



GDP MEASUREMENT AND URBAN DATA PILOTING IN HARARE CITY

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URBANIZATION AND DEVELOPMENT OFFICE
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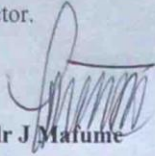
Foreword

Measuring the economic size of Harare is salient in shaping policy frameworks to guide economic growth and development in Harare. City of Harare is quite appreciative of the assistance offered by United Nations Economic Commission for Africa in the production of this maiden City of Harare GDP report. The Report provides estimates of the City's economic size relative to the Zimbabwe's economic size. The reports underscores that Harare contributed from 34%-38% of the national GDP over the past five (5) years. These statistics points to the salient importance of Harare in national economic growth and development. These estimates outlines that the developments in Harare are key in Zimbabwe's economic growth. The City therefore plays a significant role in national development. The main implication of these estimates is that the economy of Zimbabwe is largely shaped by economic developments of Harare city. A GDP contribution of 38 percent or more from only one city is remarkably high for the city to drive growth of the economy. Therefore, the bad infrastructure of the city is not only a problem of city fathers but it has negative consequences on the city's contribution to national development.

Harare, being the Capital City of Zimbabwe, is a hub for industrial, residential and many other economic activities of Zimbabwe. This therefore mean that the authorities have a key role in ensuring that both the urbanization and economic development indicators are well catered for in key policy frameworks. The GDP estimates obtained and contained in this report implies that the City of Harare need to design policies cognizant of the economic needs and economic growth and development trajectories. For this to happen, multilevel governance (vertical and horizontal) is critical in the development of Harare's economic value. Economic governance calls for multiple players to take center roles.

Harare, together with many other Cities across Zimbabwe has largely gone informal. Beyond this report, there is therefore need for a tabulation of the size of the informal sector in Harare. This should be done holistically, detailing, sector by sector, the level of informality and the contributions of these informal economies to the growth and development of Harare. City of Harare's coffers have been dwindling over the years due to this informality hence a complete survey of the informal sector will help in i) redesigning strategies and methodologies to

“formalize” the informal sector and ii) design mechanisms to harness revenue from the informal sector.

A handwritten signature in black ink, appearing to read 'J. Matume', written over the printed name.

Cllr J. Matume
Mayor of Harare

Executive summary

Cities are centers of economic growth and development, but many African countries still don't have measures of economic activities within the boundaries of these cities. In most cases national income accounts only capture gross domestic product (GDP) at the national level with a limited attempt to disaggregate the output value to sub-national levels. As the African continent is urbanizing rapidly, the dynamism and intense vivacity of cities become even more prominent. Cities account for a substantially large share of gross domestic product, thus, underlying their importance in economic growth and development. For instance, about 85 percent of the global gross domestic product in 2015 was generated in cities (Gouldson et al. 2015). Evidence shows that in many cities, city size is positively associated with economic growth. There has been therefore an increased interest in the measurement of city sizes. In many countries such as Zimbabwe, city GDP is not only crucial as an indicator of city size, but it is also an important indicator for tracking progress in developmental goals. However, the absence of reliable data on city indicators in many African countries constraint policy makers (town planners, government officials and researchers).

The process of devolution in Zimbabwe has aroused interest among policy makers and sub-national players in the need to measure sub-national GDP. The 2013 Constitution of Zimbabwe advocates for decentralization. In this regard, the new government dispensation of 2017 has started to implement devolution by decentralizing national activities. Recently, the national statistical agency has started to measure provincial GDP. While provincial GDP is a good sub-national development indicator in Zimbabwe, it does not separate urban areas' contribution to GDP. Since urban areas are homes of prosperity and sources of human satisfaction, it is important to separate the roles played by these centers of development in this wave of urbanization. Because of the policy constraints resulting from limited data on city GDP, ECA has been working on the development of a core set of urban indicators, together with National Statistical Offices across. This study is therefore part of ECA's intervention in the development of city indicators to track progress in economic and social development. The main objectives of the study are therefore to:

- Identify and assess the availability of data for city GDP estimation in coordination with local and national statistical authorities,
- Define the most appropriate methodology for city GDP estimation in Harare based on available data (no new data is expected to be collected),
- Collect and compile the raw data sets required for the city GDP estimation, and
- Estimate GDP of Harare.

