has also been embedded in ODA financing mechanisms, as demonstrated by the MajiVoice complaint-management system introduced under the World Bank-funded Water and Sanitation Service Improvement Project (WaSSIP) in Kenya. These examples of participatory democracy are discussed in section 5 below.

¹² Civil Society Financing for Development Mechanism, ‘Declaration from the FfD4 Civil Society Forum’ (Civil Society Financing for Development Mechanism 2025) <<https://www.datocms-assets.com/120585/1751273611-forum-declaration.pdf>>.

¹³ *ibid.*

¹⁴ Pieterse and Hyman (n 9).

¹⁵ African Private Capital Association (n 13) 21.

¹⁶ Tchakouni Sondou and others, ‘Urban Planning Through Participatory Democracy: Analysis of Citizen Participation in Urban Planning in Ho (Ghana) and Kpalimé (Togo)’ (2025) 17 Sustainability 1161.

3. Participatory Democracy and Financing of Urban Infrastructure Development

Why Democratic Participation Matters

Democracy has long been considered a pillar of governance of public affairs, including in the context of the urban environment. Democratic participation, in theory, legitimizes the decisions that shape the urban environment, and has traditionally been secured through representative democracy, that is, the political representation of citizens in governance structures at the municipal and national levels. Citizens elect representatives that are given the mandate to make choices on their behalf, under the assumption that the representatives secure the interests of the citizens. However, over the last few decades, the model of representative democracy has suffered a loss of legitimacy due to many reasons, including inability to respond to challenges affecting citizens (including increasing social and economic inequality, economic stability, ecological crises etc), the bureaucratic and technocratic structures of governance, and the integrity of public officials.¹ In Lagos, for example, protests against toll charges in the Lekki-Epe Expressway demonstrated the misalignment between the interests of the local government and the residents, and the failure of the representative government model in that context.²

Conceptualizing Participatory Democracy

This crisis of legitimacy has led to demands for ‘participatory democracy’ to replace or at the very least augment the representative democracy model. 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 that establish representative government. Participatory democracy complements representative democratic governance institutions by opening up spaces for engaging citizens in co-design, co-decision and co-production in infrastructure development cycles. For example, in Mukuru, an informal settlement in Nairobi, the residents lobbied the Nairobi County Government to designate the area as a Special Planning Area (SPA), leading to the suspension of inadequate conventional planning regulations and the introduction of a new model of community organisation and representation that involves every resident in

participatory planning.³ In South Africa’s Mbizana Local Municipality, resident protests, demonstrations and violence at bad governance in the municipality, later followed by civil society-mediated dialogue between municipal authorities and the citizens, led to the co-development of a new public participation framework.⁴

Based on the limitations of representative democracy discussed above, there are at least three basic rationales for embedding participatory democracy in urban governance. First, citizen participation increases legitimacy and trust, increasing the social licence of urban development plans and the durability of infrastructure choices. Second, it increases the quality of information fed into governance processes since communities surface local knowledge on, for example, needs, trade-offs and land use externalities that are often excluded or not captured in technical models. Third, participatory democracy leads to democratic deepening by counterbalancing technocratic drift in municipal decision-making, which have been critiqued as rationalist and centralised.⁵ The present context of urban infrastructure development in Africa also provides additional rationales for embedding participatory democracy: the construction of green cities and smart cities, and the increase in inequality and informality.

The **construction of green infrastructure and green cities** as part of climate change mitigation and adaptation measures creates distributive winners and losers. Without inclusive participation, cities risk backlash and erosion of climate mandates. For example, in Nigeria, the construction of Eko Atlantic City as a climate-proof enclave built on reclaimed coastal land and framed as a flagship response to sea-level rise and flooding, has been criticized as “secluded luxury homes built on the coast for local and transnational elites,” physically isolated from, yet financially dependent on, the larger and more vulnerable city.⁶ In Cape Town, the construction of green and environmental amenities in the Silo District has led to “green gentrification” where greening and pollution clean-up “attracts wealthier residents or tenants to a previously disenfranchised or polluted neighbourhood,” increasing property values and introducing “unforeseen social challenges for redevelopment initiatives,” particularly for poorer groups.⁷

1 Christophe Gouache, ‘Why Do We Need Participatory Democracy If We Already Have Democracy?’ (Active Citizens Action Planning Network 2020) 3.

2 Arimoro (n 20).

3 Horn (n 11).

4 Dube, Mnguni and Tschudin (n 11).

5 Sondou and others (n 26).

6 Idowu Ajibade, ‘Building Just Resilient Coastal Futures: Revisiting the Role of Climatedias and the Equity Gap in Adaptation’ (Middlebury 2022) 1–2 <https://www.middlebury.edu/institute/sites/default/files/2023-08/Ajibade_Climatopias%20and%20just%20resilient%20coastal%20futures.pdf>.

7 U Ordor, RJ Spriestersbach and T Aitken, ‘An Investigation into Green Gentrification in the Silo District, Cape Town, South Africa’ (IOP Publishing 2022) 3.

The **construction of smart cities** (i.e. integration of digital technologies and data analytics in the governance of cities and related infrastructure) that are more efficient, sustainable and responsive to the needs of its residents, has also given rise to new technological risks, including algorithmic bias, transparency, accountability, digital exclusion, data privacy breaches, and an increasing digital divide.⁸ In Nigerian cities of Lagos and Abuja, for example, high poverty levels, unreliable electricity, limited broadband and low digital skills risk turning smart-city plans into “elite enclaves” unless basic connectivity and affordability issues are addressed.⁹

The **increase in social and economic inequalities** within urban areas, due to various economic, ecological, humanitarian and other crises, has also led to the overall decline in participation in democratic activities, especially in economically-marginalised groups. On the other hand, democratic participation is notably concentrated among affluent social groups, raising questions about the feasibility of achieving genuine democratic participation using representative democracy models.¹⁰

The levels of participation between the models of representative democracy and participatory democracy form a long continuum that has been conceptualised and constructed in diverse ways by various scholars. This study adopts the spectrum of evaluating public participation developed by Sondou et al (2024) as adapted from the International Association for Public Participation (IAP2) Spectrum of Public Participation.¹¹ This spectrum of public participation is used in the analysis and evaluation of various urban infrastructure financing mechanisms in the following sections.

Table 1: Spectrum of Public Participation

<i>Participation Level</i>	<i>Description</i>
1. Information	Citizens are informed about decisions taken without being able to influence the process (e.g. through posters, brochures, or websites).
2. Consultation	Citizens are consulted on specific projects or decisions (e.g. through public enquiries or meetings) but have no direct power.
3. Involvement	Citizens participate in workshops or working groups that help shape city decisions.
4. Co-production	Citizens work directly with the authorities in the planning and implementation of urban projects (e.g. citizens committees).
5. Empowerment	Citizen’s control or co-decide on projects through formalized participatory mechanisms (e.g., participatory budgets or decision-making bodies)

Source: Tchakouni Sondou and others, ‘Urban Planning Through Participatory Democracy: Analysis of Citizen Participation in Urban Planning in Ho (Ghana) and Kpalimé (Togo)

⁸ Thomas W Sanchez, Marc Brenman and Xinyue Ye, ‘The Ethical Concerns of Artificial Intelligence in Urban Planning’ (2025) 91 Journal of the American Planning Association 294.

⁹ Douglas Aghimien and others, ‘Challenges Hindering the Attainment of Smart Cities’ [2019] Interdependence between Structural Engineering and Construction Management (ISEC-10) 20, 5–7.

¹⁰ Rod Dacombe and Phil Parvin, ‘Participatory Democracy in an Age of Inequality’ (2021) 57 Representation 145.

¹¹ Sondou and others (n 26).

