

# LEVERAGING URBANIZATION FOR AFRICA'S STRUCTURAL TRANSFORMATION

ECA'S CONTRIBUTION



## 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. Structural transformation of the African economies through industrialization is now considered imperative. By moving up within and across sectors, African countries can raise real incomes, generate decent jobs and 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 spill overs 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 in Africa. As latecomers, African countries have one unique factor over others: they can learn from previous mistakes, optimize the urban advantage and rectify distortions proactively. However, the advantages created by cities do not materialize without active public policies. Conversely, ignoring the spatial implications of economic trends heightens the risk of producing imbalanced, exclusionary and destabilizing effects.

## Key messages on urbanization in Africa

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

Africa, along with Asia, is currently the epicenter of global urbanization. The region is undergoing a rapid urban transition and will overtake Asia as the fastest urbanizing region in the world. In just less than 20 years, Africa's population will be predominantly urban and size of the urban population will have doubled. Africa's urban transition which overlaps with a demographic transition is a decisive factor profoundly shaping in Africa's development. Deliberate policy responses are thus required to optimize urbanization and minimize challenges.

### 2. Urbanization is an asset for enhanced prosperity and well-being:

Urbanization in Africa was once considered too fast and unmanageable and needed to be constrained. Cognizant of the opportunities that it offers for enhanced prosperity and well-being, policymakers now recognize that urbanization is not only inevitable, but is also a powerful force for transformation. Despite the challenges they face, urban areas in Africa are already contributing significantly to national development accounting for as 55 per cent of Africa's gross domestic product (GDP). At the national level also cities generate more than half of the GDP in most African countries. Most social indicators are also consistently higher in urban areas. The shifting narrative on urbanization is echoed in major global and regional frameworks including Agenda 2063, the 2030 Agenda for Sustainable Development, the Common African Position on Habitat III and the New Urban Agenda.

## Linkages between urbanization and the structural transformation agenda in Africa

Transformation agenda	Urban factor
Development planning	Unleashing the potential of urbanization requires mainstreaming it into national development planning processes as a dominant and unavoidable trend, and to enable the process to be guided effectively at national and local levels
Economic growth	Long-term growth requires an efficient frameworknational 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
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 on 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

**3. Inclusive structural transformation will not happen without urbanization:** Africa's rapid urbanization has profound implications for the achievement of continental targets for inclusive growth and transformation. Theory and experience have shown that urbanization and structural transformation are closely linked but this has not been the case in Africa. The region is urbanizing without industrializing or modernizing its agriculture resulting in lost opportunities for growth, diversification, poverty reduction and social development. While urbanization is not a sufficient condition to generate economic growth, with the right urban form and linkages —the spatial layout of cities—and patterns, it can bring major productive advantages for industry, agriculture and modern services. Managing the urban transition through deliberate policy responses is thus essential for structural transformation and the well-being of Africa's urban and rural populations.

## Urbanization at the Economic Commission for Africa

ECA is actively contributing to a new narrative on urbanization in Africa placing emphasis on the role of cities and human settlements in achieving structural transformation. Drawing on evidence from the region and globally, ECA develops policy knowledge as well as guidelines and tools to support member states in harnessing the potentials of rapid urbanization to achieve national and regional targets of growth and transformation. It does so through the following specific areas of work.

### Urbanization and national development planning

Africa's urban transition is one of the most important mega trends which impacts the economic, social, environmental, demographic configuration of growth and transformation. So far, policy responses to the urban phenomenon have been largely limited to the local level or been of a sectoral nature (eg. water, sanitation, housing). A strategic national level vision of the type of urbanization that can trigger structural transformation is best articulated in national development planning. Therefore, ECA supports member States in advancing a cross sectoral approach that facilitates linkages between urbanization with job creation, productivity, value addition, competitiveness and innovation. While a sectoral national urban policy is an important element, it needs to be guided by the long term vision for urbanization set in the context of national development planning. In this regard, ECA is developing knowledge and specific guidelines and tools on the role of urbanization in national development planning and the attainment of national and regional targets for growth and transformation.

### Urbanization and industrialization

History and experience show that urbanization is closely associated with structural transformation. Yet, this link has

been weak in Africa with the continent urbanizing rapidly without industrialization or agricultural modernization resulting in lost opportunities for sustained growth, poverty reduction and job creation. ECA supports member States to harness the potentials of urbanization for structural transformation with a specific focus on industrialization. Urbanization generates considerable opportunities for domestic manufacturing including through growing and changing patterns of consumption brought by cities (middle class). At the same time, functional cities are beneficial to industrial development. As such, industrialization requires better functioning and systems of cities, which in turn require better performing industrialization. Specifically, ECA works with member States on integrating spatial and urban considerations in industrial policies and industrial priorities in urban and regional planning. In this regard it focuses on developing knowledge and specific guidelines and tools on how to better coordinate the formulation and implementation of urban and industrial policies guided by national targets of growth and transformation.

### Urbanization and economic growth

Africa's cities generate enormous economic wealth. Yet, too often, the economic role and functionality of cities and national urban systems is not adequately in focus. Cities are considered in relation to housing, sanitation or siloed elements of human development. ECA works with member States on improving urban productivity and economic development through a focus on local economic development strategies linked to targets and priorities in long term national development plans. A primary objective is to enhance job creation in higher productivity sectors to respond to the growing demand for employment in African countries, and address the challenge of informality. This includes the formulation of deliberate urban strategies and plans to enhance the functionality of cities in order to support industrial and agricultural development. In addition, ECA seeks to support member States in monitoring the role and contribution of cities in national economic development with a view to identifying and addressing related opportunities and challenges.

### African programme on urbanization data and statistics

Following unanimous approval by the Statistical Commission for Africa, ECA has established an African Programme on Urbanization Data and Statistics. The Programme aims to advance comprehensive, comparable and reliable information for evidence-based policies and strategies to promote sustainable cities and human settlements as drivers of inclusive growth and transformation. In

particular, it focuses on strengthening the capacity of national statistical systems to collect, compile and analyze urban statistics through a coordinated regional approach. The work and implementation of the Programme is guided by a working group composed of selected member States and other regional and international partners. As part of the programme, an African handbook on urban statistics is being prepared based on a comprehensive review of the state of urban data and statistics in the region. Capacity-building will be also undertaken to enhance national production and harmonization of urban statistics, and enable regional comparability.

### Operationalizing regional and global urban commitments

The effective implementation of regional and global commitments on urban development requires member States to incorporate related aspirations into national and regional planning frameworks, policies and strategies.

In this regard, ECA supports and backstops regional and national efforts for the implementation, follow up and review of the New Urban Agenda and Sustainable Development Goal 11 (Make cities and human settlements inclusive, safe, resilient and sustainable) in Africa. Specifically, it focuses on linking the implementation of these commitments with Africa's priority to accelerate inclusive growth and structural transformation, and related policies and strategies (Agenda 2063). It also facilitates coordination and collaboration between regional and sub-regional stakeholders and actors for a collective approach towards a harmonized regional implementation framework urban commitments in Africa. Towards this end, ECA is collaborating with the African Union's Specialized Technical Committee (No.8) on Public Service, Local Government, Urban Development and Decentralization and its Housing and Urban Development Subcommittee of African Ministers of Housing and Urban Development.

### Key facts on urbanization in Africa

3.4%

urban growth rate in Africa is the highest in the world

1.1%

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%

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

90%

63%

18

55%

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