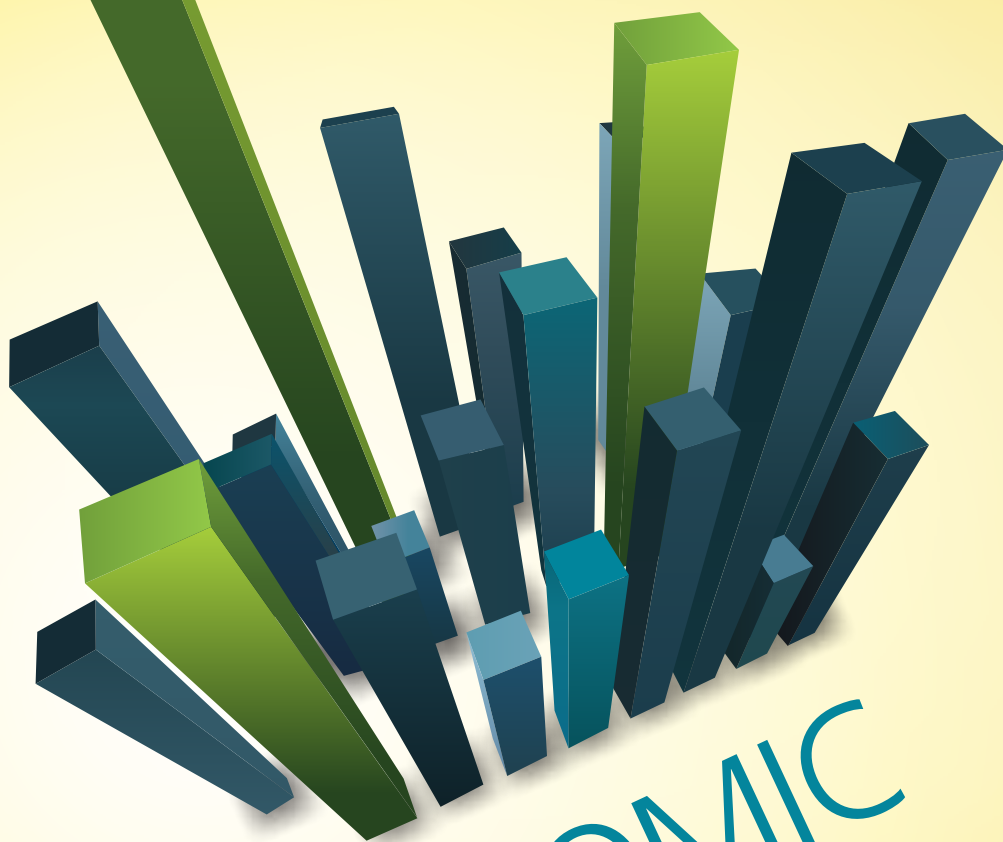


THE GLOBAL  
URBAN ECONOMIC  
DIALOGUE SERIES



# THE ECONOMIC ROLE OF CITIES

**UN HABITAT**  
FOR A BETTER URBAN FUTURE

THE GLOBAL  
URBAN ECONOMIC  
DIALOGUE SERIES



# THE ECONOMIC ROLE OF CITIES

United Nations Human Settlements Programme  
Nairobi 2011

**UN**  **HABITAT**

**The Global Urban Economic Dialogue Series**  
The Economic Role of Cities

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## FOREWORD



Urbanization is one of the most powerful, irreversible forces in the world. It is estimated that 93 percent of the future urban population growth will occur in the cities of Asia and Africa, and to a lesser extent, Latin America and the Caribbean.

We live in a new urban era with most of humanity now living in towns and cities.

Global poverty is moving into cities, mostly in developing countries, in a process we call the *urbanisation of poverty*.

The world's slums are growing and growing as are the global urban populations. Indeed, this is one of the greatest challenges we face in the new millennium.

The persistent problems of poverty and slums are in large part due to weak urban economies. Urban economic development is fundamental to UN-HABITAT's mandate. Cities act as engines of national economic development. Strong urban economies are essential for poverty reduction and the provision of adequate housing, infrastructure, education, health, safety, and basic services.

The *Global Urban Economic Dialogue* series presented here is a platform for all sectors of the society to address urban economic development and particularly its contribution to addressing housing issues. This work carries many new ideas, solutions and innovative best practices from some of the world's leading urban thinkers and practitioners from international organisations, national governments, local authorities, the private sector, and civil society.

This series also gives us an interesting insight and deeper understanding of the wide range of urban economic development and human settlements development issues. It will serve UN member States well in their quest for better policies and strategies to address increasing global challenges in these areas

A handwritten signature in black ink, reading 'Joan Clos' in a cursive style.

**Joan Clos**

Under-Secretary-General, United Nations  
Executive Director, UN-HABITAT

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# INTRODUCTION

The world has reached a turning point in 2008 for the first time in history, more than half its human population, 3.3 billion people, live in urban areas. The world's urban population grew from 220 million to 2.8 billion in the 20th century. The next few decades will see an unprecedented scale of urban growth. By 2030, this is expected to expand to about 5 billion. Such rapid urban expansion will be particularly notable in Africa and Asia where the urban population will double between 2000 and 2030. By 2030, the towns and cities of the developing world will make up 81 per cent of urban humanity<sup>1</sup>.

Urbanization has been an essential part of most nations' development towards a stronger and more stable economy. The countries in the South that urbanized most rapidly in the last 10–20 years are generally those with the most rapid economic growth. Most of the world's largest cities are in the world's largest economies, which is further evidence of this link between economic wealth and cities. Cities and towns also have important roles in social transformation. They are centers of artistic, scientific and technological innovations, of

and management capabilities possible. They can achieve the economies of scale, agglomeration and urbanization<sup>2</sup>.

Economic growth and urbanization are often positively linked. Cities are the driving force for economic development. Economic growth also stimulates urbanization. Such positive relationship is clear in many countries. However, urbanization can also occur in the absence of economic growth. For example, in some Sub-Saharan African countries, urbanization has occurred to a large extent independent of economic development<sup>3</sup>. Urbanization processes and patterns are also differentiated by different institutional settings and policies from country to country and region to region.

Despite the growing importance of cities in world affairs and national economic development, the position of the city is regarded as marginal to current debates and development controversies<sup>4</sup>. The negative impact of over-urbanization is often over-emphasized such as the concentration of poverty, slums and social disruption in developing cities. However, cities do represent the best hope for growth and

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