4. Democratic Participation Models in Urban Infrastructure Financing Mechanisms

As discussed in section 3, participatory democracy in the development of urban infrastructure is crucial because it complements representative democratic governance institutions by opening up spaces for engaging citizens in co-design, co-decision and co-production in infrastructure development cycles. However, the particular infrastructure financing mechanism engaged in a project also determines not only the design, decision and production of the projects, but also which actors participate, make decisions, and benefit from the project. For example, in the context of the increasing turn to private financing mechanisms, the literature on the financialization of urban infrastructure demonstrates that reframing urban infrastructure as an investable asset has certain drastic consequences: decision-making moves into opaque, extra-territorial arenas (offshore SPVs, complex contracts, investor committees), reducing political debate and public scrutiny. Using the Spectrum of Public Participation in Table 1 above, this section highlights the impact of various infrastructure financing mechanisms on participatory governance in Africa.

4.1 Public Financing

a. Predominant Features

Public sources of urban infrastructure financing include intergovernmental transfers (grants, subsidies, concessional on-lending), municipal borrowing (bank loans), and own-source revenues (taxes, fees) used either as pay-as-you-go or as backstops for debt service. Funding tools frequently paired with public finance include user charges and land value-capture (betterment levies, impact fees, tax-incre-

ment-like tools, air/land-rights sales etc).

b. Typical Participation Level: Information → Consultation (baseline)

Information/consultation are usually the baseline forms of participation where public funding is involved. This is because taxpayer funds are usually anchored in specific constitutional, statutory and regulatory frameworks that reflect the social contract between the taxpayers and electorate on the one hand, and the elected officials and state bureaucrats, on the other hand. These include requirements for budget disclosures, statutory hearings on infrastructure spending plans, and Environmental and Social Impact Assessments (ESIAs). Public sources of funding are also undergirded by democratic expectations of investing taxpayer funds in public good infrastructure that is inclusive and equitable, rather than privatised infrastructure that excludes especially the minority and disadvantaged segments of the population. In addition, as outlined in Table 2 below, international institutions and regional bodies have also developed international hard law and soft law commitments containing specific normative commitments for States and municipalities to promote participatory democracy. However, capital-raising decisions by government (e.g. debt terms and ODA conditions) remain technocratic. While this is not the norm, certain municipal jurisdictions have experimented with deepening participatory democracy by embedding involvement, co-production and empowerment in the governance frameworks for public spending in urban infrastructure.

Table 2: International Participatory Democracy Norms applicable to States and Municipalities

<p>1. OECD Recommendation on the Governance of Infrastructure (2020)</p> <p>Section IV: “Ensure transparent, systematic and effective stakeholder participation through: (a) providing...information... and allow for continuous, inclusive...dialogues...”</p>
<p>2. Escazú Agreement (2018) – Latin America & the Caribbean</p> <p>Art. 7(1): “Each Party shall ensure the public’s right to participation and...implement open and inclusive participation in environmental decision-making processes...”</p>
<p>3. New Urban Agenda (2016), Habitat III (UN)</p>

¶197: "...promoting integrated and participatory approaches involving all relevant stakeholders and inhabitants..."

¶119: "...implemented in a participatory manner, considering innovative, resource-efficient, accessible, context-specific and culturally sensitive sustainable solutions."

4. UN Habitat International Guidelines on urban and Territorial Planning (IG-UTP) UN Habitat GC Res. 25/6, 2015

Principle 1 - Urban and Territorial Planning is an integrative and participatory decision-making process that addresses competing interests and is linked to a shared vision, an overall development strategy and national, regional and local urban policies.

Principle 2 - Urban and Territorial Planning promotes local democracy, participation and inclusion, transparency and accountability.

5. United Nations Declaration on the Rights of Indigenous Peoples (2007)

Article 18 - "Indigenous peoples have the right to participate in decision-making in matters which would affect their rights."

Article 19 - "States shall consult and cooperate in good faith... in order to obtain their free, prior and informed consent before adopting... measures that may affect them."

Article 32(2) - "States shall consult and cooperate... to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources."

6. Aarhus Convention (1998) – Access to Information, Public Participation and Justice in Environmental Matters

Art. 6(4): "Each Party shall provide for early public participation, when all options are open and effective public participation can take place."

Art. 7: "Each Party shall make appropriate...provisions for the public to participate during the preparation of plans and programmes relating to the environment..."

7. International Labour Organization (ILO) Convention No. 169 on Indigenous and Tribal peoples (1989)

Article 6(1)(a) - Governments shall "consult the peoples concerned, through appropriate procedures and... their representative institutions, whenever... legislative or administrative measures... may affect them directly."

Article 6(2) - Consultations "shall be undertaken, in good faith... with the objective of achieving agreement or consent to the proposed measures."

Article 16(2) - Relocation "shall take place only with their free and informed consent. Where their consent cannot be obtained, such relocation shall take place only...."

c. Features Limiting Participatory Democracy

→ **Fiscal/legal formality:** Debt issuance, tax policy, and intergovernmental grants are governed by law and fiduciary rules that prioritise solvency and compliance over co-decision.

→ **Revenue technocracy:** User-charge setting often occurs within regulatory or utility boards; public input is sought, but binding citizen control is uncommon.

d. Practical Strategies for Deepening Participatory Democracy

→ **Institutionalised participatory planning and budgeting:** Participatory budgeting cedes direct decision-making power to citizens. They propose, debate, and vote on

specific infrastructure projects to be funded by the public budget. This constitutes empowerment on the spectrum, as citizens control the allocation of resources.

→ **Participatory Land Value Capture (LVC) with Community Benefits Agreements (CBAs):** Land Value Capture tools (e.g., betterment levies, impact fees) tax the increase in private land values generated by public infrastructure investments. The innovation lies in legally mandating that a portion of these revenues are managed with direct community oversight. Establishing legally-binding CBAs or earmarking LVC revenues for a community-managed fund can lead to co-production of urban infrastructure.

→ **Community-led infrastructure trusts and funds:** Establishing ring-fenced public funds or trusts specifically for

community-prioritised infrastructure, with a governance structure that mandates significant community representation, ensures community involvement and co-production in financial governance, including selecting, overseeing, and evaluating infrastructure projects.

→ **Participatory digital Platforms for Infrastructure Planning and Development:** Advanced open, accessible, and interactive platforms that display real-time infrastructure planning, public revenue and expenditure data, and project execution allow citizens to not only see the data but to interact with it. This includes tracking specific infrastructure projects, submitting citizen proposals on planning, reporting on mismanagement or corruption, and even proposing budget amendments.

4.2. Private Financing

a. Predominant Features

Private sources of urban infrastructure financing include private equity and debt, sovereign and municipal bonds, channelled through delivery models including borrowing from the private sector, public-private partnerships, and privatization. An example of city infrastructure that have utilised private financing include the Lekki-Epe Expressway in Lagos, which was executed as a PPP, with financing from private investors and international lenders.

b. Typical Participation Level: Information (baseline)

Consequently, participatory governance in privately-financed infrastructure projects are likely to embed the lowest form of participation, i.e. information. Private sector financing sources differ from public funding sources to the extent that private financing of infrastructure projects is driven by different norms and principles, specifically the anticipated financial returns of a project, balanced against the estimated risks of the infrastructure investment, the private financier’s financing capacity, and overall business strategy. Public funding considerations, including the social contract with the citizens at large, legal and political requirements to deliver inclusive and equitable public goods, and to promote democratic participation in the infrastructure development projects, are likely to undermine these private sector norms.

However, there is potential for the level of participatory governance to be deepened by public sector mandates, e.g. regulatory requirements or conditions for privatization. In addition, where private investors are beneficiaries of loans from multilateral development banks, or are co-investors in blended finance projects, the institutional norms of the MDBs (see Table 3 below) can mandate the embedding of participatory democracy in these projects.

