



United Nations  
Economic Commission for Africa



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





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Publications Section  
Economic Commission for Africa  
P.O. Box 3001  
Addis Ababa, Ethiopia  
Tel: +251 11 544-9900  
Fax: +251 11 551-4416  
E-mail: [ecainfo@uneca.org](mailto:ecainfo@uneca.org)  
Web: [www.uneca.org](http://www.uneca.org)

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# Table of Contents

Acknowledgements.....	v
Foreword.....	vi
Executive summary .....	viii
<b>Part 1: Africa’s urbanization: a defining trend.....</b>	<b>1</b>
1.1. Africa’s rapid transition to urbanization .....	1
1.2. Urbanization altering economic geography .....	2
1.3. Urbanization intertwined with other global megatrends .....	3
1.4. Urbanization as a force of inclusive growth: lost opportunities .....	8
<b>Part 2: Structural transformation: the urban dimension .....</b>	<b>9</b>
2.1. Structural transformation: a top policy challenge for African Governments .....	9
2.2. Weak link between urbanization and structural transformation in Africa .....	10
2.3. Regional prioritization of the urban agenda .....	11
<b>Part 3: Regional integration and geographic connectivity as a path to harnessing urbanization .....</b>	<b>16</b>
3.1. Economic rationale for improved integration and connectivity .....	16
3.2. Spatial reordering of the economy for inclusive growth.....	17
3.3. Urban-rural links for inclusive and sustained growth .....	18
3.4. Regional integration policies to capitalize on urbanization .....	20
3.5. Practices of geographic and regional integration through strategic policy .....	24
<b>Part 4: Leveraging urbanization through policies at multiple levels .....</b>	<b>29</b>
4.1. Regional policies to leverage urbanization .....	29
4.2. National development planning at centre stage.....	31
4.3. Subnational policies for urban functionality .....	33
4.4. Connecting subnational, national and regional urban policies .....	33
<b>Conclusion.....</b>	<b>34</b>

## Tables

Table I:	Trends in African urbanization growth (Millions and per cent) .....	1
Table II:	Global mega-trends that will affect Africa's transformation .....	4
Table III:	Challenges and opportunities of urbanization .....	12
Table IV:	Trading and transport costs in most distant and divided regions .....	24
Table V:	Current and expected functions of the key urban centres of Ethiopia.....	26
Table VI:	Multilevel policy responses to urbanization .....	30

## Figures

Figure I:	Geographies of urbanization.....	2
Figure II:	Technology hubs emerging in Africa .....	5
Figure III:	Average annual rate of population growth by major regions: medium-variant projections 2015-2100 (Billions).....	6
Figure IV:	Urbanization and GDP growth per capita by region, averages 1980–2014 .....	11
Figure V:	Spatial reordering for value addition and regional connectivity .....	17

## Boxes

Box I:	Recognition of urbanization as a development factor in Africa.....	13
Box II:	African Common Position on Habitat III: Pillar 1 .....	14
Box III:	African Common Position on Habitat III: Pillar 5 .....	15
Box IV:	Structural transformation in the New Urban Agenda: a shared vision .....	15
Box V:	Maputo Development Corridor: achievements .....	21

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Substantive coordinator: Chief, Urbanization Section, Social Development Policy Division, Edlam Abera Yemeru.

ECA research team: Semia Guermas Tapia, Sandra Zawedde and Arslan Chaudhary.

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# Foreword

Africa is undergoing a rapid transition to urbanization and will soon become the region with the highest rate of urbanization in the world. It is reshaping the social, economic, environmental and political landscape on the continent from local to regional scales. While the management of urban growth has often been relegated to the local level, or dealt with as a siloed sector, such approaches are no longer sufficient to manage the associated challenges while harnessing the multiple advantages of urban development. In order to respond effectively to urbanization, Africa will need strategic, cross-sectoral and multi-scale approaches with effective policies and institutions, together with planned coordination between local, national and regional actors. Cities not only offer considerable potential to drive local and national growth and transformation, but also can be gateways for regional integration in Africa.

African countries will have to recognize the critical role of cities and human settlements in their policy responses to urbanization. Whether it enables or hinders structural transformation will depend on how the policies are planned, managed and governed. The long-term continental vision is acknowledged in Agenda 2063; The Africa We Want of sustainable and inclusive cities and human settlements. In addition, other regional frameworks, such as the African Common Position on the post-2015 Development Agenda and the African Common Position on the United Nations Conference on Housing and Urban Development (Habitat III) have set the stage for a more proactive and coordinated approach to planning and managing urbanization. Accordingly, the present report provides a review of the impact that urbanization has on the continental priority of structural transformation, focusing on a multisectoral and multi-scale approach that emphasizes the opportunities for national and regional integration to leverage this global megatrend.

There is compelling evidence that the potential of urbanization to bring about economic growth in Africa remains untapped and undercut by considerable barriers such as deficiencies in infrastructure and services, poor planning and design, unreliable electricity supply, poor communications and connectivity, underdeveloped labour specialization and poor links between enterprises and innovation centres. At the same time, the economies of scale needed for productive secondary and tertiary sectors are undermined by small national populations, the small size of African cities, barriers to regional connectivity and a failure to leverage the large markets available from regional integration. Optimizing the agglomeration benefits of urbanization for inclusive economic transformation through comprehensive and integrated planning is therefore one of the greatest challenges facing Africa today. Nevertheless, regional and subregional planning for integrated transport corridors and improved economic integration provides some room of optimism.

Considerable opportunities exist to leverage urbanization, but they require deliberate, effective and proactive policies and strategies. As a late-urbanizing continent, Africa has a unique opportunity to steer urbanization towards inclusive and sustainable growth. This requires the strengthening of policy and planning capacities at regional, national and subnational levels; expanding infrastructure to improve connectivity; and endeavouring to leverage the scale economies and other opportunities for economic diversification associated with regional integration.

Africa's response to urbanization will shape the continent's development trajectory in the coming decades. In the context of other global megatrends, improving the connectivity of cities and human settlements at multiple scales will



be fundamental for Africa to compete in the twenty-first century economy. Links must be strengthened, including urban-rural, inter-urban and regional ones. The present report outlines suggestions for a policy framework at regional, national and subnational scales for leveraging urbanization for the structural transformation of Africa. In doing so, it complements the Economic Commission for Africa *Economic Report on*

*Africa 2017*, which focused on urbanization and industrialization with an emphasis on harnessing urban demand, leveraging urban geography, developing policies to improve the economic potential of cities and spatial targeting at the national level. These analyses can help to inform policies and strategies to ensure that the urbanization of Africa is an asset for inclusive growth and structural transformation.

# Executive summary

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.<sup>1</sup> 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 centres 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 industries that can draw on regionally diverse natural

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

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 agriculture 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 favourable 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 centres and market towns. The development of agro-industries and agribusiness activities hinges on effective backward and forward links facilitated through urban centres 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 centre, 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.

# Part 1: Africa's urbanization: a defining trend

## 1.1. Africa's rapid transition to urbanization

Africa's transition to urbanization is one of the most significant and dynamic transformations taking place, potentially bringing enormous benefits, but also bringing risks of considerable proportions. Between 2010 and 2040, more than 450 million new urban dwellers are expected, with half of the African population projected to live in urban areas by 2035. Although the rate of urbanization growth 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),<sup>1</sup> which will change the profile of the region, making strategic planning

and management of urbanization imperative in order to achieve sustained and inclusive growth. It is for this reason that urbanization today is considered a key determinant of Africa's future in prospective policy analysis.<sup>2</sup>

The diverse nature of urbanization in Africa can be seen from the subregional dimension. North Africa is highly urbanized, with most of its cities unevenly spread along the Mediterranean coastline. West Africa, the most rapidly urbanizing subregion in Africa after East Africa, hosts a number of urban centres along the coastline, stretching from Côte d'Ivoire to Nigeria. Southern Africa, the second most urbanized region after North Africa,

**Table I: Trends in African urbanization growth (Millions and per cent)**

Region		2000	2010	2020	2030	2040	2050
North Africa	Total population	169 331	199 620	234 571	266 174	294 150	318 729
	Urban	48.4	50.5	52.9	55.9	59.5	63.3
West Africa	Total population	233 803	305 088	399 562	515 622	655 453	814 552
	Urban	34.7	41.6	48.3	54.1	58.5	62.7
Central Africa	Total population	93 751	124 798	163 510	209 350	260 981	316 111
	Urban	36.8	41.5	46.5	51.5	56.2	60.8
East Africa	Total population	260 001	342 595	451 015	575 796	717 040	869 221
	Urban	20.6	23.5	27.9	32.8	38.1	43.6
Southern Africa	Total population	51 420	58 803	63 484	67 420	71 197	74 562
	Urban	53.8	59.1	64.0	68.1	71.4	74.3
Total	Urban	34.5	38.3	42.6	47.1	51.5	55.9

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

<sup>2</sup> See Brookings Institute, *Foresight Africa: Top Priorities for the Continent in 2017* (Washington, D.C., 2017).

is projected to reach an overall region-wide urban majority by the end of 2020. By contrast, Central Africa, while rapidly urbanizing, is not expected to reach a region-wide urban majority until approximately 2030. East Africa is the world's least urbanized but fastest-urbanizing subregion. By the end of 2050, the urban population of East Africa will have increased by 50 per cent (see table I), bringing huge challenges and opportunities.<sup>3</sup>

Urbanization is a necessary condition for accelerated growth and shared prosperity. Long-run growth needs an efficient system of urban centres that produce industrial goods and high-value services, along with transportation networks to link national economies with regional and global markets.<sup>4</sup> By and large, however, the association between urbanization and development has been weaker in Africa than in other regions.<sup>5</sup> This

is a pattern that cannot be sustained if Africa is to industrialize and become a dynamic economic player in the world.

## 1.2. Urbanization altering economic geography

Urbanization is shaping Africa's economy in cities, urban regions and corridors (see figure I).

Megacities, with populations of more than 10 million, hold a critical position in the national economic landscape because of their size, productive potential and economic power. At present, Africa has three megacities with more than 10 million people: Cairo, Lagos and Kinshasa. By 2030, Dar es Salaam, Johannesburg and Luanda will also join their ranks.<sup>1</sup> Other large cities also wield considerable economic power. McKinsey Global Institute predicts that 10 African cities will have a GDP of

**Figure I: Geographies of urbanization**



**Source:** Formulated by ECA.

<sup>3</sup> See United Nations Human Settlements Programme, *The State of African Cities Report 2014* (Nairobi, 2014).

<sup>4</sup> See Michael Spence and others, "Urbanization and Growth", background paper for the Commission on Growth and Development, Washington, D.C., 2009; World Bank, *World Development Report 2009: Reshaping Economic Geography* (Washington, D.C., 2009).

<sup>5</sup> See Economic Commission for Africa, *Economic Report on Africa 2017: Urbanization and Industrialization for Africa's Transformation* (Addis Ababa, 2017).

more than \$50 billion by 2025 and that the 30 largest cities will contribute more than 40 per cent of GDP growth.<sup>6</sup> Other cities play a critical role in the political economy, even with their moderate population size (e.g., Port Louis, with a population of 150,000 in 2016, or Kigali, with a population of 1.2 million in 2015). Many more secondary cities, in which the bulk of Africa's future urban growth will unfold, are expected to play a critical role in facilitating rural-urban economic interactions and regional integration and trade.

Urban regions in a nation, consisting of urban and rural settlements and connected to a major city as the economic regional centre, constitute another economic-geographic scale. At this scale, diverse economic activities are connected by value chains often linked to agriculture or minerals, creating a bigger population, market size and capacity to turn natural resources into industrial and commercial wealth. The regional development approach underscores the development of multisectoral links (city-to-city or city-to-villages connections) and interregional ties. It focuses attention on the economic functions of secondary towns and rural market towns that may serve as specialized hubs of industry, while avoiding the high land prices and congestion costs of the largest cities.

Urbanization influences economic geography through regional corridors, sometimes involving several countries, along economic and transport links. Regional corridors involve various territorial cooperation approaches between several units and often facilitate the participation of member States, regions, cities and other interested parties around a common interest, such as economic development. In this regard, a network of cities can be at the centre of national and interregional plans for economic development and industrialization along natural resources value-chains. By being integrated into a mega-regional strategy, cities can contribute to the emergence of specialized economic activities and exchanges and encourage balanced and polycentric development in a mega-region. Achieving successful regional development, however, often demands

<sup>6</sup> This is based on a predicted real exchange rate taken from the CityScope 2.55 database (McKinsey Global Institute).

greater cooperation and harmonization of policies and strategies by the participating countries.

### 1.3. Urbanization intertwined with other global megatrends

Global megatrends have diverse impacts on various countries, regions, cities, industries and companies, which will affect Africa's future and growth trajectory. The extent to which urbanization supports Africa's structural transformation will depend on the capacity of national authorities to deal with urbanization in ways that take into account the influence of these emerging global megatrends. Megatrends have been identified in recent global studies undertaken by some of the leading global forecasting companies (see table II). While each column differs, each identifies urbanization as a leading trend.

The megatrends outlined below must be considered in conjunction with urbanization, given that they shape the trajectory of Africa's development.

#### Globalization and the changing structure of global trade

Notwithstanding the slowdown in 2016, Africa has witnessed steady growth in the past few years, compared with other regions in the world. Average annual economic growth in Africa measured by real annual GDP was close to 4 per cent between 2010 and 2016, but was expected to return to the same rate by 2018, even with the recent economic downturn in China and other emerging economies.<sup>7</sup> In 2017, growth was projected to rise to 3.2 per cent, from 1.6 per cent in 2016, with East Africa (projected to have a growth rate of 6 per cent) leading the charge.<sup>5</sup> The major shift in the global economy, in particular the phenomenal economic transformation that has taken place in the emerging markets of Asia and other developing countries, offers the African continent opportunities to attract more investment in the light manufacturing and concessional development finance and to expand the continent's trade relations in goods and services.<sup>8</sup> Cities will play a

<sup>7</sup> See United Nations, Department of Economic and Social Affairs, *World Economic Situation Prospects 2017* (New York, 2017).

