

THE IMPERATIVE OF URBANIZATION FOR AFRICA'S STRUCTURAL TRANSFORMATION

A new narrative on urbanization
towards Agenda 2063



United Nations
Economic Commission for Africa

Urbanization: An enabler of structural transformation

Africa's structural transformation is the overarching policy priority for the continent's inclusive and sustainable development. As clearly expressed in the African Union's Agenda 2063, there is now consensus among African leaders and stakeholders that structural transformation is a necessary condition to translate the region's recent impressive growth rates into inclusive and sustainable development. The conviction is that by moving up within and across sectors, African countries can raise real incomes, generate decent jobs and increase the fiscal space to boost social development investments. Historically, urbanization has had a close association with structural transformation. Evidence around the world suggests that linking economic and urban development generates positive interactions and spillovers that improve productivity and well-being. In particular, agglomeration effects and related productivity gains resulting from well-planned urbanization are critical for achieving structural transformation. Given its relatively low levels of urbanization, African countries have one unique factor over others: they can learn from previous mistakes, optimize the urban advantage and rectify any distortions proactively. Conversely, ignoring the spatial implications of demographic and economic trends heightens the risk imbalanced, exclusionary and destabilizing effects.

Urbanization and the Economic Commission for Africa

ECA generates policy pertinent knowledge and authoritative analytical insights on urbanization in Africa to assist member States to harness urbanization for accelerated structural transformation. Guided by Agenda 2063, the New Partnership for Africa's Development (NEPAD) and the 2030 Agenda for Sustainable Development, the work of ECA on urbanization responds to key national, regional and global urbanization priorities. Of particular importance is Goal 11 of Agenda 2030, which aims to "make cities and human settlements inclusive, safe, resilient and sustainable". In support of evidence-based policymaking, the section undertakes research to develop knowledge products on urbanization taking into account member States' priorities for inclusive growth and transformation. Furthermore, the section works with member States to strengthen capacities for mainstreaming urbanization into national development planning and strategies to enable an integrated and cross-sectoral approach to optimizing the spatial dimensions of growth and transformation. Facilitating collaboration among Pan-African institutions in raising the level of attention and action on urbanization among African policymakers also constitutes a key area of focus.

Linkages between urbanization and the structural transformation agenda in Africa

Transformation agenda	Urban factor
Development planning	To effectively guide urbanization and unleash its transformative potential, it needs to be mainstreamed into national development planning processes as a dominant and unavoidable mega-trend
Economic growth	Long-term growth requires an efficient national framework of urban centres that produce industrial goods and high value services, along with transportation networks to link national economies with regional and global markets
Industrialization	Urban agglomeration facilitates resource efficiency in industrial production by enabling intra-industry and inter-industry interactions where urban clusters have been deliberately promoted to enhance economies of scale
Social development	Indicators of human development are consistently higher in cities compared to rural areas, as cities are more cost effective in service and housing delivery, among others
Regional integration	Urbanization patterns at the regional level, including the emergence of city regions, urban corridors, and mega urban regions, are creating new physical and economic reconfigurations that constitute the backbone of regional integration
Agriculture and rural development	Urban centres that are well connected to rural areas are necessary engines to increase rural productivity, incomes and living standards, including agro-processing and value addition
Technological change and innovation	Urban centres are hubs of innovation and changes as they concentrate related enterprises, creative forces and human capacity
Green economy	The massive urban infrastructure needs and ongoing investments present an opportunity to adopt greener technologies, promote density, invest in connectivity, and avoid investments that will be difficult to reverse in the future

Key messages on urbanization in Africa

1. **Urbanization is a megatrend that is inevitable:**

Urbanization is a dominant mega trend in Africa with the continent having the fastest urban growth rate globally at 4.5 per cent. In another two decades (2035), Africa's population will be predominantly urban and the size of the urban population will have doubled. Urbanization, together with the increase in the number of young Africans and the potential demographic dividend, represent decisive determinants of Africa's economic, social and political development in the coming years.