Table 3: International Participatory Democracy Norms Applicable to Private Investors

<p>1. Asian Infrastructure Investment Bank (AIIB) Environmental & Social Framework (2024)</p> <p>→ Vision §18: “The Bank believes that transparency and meaningful consideration of stakeholders’ views as part of decision-making.”</p> <p>→ ESP §80.4: “A summary of stakeholder engagement (including disclosure and consultation) on the Project’s environmental and social documentation.”</p>
<p>2. Equator Principles (EP4, 2020) - A financial industry benchmark for determining, assessing and managing environmental and social risk in projects</p> <p>→ Principle 5: “...the EPFI will require the client to demonstrate effective Stakeholder Engagement, as an ongoing process...with Affected Communities...”</p> <p>→ Principle 6: “...establish effective grievance mechanisms...to receive and facilitate resolution of...concerns and grievances...”</p>
<p>3. European Bank for Reconstruction and Development (EBRD) Environmental & Social Policy (2019) – PR10 Information Disclosure & Stakeholder Engagement (Guidance Note quoting PR10)</p> <p>→ PR10 (quoted in Guidance Note, p.3): “...open and transparent engagement between the client...local communities and persons affected by the project...”</p>
<p>4. World Bank Environmental & Social Framework (2018) - ESS10 Stakeholder Engagement</p>

- ESS10, Intro ¶1: “This ESS recognizes the importance of open and transparent engagement between the Borrower and project stakeholders...”
- ESS10, ¶13: “...the Borrower will develop and implement a Stakeholder Engagement Plan (SEP) proportionate to the nature and scale of the project...”

5. International Finance Corporation (IFC) Performance Standards (2012) – Performance Standard 1

- PS1, ¶25: “Stakeholder engagement is...an ongoing process that may involve...disclosure..., consultation and participation, grievance mechanism, and ongoing reporting...”

c. Features Limiting Participatory Democracy

- **Commercial confidentiality:** contractual requirements for confidentiality between commercial parties constrains options for engaging communities in co-designing infrastructure developments.
- **Risk–return imperatives** place emphasis on project bankability and enforceability over community deliberation; tariffs (user-pays) may be pre-set by contracts, narrowing later public choices.
- **Sectoral bias:** private finance favours revenue-generating sectors, potentially sidelining inclusive services unless compensated by subsidies or viability-gap support.

d. Practical Strategies for Deepening Participatory Democracy

- **Legally mandated stakeholder consultation:** regulatory frameworks can embed into projects the requirement for stakeholder consultations with special timing, scope and consequences. For example, regulatory frameworks can mandate that stakeholder consultation and free, prior and informed consent (FPIC) must occur before key decisions are finalized and that proof of adequate consultation is a prerequisite for obtaining a license, permit, or government guarantee.
- **Multi-stakeholder forums or advisory panels integrated into project governance:** infrastructure projects can establish formal (advisory rather than binding) committees or forums that include community representatives, CSOs, local government, and the private developer, to discuss project implementation, address grievances, and provide input on specific social issues (e.g., resettlement action plans, local employment strategies). These forums/advisory panels can be embedded in a project’s legal and governance structure through conditionalities in licensing agreements, lender covenants (especially with development finance institutions) and community development agreements (CDAs).
- **Community equity models or cooperative ownership structures:** Communities can become formal co-owners of infrastructure projects through community trusts, co-

operatives, or direct shareholding. This aligns financial incentives between financial actors and the community, and grants the latter a formal seat at the decision-making table. This model can be embedded directly in the commercial and corporate structure of a project, e.g. the shareholders’ agreement, or company by-laws. However, it often requires supportive national legislation that mandates or recognises community ownership entities and allows them to hold equity.

- **Community veto rights or binding consent agreements:** communities can be granted a formal veto power over a project’s progression at key milestones. This is most associated with the principle of Free, Prior, and Informed Consent (FPIC), which goes beyond consultation. Veto rights can be embedded through national legislation that explicitly grant certain communities (e.g. indigenous groups) veto rights over projects on their land.

4.3. Hybrid (Public-Private/Blended) Financing

a. Predominant Features

Hybrid or blended finance combines public anchor capital with private flows, using credit enhancements and guarantees, pooled financing facilities/fund-of-funds, and thematic (green/social/sustainability/blue) bonds whose proceeds finance eligible pipelines. These structures aim to lower risk, extend tenors, and crowd-in private investors while tying use-of-proceeds to public goals. In Dakar (Senegal), for example, the Electric Bus Rapid Transit was a recipient of blended international financing consisting of equity from project sponsors (Dakar Mobilite), a €92 million loan from Proparco and Emerging Africa Infrastructure Fund (EAIF), a €7 million grant from the European Union plus a €9 million grant from the PIDG Technical Assistance facility.

b. Typical Participation Level: Information → Consultation (baseline), sometimes involvement

Since hybrid financing mechanisms attempt to achieve the goals of public financing mechanisms, the level of community participation can mirror that of public financing mechanisms. For example, PPP laws include procurement and disclosure frameworks that solicit comments from mem-

bers of the public, and also and set service standards. However, the capital structure and risk allocation of such projects are negotiated between governments and investors, and citizen decision rights are limited. In addition to

the international norms highlighted in Tables 2 and 3 above, additional norms applicable to blended finance are highlighted in table 4 below.

Table 4: International Participatory Democracy Norms applicable to Hybrid Financing

<p>1. OECD Recommendation on the Governance of Infrastructure (2020)</p> <p>→ Section IV: “Ensure transparent, systematic and effective stakeholder participation through: (a) providing...information... and allow for continuous, inclusive...dialogues...”</p>
<p>2. Equator Principles (EP4, 2020) - A financial industry benchmark for determining, assessing and managing environmental and social risk in projects</p> <p>→ Principle 5: “...the EPFI will require the client to demonstrate effective Stakeholder Engagement, as an ongoing process...with Affected Communities...”</p> <p>→ Principle 6: “...establish effective grievance mechanisms...to receive and facilitate resolution of...concerns and grievances...”</p>
<p>3. G20 Principles for Quality Infrastructure Investment (2019)</p> <p>→ Principle 5.1: “Open access...is best achieved through meaningful consultation and inclusive decision-making with affected communities throughout the project life cycle.”</p> <p>→ Principle 2.2: “...elements...can include: (i) broad stakeholder engagement throughout the project...”</p>

c. Features Limiting Participatory Democracy

- **Instrument abstraction:** risk shields and pooled vehicles (e.g. special purpose vehicles and securitization structures) are technical and distant from residents, making direct co-decision rare.
- **Reporting is not equal to control:** impact reporting informs but does not allocate formal citizen authority over spending.
- **Commercial confidentiality:** contractual requirements for confidentiality between commercial parties constrains options for engaging communities in co-designing infrastructure developments.
- **Risk-return imperatives** place emphasis on project bankability and enforceability over community deliberation; tariffs (user-pays) may be pre-set by contracts, narrowing later public choices.
- **Sectoral bias:** blended finance still favours revenue-generating sectors, potentially sidelining inclusive services unless compensated by subsidies or viability-gap support.

d. Practical Strategies for Deepening Participatory Democracy

- **Integrating civil society into Fund governance:** citizen

participation can be expanded beyond project-level ES-IAs, to include allocation of observer seats for civil society or community-based organisations on investment committees. These members would have observer or advisory roles on the investment committee, providing a direct channel for community perspectives during the project selection and oversight process.

- **Community-led project pipelines:** The innovation involves using deep participatory methods before the blending mechanism is engaged. Communities are involved in identifying, prioritizing, and initially designing infrastructure needs. This community-validated pipeline of projects is then presented to blended finance facilities for funding. The private and public financiers effectively finance a co-produced agenda.
- **Community Equity in Blended Finance Structures:** This is a high-innovation model where a portion of the public anchor funding (e.g., a grant or concessional loan from a donor) is used to capitalize a community trust, which then takes an equity stake in the Special Purpose Vehicle (SPV) that owns the infrastructure asset. This formalizes community co-ownership and grants them a seat on the SPV’s board, moving into the realm of empowerment.
- **Outcomes-based frameworks e.g. Social Impact Bonds:** Social Impact Bonds (SIBs) or Development Impact Bonds (DIBs) are financial instruments where pri-

vate investors front capital for social services, and donors or governments repay them based on the achievement of verified outcomes. The outcomes are typically defined by government and donors. The innovation is to empower communities to co-define the key performance indicators (KPIs) and outcomes that trigger repayments to investors. This shifts power from a purely technocratic definition of success to one that reflects community priorities and values.