<sup>8</sup> See Raphael Kaplinisky and Masuma Farooki, "What are the implications for global value chains when the market shifts from



**Table II: Global mega-trends that will affect Africa's transformation**

KPMG	Boston Consulting	Frost & Sullivan	Ernst and Young
1. Urbanization	1. Urbanization	1. Urbanization	1. Urbanization
2. Demographics	2. Demographics	2. Technology – mobile Africa	2. Demographics
3. Enabling technology	3. Technological revolution	3. Health and wellbeing	3. Digital future
4. Rise of middle classes	4. Rise of middle classes	4. Energy future	4. Rising entrepreneurship
5. Economic connectedness	5. Connectivity pushing convergence	5. Adding high local value	5. Global marketplace
6. Resource stress	6. Resource constraints	6. Revolution in financial services–mobile finance	6. Resourceful planet
7. Economic power shifts	7. Rise of the BRICS+	7. Infrastructure development	7. Health reimaged
8. Climate change	8. Internetization	8. Future of mobility	
	9. Health and wellbeing	9. Smart is the new green	

**Abbreviations:** BRICS – Brazil, Russia, India, China and South Africa.

**Sources:** KPMG, *Future State 2030: The global megatrends shaping governments and citizens alike into 2030* (2014), Boston Consulting Group, *Megatrends: Tailwinds for Growth in a Low-Growth Environment* (2014), Frost & Sullivan, *World's Top Global Mega Trends to 2020 and Implications to Business, Society and Cultures* (2010); Ernst and Young, *Megatrends 2015: Making Sense of a World in Motion* (2015).

key role in attracting or discouraging investment. At present, African infrastructure is lagging behind other regions, putting African cities at a competitive disadvantage.<sup>9</sup> In addition, African cities tend to be disproportionately expensive, compared with their level of GDP, which translates to higher costs for firms.<sup>10</sup> It is critical that African cities bolster their infrastructure and improve their business environment in order to be globally competitive at this critical moment in history.

### The rise of innovation and technology city hubs

Associated with globalization has been the advancement in new technologies and production processes that can open up new opportunities for Africa to leapfrog into emerging productive endeavours and industries. Advances in information and communications technology (ICT), biotech, nanotechnology, flexible electronics, cloud computing, advanced batteries and solar power are all transforming the world, shrinking physical

distances and changing the organization of economies, industries and the way people live and work in a profound way.<sup>11</sup> Governments can leverage new technologies to develop smarter cities, for example, through green energy or by using big data to plan smart transportation systems.

African cities are the gateway to innovation and technology for the private sector.<sup>12</sup> Many African cities already have strong entrepreneurship, and several innovation sectors are performing well. The rise of mobile telephony and mobile banking is creating pockets of excellence, with Nairobi (Africa's "Silicon Savannah") emerging as a regional leader in mobile technology. Elsewhere, Accra, Casablanca, Rabat and Tunis are witnessing strong growth in the ICT sector, while Addis Ababa is emerging as a hub for information technology start-ups (see figure II).<sup>13</sup> African States have to enhance the skills and education of their growing

the North to the South?", Policy Research Working Paper, No. 5205 (Washington, D.C., World Bank, 2010); Fantu Cheru, "Emerging southern powers and new forms of South-South Cooperation: Ethiopia's strategic engagement with China and India", *Third World Quarterly*, vol. 37, No. 4 (March 2016).

<sup>9</sup> See Giuseppe Iarossi, *Benchmarking Africa's Costs and Competitiveness* (Washington, D.C., World Bank, 2009).

<sup>10</sup> See Shohei Nakamura and others, *Is Living in African Cities Expensive?* (Washington, D.C., World Bank, 2016).

<sup>11</sup> See KPMG, *Future State 2030: The global megatrends shaping governments and citizens alike into 2030* (Gibraltar, KPMG International, 2014); Ernst and Young, *Megatrends 2015: Making Sense of a World in Motion* (London, Ernst & Young Global Limited, 2015); Boston Consulting Group, *Megatrends: Tailwinds for Growth in a Low-Growth Environment* (Boston, Boston Consulting International, 2014).

<sup>12</sup> See Third Transform Africa Summit, *Smart Cities*, Kigali, 10–12 May 2017.

<sup>13</sup> See Jones Lang LaSalle, "The African Century: Twelve Pillars of Africa's Future Success" (Chicago, Africa Cities Research, Global Foresight Series, 2013).



population of young people and build the infrastructure and Internet connectivity necessary to take full advantage of new technologies and to allow for increased density and mobility in cities.

### Shifting global demand for Africa's natural resources

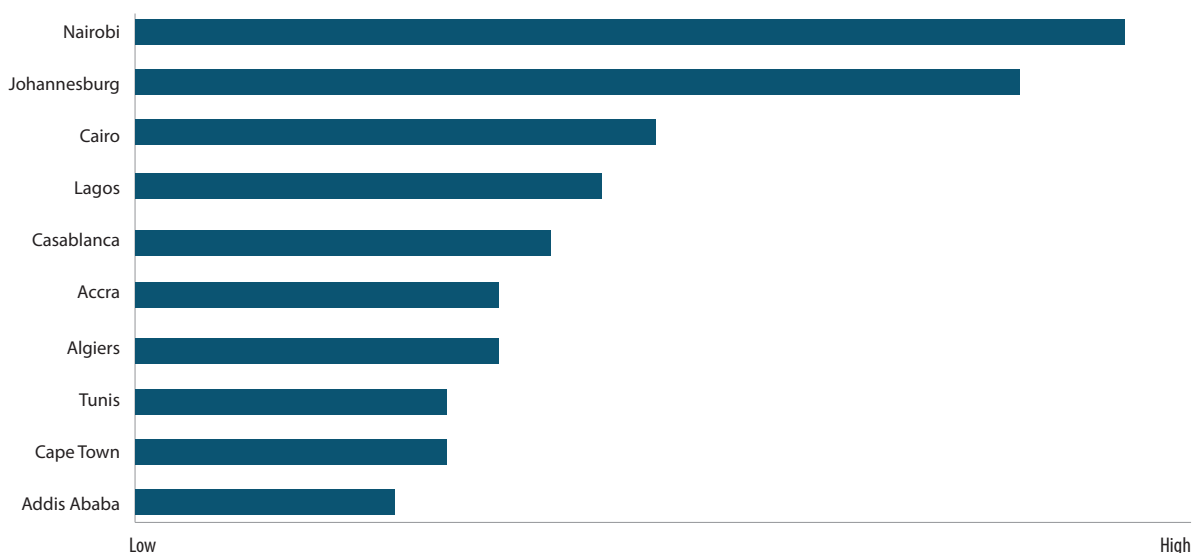
Africa is likely to remain a major supplier of energy and other minerals to the rest of the world for an extended period, generating considerable financial resources to invest in its future. Although commodity prices had begun to recover since the end of the first quarter in 2016, they have remained below their 2014 average annual level.<sup>5</sup> In addition, as China moves towards a more consumption-driven growth model, the demand for and the prices of Africa's commodities will be prone to further fluctuations in the future, emphasizing the need for a diversified and resilient economy. Commodity-producing countries must develop a clear strategy on how to reduce commodity dependence through economic diversification. The economic geography of Africa, which, in many countries, has been shaped to serve natural resource extraction since colonial times, must be reoriented for increased value addition.

Urban productive activities and their links to natural resources (including agriculture) must be strengthened. On the demand side, meeting the rising urban consumption with domestic production and regional trade should be a focus of spatial and industrial policies.<sup>9</sup>

### Changing demographics

According to the United Nations, more than half of the global population growth between 2015 and 2050 is expected to occur in Africa (see figure III). Of the estimated 2.4 billion people projected to be added to the global population between 2015 and 2050, 1.3 billion will be added in Africa.<sup>14</sup> Even at present, Africa has a young age structure, with approximately 40 per cent of its population in the 0-14 age bracket and nearly one fifth (19 per cent) in the 15-24 age bracket. In absolute terms, the number of children between 0 and 14 years of age increased from 214 million in 1980 to 486 million in 2015 and is projected to increase further to 585 million by 2025. Similarly, the number of young people between 15 and 24 years of age increased from 90.8 million in 1980 to 230 million in 2015 and is forecasted to reach 293 million by 2025.<sup>15</sup>

**Figure II: Technology hubs emerging in Africa**



Source: *The African Century: Twelve Pillars of Africa's Future Success* (Chicago, Jones Lang LaSalle, Africa Cities Research, Global Foresight Series, 2013).

<sup>14</sup> See United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects, 2015 Revision* (New York, 2015).

<sup>15</sup> See Economic Commission for Africa, *The Demographic Profile of African Countries* (Addis Ababa, 2016).

Such large numbers of young people living in Africa present great opportunities, but also pose significant risks. If Africa can create urban jobs and provide its young people with the education and skills (which is a major challenge) to match those jobs, this large workforce could become a significant engine of global production and consumption.<sup>16</sup> Failure to seize this opportunity, however, could lead to widespread disillusionment and social tensions at a scale much wider than seen in recent years.

### Climate change

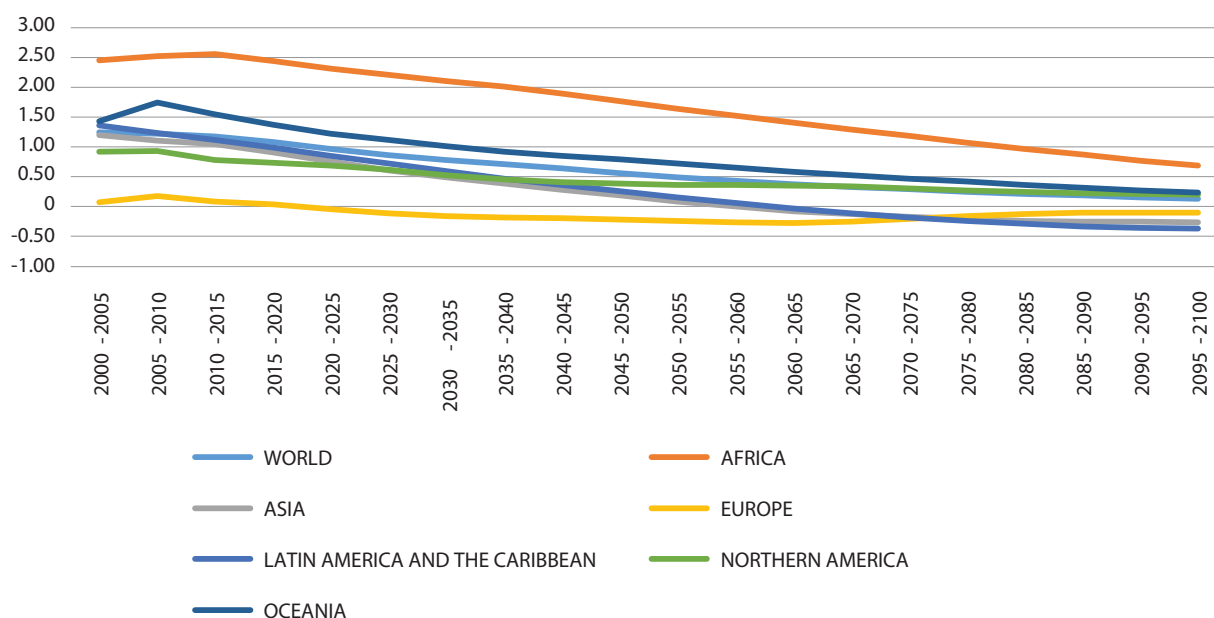
The twenty-first century is witnessing the convergence of two powerful and interrelated development-induced forces, namely, urbanization and climate change, in a manner that poses profound challenges for all three dimensions of sustainable development.<sup>17</sup> Cities, in addition to being the main contributors to climate change (by virtue of consuming 80 per cent of the global material and energy supply and accounting for

75 per cent of all carbon emissions), are also the most vulnerable to it.<sup>18</sup>

As urban populations grow in the face of environmental challenges, action will be needed to create a resilient infrastructure. Changes to the climate and the increased incidence of extreme weather events will have significant economic costs, including in cities, and may pose serious security challenges in some regions.<sup>19</sup> The impact that climate change has on agricultural production and food security will affect urban-rural links and the nature of urban population growth. Linking urbanization with structural transformation will require efforts to cushion rural agriculture and its economic linkages to cities from climate shocks.

Notwithstanding these challenges, urbanization, if it unfolds with adequate form, also presents the opportunity to usher in a period of sustainability and potentially has the solution for tackling global environmental challenges. In terms of human set-

**Figure III: Average annual rate of population growth by major regions: medium-variant projections 2015-2100 (Billions)**



Source: *World Population Prospects, 2015 Revision* (New York, United Nations, Department of Economic and Social Affairs, Population Division, 2015).

<sup>16</sup> Birger Fredriksen and Ruth Kagia, "Breaking the Human Capital Barrier", in *Africa 2050: Realizing the Continent's Full Potential*, Theodore Alhers and others, eds. (New Delhi, Oxford University Press, 2014) pp.159–191.

<sup>17</sup> See United Nations Human Settlements Programme, *Cities and Climate Change* (Nairobi, 2011).

<sup>18</sup> See United Nations Environment Programme, *Sustainable Resource Efficient Cities- Making it Happen* (Nairobi, 2012).