The study made an attempt to obtain improved Harare city GDP estimates based on the top-down approach where GDP at national level is apportioned to Harare city using workers' productivity. This approach is widely used and has the capacity to disaggregate national level GDP to city level GDP. The findings in this study show that Harare contributes at least 34 percent of the national GDP since 2015. In 2018, the overall Harare GDP in 2012 at constant price was about US\$7.70 billion which marginally increased to US\$7.72 billion in 2019 and US\$7.8 billion in 2020. Per capita income for the city averaged slightly above US\$2700 since 2015 and was about US\$2970 in 2019 and fell to US\$2901 in 2020. These

estimates slightly deviate from those established by ZIMSTAT. For instance, in 2018 Zimstat estimated the current price Harare GDP to be US\$9.2 billion while in this study it was estimated to be US\$8.3 billion. The Zimstat figures are slightly larger than what was obtained in this study. The main source of this deviation is the difference in methodologies applied. Zimstat applied earnings shares while this study applied employment shares. Hence earning shares may overestimate GDP figures since they fail to portray real output unlike employment figures. In addition, while Zimstat relied on data from the CIP, SS and QEI surveys, this study also utilized the LFCLS which is more recent than the other surveys. In sectors such as manufacturing, construction and transport, informal sector players contribute about 40 percent of the city GDP. These estimates are useful for policy makers and planners to plan and to track progress in developmental targets while researchers may want to assess the impact of urbanization of economic growth or any other variable of interest. Furthermore, estimates in this study are based on constant prices using 2012 base year while Zimstat figures are based on current prices.

The estimates show that developments in Harare are key to the growth of the Zimbabwean economy. The city plays a critical role in national development strategies. The main implication of these estimates is that the economy of Zimbabwe is largely shaped by economic developments of Harare city. A GDP contribution of 38 percent or more from only one city is remarkably high for the city to drive growth of the economy. Therefore, the bad infrastructure of the city is not only a problem of city fathers, but it has negative consequences on the city's contribution to national development.

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Abbreviations

BEA	Bureau of Economic Analysis
CBRI	Central Business Register Inquiry
CIP	Census of Industrial Production
CZI	Confederation of Zimbabwe Industries
ECA	Economic Commission for Africa
ETM	Enhanced Thematic Mapper
EU	European Union
Eurostat	European statistics
GDP	Gross Domestic Product
GRP	Gross Regional Product
GVA	Gross Value Added
ILO	International Labour Organization
IMF	International Monetary Fund
MW	Mega Watt
NPISHs	Non-Profit Institutions Serving Households
OECD	Organization for Economic Co-operation and Development
OLI	Operational Land Imager
PICES	Poverty, Incomes, Consumption, Expenditure Survey
QEI	Quarterly Employment Enquiry
SDG	Sustainable Development Goal
SGDP	Sectoral Gross Domestic Product
SNA	System of National Accounts
SS	Survey of Services
UN	United Nations
UNECA	United Nations Economic Commission for Africa
VAT	Value Added Tax
Zimstat	Zimbabwe National Statistical Agency
ZINWA	Zimbabwe National Water Authority
ZNCC	Zimbabwe National Chamber of Commerce
ZPC	Zimbabwe Power Company

1. Background

1.1 Context/rationale

Cities play a critical role in the growth and development of economies. The rapid urbanization in developing countries and the increasing population in cities are widely considered to promote industrialization, growth and productivity in these countries (Frick & Rodríguez-Pose, 2016; United Nations, 2014; Henderson, 2010). For instance, about 85 percent of the global gross domestic product in 2015 was generated in cities (Gouldson et al. 2015). Thus, underlying their importance in economic growth and development. It is, however, important to note that rapid urbanization and growth of urban population in developing economies is also associated with enormous challenges in urban areas such as pressure on urban infrastructure and social amenities as well as increased pollution (Liang & Yang, 2019 and Frick & Rodríguez-Pose, 2016). Sustainable urbanization is therefore a crucial driver of development and living standards in a nation (United Nations-Habitat, 2020). United Nations – Habitat (2018) project that between 2018 and 2050, seven of the world's 10 fastest urbanizing areas will be in Africa and the developing countries' urban population will reach 2 billion of which the largest proportionate increase will be in Africa. This rapid urbanization requires better planning which is only possible if policymakers are aware of the economic size and relative needs of cities (Kumar, 2019).

Since cities are regarded as homes of prosperity and sources of human satisfaction (United Nations-Habitat, 2012), City GDP becomes an important indicator for not only economic size of the cities but also for tracking urbanization impact on living standards in developing nations. Concerns about GDP measurement have, however, remained an issue in many countries (Moulton, 2018). Economic size of many African cities has hardly been quantitatively measured in a standard way due to the constraints of these countries to produce and supply reliable quantitative data (United Nations-Habitat, 2018). The need to measure the economic size of cities is further substantiated by Mavrič and Bobek (2015). They argue that there is an increasing need to identify the stages of development and to establish a system for the ranking and positioning of cities and regions since cities have become core centres of development. Mavrič and Bobek (2015) further identify a methodological gap that exist on the measurement of city performance. The existing methodologies affect a wider field of urban and regional disparities while specific approaches provide limited indicators. However, an improvement can be achieved using non-aggregated indicators; therefore, identification of appropriate and a small number of relevant indicators

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