4.4. Official/Overseas Development Assistance

a. Predominant Features of ODA Financing

Overseas Development Assistance (ODA) includes concessional loans (sovereign or, selectively, sub-sovereign on-lending) from multilateral development banks (MDBs), bilateral sovereign lending, grants for technical assistance, and MDB credit enhancements (e.g. partial risk/credit guarantees and local-currency solutions). ODA financing mechanisms are a significant source of funding for African urban infrastructure projects to address affordability and risk, often with facilities that aim to mobilise private capi-

tal. For example, in 2025, the African Development Bank (AfDB) approved a US\$139 million corporate loan to the City of Johannesburg Metropolitan Municipality, representing the first direct lending from AfDB to a sub-national entity in Africa. The loan was intended to support “critical urban infrastructure development” including water, electricity, sanitation and solid waste management systems for over 6 million residents.

b. Typical Participation Level: Information → Consultation (baseline)

ODA funders are international development actors that are bound by both internal and external normative frameworks to guide equitable, responsible and human rights-based approaches to development financing (see Table 5 below). These normative frameworks include requirements for institutional safeguard policies for borrowers, stakeholder consultations, ESIA, and disclosures, which embed information and consultation forms of participation in ODA-funded infrastructure projects. Where ODA funds results-based or outcome-based schemes, citizen-level verification and public reporting can also ensure citizen involvement.

Table 5: International Participatory Democracy Norms applicable to ODA Financing

<p>1. Asian Infrastructure Investment Bank (AIIB) Environmental & Social Framework (2024)</p> <p>→ Vision §18: “The Bank believes that transparency and meaningful consideration of stakeholders’ views as part of decision-making.”</p> <p>→ ESP §80.4: “A summary of stakeholder engagement (including disclosure and consultation) on the Project’s environmental and social documentation.”</p>
<p>2. European Bank for Reconstruction and Development (EBRD) Environmental & Social Policy (2019) – PR10 Information Disclosure & Stakeholder Engagement (Guidance Note quoting PR10)</p> <p>→ PR10 (quoted in Guidance Note, p.3): “...open and transparent engagement between the client...local communities and persons affected by the project...”</p>
<p>3. World Bank Environmental & Social Framework (2018) - ESS10 Stakeholder Engagement</p> <p>→ ESS10, Intro ¶1: “This ESS recognizes the importance of open and transparent engagement between the Borrower and project stakeholders...”</p> <p>→ ESS10, ¶13: “...the Borrower will develop and implement a Stakeholder Engagement Plan (SEP) proportionate to the nature and scale of the project...”</p>

c. Features Limiting Participatory Democracy

- **Sovereign negotiation locus:** priorities and conditionalities are set nationally with MDBs/DFIs; municipal/community co-decision is limited by programme design.
- **Guarantees are technical:** by design, guarantees de-risk capital; they do not alter citizen decision rights unless coupled to participatory programme rules.

d. Practical Strategies for Deepening Participatory Democracy

- **Mandated multi-stakeholder platforms:** ODA loan agreements between donors and national governments can mandate the establishment of a formal, project-specific committee with representatives from affected communities. This committee is not just consulted but is involved throughout the project cycle, reviewing progress, monitoring social safeguards, and providing input on implementation challenges. This would go beyond the ESIA consultations that are often one-off events focused on mitigating negative impacts rather than shaping the project’s core design.

- **Community-driven development grants:** ODA funding can be structured to include direct funding to community entities for sub-project implementation, i.e. grant facilities directly accessible to formalised community groups or local NGOs. These entities can design, manage, and implement small-scale infrastructure sub-projects (e.g., drainage, alley paving, water kiosks) according to their own priorities, with the government and donor providing technical support and oversight. This may require a fiduciary agent to manage flow of funds and provide capacity building to community groups.
- **ODA-funded participatory budgeting:** ODA funding can include explicit conditions that a portion of the ODA-funded national or municipal budget should be allocated through a legally mandated participatory budgeting process. The ODA funding directly strengthens the citizen's power over public financial allocation.
- **Independent Accountability Mechanisms:** A critical form of empowerment is giving citizens a formal avenue to challenge ODA-funded projects that they believe are causing them harm or violating social and environmental policies. All major MDBs have independent accountability mechanisms (e.g., the World Bank's Inspection Panel) that can investigate complaints from affected people and recommend that management halt disbursements until issues are resolved.
- **Challenge funds and performance windows:** these may require embedding of city-community co-design workshops and transparent scoring in infrastructure projects, to raise involvement forms of participatory democracy.
- **Local-currency bond guarantees plus retail participation:** these aspects can pair mobilisation with citizen involvement.

4.5 Philanthropic Sources

a. Predominant Features

Philanthropy sources of urban infrastructure financing include foundation grants, endowments, community trust funds, challenge/innovation funds, outcome-based or income-linked finance, and civic crowdfunding (including donation/reward; mini-bonds/retail; investment-based variants). Philanthropy also constitutes the first-loss/guarantee tranches in special-purpose vehicles (SPVs) of blended finance. The Gungano Urban Poor Fund, established by the Zimbabwe Homeless People's Federation in Harare, combines community savings with international philanthropic funding to finance slum upgrading. Donors include the Bill & Melinda Gates Foundation, SELAVIP, MISEREOR, Slum Dwellers International's Urban Poor Fund International, and IIED, alongside Harare City funds and national government resources.

b. Typical Participation Level: Information → Consultation (baseline).

Philanthropic financing, particularly from foundations and community-focused funds, can be more flexible and mission-driven than other funding sources. This flexibility creates significant potential for innovative governance models that directly embed citizen participation. The key innovation often lies in altering the grant-making governance itself to shift power to communities.

c. Features Limiting Participatory Democracy

- **Scale and continuity:** donation-based crowdfunding and small grants are not substitutes for large-scale urban infrastructure; absent formal integration with city budgets, community choices risk remaining advisory.
- **Governance by funders:** many philanthropic vehicles retain donor-centric boards, limiting citizen co-decision.

d. Practical Strategies for Deepening Participatory Democracy

- Civic crowd-funding with institutional match-funding: municipal governments and philanthropic partners can create formal programs that pledge to match funds raised by a community through a civic crowdfunding campaign. This empowers the community by making their ability to mobilize resources a direct trigger for larger, institutional investment. The community's decision to support a project effectively co-decides its implementation, leading to co-production and empowerment.
- Community panels for grant decision-making: this innovation transfers decision-making power over grant allocations from the foundation's internal staff to panels composed primarily of community representatives, activists, and individuals with lived experience of the issues being addressed. These panels review proposals, conduct interviews, and make final funding recommendations or decisions.
- Community foundations and trusts: the creation of geographically-embedded philanthropic institutions such as community foundations or trusts with majority-resident governing boards can ensure that the strategic direction and funding priorities of the foundation are co-produced by the community itself. This resolves the challenge of philanthropic assets being controlled by boards disconnected from communities they aim to serve, and which fund pre-defined projects.
- Community-controlled revolving funds: In this model, a philanthropic grant is used to capitalize a revolving loan fund (RLF) whose governance is entirely controlled by a community entity (e.g., a cooperative, a community assembly). The community entity sets the lending criteria, approves loans for small-scale infrastructure or housing, and collects repayments. The repaid money is then relent to other community members, creating a sustainable, community-owned financial institution.

5. Innovations in Urban Infrastructure Development Financing in Africa

As African states and cities confront shrinking fiscal space, donor fatigue, and rising debt service obligations, the challenge of financing urban transformation has become increasingly acute. Conventional models (including sovereign borrowing, donor-funded projects, and PPPs) continue to play an important role, but they are increasingly associated with democratic deficits, including opaque negotiations, exclusionary pricing models, and limited citizen oversight (see Section 3 above).