<sup>19</sup> John Murray McIntire, "Transforming African Agriculture", in *Africa 2050: Realizing the Continent's Full Potential*, Theodore Alhers and others, eds. (New Delhi, Oxford University Press, 2014) pp. 267–295.

lements, cities planned with prudence and foresight offers the most efficient solutions to house and service residents in both environmental and functional terms. Similarly, green industrialization presents an opportunity, especially for developing countries, to achieve the type of development that yields sustainable and inclusive growth, providing decent employment, while at the same time safeguarding the environment and conserving natural resources.<sup>20</sup>

### Expansion of the middle class

Sustained economic growth is creating an urban middle class with growing discretionary income. Although there is debate about the true size and growth of the African middle class (which is also affected by growing inequality, among others), there is no doubt that urban purchasing power is rising. One estimate puts the number of middle class people (when defined as those spending between \$2 and \$20 per day) at 350 million, with a projected increase to 1.1 billion by 2060. Progress has not been even in all countries, however.<sup>21</sup> At present, there are only five countries on the continent, namely, Algeria, Egypt, Gabon, Morocco and Tunisia, where at least 75 per cent of the population is classified as middle class, yet many other countries have growing middle classes.<sup>22</sup> The concentration of consumer spending power in big cities has the potential to stimulate the increased local production of goods and services rather than the increased dependence on imports, but only under the right policy framework. As a result of rising consumption, investors, retailers and real estate developers have cast their eyes on Africa, with the intention of tapping into the fast-growing consumer markets.

### Rise of BRICS (Brazil, Russia, India, China and South Africa) and the diversity of development actors

The international development landscape is changing, with western countries, such as the United Kingdom of Great Britain and Northern

Ireland and the United States of America, beginning to focus inward and a diversity of new State and non-State actors from the South playing a key role in global development. Africa is now recognized by international investors as a promising destination for investment because of its growing consumer power, natural resources and its potential to surge ahead in technology use.<sup>23</sup> Since the early 2000s, Africa's strategic partnership with emerging economies, such as those in Brazil, India, China and South Africa and others, has had a noticeable impact on the growth of Africa's trade and overall economic performance.<sup>24</sup> China, in particular, has become a major source of funding, with total Chinese direct investment in Africa having reached \$32 billion by the end of 2014, compared with \$38 billion from the United States.<sup>25</sup> The new economic relationship between Africa and the emerging developing countries from the South is likely to be long term and presents opportunities and challenges that African countries must manage and harness strategically to ensure a win-win outcome.

### Capitalizing on the infrastructure boom

Although Africa is considered the next frontier for investors, future growth will depend on productivity increases and higher public and private investment to bridge the infrastructure gap. It is estimated that approximately \$1 trillion (or \$93 billion annually) in infrastructure investment will be needed on the continent in the coming decade.<sup>26</sup> As trade volumes increase, demand for container traffic, rail and road network, reliable electricity, high speed broadband and other telecommunications infrastructure will remain high. Investment funding is steadily increasing. While removing binding constraints, the boom in infrastructure investment may trigger new economic activities in cities and towns as local construction and medium-size firms engage in subcontracting activities along the value chain, further deepen-

<sup>23</sup> See Deloitte, *Africa: A 21st Century View* (London, 2015).

<sup>24</sup> See Fantu Cheru and Cyril Obi, *The Rise of China and India in Africa: Challenges, Opportunities and Critical Interventions* (London, ZED Books, 2010).

<sup>25</sup> See Brookings Institute, *China's Engagement with Africa: From Natural Resources to Human Resources* (Washington, D.C., 2016).

<sup>26</sup> See World Bank, *Africa's Infrastructure: A Time for Transformation* (Washington D.C., 2010).

<sup>20</sup> See Economic Commission for Africa, *Economic Report on Africa 2016: Greening Africa's Industrialization* (Addis Ababa, 2016).

<sup>21</sup> See African Development Bank, *Tracking Africa's Progress in Figures* (Tunis, 2014).

<sup>22</sup> See Deloitte, *The Rise and Rise of the African Middle Class* (London, 2012).

ing an entrepreneurship culture to grow locally. Infrastructure investment must be strategically prioritized and leveraged to create quality urban development that fosters high value-added productive economic activities rather than the export of raw commodities.

In summary, urbanization does not exist in a vacuum; it is accompanied and shaped by other global megatrends. Correspondingly, urban policies must not be conceived and operated in a silo but instead be integrated into broader economic, territorial, social and trade policies in order to achieve structural transformation and inclusive development.

#### **1.4. Urbanization as a force of inclusive growth: lost opportunities**

Notwithstanding the expected phenomenal urban growth in Africa and its potential to bring about inclusive growth, many countries are unprepared for the challenges and opportunities that urbanization brings with it. A growing body of work has been highlighting the role that cities can play in structural transformation in Africa.<sup>27</sup> Many countries lack a long-term vision on urbanization in the context of national development planning to guide rapid urban growth in a sustainable direction. In addition, cities and municipalities lack the capacity for basic planning, policy coordination and resource mobilization. As a result, they face severe housing shortages, infrastructure deficits and congestion and fail to create a favourable business environment. These deficiencies are major obstacles that undercut the potential

of African cities to become dynamic engines of growth and attractive investment destinations.

There is still time, however, to influence Africa's urbanization and the impact that it will have on the continent. The good news is that a large part of Africa's urbanization is yet to happen. Consequently, there is still time to put in place the policies and strategies needed to harness the benefits. In the African context, for urbanization to become transformative, institutional changes, investment decisions and sectoral and financial policies will all have to be geared towards enhancing the role of cities and the national urban system in accelerating structural transformation and achieving inclusive growth. This would involve, among other things, raising the productivity of agriculture, which is the mainstay of African economies; diversifying products and markets through value addition to commodities; developing skills and human resources; modernizing technology and infrastructure; providing incentives to support small and medium-sized enterprises to grow and move up the technological ladder; and improving the investment climate to unleash the potential of the strategic sectors of the economy in spurring innovation and attracting domestic and foreign direct investment. In a nutshell, planning and managing the process of urbanization is not only about being concerned with narrowly defined urban, sectoral or local planning or management issues, but also about resetting cities and urban regions as the real "growth engine" to drive complex economic, technological and social interactions in order to bring about structural change.

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<sup>27</sup> See African Development Bank, *African Economic Outlook: Sustainable Cities and Structural Transformation* (Abidjan, 2016); Economic Commission for Africa, *Economic Report on Africa 2017: Urbanization and Industrialization for Africa's Transformation* (Addis Ababa, 2017); World Bank, *African Cities Opening Doors to the World* (Washington D.C., 2017); World Economic Forum, *African Competitiveness Report 2017* (Geneva, 2017).



# Part 2: Structural transformation: the urban dimension

## 2.1. Structural transformation: a top policy challenge for African Governments

Structural transformation is characterized by the movement of resources from low productivity activities to high productivity activities. It entails four parallel processes: a declining share of agriculture in GDP; a shift towards industrial and services sectors; a shift of the population from rural to urban areas; and a decline in both fertility and mortality rates.<sup>28</sup> While the share of agricultural output and employment decreases during structural transformation, agricultural productivity and output increases to eventually converge with the productivity of urban activities. One of the hallmarks of this long-term development process is the release of labour from rural areas to work in industry and services.<sup>29</sup>

Two key facts should be noted with regard to structural transformation. First, it is by definition broad-based. Structural transformation is measured in part by the increased productivity of labour and the increasing share of labour in high productivity activities. Economies that grow while creating few jobs and moving larger segments of labour into low productivity activities (such as the informal services sector) have not achieved structural transformation and sometimes exhibit reverse structural transformation, even as their economies grow. This has often been the case

in Africa, especially during the 1990s.<sup>30</sup> Structural transformation requires the broad-based creation of decent employment. Second, structural transformation requires urbanization, given that cities are the primary locations of industry and services and are the crucibles of innovation and technological advancement required for productivity growth. Industrial location and the organization and flow of production and consumption, together with associated value chains through geographic space, are all crucial components of the development process.

The focus on structural transformation in Africa relates to the fact that economic growth alone is not enough to reduce poverty. Recent years have seen sustained economic growth in Africa, with foreign investment increasing and Africa's expanding urban middle classes creating a growing consumer market. Notwithstanding the global economic slowdown, the average growth rate on the continent was just under 4 per cent between 2013 and 2016, and after slowing down to 1.7 per cent in 2016, it was expected to recover to 3.2 per cent in 2017, increasing to 3.8 per cent in 2018. Although inflation increased slightly, to 10 per cent in 2016, from 7.5 per cent in 2015 and 6.8 per cent in 2013, it is still relatively stable, compared with the levels seen in the 1980s and 1990s.<sup>5</sup> While there is good reason to be optimistic about the future development prospects of the continent, there remain important challenges that African leaders must tackle in order to unleash Africa's productive capacity. Growing economies are not

<sup>28</sup> See United Nations Human Settlement Programme, *Urbanization and Structural Transformation* (Nairobi, 2016).

<sup>29</sup> See Economic Commission for Africa, *Economic Report on Africa 2015: Industrializing through trade* (Addis Ababa, 2015); Peter Timmer and others, *Patterns of Growth and Structural Transformation in Africa: Trends and Lessons for Future Development Strategies* (Washington, D.C., International Food Policy Research Institute, 2012).

<sup>30</sup> Dani Rodrick and others, "Globalization, structural change, and productivity growth, with an update on Africa", *World Development*, vol. 63 (November 2014), pp. 11–32.

creating enough jobs or making life significantly better for the average African. A report by Afrobarometer, based on surveys conducted in 34 African countries between October 2011 and June 2013, revealed widespread public dissatisfaction with current economic conditions, irrespective of a decade of strong growth. A majority of the respondents (53 per cent) rated the condition of their national economy as “fair” or “very bad”, while just 29 per cent offered a positive assessment.<sup>31</sup>

The disconnection between high GDP growth rates and the inclusive development agenda has prompted African leaders to call for an end to the perverse development model that continues to reproduce poverty and inequality. There is now a renewed recognition of the role that structural transformation should play in stimulating economic growth that is sustainable and inclusive,<sup>32</sup> and African leaders have committed themselves to these aims through Agenda 2063.<sup>33</sup>

## **2.2. Weak link between urbanization and structural transformation in Africa**

Historically, cities have occupied an important role in national development. Cities are powerful engines of growth and hubs of prosperity, with more than 80 per cent of global economic activity concentrated in them.<sup>34</sup> They are centres of innovation and home to the forces that shape globalization, such as finance, production, marketing and information, and they are magnets for talent and investment and centres of knowledge production. Through their density, cities create economies of scale that lower transaction costs, enhance productivity and make it cheaper to expand services. Schooling and health care can be delivered at scale in dense environments, close to where people live.

<sup>31</sup> See Boniface Dulani and others, “After a Decade of Growth, Little Change in Poverty at the Grassroots”, Afrobarometer, Policy Brief No. 1 (2013). Available at [www.afrobarometer.org](http://www.afrobarometer.org).

<sup>32</sup> Margaret S. McMillan and Derek Heady, “Economic transformation in Africa”, *World Development*, vol. 63, Special Issue (November 2014), pp. 1–124.

<sup>33</sup> See African Union Commission, *Agenda 2063: The Africa We Want* (Addis Ababa, 2014).

<sup>34</sup> See McKinsey Global Institute, *Urban World: Mapping the Economic Power of Cities* (New York, McKinsey & Company, 2011).

It should be noted, however, that this account of the close relationship between urbanization and economic development is not automatic. Whether countries are able to take advantage of urbanization will depend on the quality of their institutions, human resources, infrastructure and the predictability and stability of the policies guiding their national and subnational development.

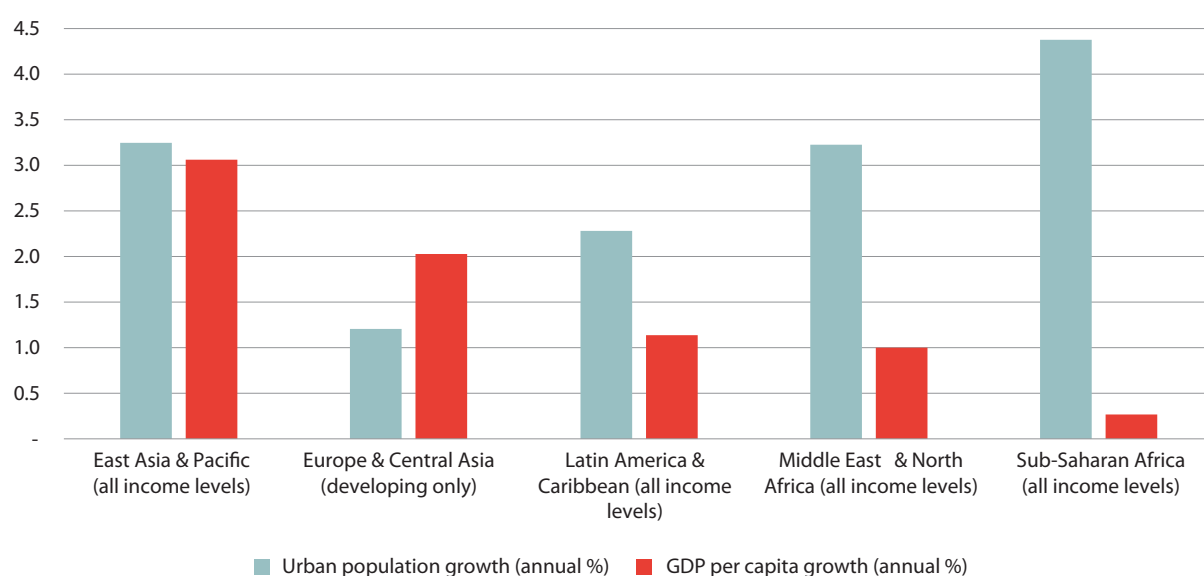
Figure IV illustrates how, during the past three decades or more, growth in urbanization and per capita GDP has gone hand in hand in Asia and the Pacific, while this was not the case in sub-Saharan Africa. The poor economic growth of the 1980s and early 1990s, in the face of rapid urbanization and population growth, means sub-Saharan Africa is now facing a backlog of urban employment, housing and urban infrastructure deficits. Rapid urbanization has taken place without the strong economic growth, structural transformation and human development experienced in the rich economies of the West and in the emerging economies of East Asia.<sup>35</sup> The recent economic growth trend and prospect of the continent offer the opportunity to marshal resources in dealing with urban challenges and turn the tide of urbanization into an economic dividend.

