



United Nations
Economic Commission for Africa



A regional approach to leveraging urbanization for Africa's structural transformation

EXECUTIVE SUMMARY

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Urbanization is one of the most important shifts that the African continent will undergo this century. As Africa consolidates its efforts to accelerate structural transformation, it faces mounting challenges, along with new opportunities brought about by rapid urban growth. The way in which African countries manage the process of urbanization individually and collectively will be a determining factor in whether the continent achieves structural transformation for sustainable growth and inclusive development. Improving the connectivity of cities and human settlements at multiple scales, including urban-rural links and regional integration, presents major opportunities for leveraging Africa's changing economic geography to bring about inclusive, productive and diversified economic growth.

Urbanization calls for urgent action today, not tomorrow. The ongoing transition to urbanization throughout the African region is one of the most significant and dynamic transformations taking place, potentially bringing enormous benefits and risks of considerable proportions. In less than 20 years, Africa will be predominantly urban. At present, it is the least urbanized region in the world but will surpass Asia as the fastest urbanizing region in 2020.¹ Between 2010 and 2040, more than 450 million new urban dwellers are expected, with half of Africa's population projected to live in urban areas by 2035. Although the rate of growth of urbanization varies from one subregion to the other, the overall urban populations of Africa are expected to triple in the coming 50 years, reaching 1.3 billion people.

Policy responses to urbanization require a global perspective. Africa's urbanization is intertwined with other global megatrends. Global megatrends, including shifts in trade, technology,

demographics and climate forces, affect countries, regions, cities, industries and companies in diverse ways, which will have an impact on Africa's future and growth trajectory. The extent to which urbanization supports Africa's structural transformation will depend on the capacity of member States to deal with urbanization in ways that take into account the influence of these emerging global megatrends. The twenty-first century approaches to plan and manage urbanization must therefore contribute to improving Africa's positioning in the new global context.

Reconnecting urbanization and structural change is imperative. Urbanization in Africa has often been delinked from structural transformation, which entails the movement of workers into higher productivity jobs. The historical evidence on modern economic growth has identified the significant role of technological innovation; the increase in the rate of capital accumulation; the resulting shift in the sectoral composition of growth; the substantial movement of people from rural areas to cities where modern manufacturing is concentrated; and the role of urbanization in facilitating innovation diffusion and economic productivity. While there is ample evidence that cities and urban areas play a critical role in African economies by generating a high proportion of national gross domestic product (GDP), links between urbanization and economic diversification have been limited, with urban centers being mainly consumption-oriented rather than production-oriented.

Planning and managing urbanization calls for coordination throughout metropolitan, national and regional scales. Cities do not operate in a vacuum. The transition to urbanization is resulting in a new economic geography articulated around cities, urban regions and urban corridors. At the national level, strategically located cities and urban agglomerations drive development by enabling African countries to promote indus-

¹ See United Nations, Department of Economic and Social Affairs, *World Urbanization Prospects, 2014 Revision* (New York, 2014).

tries that can draw on regionally diverse natural resource endowments and agricultural potentials. They emerge and thrive as manufacturing hubs, which are connected to domestic and regional markets through transport corridors and dynamic supply chain systems. Having access to economies of scale therefore hinges on the connectivity that links specialized cities with functional national and regional markets. The economic power of African cities can better compete in a globalized world if they leverage urban advantages for subregional and continental integration.

There are significant economic benefits to clustering in space. The economic role of cities is drawn from agglomeration economies. Cities and city regions generate productivity through their scale effect. Firms cluster in cities to benefit from the sharing, matching and learning effects of agglomeration economies. Today, connectivity between cities is shaping the global economy. Increasingly, trade flows are concentrated among a small number of cities that have become major players in the global economy owing to the strength of the connections between them. Africa, however, lacks big economic clusters and strong economic connections between cities, which are identified as a major negative factor that impairs Africa's economic growth and transformation.

Spatial reordering of economies is a critical factor for inclusive growth. Africa should take advantage of its rapid urbanization by promoting urban connectivity between cities of various geographic scales and urban regions, both nationally and regionally. When implemented under a national urban system that aligns this connectivity with economic and spatial structures, urban agglomerations can be differentially specialized but linked through vertical economic integration and efficient supply chains. In addition, African Governments can stimulate the development of secondary cities by allowing for the decentralization of some standardized industrial activities in wider value chain systems.

Rural-urban linkages need to be strengthened for accelerated transformation. African countries need to emphasize industrializing agri-

culture and fostering urban-rural links in order to transform from economies dominated by raw commodity exports and non-tradable services to manufactured goods and tradable services. Urban-rural economic links, built on the back of infrastructure, market development, credit and financial services, skills training and a favorable policy environment, will be critical to leverage Africa's comparative advantages in natural resources to create a broad base of high-productivity formal sector jobs. In addition, the success of the agricultural sector will require these links to be strengthened. Agricultural yield is inversely related to the distance between urban centers and market towns. The development of agro-industries and agribusiness activities hinges on effective backward and forward links facilitated through urban centers and rural market towns.

Urbanization has even greater potential to foster structural transformation in the context of regional integration to expand and connect markets. Regional agreements such as Agenda 2063, Decision 29 of the African Union Summit of July 2003 (Assembly/AU/Dec.29 (II)), the Common African Position on the post-2015 Development Agenda and the African Common Position on Habitat III show that Africa has begun to recognize urbanization as a means to bring about economic development. At the same time, efforts by regional economic communities, together with the movement towards a continental free trade area and major corridor projects in multiple sub-regions, are beginning to develop better regional economic integration. There remains, however, much work to be done to incorporate the role of African cities into regional economic planning, including the integration of trade and investment.

Urban corridors can be leveraged for regional integration. The various regional transport corridors in regional economic communities are good building blocks for promoting urban-led economic development and industrialization. Development corridors can support trade, economies of scale in private production and public investment, market access and regional competitiveness. By leveraging public support and private sector investment, transport corridors in a country

or in a region can be turned into development corridors that can help to attract additional investment capital. As the corridor grows, they boost economic growth, diversify economies, expand trade, increase skills and technology transfer, create jobs and strengthen local economies. A spatial development approach can help to build a comprehensive market system that connects rural producers to cities and markets by upgrading the current but underutilized infrastructure at national or regional levels, thus unleashing economic dynamism in a wider geographical space.

Policies at regional, national and subnational levels have independent yet highly interconnected roles to play in leveraging urbanization for structural transformation. Regional policies must strengthen the role of African cities in regional markets and connectivity for greater regional trade and value addition. National policies are at the center, enabling the success of both regional and subnational policies. National development planning, in particular, must deal

with urbanization as a cross-cutting issue. Urbanization is a transversal phenomenon that cuts through all development sectors. In order to create a coherent and integrated approach to urbanization that facilitates synergies in all sectoral policies, it needs to be mainstreamed into national development planning.

While there have been positive experiences and trends, urbanization has been dealt with mainly through a limited sectoral or local approach. Urbanization, however, is the missing spatial link for accelerating growth and meeting transformation targets, including those relating to manufacturing and agriculture development. At the subnational level, city governments can help to manage the process of urbanization to achieve a productive setting for nationally prioritized sectors that will bring about structural transformation. All three levels of policy must be coordinated. If this is achieved, urbanization has the potential to catapult Africa's development trajectory towards diversified, broad-based and inclusive economic development.