In response, a growing body of practice and scholarship highlights innovative and alternative infrastructure financing models that seek to mobilise resources in ways that also promote inclusion, participation, and accountability. These alternatives range from land-based financing instruments and municipal bonds to climate and green finance, community-driven co-production, and digital participatory platforms. This section examines these models, discusses their implications for democratic processes at local and national levels, and evaluates the extent to which they advance socially just and accountable urban governance.

5.1. Drivers of Financial Innovations in Urban Infrastructure Development

‘Innovative infrastructure finance’ refers to various strategies for increasing the effective use of existing financial re-

sources, or generating new financial resources, to achieve specific international, national, sectoral or project-level goals.¹ These strategies include various combinations of the following:

- Innovating ways to *increase the effective and efficient use* of available infrastructure finance;
- Innovative ways to *mobilize additional finance* for infrastructure development;
- Innovating *new financing mechanisms*;
- Innovating *old financing mechanisms for new purposes* (e.g. new markets or sectors) better results, or reduced time and costs;
- Innovating *new providers of infrastructure financing*, e.g. new financial actors;
- Innovating *new sources of infrastructure finance*, e.g. local versus international sources, public versus private sources, and philanthropic versus commercial sources

Table 6: Core Elements of Innovative Urban Infrastructure Development Financing

And						
Innovative ways to mobilise additional finance for urban infrastructure development			Nature of Finance	Innovative ways to use existing finance more effectively and efficiently for urban infrastructure		
New financing mechanism/instrument			Form of Innovation	New purpose/ markets/sector	Better results/ more impact	Reduced time & costs
New actors			Sources & Providers of Finance	New actors		
Locally vs internationally	Private vs public	Philanthropic vs commercial		Locally vs internationally	Private vs public	Philanthropic vs commercial

Source: Adapted from Koenig, A. et al (2020): Innovative Development Finance Toolbox

¹ Melina Heinrich-Fernandes, 'Donor Engagement in Innovative Finance: Opportunities and Obstacles' (Donor Committee for Enterprise Development 2023) Working Paper 6.

As discussed in the preceding sections, traditional public financing and donor-driven models are insufficient to bridge the growing infrastructure gap in Africa, due to the triple factors of ODA contraction and diversion, domestic fiscal constraints and debt servicing pressures on African governments. This has driven the private turn in urban infrastructure development financing, that is, the increasing reliance on private sector finance, philanthropic foundations, and blended finance to fill the growing infrastructure gap. This private turn in infrastructure financing, has also been rationalized as necessary to spur financial innovation or innovative finance, which is considered a key strength of private financial markets, in comparison to the public sector. However, these shifts raise governance challenges - particularly around transparency, accountability, and inclusion - thereby driving a search for innovative financing strategies that reconcile resource mobilisation with democratic legitimacy.

Limitations of Participatory Democracy in Conventional Financing Mechanisms

As discussed in section 4 above, conventional urban infrastructure financing mechanisms (including State budgets, and ODA financing) tend to limit democratic participation to information or consultation stages. Citizens are informed of infrastructure priorities after project decisions are made, or occasionally consulted through formal hearings, but rarely empowered to shape financial choices. Private sector financing, through instruments like municipal bonds or PPPs, often further excludes communities, by privileging profit margins, efficiency and risk-sharing, over citizen influence. These deficits provide a rationale for financial innovations that embed deeper levels of participation - involvement, co-production, and empowerment - in urban infrastructure development processes.

However, despite this rationale, the literature on innovative finance in Africa often highlights profit maximization, competition, cost reduction, risk management, regulatory arbitrage, efficiency and tax as the key objectives for financial innovations.² While some financial innovations (e.g. participatory budgeting or civic crowdfunding) explicitly seek to deepen citizen engagement, participatory democracy has generally not formed a core objective of financial innovation. Instead, participation is often conceptualised as an incidental by-product of transparency or accountability requirements. A more explicit framework is therefore required to make participatory democracy a central goal in financial innovations.

The Case for Financial Innovations in Participatory Democracy

Various normative frameworks guiding urban infrastructure development have articulated the principle that democratic participation in urban governance is a foundational principle for inclusive and sustainable development.³ Innovative financing mechanisms that fail to incorporate participatory democracy risk reproducing inequalities and eroding the legitimacy of urban transformation. Conversely, embedding participatory democracy enhances both legitimacy and effectiveness by aligning financing mechanisms with community priorities, and incorporating local knowledge, thereby improving project sustainability, and fostering social accountability.⁴ Therefore, by shifting citizen engagement from consultation to co-production and empowerment, financial innovations can directly contribute to more inclusive and socially-just urban transformation.

Enhancing Participatory Democracy through Innovative Finance Strategies

Drawing on the above definition of innovative finance, participatory democracy can be enhanced through the following strategies of financial innovation, ordered from strategies with the biggest and lasting impact to the smallest and transient impact on development finance:

- **More effective use of existing finance:** Participatory budgeting processes ensure that scarce public or donor resources are allocated according to community priorities, advancing empowerment.
- **Innovating old mechanisms for new purposes:** Blended finance structures could require mandatory citizen consultation committees as a condition for private participation.
- **New financing mechanisms:** Green bonds and climate funds linked to participatory oversight structures integrate citizen voices into sustainability financing frameworks.
- **New sources of finance:** Philanthropic contributions, when channelled through community foundations, can institutionalise participatory grant-making that supports empowerment.
- **New providers of finance:** Local savings cooperatives or diaspora funds often embed stronger accountability links with communities, moving participation beyond

² Rajesh Deb Barman and others, 'A Critical Review of Determinants of Financial Innovation in Global Perspective' (2022) 51 *Materials Today: Proceedings* 88; Dominic Atogumsekiya Anarigide, Haruna Issahaku and Stanley Kojo Dary, 'Drivers of Financial Innovation in Sub-Saharan Africa' (2023) 3 *SN Business & Economics* 165; Kathryn Judge, 'Investor-Driven Financial Innovation' (2018) 8 *Harv. Bus. L. Rev.* 291; Peter Tufano, 'Financial Innovation', *Handbook of the Economics of Finance*, vol 1 (Elsevier 2003).

³ See, for example, Target 11.3 of the United Nations Sustainable Development Goals: "By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries". See also Principles 1 and 2 of the UN Habitat International Guidelines on urban and Territorial Planning (IG-UTP) UN Habitat GC Res. 25/6, 2015.

⁴ Adrian Bua and Sonia Bussu, 'Between Governance-Driven Democratization and Democracy-Driven Governance: Explaining Changes in Participatory Governance in the Case of Barcelona' (2021) 60 *European Journal of Political Research* 716.

mere information.

→ **Mobilising additional finance:** Civic crowdfunding campaigns allow citizens to directly contribute to and shape infrastructure projects, deepening involvement and co-production.

5.2 Case Studies on Participatory Democracy Innovations in Infrastructure Financing

Stakeholders in various African countries have innovated various urban infrastructure financing models to meet the requirements of participatory democracy. Some of these innovations are discussed below, to highlight the nature of the innovations, impacts on urban governance and democratic participation, and options for strengthening these democratic experiments.

