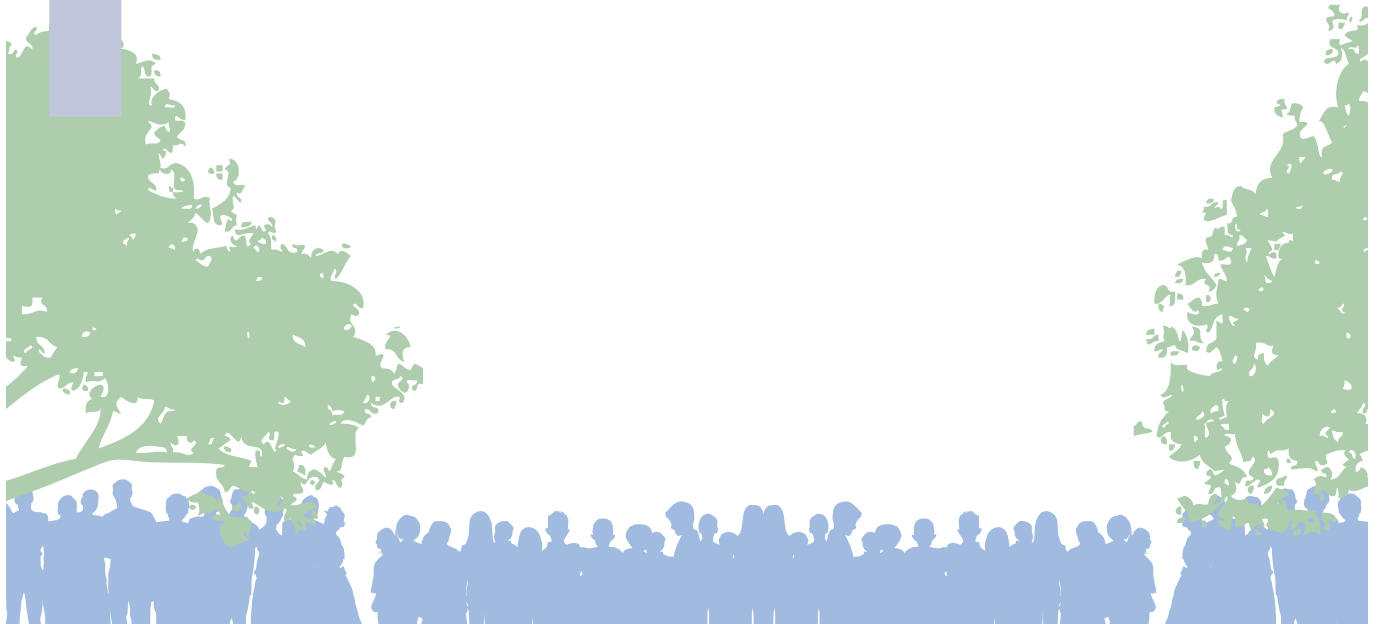


FOREWORD



Urbanization is a mega-trend with profound implications for Africa's growth and transformation. The rate and scale of urbanization is reshaping not only the demographic profile of the continent but also economic, environmental and social outcomes. By 2035 about half of Africa's population will be living in urban areas, presenting considerable demands for employment, services and infrastructure, but creating advantages for economic growth. The urban transition is also taking place as the continent faces a demographic shift and a burgeoning youth population becoming located in urban areas.

Africa's rapid urban growth is both an opportunity and a challenge. While the prevailing narrative has focused largely on the negative externalities of urbanization of Africa, there is now an increasing recognition of its potential to drive growth and transformation. African leaders clearly affirmed the need to harness the potential of urbanization for structural transformation through the Common African Position at the Third United Nations Conference on Housing and Sustainable Urban Development (HABITAT-III) adopted in 2016. The New Urban Agenda adopted at HABITAT-III and a dedicated Sustainable Development Goal on cities and human settlements in 2015 attest to urbanization's importance.

History and experience demonstrate that urbanization is closely linked to economic growth and the transformation of economies towards productive sectors, namely industry and services. Available evidence suggests that urban and industrial development in Africa are disconnected, resulting in lost opportunities for job creation and improved well-being. It is also not surprising that Africa's cities are crippled by severe infrastructure and service gaps and

unable to generate employment at the level and scale required to meet ever-increasing demands, especially for youth.

Reconnecting urban and industrial development in Africa through deliberate policies, strategies and investments is a priority for the sustainability of both cities and industries. Cities require better performing industrialization and industrialization requires better functioning cities. At the same time, industrialization and urbanization face common challenges. Thus, the core message of the report is that deliberate efforts are needed to link urban and industrial development in the context of national development planning.

A first step in this is to recognize urbanization as an inevitable megatrend of considerable scale and speed, with cities playing a critical role in structural transformation, and especially in industrialization. Also important is to undo prevailing myths on the urban trajectory, including the assumption that curtailing rural to urban migration will reduce urban growth and that the urban agenda is primarily a social one. In reality, natural growth is the primary driver of urban growth while urbanization is at the core of economic development.

Importantly, the opportunities arising from urbanization for industrialization and from industrialization for urbanization need to be articulated in national development plans if the respective sector policies are to be linked. In turn, this should inform sector policies guiding urban and industrial development. In this regard, four key policy anchors can enable African countries to better leverage urbanization for accelerated industrialization.

The first is to respond, through domestic manufacturing, to rising demand and shifting patterns of consumption generated both as the result of urban population growth and rising incomes in cities. This can foster value addition and domestic manufacturing and enhance productivity, particularly in agriculture. However, the evidence suggests that rising and shifting urban demand is increasingly being met by imports, resulting in lost opportunities for domestic manufacturing.

A second anchor is for industrial policy to factor in the ways urban functionality can support or hinder the productivity of firms. Industrial value chains exist in a geographic context, so the functionality of cities and the connections between them should be planned to support specific targeted industrial sectors. So far, industrial policies in Africa rarely consider the implications of urbanization and economic geography for manufacturing.

A third anchor should be spatial targeting, which involves strategically directing and prioritizing investments and interventions in order to leverage the advantages of urban centers for industrial development. Spatial targeting must evaluate the benefits and the costs of investing in different cities in order to compare the returns on investment of different locations. Ultimately, it is important to redress the tendency of urban primacy in African countries and enable more balanced national urban systems, optimizing the complementary roles of different cities, both large and small.

Fourth is integrating industrialization in urban and regional policies. Industrialization is often not considered in national urban and spatial planning policies and strategies—or where it is reflected, it is not well developed and

articulated. Yet, industrial targets should be a foundation and a guiding force for urban planning and spatial policies. The barriers undermining the functionality of cities should be addressed with the intention of enabling industrial productivity, which in turn will support urban sustainability through job creation and revenues to finance investments.

Based on these priorities, the report provides a strategic policy framework anchored in national development planning to enable African countries to harness urbanization for industrialization. In doing so, the report also draws on specific country experiences in Africa illustrating the need for much more concerted efforts to address the disconnects between urban and industrial development.



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