2. **A paradigm shift to recognize urbanization as an asset is underway:**

Urbanization in Africa was once considered too fast and unmanageable and needed to be constrained. Cognizant of the need for a greater focus on the opportunities that urbanization offers for enhanced prosperity and well-being at national and local levels beyond the dominant narrative around the negative externalities, many policy-makers, at global, regional and national levels, now recognize that urbanization is not only inevitable, but is also a powerful force for transformation. This is clearly reflected in Agenda 2063.

3. **Industrialization and economic transformation will not happen without urbanization:**

Rapid urbanization presents an unprecedented opportunity to accelerate transformation and capacity to respond to Africa's development challenges. Evidence around the world suggests that linking economic and urban development generates positive interactions or "spillovers" that improve economic production and well-being. Experience has shown that prosperity and density go together as high productivity requires agglomeration economies, larger markets, and better connectivity. None of the emerging countries of Asia were able to achieve high growth and industrialization without building effective and competitive cities that became important nodes of innovation, information, knowledge exchange, and economic production – strongly linked to global value-chains

4. **African centres of economic activity are shifting towards urban areas:**

Urban areas already contribute more than 55 per cent of Africa's gross domestic product (GDP) and social indicators are also consistently higher in urban areas. In some African countries, the shift from rural to urban employment accounts for 20–50 per cent of productivity growth. Examples of these linkages include Cairo (Egypt), Lagos (Nigeria) and Gauteng region (South Africa) that are the economic hubs of their countries. Gauteng, the smallest province in South Africa, accounts for more

than one third of the country's GDP and in 2010, and Lagos alone accounts for 35.6 per cent of national GDP and 62.3 per cent of national non-oil GDP.

5. **Urbanization must be mainstreamed into development planning:**

While Africa's urbanization is a powerful asset for development, it can only be harnessed when cities are properly planned and adequately serviced. The spillovers from the agglomeration economies will depend on the capacity of local and national Governments to adopt and implement the right policies, establish the right institutions and legal framework, as well as the needed infrastructures and services. Unleashing the potential of urbanization requires mainstreaming it into development planning processes, at national and subnational levels.

A new narrative on urbanization towards Agenda 2063

ECA is actively contributing to the formulation of a new narrative on urbanization in Africa in line with Agenda 2063. In doing so, emphasis is placed on the importance of harmonizing urbanization with the structural transformation agenda. It is only under this condition that Africa will be able to unravel a new narrative about its cities and other human settlements. Drawing on evidence from other developing regions, and the ongoing practice in African countries that have already prioritized urbanization as a factor of growth, ECA will provide the evidence base for a transformative narrative on urbanization. By articulating the linkages between structural transformation and urbanization in Africa, ECA will facilitate the mainstreaming of urbanization into national development planning. In this respect, ECA is in dialogue with member states to look at urbanization in a more integrated way that optimizes its cross-cutting impact for balanced and inclusive growth. A critical foundation to operationalize a new narrative on urbanization in Africa is strengthening data to monitor trends, progress and emerging priorities. Accordingly, ECA, will support member States to implement, monitor and evaluate the 2030 Sustainable Development Agenda, namely Goal 11.

Key facts on urbanization in Africa

4.5%

urban growth rate in Africa is the highest in the world

1.5%

rate of urbanization in Africa is second only to Asia globally

40%

of Africa's population is urban, rising from only 8 per cent a century ago

50%

per cent of Africa's population will be urban by 2035

867 million

persons will be added to Africa's urban population over the next 35 years

1.33 billion

people will be living in Africa's urban areas by 2050

90%

of the increase in the world's urban population by 2050 is expected to take place in urban areas of Africa and Asia

63%

of Africa's urban population reside in cities of less than 1 million inhabitants

18

African countries are already over 50 per cent urban

55%

of Africa's GDP is derived from cities*

Source: United Nations (2014).

* (AfDB, 2012)



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