The disconnection or weak link between urbanization and economic growth in Africa is due to a number of factors. In the policy and institutional realm, these include the lingering and often implicit anti-urban bias reflected in national development policy, weak planning capacity and the failure to mainstream urbanization into national development strategies. Deficiencies in basic infrastructure and services, including unreliable electricity supply and poor communication and connectivity, underdeveloped labour specialization, the lack of links between enterprises and innovation centres, weak planning institutions and the absence of credible policies and strategies to guide the process of development

<sup>35</sup> See Vernon J. Henderson and others, “Is Urbanization in Sub-Saharan Africa Different?”, Policy Research Working Paper, No. 6481 (Washington, D.C., World Bank, 2013); Deborah Fahy Bryceson and Deborah Potts, eds., *African Urban Economies: Vulnerability, Vitality or Vitiating?* (Basingstoke, United Kingdom, Palgrave, 2006).



**Figure IV: Urbanization and GDP growth per capita by region, averages 1980–2014**



Source: ECA analysis of World Bank world development indicator data.

efficiently, have all hampered the potential of African cities to become “engines” of growth and social transformation.<sup>36</sup> Notwithstanding these missed opportunities, it is not too late for African countries to optimize the agglomeration benefits of urbanization for industrialization through comprehensive and integrated national development planning. Table III lists some of the challenges and opportunities of urbanization.

Africa’s quest for structural transformation will be difficult to realize without harnessing the development potential of urbanization. It is important to fully understand the urban economic forces and their manifestations in the African context and spell out the policy challenges and priorities. Cities provide economies of scale, agglomeration and location, and they provide efficient infrastructure and services by concentrating investment in transportation, communication, power and by becoming centres of financial capital and hubs

of information and talent.<sup>37</sup> Cities also attract a pool of workers that makes specialization in knowledge, skills and management capabilities possible. The scale and potential effect of these and related aspects of agglomeration economies need to be better understood and prioritized. There are encouraging signs that African leaders and policymakers appreciate the role of cities in structural transformation, but more attention is required on how to harness urbanization for industrialization and structural transformation.

### 2.3. Regional prioritization of the urban agenda

The high priority accorded to structural transformation in Agenda 2063 and other regional development frameworks has to be understood in the context of the historical and structural challenges that the African economy has been facing. The call for structural transformation underlies the continent’s resolve to sustain recent economic growth, end poverty and promote shared prosperity. Although the link between urbanization

<sup>36</sup> See Marianne Fay and Charlotte Opal, “Urbanization without Growth: A Not-so-uncommon Phenomenon”, Policy Research Working Paper, No. 2412 (World Bank, Washington, D.C., 2000); Douglas Gollin and others, “Urbanization with and without structural transformation”, Meeting Paper, No. 344, Society for Economic Dynamics, 2013; Deborah Bryceson and Deborah Potts, eds., *African Urban Economies: Vulnerability, Vitality or Vitiating?* (Basingstoke, United Kingdom, Palgrave, 2006).

<sup>37</sup> See Andre Hamer, “Economic impacts of third world mega-cities: is size the issue?”, in *Mega-City Growth and the Future*, Roland Fuchs and others, eds. (Tokyo, United Nations University, 1994); Geetam Tiwari, *Urban Transport for Growing Cities: High Capacity Bus System* (New Delhi, Macmillan India, 2002); World Bank, *World Development Report 2009: Reshaping Economic Geography* (Washington, D.C., World Bank, 2009).

**Table III: Challenges and opportunities of urbanization**

Challenges	Opportunities	Requirements
Unplanned, sprawling and chaotic urban development	Major urban development yet to take place	Well-functioning planning and land management systems
Major infrastructure deficits	Ability to prioritize key infrastructure for the economic future	Coordinated economic, spatial and investment planning
Natural resources are job poor and crowd out other exports	Financial inflows from resources allow for investment	Strategic use of resources revenue
Financial deficits	Land value capture links urban development with public revenue	Up-to-date land registry and valuation systems
Rapidly growing urban populations	Rapidly growing potential industrial labour force	Skills training, industrial capability building and industrial upgrading
Rapidly rising housing demand	Rapidly rising construction demand can create jobs	Ease of permitting and land availability; support to building materials value chain; and skills training
Need of jobs for the growing population of young people	Educated young people can foster innovation	Information and communications technology infrastructure and skills training
Environmental impacts such as pollution, deforestation and loss of arable land.	Cities can help in promoting a low carbon economy in energy, building and transport sectors.	Low carbon design and investment in energy, infrastructure, construction and waste management.

Source: Formulated by ECA.

and structural transformation requires further articulation, explicit reference has been made to the role of cities. Two important strategic policy documents reflect the common vision of African leaders – Agenda 2063 and the Common African Position on the post-2015 Development Agenda.<sup>38</sup>

Agenda 2063 is a forward-looking framework that charts Africa's development trajectory for a period of 50 years. It contains seven broad aspirations that emanated from the various consultations held with stakeholders and outlines 11 strategic initiatives to fast-track its implementation. It builds on experiences gleaned from the implementation of previous plans, such as the Lagos Plan of Action for the Economic Development of Africa (1980-2000), the Abuja Treaty and the New Partnership for Africa's Development (NEPAD), together with other continental and regional plans and frameworks that are shaping the continent's transformation

agenda. In addition, the roles of each stakeholder (regional economic communities, member States, civil society, the private sector and development partners) are set out in Agenda 2063.

The adoption of Agenda 2063 coincided with the adoption of the Common African Position on the post-2015 Development Agenda. In the development agenda, Africa's development priorities are grouped into six pillars, each with subthemes:

- Structural economic transformation and inclusive growth
- Science, technology and innovation
- People-centred development
- Environmental sustainability natural resources management and disaster risk management
- Peace and security
- Finance and partnerships

<sup>38</sup> See African Union Commission, *Common African Position on the Post-2015 Development Agenda* (Addis Ababa, 2014). Available at [https://au.int/sites/default/files/documents/32848-doc-common\\_african\\_position.pdf](https://au.int/sites/default/files/documents/32848-doc-common_african_position.pdf).



Both agendas place emphasis on the importance of the development of productive capacity underpinned by value addition, with specific emphasis on the empowerment of young people and gender equality and a truly inclusive and transformative global partnership. The essential pillars of a transformative strategy have been spelled out in a number of strategy documents (see box I) adopted by Heads of States, such as the Comprehensive African Agriculture Development Programme, the Programme for Infrastructure Development in Africa and the Action Plan for Accelerated Industrial Development in Africa.<sup>39</sup>

While the importance of urbanization is recognized and cities are identified as an engine of growth in these regional agreements, the link between urbanization and structural transformation is yet to be reflected in regional and national development planning for industrialization and agricultural modernization. For example, the Action Plan for Accelerated Industrial Development in Africa, even with its comprehensive approach to industrialization, does not highlight the spatial dimensions of industrialization and urbanization and the need to develop an African urbanization strategy on which the key strategic pillars of the continental industrialization plan can be anchored. In moving forward, redressing these

### Box I: Recognition of urbanization as a development factor in Africa

- “We, African Ministers of Housing and Urban Development... REITERATE that the process of urbanization, and the potential embedded within it, presents an invaluable opportunity for Africa to realize the economic, social and spatial structural transformation by harnessing the emerging dynamism resulting from the urban dividend provided by the expansion and movement of populations, resulting in urban agglomeration and concentration and recognize that institutional, cultural, economic and political transformations can contribute to major advances in the urban experience for Africa's diverse communities” (African Common Position on Habitat III, July 2016).
- “Cities and other settlements are hubs of cultural and economic activities, with modernized infrastructure, and people have access to all the basic necessities of life including shelter, water, sanitation, energy, public transport and ICT” (Agenda 2063, 2013).
- “We are cognizant of the rapid urbanization rates in Africa and the importance of having the necessary infrastructures and amenities for an improved quality of life. We are therefore committed to expanding urban infrastructures and developing a planned approach to rapid urbanization and the emergence of new cities, as well as promoting urban and rural planning. This includes increasing decent and affordable housing; improving sanitation and hygiene services, promoting access to social and economic amenities in human settlements and increasing the efficiency of delivery and use of physical facilities and amenities, including waste management, transportation and energy” (Common African Position on the post-2015 Development Agenda, 2014).
- “Undertake to expand and develop urban infrastructure and develop planned approaches to rapid urbanization and emergence of new cities” (Solemn Declaration adopted by the African Heads of State and Government, fiftieth Anniversary of African Unity, 2013).
- “Determined to reap the potential benefits of cities and towns as centres of economic growth and places of opportunity and prosperity for all African people in the course of economic development and structural transformation” (Decision 29 of the African Union Summit Assembly/AU/Dec.29 (II) of July 2003).

<sup>39</sup> See New Partnership for Africa's Development, *Comprehensive African Agriculture Development Programme* (Midrand, South Africa, African Union Commission, 2003); African Union Commission, *Action Plan for the Accelerated Industrial Development of Africa*, African Union first Extraordinary Session of the Conference of Ministers of Industry, Midrand, South Africa, 24–27 September 2007; African Union Commission, *Strategy for the Implementation of the Plan of Action for the Accelerated Industrial Development of Africa*, eighteenth Ordinary Session of the Conference of African Ministers of Industry, Durban, South Africa, 24–28 October 2008, (AU/MIN/CAM/3 (XVIII)).

gaps by spelling out the spatial dimension of structural transformation and economic growth and integrating them into development planning is imperative.

The African Common Position on Habitat III, which was adopted by the ministers of housing and urban development in July 2016, is perhaps one of the recent moves in this direction and should be noted as a positive step. It reaffirms that planned urbanization is essential for the structural transformation of Africa and spells out a clear road map for harnessing urbanization. In the African Common Position, the Ministers reiterate that:

[T]he process of urbanization, and the potential embedded within it, presents an invaluable opportunity for Africa to realize the economic, social and spatial structural transformation by harnessing the emerging dynamism resulting from the urban dividend provided by the expansion and movement of populations, resulting in urban agglomeration and concentration and recognize that institutional, cultural, economic and political transformations can contribute to major advances in the urban experience for Africa's diverse communities.<sup>40</sup>

The African Common Position on Habitat III is anchored to eight pillars derived from Agenda 2063 and the Common African Position for post-2015 Development Agenda goals. Pillar 1 (see box II) relates specifically to structural transformation.

Additional pillars deal with urban climate resilience, equitable and people-centred cities in which all people have access to basic services, improved urban institutions, including planning, finance and governance, competitive cities and climate change mitigation. Pillar 5 (see box III) relates directly to the role of regional integration in harnessing the potential of urbanization.

The African Common Position on Habitat III contains lists under each pillar of a series of measures to be undertaken in order to generate and bolster momentum for change and to accelerate the process of structural transformation and industrialization as expressed in Agenda 2063 and the Common African Position for the post-2015 Development Agenda. The responsibility to make this happen rests with national governments that must devise and integrate urbanization and industrialization (calibrated to suit their specific conditions) into appropriate national development strategies, including growth-oriented macroeconomic, sectoral and spatial policies. This can then provide

### **Box II: African Common Position on Habitat III: Pillar 1**

**Harness the potential of urbanization to accelerate structural economic transformation and inclusive growth by:**

- Promoting slum upgrading to provide secure tenure, infrastructure, basic service and socio economic facilities for addressing exclusion, poverty, health, safety and improved quality of life
- Deploying adequate financial resources in the productive urban sectors for planning and management of urban areas, investment in infrastructure and basic services for human settlements development and provision of decent and affordable housing, especially to the low-income segments
- Promoting inclusive economic growth that translates to decent job creation and improved living standards for all
- Promoting connectivity between rural and urban areas to harness the full potential of the urban-rural link
- Transforming the urban economies into high productivity and value-adding activities
- Promoting planning and investment for sustainable urban mobility systems that link people, places and economic opportunities

<sup>40</sup> See African Union Commission, *African Common Position on Habitat III, Draft* (3 May 2015).

### Box III: African Common Position on Habitat III: Pillar 5

Enhance the contribution of urban and human settlements development to the continental integration process by:

- Promoting sustainable planning and management systems of border cities and urban corridors within and across international boundaries
- Expanding continental spatial development programmes and regional and interregional infrastructure, facilities and initiatives that would promote cross-boundary interaction and leverage urban and human settlements assets

### Box IV: Structural transformation in the New Urban Agenda: a shared vision

“Meet the challenges and opportunities of present and future sustained, inclusive, and sustainable economic growth, leveraging urbanization for structural transformation, high productivity, value added activities and resource efficiency, harnessing local economies, taking note of the contribution of the informal economy while supporting a sustainable transition to the formal economy”.

sufficient guidance to connect local level planning and management of cities to national priorities for inclusive and sustained growth.

By drawing on the long-term continental vision and the structural transformation agenda, the

African Common Position on Habitat III has contributed to the integration of those priorities into the New Urban Agenda that emerged from the Habitat III process. Accordingly, the New Urban Agenda<sup>41</sup> (see box IV) makes explicit references to structural transformation and value addition.

