



POLICY BRIEF

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Capetown, South Africa

Getting Africa’s Urbanization Right

Today, over 50 per cent of the world’s population lives in urban areas, a proportion that is expected to increase to 75% per cent by 2050¹. United Nations projections show that urbanization combined with the overall growth of the world’s population could add another 2.5 billion people to urban populations by 2050, with close to 90 percent of the increase concentrated in Africa and Asia². Sub-Saharan Africa (SSA) is the world's fastest urbanizing region, with a 4.1 percent annual increase as of 2017³. The global share of African urban residents is projected to rise from around 11 percent in 2010 to over 20 percent by 2050⁴.

KEY RESULTS

- Sub-Saharan African countries are experiencing rapid urban growth challenging policy makers to provide infrastructure and services under tight fiscal constraints.
- Urbanization has the potential to boost economic growth, attract capital, create jobs, and fight poverty; but cities in Africa are failing to reap these benefits.
- More than half of SSA population lives in urban areas, but 55% of these citizens are established in informal settlements underserved by public services and threatened by natural disasters.
- GDP in Africa is mainly concentrated around urban areas proving that national economic growth depends on the productivity of the cities.
- Urban development should be a national priority sustained by policy reforms, strategic investments in infrastructure, decentralization, and stronger inter-governmental systems and institutions.

¹ United Nation (2017). Drivers of Migration and Urbanization in Africa: Key Trends and Issues. Mariama Awumbila Centre for Migration Studies University of Ghana Legon, Ghana. United Nations Experts Group meeting on Sustainable Cities, human Mobility and International Migration. Department of Economic and Social. New York.

² United Nation (2014). World Urbanization Prospects. Department of Economic and Social Affairs United Nations. New York.

³ United Nation (2017). Drivers of Migration and Urbanization in Africa: Key Trends and Issues. Mariama Awumbila Centre for Migration Studies University of Ghana Legon, Ghana. United Nations Experts Group meeting on Sustainable Cities, human Mobility and International Migration. Department of Economic and Social. New York.

⁴ The World Bank (2017). Africa’s Cities: Opening Doors to the World. Washington DC.

SSA's 143 cities generate a combined USD 0.5 trillion, totaling 50 percent of the region's Gross Domestic Product (GDP)⁵. Urban centers play a critical role in fighting poverty and sustaining economic growth and is often considered the future of economic growth in the developing world. The GDP of many SSA countries is concentrated, and even reliant, around the productivity of its urban centers.

This policy brief argues that with an additional 560 million people expected to move into its cities by 2040, SSA is undergoing a rapid urban transformation which must be addressed. However, in many parts of SSA, the process of urbanization has not been well-managed. The typical African city has grown rapidly but without sufficient policy coordination and with neglect of planning and almost disregard for regulations. As a result, the living environment does not provide decent housing or adequate public services for poor people. Informal or unplanned and under-serviced settlements are a common feature of many African cities.

There is no uncertainty that urban growth in SSA countries is happening and is happening fast. In the next thirty years, the urban population will become the majority as it is already the case in some African countries such as Gabon (where urban residents represent 85% of the total population), Ghana (52%), Mauritius (54%), Angola (55 %) and South Africa (60%)⁶.

Getting urbanization right can be a major development opportunity for SSA as cities have the potential to propel growth, attract capital, spur innovation and create high productivity jobs – but the speed and scale of urbanization presents a complex challenge for policy makers, who are faced with the need to provide affordable housing, deliver services, and create opportunities under tight fiscal constraints. There is therefore an urgent need for all Governments, partners and private sector to support the ability of Africa's urban centers to address the challenges of urbanization as it happens rather than act after the event. There are

five -main challenges while addressing urbanization challenges in SSA countries.

First, urban centers play a key role in fighting poverty and sustaining economic growth. Evidence shows that no country in the world has achieved middle income status without first having gone through a process of urbanization. This process must be met with adequate infrastructure and supporting resources to serve as productivity hubs. Over the past decade, in SSA, industry and services (located mainly in urban areas) have contributed to over 80 percent of total GDP growth⁷. The ability to plan urban development and the availability of financing the urban sector as a whole will be important factors in sustaining SSA's economic in the coming years.

Second, the rapid pace of urbanization in SSA and the increased pressure on existing services and infrastructure requires to radically shift strategy in the urban sector. Experience suggests that this approach is perhaps best implemented by strengthening the inter-governmental system which links cities to the national fiscal and regulatory system and investing significantly in the capacity of cities to deliver directly services and economic growth as local governments.

Third, urbanization and decentralization need to be addressed simultaneously. The health of the city and local government economies should not be of concern only to urban specialists or mayors. It is highly dependent on inter-governmental, sector, and macroeconomic policies at the national level. Analyzing the pace and impact of urbanization and the policy and fiscal impacts of decentralization is a pre-requisite for sound and implementable reforms. These analyses lead to better and more strategic investments in urban infrastructure, and to policy reforms that ensure that these investments are sustainable and responsive to actual needs on the ground.