5.2.1 Public Finance Innovation: Participatory Budgeting

Participatory budgeting is one of the most significant public finance innovations of the last three decades. As a response to the opacity of representative democracy, it involves amending the formal budgetary processes in local assemblies and national governments to extend citizens direct involvement in making budgetary and policy decisions over a portion of the budget. Citizens have formal channels to directly allocate resources, prioritize spending on specific infrastructure, and monitor public spending. This practice promotes public learning and active citizenship, and improves accountability and transparency while achieving social justice through improved policies and resource allocations.⁵ Participatory budgeting has spread to many countries around the world, including in Africa.⁶

Case Study: Participatory Budgeting in Matam and Fissel, Senegal

*In the mid-2000s, the municipality of **Matam** in north-east Senegal, supported by the NGO **Enda ECOPOP**, became one of the first to introduce **participatory budgeting (PB)**. The neighbouring rural commune of **Fissel** later adopted the approach. Both cases emerged in response to limited citizen input under conventional municipal budgeting, which relied on local taxes, central transfers, and donor grants, with low tax compliance and weak public trust.*

*The **PB innovation** shifted decision-making from closed council processes to open forums where citizens accessed budgetary information, proposed projects, and deliberated priorities. Using the citizen participation spectrum, Senegal's PB moved from information and consultation to involvement and co-production. Citizens' committees in Matam and Fissel helped select projects and monitor implementation, though final approval remained with municipal councils, limiting full empowerment.*

***Impacts** included increased tax compliance and municipal revenues in Matam, improved trust between citizens and authorities, and better alignment of investments with community needs. In Fissel, PB also amplified women's priorities.*

***Challenges** include sustainability beyond electoral cycles, under-representation of marginalised groups, and small municipal budgets. Strengthening PB in Senegal requires embedding it in law, building capacity for inclusivity, ensuring adequate resources, and institutionalising participatory monitoring to deepen democratic accountability.*

5.2.2. Private Finance Innovation: Green Municipal Bonds

Green bonds are debt instruments issued by sovereign, municipal and corporate borrowers to raise capital from the private financial markets, specifically for projects with environmental benefits. Green bonds are an innovative step above vanilla bonds, to the extent that they are layered with 4 features dictated by the Green Bond Principles: alignment with eligible 'green' investment categories, project evaluation, ring-fenced proceeds, and annual public reporting with external assurance.⁷ 'Community-driven green bonds' represent a further evolution of the green bonds, to the extent that they are tailored to channel investment into environmentally-beneficial projects that are conceived, developed and managed with significant input and control from local communities.⁸ Green bonds have gained traction in Africa as an additional source of climate finance for urban development.⁹

5 Daniel Schugurensky and Laurie Mook, 'Participatory Budgeting and Local Development: Impacts, Challenges, and Prospects' (2024) 5 Local Development & Society 433.

6 Philippe JC Lassou and others, 'Participatory Budgeting in Francophone Africa: A Comparative Perspective between Benin and Niger' (2024) 36 Journal of public budgeting, accounting & financial management 81; Osmany Porto de Oliveira, 'Participatory Budgeting Transfers in Southern Africa: Global Players, Regional Organizations and Local Actors', Public policy transfer (Edward Elgar Publishing 2017).

7 Government of Kenya, 'Policy Guidance Note on Green Bonds'.

8 Udaibir Das and Veronica Jijon, 'Sustainable Finance and the Developing Economies' in Anit Mukherjee and Dhruva Jaishankar (eds), Rebalancing Globalization: Perspectives from the Global South (Observer Research Foundation America 2024) 96.

9 Héctor Herrera, 'The Proliferation of Municipal Green Bonds in Africa and Latin America: The Need for a Climate Justice Approach' (2024) 36 Environment & Urbanization 147; Nomhle Ngenwenya and Mulala Danny Simatele, 'Unbundling of the Green Bond Market in the Economic Hubs of Africa: Case Study of Kenya, Nigeria and South Africa' (2020) 37 Development Southern Africa 888.

Case Study: Tanga UWASA 10-Year Green Bond

In February 2024, the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) issued East Africa's first sub-national green bond, raising TZS 53.12 billion (USD ~21 million) for a ten-year water and sanitation infrastructure programme. The bond financed expansion of production and distribution capacity, installation of smart meters, new household connections, community kiosks, and climate adaptation measures in the Zigi basin. It was oversubscribed by 103%, listed on the Dar es Salaam Stock Exchange in May 2024, and subsequently on the Luxembourg Green Bond Platform, linking Tanzania to international sustainable finance markets.

The financing model combined a 13.5% fixed coupon public bond with blended support: domestic pension funds and banks purchased 65%, the Africa Local Currency Bond Fund invested about 35%, and UNCDF provided technical assistance and a USD 1 million catalytic grant.

Innovations lay in its green bond certification, aligned with ICMA principles, requiring eligible categories, project evaluation, ring-fenced proceeds, and annual public reporting with external assurance. This advanced transparency and allowed retail and diaspora investors to co-own infrastructure finance.

While it broadened investor bases and improved accountability, community co-decision remained limited. Future issuances could deepen democracy by embedding community advisory councils, participatory budgeting windows, and open-data dashboards to track impacts.

5.2.3. Blended Finance Innovation: Community Ownership Trusts

Community Ownership Trusts are legal entities that are usually set up by corporate entities engaged in infrastructure or other development projects, especially in rural or underdeveloped areas, to hold a share of the project in trust for the surrounding communities, to ensure that the financial gains from the project benefits these communities. As shareholders of the project, the community (through the Trust) receives a percentage of the project profits, which are channelled towards local development initiatives, including infrastructure, healthcare and education.¹⁰ Community Ownership Trusts are meant to facilitate community engagement by the project leads, towards-empowering local communities through financial benefits,

skills development and social investments. These innovative structures can therefore promote participatory democracy in local communities through involvement and co-production. However, the Trusts' establishment by, and attachment to the corporate entities undertaking the infrastructure projects can limit the Trust's community advocacy, due to their financial dependency on the corporate entity, and restrictions on the Trust's range of operations to the interests of the corporate entity.¹¹

Case Study: Community Trusts in South Africa's Renewable Energy IPP Procurement Programme (REIPPPP)

South Africa's **Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)**, launched in 2011, combines large-scale renewable energy procurement with socio-economic development obligations. By 2021, it had procured 6,323 MW across 92 facilities, with investments exceeding R200 billion. Unlike conventional project finance, where communities are passive stakeholders, the REIPPPP mandated **local community ownership through Community Trusts**.

Typically holding 9–12% equity (above the 2.5% legal minimum), these trusts are financed through loans from Development Finance Institutions. Over the 20-year power purchase agreements with ESKOM, trusts are projected to receive R27 billion in dividends for reinvestment in education, healthcare, infrastructure, and enterprise development. This mechanism shifts participation from "information" and "consultation" towards **co-production and partial empowerment**, embedding community voice in financing structures.

Impacts: The trusts institutionalise redistributive benefits, strengthen local ownership, and link energy transition finance with social infrastructure. However, delayed dividends due to debt repayment, weak governance, elite capture, and limited grassroots representation undermine legitimacy.

Recommendations: To strengthen democratic participation, financing terms should allow earlier community benefits, trustee governance capacity must be enhanced, transparency and reporting enforced, and grassroots representation guaranteed. Coordinated platforms among trusts could scale impact and foster inclusive governance in infrastructure finance.

¹⁰ Armando Ayala-Robles, 'Building Trust for Transition: DBSA's Impact on Local Community Trusts in South Africa's Renewable Energy Sector' (Fair Finance Coalition of South Africa) 5.

¹¹ Zoheb Khan, 'Communities in Transition: The Role of Community Ownership in South Africa's REIPPPP Program' (Intellidex 2021) Research Report 11.

5.2.4. Oversees Development Assistance (ODA) Innovations: Digital Accountability Mechanisms

Digital accountability platforms are increasingly embedded in ODA-funded infrastructure projects as mechanisms to strengthen governance and citizen participation.¹² Donors such as the World Bank now use such platforms as accountability conditions for funding in sectors like water and sanitation. In Kenya, MajiVoice exemplifies this trend by providing real-time citizen feedback on utility performance.¹³ These civic-tech tools enhance participatory democracy by improving transparency, responsiveness, and public trust. However, shortcomings include risks of digital exclusion, uneven sustainability, and continued donor dependence.¹⁴ MajiVoice illustrates both the opportunities and limits of donor-imposed civic-tech in advancing democratic accountability in urban governance.