<sup>41</sup> See United Nations Conference on Housing and Sustainable Urban Development (Habitat III), *New Urban Agenda* (2016). Available at <http://habitat3.org/wp-content/uploads/NUA-English.pdf>.



## Part 3: Regional integration and geographic connectivity as a path to harnessing urbanization

### 3.1. Economic rationale for improved integration and connectivity

There are economic benefits to clustering in space. The economic role of cities is drawn from agglomeration economies. Cities and city regions, through their scale effect, generate productivity, and firms cluster in cities to benefit from the sharing, matching and learning effects of agglomeration economies.<sup>42</sup> Large populations and density allow governments to supply public goods and infrastructure at efficient scales and optimal cost. Cities bring about growth by facilitating the accumulation of human capital, innovation and technological diffusion.

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 as a result of the strength of the connections between them.<sup>43</sup> Allen J. Scott and Michael Storper noted the following:

This process accentuates the growth of selected regions, and helps to generate the contemporary phenomenon of large city-regions scattered across the continents in an integrated world-wide mosaic. Many different parts of the developing world

are deeply involved in relationships like these, as exemplified by city-regions such as Mexico, Sao Paulo, Cairo, Bombay, Kuala Lumpur, Jakarta, and so on.<sup>44</sup>

Africa lacks large economic clusters, which are identified as a major negative factor affecting the economic growth and transformation of the continent. As Paul Collier and Anthony J. Venables noted, “Africa’s failure to develop large clusters of economic activity has had major implications for its economic performance. Africa’s failure to enter world markets for manufactured exports is best understood by looking at the location of productive clusters of activity.”<sup>45</sup>

Market fragmentation and the small size of cities are limiting the growth and development of African economies. Three mechanisms are identified to explain costs arising from market fragmentation for African economies. First, there is an efficiency loss associated with the failure to cooperate in the context of an uneven spatial distribution of natural advantages. For example, a small resource-rich country may fail to diversify its economy because of labour supply constraints and the Dutch disease phenomenon, while a resource-poor country with a big population may fail to grow because of capital and foreign exchange constraints. If the two countries were to merge or cooperate, they could turn the cumulative loss into mutual gains as a result of the increasing returns that would

<sup>42</sup> “Sharing” refers to the ability of firms to share inputs, markets, labour pools, infrastructure, risks and other factors that benefit from scale economies. “Matching” refers to the idea that larger pools of inputs and labour facilitate better matches for a firm’s specialized needs. “Learning” refers to the process of knowledge transfer and innovation arising from the proximity of diverse economic actors.

<sup>43</sup> Ronald Sean Wall and G.A. van der Knapp, “Sectoral differentiation and network structure within contemporary worldwide corporate networks”, *Economic Geography*, vol. 87, No. 3 (July 2011), pp. 267–308.

<sup>44</sup> Allen J. Scott and Michael Storper, “Regions, globalization, development”, *Regional Studies*, vol. 37, No. 6/7 (October 2003), pp. 579–593.

<sup>45</sup> Paul Collier and Anthony J. Venables, “Rethinking trade preferences: How Africa can diversify its exports”, *The World Economy*, vol. 30, No. 8 (August 2007), pp. 1326–1345.

be generated from the resultant scale effects. Second, a fragmented market limits the benefits of scale economies at the firm, city and national levels. Besides the loss of static agglomeration economies, a small and limited market hampers growth because it encourages rent-seeking and monopolistic behaviour, discourages investment and undermines competition. Lastly, fragmentation causes an undersupply of public goods whose efficient economic size is beyond the population size of a small African economy or demand an outsized tax and financing regime.<sup>46</sup>

According to Mr. Collier and Mr. Venables, country population size has a significant effect on city size and thus on agglomeration economies. In comparison with a large and integrated country such as India, fragmentation in Africa has created a negative impact on city size and urban structure. With much larger cities in the top rank and many medium-sized to large-sized cities, India has an advantage over Africa in reaping agglomeration economies. In addition, they noted the follow-

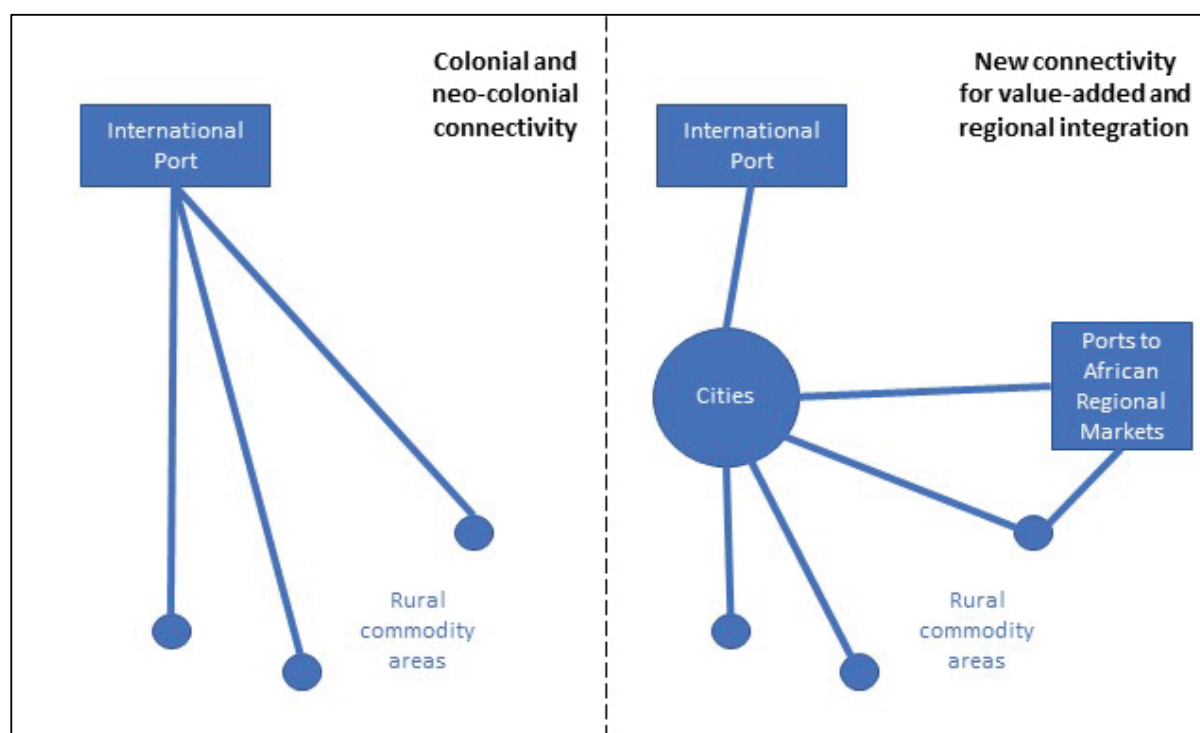
ing: “Although size is not the only determinant of urban productivity, Africa’s fragmentation and consequent urban structure may have impeded the development of major international manufacturing centres of the type that contributes to the performance of high-growth economies”.<sup>46</sup>

### 3.2. Spatial reordering of the economy for inclusive growth

Africa should take advantage of its rapid urbanization by promoting urban connectivity at cities of various geographic scales and urban regions, 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.

Figure V differentiates between the old geographies of raw commodity extraction that were established for colonial purposes and the new connections necessary for value addition in cities

**Figure V: Spatial reordering for value addition and regional connectivity**



<sup>46</sup> See Paul Collier and Anthony J. Venables, “Does Africa’s Fragmentation Matter?”, in *People, Politics and Globalization: Annual World Bank Conference on Development Economics*, Justin Yifu Lin, and Boris Pleskovic, eds. (Washington, D.C., World Bank, 2009), pp. 51–76.

and value added trade through African regional markets. African Governments can stimulate the development of secondary cities by allowing for the decentralization of some standardized industrial activities in wider value chain systems.<sup>44</sup>

In the context of Africa, such a spatial ordering of the economy is not only necessitated by a question of economic efficiency, but also by the imperatives of regional equity and inclusive growth. Connecting urban productivity growth forces with agriculture, the mainstay of many economies and source of income for a large share of the population, is an absolute necessity for economic development to become transformative. Accordingly, structural transformation in Africa should be embedded in a spatial structure that can have an impact on and beyond a few cities and their satellite towns. In the absence of mature national urban systems and where dominant primary cities are a prevailing phenomenon, African countries need to find spatial instruments that can help to catalyse and cascade growth at various geographic scales.

Growth pole strategies, the development of satellite towns in the economic catchment area of large or prime cities, special industrial development zones and the promotion of regional urban corridors are some of the spatial instruments available to African countries for promoting agglomeration economies at national and regional scales. In all these spatial approaches, two key considerations are crucial. First, sector and spatial structures should be aligned with national development goals. This means that the specific industries targeted in economic planning should be aligned with geographically specific investment tailored to meet the needs of those industries and their value chains. Second, spatial strategies should avoid piecemeal approaches and be conceived as part of a national urban system that would support the national development vision and pattern of desired future economic activities and human settlements, including the connections between them.<sup>5</sup>

In an African context, in which most countries have an embryonic urban system and are dominated by a single large primary city, growth centres should be carefully identified and planned. If a country

has limited investment resources and agglomerations, however, then it will not be able to support many growth centres. Potential growth centres that are too close to primary or large cities may be out-competed or swallowed up, while designated growth centres in remote or lagging regions may find it hard to take off, given that they require huge investment to create the threshold of agglomeration.<sup>47</sup> Accordingly, a range of factors needs to be considered to ensure that designated growth centres can, through cumulative causation, generate agglomeration economies and spread economic gains to the wider region through backward and forward economic linkages, supply chains and the income and spending multiplier effect.<sup>48</sup>

### **3.3. Urban-rural links for inclusive and sustained growth**

African countries need to place emphasis on industrializing agriculture and fostering urban-rural links in order to change from economies dominated by raw commodity exports and non-tradable services to manufactured goods and tradable services. Urban-rural economic linkages, built on the back of infrastructure, market development, credit and financial services, skills training and a favourable 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 the strengthening of these links. Agricultural yield is inversely linked to the distance from urban centres and market towns. The development of agro-industries and agribusiness activities hinges on effective backward and forward links facilitated through urban centres and rural market towns.

At present, Africa is the least urbanized continent in the world, with 60 per cent of its inhabitants still living in rural areas,<sup>1</sup> which is why subsistence farming remains the largest source of employment on the continent. Subsistence agriculture, however, is under threat from high population

<sup>47</sup> Harry W. Richardson, "Growth centres, rural development and national urban system: a defence", *International Regional Science Review*, vol. 3, No. 2 (December 1978), pp. 133–152.

<sup>48</sup> See Andy Pike, Andrés Rodríguez-Pose and John Tomaney, *Local and Regional Development* (Routledge, 2006).



growth, land scarcity and worsening ecological degradation as a result of climate change. Continued underinvestment by national governments in agricultural research, technology and infrastructure further aggravates the productivity decline in agriculture. Consequently, the engine of agricultural production is not sufficiently powered to increase economic growth and to make the transition from subsistence to modern agriculture.

The transition to industrialization is historically tied to the development of the agricultural sector. The role of agriculture as the precursor to the acceleration of industrial growth, from England in the mid-eighteenth century to Japan in the late nineteenth century and much of Asia in the late twentieth century, is articulated in the abundant literature on this subject.<sup>49</sup> The dramatic economic transformations witnessed in East Asia (China and the Republic of Korea, and Taiwan Province of China, among others) all began with deliberate State actions to kick-start an agricultural revolution that paved the way for an agriculture-led industrialization in the 1950s and early 1960s. While land reform was the starting point for the Republic of Korea, the “going-out” policy of China began with incremental changes in family farming and opening the door to more policy reforms to increase productivity gains in agriculture, which, in turn, stimulated manufacturing growth in key, strategically selected urban hamlets.<sup>50</sup>

In Africa, domestic agricultural production is insufficient to meet the food demand of the growing urban populations, making the continent a food importer. Accordingly, kick-starting an agricultural revolution, which, in turn, could propel the process of industrialization through agro-processing

and value addition, should be a major priority for African countries for the foreseeable future. The State must play an active role by investing in agricultural research, irrigation systems and transport and storage facilities, which are essential for raising productivity. Efforts to support improved quality and productivity of agricultural production are necessary to develop forward linkages.<sup>51</sup>

In this regard, ECA has been the leading advocate for developing African agriculture, including through its *Economic Report on Africa 2009: Developing African Agriculture through Regional Value-Chains*.<sup>52</sup> It was suggested in the report that African countries need sustained investment in agricultural systems, such as research and extension services, use of yield-enhancing practices and technologies, increased investment in soil and water conservation and improved marketing and rural infrastructure in order to bring about a transformation in agriculture. In addition, it was recommended that Africa should build links between agriculture and manufacturing and with other sectors at national and regional levels. These mechanisms are also described in detail in *Economic Report on Africa 2013: Making the Most of Africa's Commodities*. Increased investment in agribusiness and agro-processing maximizes value added, expands markets, creates jobs and enhances productivity and international competitiveness.

Achieving the broad objectives of the Comprehensive Africa Agriculture Development Programme will ultimately depend on the commitment of national authorities to building effective and competitive cities and towns that can serve as nodes of innovation, production and marketing, thus facilitating backward and forward links to the rest of the economy. Policies to improve these links will have an impact on the provision of technology and capital equipment to agricultural production, the processing of agricultural inputs in towns and cities, infrastructure and transport-based links and financial links. The development of secondary and

<sup>49</sup> Paul Bairoch, “Agriculture and the Industrial Revolution, 1700–1914”, in *The Fontana Economic History of Europe: The Industrial Revolution*, Carlo M. Cipolla, ed. (London, Collins/Fontana, 1973); Diao, X. Derek Heady and Michael Johnson, “Toward a green revolution in Africa: what would it achieve, and what would it require?”, *Agricultural Economics*, vol. 39 (supplement 1, November 2008), pp. 539–550.