Fourth, the urbanization process in Africa has changed and has become a game-changer. The demographic concentration is being matched by economic concentration. In many African countries GDP is concentrated around urban centers. For example, in

⁵ McKinsey Global Institute (2011). Urban world: Mapping the economic power of cities.

⁶ Cities Alliance (2014). Africa Regional Strategy Final Document. Recommendations for the Development of an Africa Strategy Programme of Action 2014-2016.

⁷ OECD (2008). The Contribution of Services to Development and the Role of Trade Liberalization and Regulation ODI Briefing Notes, DFID, UK.

South Africa GDP is concentrated around five metropolitan areas – Johannesburg, Pretoria, East Rand, Cape Town and Durban. National economic growth is thus increasingly dependent on the economic productivity of urban centers.

Fifth, productivity gains are closely linked to urbanization through their ties to structural transformation and industrialization. As countries urbanize, workers move from rural to urban areas in search of better paid and more productive jobs. International experience from East Asia shows clearly to a close association between episodes of rapid urbanization and economic development. Unfortunately, recent evidences compiled by the World Bank indicate that these links appear weak in SSA⁸. Cities in Africa are not reaping urban productivity benefits; instead, the majority suffer from high costs for food, housing, and transport because of poorly designed policies, planning and coordination failures, weak property rights, and other factors that lower economic density and often lock firms into producing non-tradable goods and services.

Africa needs to act urgently on key priorities in order to address these challenges and reap the economic and social benefits of urbanization:

- a) Foremost is to encourage countries to focus more on urban development policy at the national level, not merely as a matter for city governments. This is because national economic success depends on having a system of productive and efficient cities.
- b) Focus on financial viability of cities and local governments by supporting increased self-generated revenues and supporting the predictability of resources transferred from the center government to the decentralized level of governments.
- c) Cities and towns face increasing risks from water scarcity and floods, and in coastal areas, from sea level rise. For example, 40 percent of new rural immigrants entering Dakar, Senegal crowd into zones with relatively high flood

⁸ The World Bank (2017). *Africa's Cities: Opening Doors to the World*. Washington D.C.

potential⁹. Climate variability is expected to especially affect coastal areas in countries such as Benin Côte d'Ivoire, Gambia, Guinea-Bissau, Mauritania, Liberia, Senegal, Guinea, Mozambique, Nigeria, and Togo. Disaster risk reduction faces major challenges including the lack of effective institutionalization and integration of measures in national and urban development plans; inadequate information management and communication systems, limited citizen involvement; and lack of mainstreaming hazard risk management into land use planning.

- d) As of 2014, 55 percent of the SSA urban population were living in slums¹⁰. On current trends, the rate of slum growth substantially exceeds the impact of any attempts at urban upgrading and government investments in the basic needs of these communities.
- e) Strengthening cities as economic platforms urban centers which are critical for productivity, entrepreneurship, and economic modernization. Here too, the linkage with informality is important. Most employment growth in Africa is happening in Africa's informal sector – how cities can act as incubators of economic and employment growth by supporting the informal sectors is therefore an important area of focus of decision makers.
- f) Promoting City and Utility Networks across SSA Region as an important tool for catalyzing change, knowledge transfers, North-South and South-South partnerships.
- g) Strong commitment and broad consensus is needed to reform the policy and legal framework for better integration of city planning and management; increase the scale and quality of investments in infrastructure; and strengthen the institutions and systems that make cities both competitive and sustainable.

⁹ Cities Alliance (2014). *Africa Regional Strategy Final Document. Recommendations for the Development of an Africa Strategy Programme of Action 2014-2016*.

¹⁰ Saghir & Santoro (2018). *CSIS. Urbanization in Sub-Saharan Africa Meeting Challenges by Bridging Stakeholders*. Washington D. C.

Conclusion

As evidenced in many recent studies, urbanization is the single most important transformation that the African continent will undergo this century. Well-managed urbanization in Africa has the potential to propel growth and enable job creation. Cities are engines of economic growth, attracting and galvanizing entrepreneurs and productive capital, and this potential can also be harnessed to achieve reductions in poverty. But making SSA urban transition will require greater attention to:

- Demographics of urbanization in Africa
- Low urban productivity levels
- Lagging infrastructure investment, basic services and affordable housing, slum upgrading
- Widespread and rising informality
- Rapid degradation of the urban environment
- Greater vulnerability to shocks, disasters and climate change
- Weak institutional and fiscal systems and municipal finance; and
- Urban mobility, decongestion, transport, and better land and ports facility use.

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