Case Study: MajiVoice – Digital Accountability in Kenya’s Water and Sanitation Services

MajiVoice is a mobile-to-web complaint management system introduced under the World Bank-funded Water and Sanitation Service Improvement Project (WaSSIP) in Kenya. Developed with the Water Services Regulatory Board (WASREB), it allows citizens to submit real-time feedback and complaints via SMS, USSD, or online platforms. The system assigns ticket numbers for tracking, ensuring greater accountability from water service providers.

*Prior to MajiVoice, consumer grievances were handled manually through Water Action Groups (WAGs), which was slow and often contested by utilities. MajiVoice digitised this process, improving efficiency and transparency. For example, in its pilot phase, **over 400 complaints were resolved, 97% successfully**, including cases that had been outstanding for years.*

*The innovation shifts citizen participation from passive “information” and occasional “consultation” to **involvement and co-production**. Citizens can directly monitor response times, while WASREB uses aggregated data to assess utility performance and enforce accountability.*

Impacts: *Faster resolution of consumer complaints, improved utility responsiveness, and stronger public trust in service delivery.*

Challenges: *Uneven internet access in smaller towns, risk of excluding the poorest users from SMS costs, and continued dependence on donor support for sustainability.*

Options for strengthening: *institutionalising MajiVoice within utility operations, subsidising SMS costs, expanding open-data dashboards, and integrating civil society oversight to deepen participatory democracy.*

5.2.5. Philanthropy Innovations: Grassroots Fundraising

Grassroots fundraising and cooperative savings groups have emerged across Africa as vital mechanisms for financing urban infrastructure while deepening participatory democracy. Through collective savings, small donations, and community-managed funds, low-income residents mobilise resources for housing, water, and sanitation projects otherwise inaccessible through formal credit systems. These mechanisms empower citizens to co-decide priorities, strengthen accountability, and embed ownership of urban development. Their benefits lie in inclusivity, flexibility, and fostering community solidarity. However, shortcomings include limited scale relative to national infrastructure needs, affordability challenges for the poorest households, and reliance on external donor or state support for sustainability.

Case Study: Shack Dwellers Federation of Namibia: Community-Led Infrastructure Finance

The Shack Dwellers Federation of Namibia (SDFN), supported by the Namibia Housing Action Group and linked to Slum Dwellers International, is one of Africa’s leading examples of community-led infrastructure finance. Founded in the late 1980s and formalised in 1998, it mobilises over 27,000 members in more than 700 savings groups, the majority women. The model addresses Namibia’s acute housing deficit, with over half a million residents in informal settlements.

The CLIF model pools community savings into the Twa-hangana Fund, a revolving fund for land purchase, housing, and basic infrastructure. The fund is capitalised by member savings, government transfers, and donor support. Unlike conventional mortgage-based finance, CLIF provides flexible, low-interest loans accessi-

¹² Roksana Jahan Tumpa and Leila Naeni, ‘Improving Decision-Making and Stakeholder Engagement at Project Governance Using Digital Technology for Sustainable Infrastructure Projects’ (2025) 14 *Smart and Sustainable Built Environment* 1292; Sama Akbari, ‘The Role of Digital Tools in Enhancing Transparency and Accountability in Urban Governance: A Conceptual Overview and Early Findings’ [2025] Available at SSRN 5377652.

¹³ Martin Belcher and others, ‘MajiVoice Kenya – Better Complaint Management at Public Utilities’ in Tiago Peixoto and Micah Sifry (eds), *Civic Tech in the Global South: Assessing Technology for the Public Good* (World Bank 2017).

¹⁴ Johannes Bhanye and Ruvimbo Shayamunda, ‘The Promise of Civic-Tech: Digital Technologies and Transparent, Accountable Governance’, *Digitalisation and Public Policy in Africa: GovTech and CivicTech Innovations* (Springer 2025); Belcher and others (n 50).

ble to informal workers.

Democratic innovation is central: savings groups collectively decide on priorities, negotiate directly with municipalities, and manage fund allocation. This shifts citizen participation from consultation to empowerment, giving poor households direct control over financing decisions.

Impacts include affordable water and sanitation provision, recognition of SDFN by municipal authorities, and enhanced women's empowerment. Challenges include insufficient scale, affordability barriers for the poorest, donor dependence, and bureaucratic land-release delays.

Recommendations: increase state support, adapt planning regulations to community realities, introduce targeted subsidies, and replicate the model regionally through SDI networks

Civic crowdfunding has emerged as an innovative approach to financing urban infrastructure by enabling citizens, diaspora, and local businesses to directly fund small- and medium-scale projects. Built on digital and mobile money platforms, these models democratise resource mobilisation while fostering participatory governance by allowing communities to identify priorities, raise funds, and manage implementation. Benefits include inclusivity through low entry contributions, enhanced transparency via real-time tracking, and stronger community ownership of infrastructure. However, shortcomings remain: crowdfunding struggles to finance large-scale projects, risks reinforcing inequalities where communities lack external networks, and often operates parallel to municipal planning.

Case Study: Civic Crowdfunding for Urban Infrastructure – Kenya's M-Changa Platform

Kenya has pioneered digital civic crowdfunding for community-led urban infrastructure through platforms such as M-Changa, Africa's first fully mobile crowdfunding service. Unlike conventional funding from municipal budgets or donor loans, crowdfunding allows citizens and diaspora to directly finance facilities such as sanitation blocks, water kiosks, drainage systems, and street lighting. By 2022, M-Changa had raised over KES 1 billion (USD ~8 million) across more than 60,000 campaigns, demonstrating scalability for small-to-medium urban projects.

A notable example is the Mathare Community Toilet and Water Project, where a youth group mobilised KES 2.5 million (USD 20,000) from residents, diaspora, and local businesses. The facility now serves over 1,000 people daily, reducing outbreaks of cholera and diarrhoea.

The participatory innovation lies in shifting from information/consultation to co-production and empowerment. Contributors not only fund projects but also influence priorities, receive real-time SMS updates, and oversee management through resident committees. This embeds transparency, inclusivity, and ownership in urban governance.

Challenges include limited suitability for large-scale projects, equity gaps for communities without diaspora support, and sustainability risks from reliance on volunteer management. Strengthening civic crowdfunding requires institutional integration with municipal budgets, solidarity funds for poorer settlements, and policy frameworks recognising crowdfunding as part of public finance.

6. Conclusions and Recommendations

6.1. Recap of Key Issues

This working paper has examined the changing landscape of urban infrastructure financing in Africa and its implications for democratic governance. Across the continent, governments face severe fiscal constraints, declining overseas development assistance (ODA), and rising debt-servicing pressures. These dynamics have driven a ‘private turn’ in infrastructure financing, with private capital, blended finance, and philanthropic sources playing increasingly central roles. While this shift has broadened the pool of financing actors and instruments, it has also raised concerns around transparency, accountability, and public legitimacy of infrastructure development projects, and of urban governance generally. The predominance of investor-oriented ‘bankability’ factors often sidelines inclusive service provision and weakens participatory democracy. The discussion has demonstrated that infrastructure financing models directly shape and delimit citizens’ democratic participation in urban infrastructure development and governance - from information-only models under sovereign borrowing, to empowerment models embedded in participatory budgeting, civic crowdfunding, or cooperative savings schemes.

6.2. Recap of Findings

The findings of the working paper may be summarized as follows:

- a. Persistent financing gap:** Africa’s annual urban infrastructure needs (USD 130–170 billion) far exceed current commitments, leaving a gap of USD 50–90 billion per year.
- b. Democratic deficits in conventional urban infrastructure financing:** Traditional public finance, ODA, and private-sector-led financing tend to restrict participatory democracy to information or consultation, offering limited avenues for community co-decision or empowerment.
- c. Innovations in participatory infrastructure financing:** Case studies show that financial innovations can embed deeper participatory democratic practices, but face limitations:
 - Community Trusts enable local equity ownership but face governance risks that can undermine participatory democracy.
 - Green Bonds improve transparency and widened participation but stop short of co-decision.