<sup>50</sup> See Shenggen Fan and others, “China's Agricultural and Rural Development: Implications for Africa”, paper presented at the China-DAC Study Group meeting on Agriculture, Food Security and Rural Development, Bamako, Mali, 27 and 28 April 2010; Alice Amsdsen, *Asia's Next Giant: South Korea and Late Industrialization* (New York, Oxford University Press, 1989).

<sup>51</sup> See Economic Commission for Africa, *Economic Report on Africa 2013: Making the Most of Africa's Commodities* (Addis Ababa, 2013).

<sup>52</sup> See Economic Commission for Africa, *Economic Report on Africa 2009: Developing African Agriculture through Regional Value Chains* (Addis Ababa, 2009).

small towns will play a crucial role in aggregation and first-stage processing and provide the important glue for links.

At the same time, medium-sized and large-sized cities are also important for agricultural upgrading. They will be the hub of important business and trade services, such as ICT, finance and logistics, which will be necessary to support large-scale processing, wholesale trade and distribution and export. Large cities also represent large markets for agricultural products. Reaching such markets requires policies that account for the rise of super-market purchasing, the role of major retailers and the barriers faced by those small and medium-sized enterprises engaged in transport, logistics and wholesale, which are activities often overlooked in agricultural policy (i.e., the “missing middle”).<sup>53</sup>

### **3.4. Regional integration policies to capitalize on urbanization**

#### **Urbanization is a gateway to inter-urban linkages and broader regional integration**

Regional cooperation is an important step towards strategic integration into world markets. Such strategies can support the goal of international competitiveness by allowing firms to learn how to produce regionally before having to meet stricter international standards. Regionally integrated and, thus, larger markets will, in turn, attract more investment intended to optimize economies of scale and drive competitiveness.

Regional integration takes time and will not happen in all parts of Africa at once. Cooperation in regional transport projects that are centred on development corridors is a good place to start in order to promote greater intraregional trade and investment.<sup>54</sup> Transport corridors can accomplish more than linking point A to point B; they can also spur economic development in catchment regions and strengthen rural-urban links if planned properly. The size and location of partic-

ipating cities, industrial hubs and growth centres and the distance and connectivity between them are key factors that determine the scale and performance of a regional corridor. Besides the huge agglomeration economies that they generate, regional corridors and the markets that they facilitate could potentially provide participating African economies with a stepping stone to gradually plug into global value chains and markets.

#### **City cluster development and regional development can be linked**

Although the original concept of cluster development<sup>55</sup> was in reference to industrial cluster development for strengthening business competitiveness, the concept can also be applied to the competitiveness of city-regions and as a means to stimulate urban and regional economic development in a wide geographic scale.<sup>56</sup> According to Kyeongae Choe and Aprodicio A. Laquian, “city cluster development is a process of economic and social development through which the built-up areas of a number of human settlements spread out in multiple administrative jurisdictions become interlinked together functionally, structurally and spatially to form an integrated urban region”.<sup>57</sup> In short, city cluster development involves the planning of a whole urban region rather than confining activities within the boundaries of a local government unit.

#### **Regional urban clusters can take many forms**

The economic and physical links between urban areas can be conceptualized in a variety of forms. In the case of Asia, for example, four types of urban clusters could be identified: urban corridors; megacity-dominated clusters, subnational regional clusters and trans-border clusters involving two or more cities located in two different countries.<sup>57</sup> Some clusters can arise from the expansion of a megacity enveloping adjoining small-sized and

<sup>53</sup> See Thomas Reardon and others, *The Emerging “Quiet Revolution” in African Agrifood Systems. Harnessing Innovation for African Agriculture and Food Systems: Meeting Challenges and Designing for the 21st Century* (Addis Ababa, African Union, 2013).

<sup>54</sup> See World Bank, *World Development Report 2009: Reshaping Economic Geography* (Washington, D.C., World Bank, 2009).

<sup>55</sup> See Michael E. Porter, *The Competitive Advantage of Nations* (New York, Macmillan, 1990).

<sup>56</sup> “Clusters” are groups of companies and institutions co-located in specific geographic regions and linked by interdependencies in providing a related group of products and/or services.

<sup>57</sup> Kyeongae Choe and Aprodicio A. Laquian, *City Cluster Development: Toward an Urban-Led Development Strategy in Asia* (Manila, Asian Development Bank, 2008), p. 1.



intermediate-sized cities (e.g., the Lagos metro area, the Johannesburg-Pretoria cluster and the Addis Ababa-Mojo-Adama cluster). In some regions of Africa, there are possibilities for trans-boundary corridors involving adjoining cities located in separate countries and their surrounding areas. An example of this is the Maputo Development Corridor (see box V), which is aimed at revitalizing the area between the economic centre of South Africa (Gauteng province) and the city and deep water port of Maputo in Mozambique.<sup>58</sup>

### Transport corridors offer great potential for regional integration

For regional integration to work, however, the spatial dimensions of economic development must be understood in order to prioritize development interventions in cities, regions and sectors that show the most promise to stimulate economic growth by exploiting underutilized local resources and strengthening intersectoral links.<sup>54</sup> In this regard, national and regional transport corridors are important entry points for promoting scale economies in a wider geographical space by improving connectivity and facilitating cross-border flows of investment and trade, thus creating

a dynamic set of social processes in the cities and subnational regions.

### Africa's continental free trade area and its economic and trade initiatives will greatly enhance the role of regional corridors propelled by the major cities and road and transport networks connecting them

Africa's regional economic communities play a critical role in fostering regional trade and integration, including through joint infrastructure planning, the expanding of subregional markets and the bolstering of productivity, on the basis of comparative advantages. Regional economic communities include the following:

- Community of Sahel-Saharan States
- Common Market for Eastern and Southern Africa
- East African Community
- Economic Community of Central African States

### Box V: Maputo Development Corridor: achievements

The Maputo Development Corridor was the first of the sustainable development initiatives to be implemented at a regional level in Southern Africa. It involved a partnership between the Governments of Mozambique and South Africa. The Corridor links the most industrialized regions of Gauteng and Mpumalanga provinces in South Africa to the Mozambican port of Maputo and centres on a system of road, rail, border posts, ports and terminal facilities. While a number of problems have been encountered with the Corridor on both sides of the border, by and large it has been successful on many fronts. Using the Corridor has brought about a host of industrial and commercial opportunities along the 590 km route from Johannesburg to Maputo, which is now populated with anchor investment such as steel mills, petrochemical plants, quarries, mines and smelters, sugar cane and forestry plantations. The Corridor has helped to bring more than \$5 billion of private sector investment into regional infrastructure development, industrial development and natural resource exploitation and beneficiation in the city-regions of Johannesburg and Maputo.

Key investments include the N4 Maputo toll road, the development of the Pande/Temane gas field in Mozambique, the anchor investment into the Mozal aluminium smelter in Maputo Bay and the Beluluane industrial park (a 600 ha free zone industrial park adjacent to the Mozal plant, attracting foreign and local investors to heavy industry and manufacturing). In short, the Corridor has acted as an economic catalyst for the provinces within national boundaries through the cross-border flows of South African and other investment, in particular benefiting the cities and towns with the highest interaction.\*

\* See Cayley Bowland and Lisa Otto, "Implementing Development Corridors: Lessons from the Maputo Corridor", South African Institute of International Affairs, Policy Brief No. 54 (August 2012).

<sup>58</sup> See David Bek and Ian Taylor, "Evaluation of Spatial Development Initiatives: Case Studies of the Maputo Development Corridor and the West Coast Investment Initiative", DPRU Working Papers, No.01/52 (South Africa, Development Policy Research Unit, University of Cape Town, 2001).

- Economic Community of West African States
- Intergovernmental Authority on Development
- Southern African Development Community
- Arab Maghreb Union

In addition, the African Continental Free Trade Area has tremendous potential for accelerating African industrial development. Enhanced cooperation at the continental level is essential to provide the levels of scale economies needed to make Africa's industrial products globally competitive. The free trade agreement is expected to include the following:

- An ambitious liberalization agenda for the trade in goods, aimed at expanding market access for African countries within the regional market
- A subagreement on trade in services, which will help to boost intra-African trade in services and harness the capacities of African services suppliers
- A subagreement on investment that is broad in scope, covering both goods and services
- Provisions for the free movement of natural persons involved in trade and investment

African export markets are more diversified than exports to other global regions, and interregional trade offers a significant opportunity for industrial upgrading. In 2014, manufactured goods accounted for 41.9 per cent of intra-African exports, compared with only 14.8 per cent of Africa's exports outside the continent. The ECA modelling exercises indicate that establishing the African Continental Free Trade Area has the potential to boost intra-African trade by 52.3 per cent between 2010 and 2022, compared with a baseline without it. Trade in industrial products is expected to receive the largest boost, with an additional increase of 53.3 per cent during the same period. The estimates also find that support-

ive trade facilitation measures could more than double intra-African trade, stimulating industrial products the most.<sup>59</sup>

The African Continental Free Trade Area will create a single African market of more than 1 billion people and a GDP of more than \$3 trillion. This promises to enable sufficient economies of scale and attract investment into African cities. It also promises to boost incentives to source inputs and intermediates from the continent, supporting the expansion of manufacturing sectors and enhancing the competitiveness and productivity of Africa's industrial goods. The collaboration and cooperation of regional economic communities through the African Continental Free Trade Area should help to accelerate progress in regional projects aimed at unlocking the binding constraints to trade and industrial development, such as cross-border infrastructure. This will help to connect Africa's urban centres and reduce the costs of intra-African trade. Three examples of such corridors are presented below.

### **West Africa coastal city corridor**

The coastal city corridor of West Africa is spread out in five countries (Benin, Côte d'Ivoire, Ghana, Nigeria and Togo) with strong links between them and to other subnational city clusters linked to their northern hinterlands. These include the Abidjan-Ouagadougou Corridor and the Greater Ibadan-Lagos-Accra Corridor. In each country, there are a number of secondary and smaller urban centres with close proximity to one another that can be transformed into what is referred to as "extended metropolitan regions".<sup>60</sup> The geographic proximity of the major urban centres of West African countries lends themselves to the development of transboundary city cluster development to strengthen economic exchange.

The member States of the Economic Community of West African States have adopted a number

<sup>59</sup> See Economic Commission for Africa, *Assessing Regional Integration in Africa V: Towards an African Continental Free Trade Area* (Addis Ababa, 2012).

<sup>60</sup> See Terry G. McGee, "Metrofitting the Emerging Mega-Urban regions in ASEAN: An Overview", in *The Mega-Urban Regions of Southeast Asia*, Terry G. McGee and Ira Robinson, eds. (Vancouver, Institute of Asian Research, University of British Columbia, 1995).

of initiatives to spur economic development by boosting regional connectivity through the development of road, rail and port infrastructure and by coordinating incentives to promote factor mobility and fiscal convergence.<sup>61</sup> In addition, while each country is implementing its own national industrial policy with consultation at the regional level, many well-intentioned initiatives have only been partially implemented or remain at the planning stage.

In order to fully exploit the full potential of economic opportunities in West Africa, more detailed spatial and sectoral studies are needed, including extensive resource mapping of the region (e.g., minerals, energy, water, agriculture, forestry and livestock); assessment of the state of the current infrastructure stock; and identification of key urban settlements or locations that must be brought together as city cluster regions to drive the development process. Uncovering these hidden resource potentials will lay the groundwork for a regional development strategy aimed at strengthening urban-rural economic exchange, industrialization and value addition.

### **Southern Africa corridors**

Southern Africa provides some examples of resource corridors that other countries can use as a basis for learning. There are six development corridors: the Maputo Development Corridor, the Beira Development Corridor, the Durban Development Corridor, the North-South Corridor, the Maputo-Limpopo Corridor and the Walvis Bay Corridor. All of them are in different stages of development and operation. When fully operationalized, they will contribute to the development of a dynamic megaregion with enormous economic weight in Africa. Each corridor is anchored to large cities (Beira, Cape Town, Durban, Harare, Johannesburg and Lusaka) and a hierarchy of several secondary cities in each of the participating countries.<sup>62</sup>

<sup>61</sup> See Economic Community of West African States, *The ECOWAS Regional Integration for Growth and Poverty Reduction in West Africa: Strategies and Plan of Action* (Abuja, 2006).

<sup>62</sup> See United States Agency for International Development, *Maputo Corridor Performance Assessment: A Transport Logistic Diagnostic Tool Study* (Arlington, Nathan Associates Inc., 2007); Hudson Mtegha and others, *Resources Corridors: Experiences, Economics and Engagement; A typology of Sub-Saharan Africa Corridors* (Johannesburg: University

A significant amount of research has been done on the economic viability of the various development corridors in Southern Africa under the auspices of the spatial development initiative established in 2007 by the Government of South Africa through the Department of Trade and Industry. The initiative was later extended to include Angola, Botswana, the Democratic Republic of the Congo, Malawi, Namibia, Rwanda, the United Republic of Tanzania and Zimbabwe. The same methodology was used for the NEPAD Spatial Development Programme. Unfortunately, with the exception of the Maputo Development Corridor, there has not been much traction in implementing those identified projects at the individual country level because of financial and capacity constraints.

### **Eastern and Central Africa corridors**

In East Africa, there are three separate corridor development initiatives: the Lamu Port-South Sudan-Ethiopia Transport Corridor, the Central Corridor and the Northern Corridor. The former is an integrated and transformative infrastructure project designed to position Kenya as a gateway and a transport and logistics hub to the East African and Great Lakes subregions to facilitate trade, promote regional economic integration and inter-connectivity among African countries.

