

CITIES AS ENGINES OF GROWTH: Unlocking Urban Productivity and Job Creation

Urbanisation can be a driver of economic growth in Africa, but action must be taken soon if African cities are to tap into its benefits and avoid progressive impoverishment.

60%
Over 60% of urban employment opportunities are informal

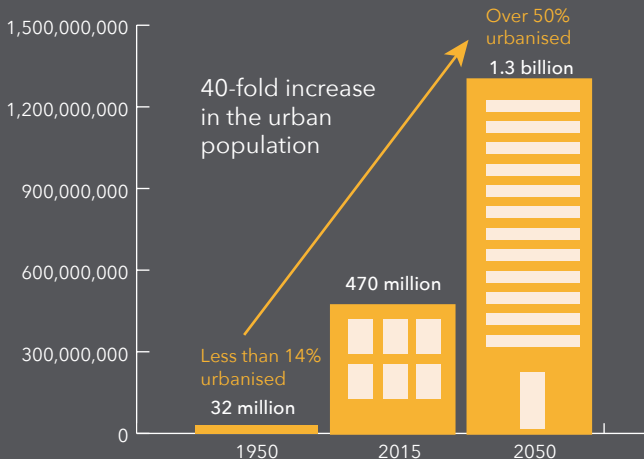
70%
Just under 70% of non-agricultural employment is informal

80%
Around 80% of urban employment is informal



5%
Formal industrial employment accounts for less than 5% of total urban employment

Evolution of Africa's Urban Population over time



In 2050 there will be approximately 850 million more people in towns and cities



By 2050 over half of Africa's total population will be living in cities



Increases in national urban population that dwarf the population of some countries

5%

In Africa, country urban growth rates can exceed 5%

1/4

A share of the global urban population that will reach 25% and climbing, while Asia's share will be falling

Africa Has Not Yet Tapped the Benefits of Urbanisation

Rapid urbanisation could be extremely beneficial for Africa; history shows that it goes hand-in-hand with development and poverty reduction. Urbanisation is driven by agglomeration economies and the network effects of businesses and people in close proximity, working together to create wealth and generate employment.

Currently, however, this is not happening across much of Africa. Oxford University Professor of Economics Sir Paul Collier (2016) writes: "Africa's urbanisation to date has not been successful... many [cities in Africa] are generating conditions that are so inadequate that the majority of their inhabitants can neither be productive nor lead decent lives".

Too many African towns and cities are in danger of being overwhelmed by rapid population increases, slums, homelessness, infrastructure, service and housing deficits, unemployment, corrosive social tensions, unrest and inequalities. Decent, productive, well-paid jobs are not being created anywhere close to the required numbers. Many toil in low productivity, low return, low wage informal employment often characterised by unfulfilling, precarious, and dangerous working conditions. Youth unemployment in particular is increasing. Progressive impoverishment will be a disastrous outcome of urbanisation in too many African countries if action is not taken soon.

A Limited Window for Action

Building prosperous, inclusive and resilient cities in Africa is one of the most important global development challenges of our times. This challenge, however, is time-sensitive; there is a limited window of opportunity to ensure that African cities work well before many are simply overwhelmed by impoverishment. The window is closing fast, with too many countries experiencing:

- Current growth rates that are too low;
- Structural change and transformation that is flat-lining;
- Industrial development that is stagnating;
- A low productivity, low-return informal sector which dominates the economy and is expanding;
- Informal and slum settlements that dominate the housing sector and are expanding;
- Rising unemployment, particularly youth unemployment;
- Too many cities that are centres of consumption not production;
- Too many cities characterised by major housing, infrastructure and service 'deficits'; and
- Too many cities with predatory and dysfunctional governance.

In order to unlock urban productivity and significantly ramp up job creation, major action and new ideas are required.

Harness the Potential of the Informal

The dominant component of many urban economies is the informal. Unregulated and often chaotic, it is also home to people who are inventive and entrepreneurial. Cities can become more productive by building a hybrid economy in which informal activities are increasingly integrated into value chains embedded in priority sectors with the greatest potential to expand, especially in overseas markets. Upgrading technologies,

“Business as usual, even at a greatly increased rate, will result in mega-slums, not 21st century super-cities such as Singapore”.

Sir Paul Collier, Professor of Economics and Public Policy at the University of Oxford



business models and the financial health of many informal activities allows them to play a key economic role and release potential that can transform national economies and improve the lives of many millions.

Building a hybrid economy means viewing informal activities in a positive light. They are a valued part of the economy, not a problem to be solved through the use of the bulldozer. It also means directly addressing inequitable access to infrastructure, service and housing that acutely characterises informal activities and workers. Getting cities to work better is an urgent necessity if we are to have any chance of allowing the hybrid economy to be established and grow.

Research undertaken through the Cities Alliance Future Cities Africa project confirms many existing findings:

- Access to electricity remains highly restricted; fewer than 50% have access, and it is unaffordable for many;
- Access to safe water and adequate sanitation is essential yet many do not have it; and
- Access to social services such as medical facilities and education is also severely restricted.

At present, the vast majority of towns and cities in Africa are not experiencing the potential productive benefits of urbanisation. That must change if Africa is to avoid a future dominated by poverty. It is not too late for urban Africa, but clear, focused decisions on supporting the economy and better managing cities are required sooner rather than later.