- Grassroots fundraising models (e.g. Namibia’s SDFN) demonstrate empowerment through community-controlled revolving funds, but scale and sustainability remain challenges.
- Civic crowdfunding (e.g. Kenya’s M-Changa) highlight empowerment potential for small-scale infrastructure, but face limitations for use in large-scale projects.
- Participatory budgeting (e.g. in Senegal) improve tax compliance, transparency, and alignment with citizens’ priorities but remain vulnerable to political discontinuity.
- Participation is uneven across infrastructure financing mechanisms: Private, blended, and ODA finance embed participation mainly at the information/consultation level, unless regulatory or institutional innovations are introduced. Philanthropic and community-led models allow greater scope for empowerment but are limited in scale.
- International normative frameworks promoting participatory democracy in urban development exist but are under-utilized. In addition, implementation is inconsistent and often minimal.

6.3. Proposals for Democratic, Transparent, and Sustainable Financing

To increase funding for urban infrastructure development in Africa while strengthening social justice, transparency, and participatory democracy, the following proposals are advanced:

- a. Strengthen Domestic Resource Mobilization with Participatory Mechanisms**
 - States and municipalities should expand municipal own-source revenues (property taxes, user charges, land value capture) but embed participatory budgeting and citizen oversight committees to determine allocations.
 - States and municipalities should make more use of community benefit agreements for land-based financing tools to ensure equitable distribution of gains.
- b. Democratise Private and Blended Finance**
 - Legal and contractual frameworks for private finance should mandate stakeholder consultation and FPIC as prerequisites for licensing, PPPs, and blended finance

projects.

- Legal and contractual frameworks should institutionalise multi-stakeholder advisory panels in project governance, ensuring representation of marginalised groups.
- States and municipalities should pilot community equity models that enable local residents to hold shares in infrastructure SPVs.

c. Reframe ODA to Empower Local Participation

- ODA legal and contractual frameworks should condition funding on participatory mechanisms such as community-driven sub-grants, participatory budgeting allocations, or mandated stakeholder councils.
- ODA frameworks should strengthen accountability through independent complaint mechanisms and open-data reporting at community level.

d. Scale Up Community-Led and Philanthropic Innovations

- States and municipalities should support civic crowdfunding through matching funds.
- Community foundations and revolving funds should be institutionalised and structured to channel philanthropic and diaspora resources with direct community decision-making.
- Stakeholders should provide capacity building to community groups in governance, financial management, and technical delivery.

e. Leverage Climate and Green Finance for Just Cities

- Expand green bonds, climate funds, and ESG finance but embed participatory democracy by requiring community advisory councils and open-data dashboards to monitor allocation and impacts.
- Align climate adaptation and smart city projects with participatory democracy, to avoid exacerbating digital divides and climate injustices.

f. Institutionalise Participatory Democracy in Law and Policy

- Embed participatory mechanisms (budgeting, co-production platforms, citizen assemblies) into municipal charters and national legal frameworks to ensure continuity beyond political cycles.
- Harmonise national infrastructure financing laws with international participation norms (e.g., Aarhus Convention, UN-Habitat guidelines).

- Build institutional capacity of the local government authorities to embed participatory governance models.

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. The challenge for policymakers is not only to mobilise funds, but to design financing frameworks that democratise how resources are prioritised, allocated, and governed.

Table 7: Democratic Participation in Urban Infrastructure Financing Mechanisms

<i>Financing Instruments</i>	<i>Typical Participation Level</i>	<i>Governance Add-Ons to Raise Participation</i>
<i>Public Financing</i>		
1. Municipal own-source revenues (taxes, fees and user charges)	<i>Consultation</i> → <i>Involvement</i> if tariff/tax hearings are required; can move toward Co-production where tariff-setting involves citizen committees.	→ Institutionalised participatory planning and budgeting.
2. Intergovernmental transfers (grants, subsidies, loans)	<i>Information</i> → <i>Consultation</i> . Nationally designed and rule-bound; local hearings may occur for project selection, but citizens rarely co-decide on financing terms.	→ Participatory Land Value Capture (LVC) with Community Benefits Agreements (CBAs). → Community-led infrastructure trusts and funds.
3. Municipal borrowing (bank loans)	<i>Information</i> . Debt terms are set by governments/markets.	→ Participatory digital Platforms for Infrastructure Planning and Development.
4. Public credit enhancements (guarantees, subsidies, lines of credit)	<i>Information</i> . Technical risk tools, not participatory by themselves.	
<i>Private Financing</i>		
5. Municipal bonds	<i>Information</i> . Debt terms are set by governments/markets.	→ Legally mandated stakeholder consultation.
6. Sovereign bonds	<i>Information</i> . Debt terms are set by governments/international markets.	→ Multi-stakeholder forums or advisory panels integrated into project governance.
7. Private equity & debt (infrastructure funds, corporate/project bonds)	<i>Information</i> at financing stage; user engagement happens via service regulation rather than capital-raising itself.	→ Community equity models or cooperative ownership structures.
8. Privatization/divestiture	<i>Information/Consultation</i> (policy decisions with limited citizen control).	→ Community veto rights or binding consent agreements.
9. Securitization	<i>Information</i> . Technical risk tools, not participatory by themselves.	
<i>Hybrid Financing</i>		
10. Public-Private Financing (PPPs)	<i>Consultation</i> → <i>Involvement</i> . Competitive procurement has disclosure and comment phases; some designs include user panels and service standards monitored with communities.	→ Integrating civil society into Fund governance. → Community-led project pipelines. → Community Equity in Blended Finance Structures. → Outcomes-based frameworks e.g. Social Impact Bonds.

Overseas Development Assistance		
11. Concessional Multilateral development bank loans.	<i>Information</i> → <i>Consultation</i> . Project Environmental and Social Impact Assessments (ESIAs) and stakeholder consultations are standard; decision-rights remain with governments/financiers.	<ul style="list-style-type: none"> → Mandated multi-stakeholder platforms. → Community-driven development grants.
12. Bilateral sovereign borrowing	<i>Information</i> → <i>Consultation</i> . Strategic priorities are negotiated bilaterally; project-level engagement requirements are applied through national systems and donor procedures. The instrument itself does not allocate citizen decision rights.	<ul style="list-style-type: none"> → ODA-funded participatory budgeting. → Independent Accountability Mechanisms.
13. MDB credit enhancements (guarantees/credit enhancements, subordinated/standby debt and risk-sharing facilities)	<i>Information</i> . These are technical risk instruments that change the capital structure; they do not by themselves introduce new citizen decision points. Disclosure/reporting linked to guaranteed bonds/facilities can create transparency but rarely confer citizen control.	<ul style="list-style-type: none"> → Challenge funds and performance windows. → Local-currency bond guarantees plus retail participation:
Philanthropy		
14. Philanthropic Foundations (grants, challenge funds, endowments, and community trust funds)	<i>Information</i> → <i>Consultation</i> . Foundation grant cycles and facility governance are usually donor/manager-led; project-level consultations occur via grantee processes.	
15. Crowd-funding	<i>Co-production</i> → <i>Empowerment</i> (project scale). Backers select and finance projects; where city co-sponsors match funds and integrate into capital plans, communities co-decide scope and timing.	<ul style="list-style-type: none"> → Civic crowd-funding with institutional match-funding. → Community panels for grant decision-making. → Community foundations and trusts. → Community-controlled revolving funds.

About the author

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Financing the Just City: Urban Infrastructure Development Financing and Participatory Democracy in Africa

The report analyzes Africa's urban infrastructure financing amid rapid urbanization, fiscal constraints, and deepening inequalities. It explores regional financing challenges, the risks posed by financialization, and the growing demand for participatory democracy in shaping infrastructure futures.

The report highlights innovative approaches across the continent and concludes with recommendations for democratic, transparent, and sustainable financing models to foster inclusive and just cities across Africa.

Further information on this topic can be found here:

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