The project will involve the construction of the Lamu port, a standard gauge railway line to Juba and Addis Ababa, road networks, oil pipelines to South Sudan and Ethiopia, three airports and three resort cities inside Kenya near the main transport corridors. Recent estimates have put the cost of the project at \$23 billion, and the corridor will be managed by a government agency, the Lamu Port-South Sudan Transport Development Authority. The development of major secondary towns, which are many, along the Lamu Port-South Sudan-Ethiopia Transport Corridor is critical for facilitating economic development in the participating countries and for strengthening regional integration and regional value chains in agriculture, energy and natural resources.

of Witwatersrand, School of Mining and Engineering, Centre for Sustainability in Mining Industry, 2012).

The Central and Northern Corridors connect the landlocked countries of Burundi, Rwanda and Uganda to Kenya and the United Republic of Tanzania and focus on delivering an agreed set of activities that will enhance interconnectivity in transport through infrastructure development and trade facilitation.<sup>63</sup> These corridors also provide port access to the Democratic Republic of the Congo and South Sudan. Priority projects have been identified, with costs totalling approximately \$1.8 billion. While the potential of the initiative to improve trade and investment is strong, progress is being hampered by high transport costs, degraded physical infrastructure and incompatible national policies.<sup>64</sup>

Among the many other benefits, regional economic cooperation in infrastructure can also reduce the cost of doing business by bringing together Africa's highly fragmented markets. It was highlighted in the 2009 *World Development Report*<sup>54</sup> that it cost almost twice as much to ship a container to the east coast of the United States from Africa as from other regions of the world. Through shared infrastructures, the cost of doing business can be reduced substantially and raise the competitiveness of African economies.

An important point to be made is that building a connective infrastructure is not enough to spur economic development if the business envi-

ronment is, in general, unfriendly to enterprises. Research has shown that intraregional trade is severely hampered by bureaucratic delays and corruption. It takes an African exporter outside North Africa approximately 40 days just to cross the border into a neighbouring country, compared with 22 days for a Latin American counterpart. The cost for exporters from landlocked African countries is even higher. Institutional barriers present a major obstacle to harnessing urbanization for economic transformation and industrialization. The cities and their urban agglomerations thriving along the corridors are the main production and consumption centres that drive trade and economic integration. The quality and economic dynamism of the cities and urban agglomerations that form along and around the corridors and the institutions and soft infrastructure underpinning their growth and development are therefore as equally important as the road network and hard infrastructure connecting them.

### 3.5. Practices of geographic and regional integration through strategic policy

National urban policies and development initiatives designed to connect cities and regions in a country are important building blocks for promoting industrialization and regional economic integration. A key strategy is to promote cities and urban agglomerations at strategic locations

**Table IV: Trading and transport costs in most distant and divided regions**

Region	Trading time across borders for exports (days)	Average transport costs (United States dollars, per container to Baltimore)	Population in landlocked countries (per cent)
East Asia and Pacific	24	3 900	0.42
Europe/ Central Asia	29	-	23.00
Latin America/ Caribbean	22	4 600	2.77
Middle East/ North Africa	27	2 100	0
South Asia	34	3 900	3.78
Sub-Saharan Africa	40	7 600	40.20

**Source:** *World Development Report 2009: Reshaping Economic Geography* (Washington, D.C., World Bank, 2009, p. 285, Table G4.1).

<sup>63</sup> See Ann Bulzomi and others, *Supply Chains and Transport Corridors in East Africa* (Amsterdam, International Peace Information Service -TRANSARMS-Research, 2014).

<sup>64</sup> See Nathan Associates, Inc., *Corridor Diagnostic Study of the Northern and Central Corridors of East Africa: An Action Plan*, vol. 1 (Arlington, Virginia, United States, April 2011).

to accelerate regional growth and equity by promoting industries and value addition aligned with the regional natural resource endowment. This requires the marshalling of resources to meet the hard and soft infrastructure needs of these cities, including adequate energy supplies, efficient and environmentally sustainable transport systems, a skilled work force and a favourable business environment.<sup>65</sup> Two cases, one from Ethiopia and the other from South Africa, illustrate this spatial approach to development and are presented below.

### 3.5.1 Industrial growth poles along the agricultural value-chains: Ethiopia

Ethiopia is one country that is experimenting with growth poles and industrial parks to kick-start its industrialization agenda. The country's second growth and transformation plan<sup>66</sup> contains its vision to expand the manufacturing sector by 25 per cent and create employment for 200,000 Ethiopians annually. To realize this ambitious goal, the Government plans to invest \$1 billion annually on growth poles and industrial parks in the coming 10 years to boost exports and transform Ethiopia into the top manufacturing centre in Africa. The industrial parks are expected to host textile, leather, agro-processing and other labour-intensive manufactures.

The industrial parks are not self-contained enclaves; rather, they are located in a geographical and spatial landscape consisting of urban and rural settlements and are designed to stimulate economic activities in the surrounding regions and beyond, which will further strengthen rural-urban links. Each industrial park is designed to serve as a platform for collective learning, thus improving backward and forward links. Furthermore, the new industrial parks are designed in ways that avoid the mistakes of others by focusing on environmental sustainability from the start, as opposed to solely focusing on growth and

cleaning up afterwards. The parks will make use of recycled water and renewable resources, develop green areas and apply upgraded standards and inspection systems.

The Government has identified seven cities as sites for the planned industrial parks, and each city is to be linked functionally and spatially to small towns and their surrounding rural hinterland to form an integrated urban region. This will require spatial regional planning that takes into account the complex economic, social, political and ecological characteristics of each region where the industrial parks are located. City cluster development takes into account the provision of infrastructure and services in connection with specific potentialities for economic growth and dispenses with the rural-urban dichotomy of traditional development planning, recognizing that urban centres are not only hubs of economic growth, but also service centres for surrounding areas.

In addition to the seven growth poles, four agro-industry parks will be established in selected regions with technical assistance from the United Nations Industrial Development Organization and financing from development partners. The four proposed parks will be supported by 50 rural transformation centres that will serve as aggregation points with a modern warehouse and market facilities, connecting the parks with the surrounding rural community. The parks are expected to host large foreign and domestic companies, create jobs and link smallholder farmers to the food industries.<sup>67</sup> A phased approach will be used to implement the industrial park strategy, given that simultaneous growth of the identified clusters is not possible because of budgetary constraints.

It was recommended in the national urbanization scheme study<sup>68</sup> that 10 specialized urban clusters in the national urban system should be used to bring about development in their rural hinter-

<sup>65</sup> See Geetam Tiwari, *Urban Transport for Growing Cities: High Capacity Bus Systems* (New Delhi, Macmillan India, 2002); Rosalind Thomas, *Development Corridors and Spatial Initiatives in Africa* (Abidjan, African Development Bank; Washington, D.C., Johns Hopkins University, 2009).

<sup>66</sup> See Ethiopia, *Draft Second Growth and Transformation Plan 2015/6-2019/20* (Addis Ababa, National Planning Commission, 2015).

<sup>67</sup> Information derived from the United Nations Industrial Development Organization regional office for Africa, the Ministry of Finance and Economic Development and the Industrial Parks Development Corporation.

<sup>68</sup> See Government of Ethiopia, Ministry of Urban Development and Construction, *Urban Land Development and Management Policy and Strategy, second edition* (2013).

**Table V: Current and expected functions of the key urban centres of Ethiopia**

Hierarchy of urban centres	Cluster	Current economic functions	Future dominant urban and economic functions
Metropolitan cluster	Addis Ababa	International Affairs Industry and extractives Trade and logistics Tourism and leisure Education Administrative and political	Financial, business and professional services, trade, industry, logistics, international affairs, administrative and political, research, education
Secondary clusters	Lake Tana urban cluster	Agriculture Tourism and leisure Education Agro-industry	Agro-processing, tourism, education
	Eastern urban cluster (Dire Dawa-Harar-Jijiga)	Industry and extractives Tourism and leisure	Industry and extractives, trade and logistics, tourism and leisure
	South Rift Valley urban cluster	Agro-processing Extractives Trade Tourism and leisure Education	Agro-processing, industry and extractives, trade and logistics, tourism and leisure, education
	Mekele urban cluster	Industry and extractives Tourism and leisure	Industry and extractives, tourism and leisure
	Dessie-Kombolcha-Weldiya urban cluster	Services Industry	Industry, services, trade and logistics
	Jimma urban cluster	Agriculture	Agro-processing, research and development, centre for agriculture
Tertiary clusters	Nekemte urban cluster	Agriculture	Agro-processing, some mining potential
	Semera-Assaita Oasis City	Administrative Trade and logistics	Trade and logistics, extractive industries, agro-processing
	Gonder-Kebri Dehar Oasis cluster	Agriculture and livestock	Extractive activities, agro-processing, livestock

**Source:** Government of Ethiopia, Ministry of Urban Development and Construction, *Urban Land Development and Management Policy and Strategy*, second edition (2013).

lands. The clusters identified are organized into three urban hierarchies: metropolitan, secondary and tertiary (see table V) and a description given of the current economic functions and future economic functions of each cluster.

In summary, the country's spatially integrated economic planning illustrates the following good practices:

- Aligning and coordinating spatial targeting of investment with economic planning and prioritization on the basis of their economic function and in consideration of economic geography
- Planning for a hierarchy of cities and towns, linking agricultural production to urban centres for aggregation and processing



- Examining the variety of functions represented in the diversity of economic targets by city and town
- Strengthening the links between agricultural production and urban markets

### 3.5.2 Spatial development initiative: South Africa

South Africa has pursued a geographically targeted programme to connect the country's natural resource advantages to broader development and job creation in cities. It was conceived by the Government of South Africa in 1995 (after the democratic elections of 1994) as an attempt to improve the functioning of the Government in targeted regions of the country, in particular those areas in which the greatest potential for resource-based growth existed.<sup>69</sup> The spatial development initiative is aimed at enhancing the attractiveness for investment through the identification of investment opportunities in resource-based development, the provision of infrastructure and the removal of a range of policy, legislative and institutional bottlenecks to spur private sector investment.<sup>70</sup>

The spatial development initiative methodology is one that focuses on facilitating investment-led growth in a specific geographic location to exploit underutilized resources through the establishment of a network of development corridors with the trunk infrastructure (e.g., roads, rail, harbour) for enhanced regional and global connectivity. The approach rests on three pillars: initiating anchor projects (e.g., steel and mining); developing major infrastructure for enhanced connectivity, such as highways, rail or ports; and connecting to further economic activities by strengthening ancillary and feeder infrastructure to enlarge the corridor's catchment area and beneficiaries downstream, providing contracting opportunities for small and

medium-sized enterprises and expanding job creation in local communities.

The success of the country's push to leverage natural resources for development has relied on connecting those resources to urban areas for the following upstream and downstream links:

- Fiscal links for capturing and efficient deployment of rents for long-term development
- Knowledge links for skills formation, research and development and enhanced technical capacity
- Backward links to inputs, capital goods and services, among others
- Forward links, including development of intermediate products, manufacturing, logistics and other sectors through beneficiation and value addition
- Spatial links through infrastructure and local economic development

In summary, the approach used to carry out this initiative was a way for South Africa to prioritize regional infrastructure projects and anchor investment, stimulate investment into productive capacity and promote wider development potential through connectivity and clustering.

Since the initiation of the spatial development initiative, South Africa has succeeded in leveraging natural resources and their linked urban value-added activities as a key component of robust economic growth and diversification, including the development of some of the continent's leading manufacturing and services sectors. The South African development path, however, is not without criticism. Inequality remains high and some have critiqued the development strategy for focusing too heavily on job-poor industries.<sup>71</sup>

<sup>69</sup> See Hudson Mtegha and others, *Resources Corridors: Experiences, Economics and Engagement; A typology of Sub-Saharan Africa Corridors* (Johannesburg, University of Witwatersrand, School of Mining and Engineering, Centre for Sustainability in Mining Industry, 2012).

<sup>70</sup> See Rosalind Thomas, *Development Corridors and Spatial Development Initiatives in Africa* (Abidjan, African Development Bank; Washington, D.C., Johns Hopkins University, 2009).

<sup>71</sup> See Anthony Altbecker and others, *Special Economic Zones: Lessons for South Africa from international evidence and local experience*. Centre for Development and Enterprise Round Table (Johannesburg, 2012).

South Africa has gleaned the following good practices from their experience with the spatial development initiative:

- Natural resource endowments can serve as a foundation for economic development if they are well linked (spatially and economically) to other sectors in cities and if natural resource rents are harnessed for strategic public investment
- National-level vision is needed for comprehensive economic planning to capitalize on resource endowments and leverage it for urban value addition and structural transformation
- Spatial dimensions and forces should be integrated into economic development planning
- Major investment is needed to connect natural resources to the productive advantages of cities for value added activities





# Part 4: Leveraging urbanization through policies at multiple levels

Leveraging urbanization for structural transformation in the context of a host of twenty-first century megatrends requires action at multiple levels (see table VI). The dual roles of national development planning and regional integration cannot be understated. The subnational level is also critical, given that local governments are best placed to manage the specific challenges and opportunities that urban growth presents at the ground level. At all scales, deliberate policies and actions are required to harness the potential for structural transformation.

## 4.1. Regional policies to leverage urbanization

Trade and regional integration is imperative for structural transformation and the promotion of inclusive growth in Africa.<sup>72</sup> The Abuja Treaty, which entered into force in 1994, with the ultimate objective of establishing an African economic community, reflects the commitment to regional integration in Africa. The treaty also provides the legal framework for the African Continental Free Trade Area and the eight regional economic communities as precursors to full integration; however, progress on both has been faltering.<sup>73</sup> It is also observed that the role of urbanization in promoting regional integration has not been given the consideration that it requires in terms of policies and strategies at the national level or the continental level. This is concerning, keeping in mind the profound potential that urbanization

has in promoting regional integration and trade, as highlighted in the preceding sections.

A functional system of cities that optimizes synergies between cities of various sizes and specializations and between urban and rural areas provides significant socioeconomic dividends at the national level. When such systems conflate throughout national boundaries, the resultant urban development corridors provide benefits not only in socioeconomic terms, but also in terms of spatial integration and regional development.<sup>74</sup> This is especially important in Africa, where many national populations are too small to maximize the economies of scale associated with urbanization if isolated from regional markets. It is therefore crucial for African countries to optimize the potential of cities and urban corridors for the promotion of regional trade, investment and infrastructure projects. This can be accomplished by explicitly including the urban dimension in policies and strategies to promote regional integration and trade, which, even with its paramount importance, is often ignored.

Cities have a dynamic impact on major regional infrastructure projects, investment and frameworks, and by catering to this impact during the planning stage, the functionality and benefits of such interventions could be significantly enhanced. In addition, urbanization needs to be coordinated from a holistic perspective by harmonizing urban policies at the local, national and regional scales. For example, subregional

<sup>72</sup> See Economic Commission for Africa, *Economic Report on Africa 2015: Industrializing Through Trade* (Addis Ababa, 2015).

<sup>73</sup> See Economic Commission for Africa, *Trade Facilitation from an African Perspective* (Addis Ababa, 2013).

<sup>74</sup> See United Nations Human Settlements Programme, *The State of African Cities in 2010: Governance, Inequality and Urban Land Management* (Nairobi, 2010).

**Table VI: Multilevel policy responses to urbanization**

Regional policy areas	National policy areas	Subnational policy areas
<ul style="list-style-type: none"> <li>– Recognizing and harnessing the opportunities offered by regional urban corridors through subregional urbanization policies</li> <li>– Facilitating regional trade in urban corridors</li> <li>– Reducing bureaucratic red tape relating to the cross-border movement of people, goods and financing through coordinated cross-border and urban planning</li> <li>– Engaging in strategic development of regional value chains through regional urban growth poles</li> <li>– Collaborating work on strategic regional projects building on opportunities facilitated by urban corridors</li> <li>– Co-investing in regional infrastructure</li> <li>– Improving connectivity in regional urban corridors as anchors for regional economic hubs</li> </ul>	<ul style="list-style-type: none"> <li>– Aligning policy with continental and subregional agreements</li> <li>– Strengthening national development planning and recognizing urbanization as a way to bring about structural transformation</li> <li>– Mainstreaming urbanization into ministries and sectors under the framework of national development planning</li> <li>– Prioritizing job-rich and value-added urban industries in economic planning</li> <li>– Aligning spatial planning with economic planning</li> <li>– Prioritizing public investment and programmes to strengthen urban-rural economic links and bolster the role of cities in economic development</li> <li>– Decentralizing adequate resources (in conjunction with local capacity-building) to support the mandate of major cities to manage the urbanization process</li> <li>– Coordinating mechanisms between levels of government and between sectors</li> <li>– Aligning policies on trade, education, information and communications technology, research, infrastructure and finance with the fully integrated goals of sustainable urbanization and structural transformation</li> <li>– Combating corruption and building better institutions to support effective government functioning and a better business environment</li> <li>– Collecting and monitoring data to track spatial and economic developments and providing support to subnational agencies in this endeavour</li> <li>– Undertaking research on urbanization and its various drivers, characteristics, impacts and policy implications</li> </ul>	<ul style="list-style-type: none"> <li>– Engaging in strategic spatial planning to direct urban development in economically, socially and environmentally sustainable patterns</li> <li>– Improving the efficiency of land markets, permitting, local infrastructure provision, tax collection and key institutions for urban management</li> <li>– Utilizing land and housing policies to help growing urban populations to settle in planned and rationalized patterns, including those urban residents lacking the income level needed to procure market rate formal housing</li> <li>– Facilitating the upgrading of informal enterprises by decreasing barriers to land, finance, skills-building and registration</li> <li>– Aligning local economic planning with national economic priorities to help cities to serve the needs of target economic sectors and value chains</li> <li>– Improving basic financial management and strategic investment planning</li> <li>– Prioritizing local investment that aligns with national economic plans and that supports economic sectors that bring about employment growth</li> </ul>

Source: Formulated by ECA.

urban planning, in sync with the requirements and specialization of the broader region, will not only ensure that cities and towns can merge with the larger urban corridors, but also provide an impetus to economic development at the local level and allow for cities and towns to catch up with the highest productivity nodes on the urban corridor.

Urban corridors throughout national boundaries require the attention of authorities at the regional level, beyond the traditional and territorially confined governance systems. Given their vast economic potential, it is crucial for States and regional governance authorities to work together in order to realize the potential of urban corridors for development and integration on the continent.<sup>75</sup> Nevertheless, there is reason for optimism, given that some countries are already working together towards this end. For example, the Maputo Development Corridor (already documented earlier in the present report), which connects important urban and mining areas of South Africa to the port and capital of Mozambique, has received wide acclamation for facilitating regional economic integration and development in the broader region.<sup>76</sup> In doing so, the initiative has stimulated the planning and implementation of other transnational corridors in various parts of Africa.

## 4.2. National development planning at centre stage

Regional policies cannot succeed unless they are given priority at the national level. Mainstreaming urbanization into regional economic policy will begin by mainstreaming it into national economic policy. National development planning must be strengthened to achieve this goal, overcoming the anti-urban biases of the past and putting into place strategies that can harness the opportunities of urbanization for structural transformation.

<sup>75</sup> See United Nations Human Settlements Programme, *The State of African Cities in 2008: A Framework for Addressing Urban Challenges in Africa* (Nairobi, 2008).

<sup>76</sup> See South African Institute of International Affairs, *Implementing Development Corridors: Lessons from the Maputo Corridor* (Johannesburg, 2012).

The quest for structural transformation in Africa requires a return to the practice of long-term national development planning, which had been the hallmark of post-independence governments in the 1960s and early 1970s. Very few, if any, developing countries have progressed in terms of economic development and industrialization without a long-term development plan. Such a plan is crucial to marshal limited resources and effort around the core priorities of a nation.

On achieving independence, many African countries adopted five-year and 10-year development plans that outlined a vision of how they intended to increase economic growth rates, create new industries, transform the agricultural sector, generate jobs and improve the standards of living of their citizens. Notwithstanding these good intentions, many national development plans were never implemented because of poor State capacity, inadequate financial resources and lack of political commitment from the governing elites. Furthermore, as Africa entered the structural adjustment period of the 1980s and early 1990s, long-term national development planning was abandoned in favour of short-term stabilization programmes under the watchful eyes of the Bretton Woods institutions. Consequently, the continent failed to achieve structural transformation and inclusive growth, even with implementing those short-term stabilization programmes for many years.<sup>77</sup>

The economic growth and structural transformation that China and East Asia experienced, in general, demonstrate the importance of long-term national development plans that support strategic industries; develop internal infrastructure to make cities more competitive; invest in human capital formation to provide equal opportunity and upward mobility for all; and control financial markets. Among the reasons behind the success of China and other countries in East Asia are that governments had the freedom to control basic economic policy and the State had the administrative, legal and regulatory capacity to guide the

<sup>77</sup> See Economic Commission for Africa, *Planning for Africa's Development: Lessons, Insights and Messages from Past and Present Experiences* (Addis Ababa, 2016).

market in a way that was favourable to national development. These lessons are relevant to Africa and can be useful to inform long-term planning efforts to accelerate structural transformation.<sup>78</sup>

As Africa embarks on a path of structural transformation, policies and strategies on urbanization must be mainstreamed into long-term national development planning. Urbanization creates opportunities for African countries, when structuring their national development plans, to tackle key challenges, such as how to move away from a reliance on natural resource exports and diversify the economy by attracting manufacturing investment; how to improve the productivity of agriculture and value addition; how to improve the competitiveness of cities and towns in order to attract external investment that will create jobs; and how to sustain growth and widen the distributional benefits to the population.

Productive job growth in cities and the specific economic sectors that can achieve job growth will be a central pillar of any national development plan that leverages urbanization for structural transformation. In addition, the implementation of such a national development plan will align sector strategies with urban strategies and coordinate all national-level entities with policies that will have an impact on the productivity of cities, including ministries, departments and agencies on trade, education, ICT, research, infrastructure and finance.

To date, there is limited evidence of the strategic incorporation of urbanization in the national development plans of African countries. There remains inadequate appreciation of the profound potential of urbanization for structural transformation and long-term sustainable development. Instead, urbanization in national development plans is often treated in a compartmentalized manner and seen from the prism of congestion, slum creation, environmental degradation and pressure on infrastructure. Another observation

from reviewing the national development plans of African countries is that rural and urban development are frequently seen as mutually exclusive, and many countries even have explicit targets to stop or slow down rural to urban migration.

Notwithstanding the above, there are some countries that have accorded urbanization a pivotal position in their overarching national development framework. Burundi, for example, is one of the few countries that actually wants to encourage rural-urban migration, with plans to increase the rate of its urban population to 40 per cent by 2025, focusing on regional planning and harnessing the potential of urbanization for structural transformation.<sup>79</sup> Similarly, for Ethiopia, in its second growth and transformation Plan (2015), fostering growth and management of rapid urbanization for economic growth has been earmarked as one of the nine core pillars.<sup>67</sup>

Successful integration of urbanization into national development planning will begin with the collection and monitoring of spatial-economic data. At present, there is a data gap in relation to urbanization, given that the majority of economic statistics are reported at the national level and fail to examine the roles played by individual cities and towns. Subnational data can be used to examine the city-specific opportunities of urbanization relating to the growth of productive and job-rich economic sectors that will bring about economic growth, the barriers to urban economic growth and the policy implications for a country's national development plan.

In addition to regional policy links, national policies must support subnational governments to harness the power of urbanization. This will likely include fiscal decentralization paired with capacity-building. Furthermore, national agencies must coordinate and align their economic planning and implementation with local governments in order to ensure that economic policies are reflected on the ground in cities.

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<sup>78</sup> See Fantu Cheru, "Emerging southern powers and new forms of South-South Cooperation and new forms of multilateralism: Ethiopia's strategic engagement with China and India", *Third World Quarterly*, vol. 37, No. 4 (March 2016).

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<sup>79</sup> See Burundi, Ministry of Planning and Communal Development, *Vision Burundi 2025* (Bujumbura, 2011).

### 4.3. Subnational policies for urban functionality

Subnational governments, in particular those governing rapidly growing cities and towns, have a critical role to play in harnessing urbanization for structural transformation. They can guide urban growth in sustainable development patterns so that, as cities begin to account for a larger share of economic output, informal urban growth does not present a barrier to urban economic functionality. Such barriers can arise when large proportions of the population are trapped in informality (both informal settlements and the informal economy), when poor connectivity causes inordinate traffic congestion and mobility problems and when urban sprawl and a surge in peripheral development undermine the economic density and connectivity that spur agglomeration economies.

Achieving sustainable development patterns in a resource-poor context can be challenging, but having strong institutions are a first step. Planning for a connected pattern of public spaces and streets can ensure that, even as informal development occurs, the city can be easily upgraded as the economy grows. Managing land and housing markets to reduce supply constraints can also release private investment and improve affordability. Financial management and investment planning should be prioritized in national-level support to city governments, which will enable them to strategically invest in areas that will sustain the growing urban economy.

Alignment with national economic policies can help local governments to allocate limited resources strategically, ensuring that the economic sectors prioritized by the national development plan are able to thrive in cities. Backward and forward linkages to agriculture, for example, may depend on urban investment in logistics and processing infrastructure, or if national planning

prioritizes labour-intensive industries, cities should provide serviced urban industrial land in proximity to a well-connected pool of labour. Accordingly, the local coordination of land for workforce housing, transit investment, electricity infrastructure and industrial spaces would be critical for the success of such nationally prioritized industries.

### 4.4. Connecting subnational, national and regional urban policies

Linking regional, national and subnational urban policies is critical if African cities are to facilitate long-term growth and achieve transformation targets. Such alignment calls for explicit consideration of the role of cities in economic planning that relates to advancing industrialization, modern agriculture and services. Cities have a clear economic logic that should inform urban planning, management and governance in Africa. They have considerable potential to enhance productivity and job creation if planned and designed deliberately to do so. A prevailing conception that cities are primarily social and demographic entities, however, hinders such links.<sup>5</sup> The economic role and potential of African cities has been less in focus, resulting in lost opportunities and disconnects between urban and national priorities for growth and transformation.

It therefore becomes critical to reframe urban opportunities, challenges and related responses from the perspective of national and regional policy priorities. This calls for strategies that create multi-scale and cross-sectoral coordination mechanisms to link urban development to overall economic planning and industry, agriculture, infrastructure and investment. In addition, the design and management of cities needs to be pursued, with a view to enhancing productivity and job creation by removing barriers (see table VI), in particular through industrialization.



# Conclusion

The urbanization of Africa will be a defining trend for the continent's varied national economies in the foreseeable future. The management of urbanization will be among the determining factors whether African countries will be able to transform their economies, create quality jobs and make growth inclusive. In the context of a changing global landscape characterized by megatrends in trade, natural resources, demographics and technology, it is critical for African economies to leverage the power of cities (Africa's emerging economic powerhouses) to improve value addition, productivity and competitiveness. Increased connectivity will be central to this effort. Both physical and economic links must be

strengthened between urban and rural areas, in the national systems of cities and along regional corridors. Accordingly, African countries have already begun laying the groundwork for this improved connectivity in their regional agreements and economic communities.

It is time for urbanization to be fully mainstreamed into national development plans and implemented and for African countries to internalize regional economic ambitions in their plans. The urbanization of Africa should be an asset for inclusive growth and structural transformation, which ultimately, will make for a prosperous Africa.