

ECONOMIC VIEWPOINT

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Urbanization in Africa

The burgeoning growth of many of the African continent's cities is both encouraging optimists who recall the positive historical connection between urbanization and economic growth as well as ringing alarm bells for pessimists who recall the rise of slums in Asia and Latin America. Whichever camp you find yourself in, the reality is that Africa's governments will need to deal with the rising role and importance of cities. The unanswered question is whether the outcome will be more or less favorable for many, and in that result lie the fortunes of tens of millions of new urban dwellers.

The potential benefits of cities as a result of what economists call agglomeration economies - or the gains to having greater densities, specialization and economies of scale - as well as virtuous cycles of investment, innovation, skilled labor and higher incomes - are clearly evident around the world, and not only in advanced economies. Most countries moving up the income ladder have done so in concert with the development of strong cities that generate incomes and jobs, and, if well connected, spread out to intermediate sized cities and economically active peripheries. Hence development aspirants can view cities as important landmarks in their development.

At the same time, however, many middle-income countries have seen wasteful congestion, the creation of slums, worsening air quality, floods and inadequate sanitation, and joblessness arising from migration from poor rural communities to urban centers ill-equipped to receive them. The results, seen around most metropolitan cities in the developing world, have created public problems including illegal land acquisition, unmanageable traffic, urban sprawl, health hazards, and crime and violence. The issue is which phenomena will dominate in the case of Africa's cities, a theme now near the top of all discussions on the continent's future.

There is no dearth of opinions on matters ranging from how to deal with housing shortages, whether to encourage primary or secondary cities, and how to manage city growth that is both fed by migrants but also by unsustainably high urban population growth rates. These challenges draw attention to four basic overarching concerns. First, how to highlight and coordinate needed attention on cities? Second, how to finance the needed infrastructure? Third, how to manage this giant economic transformation? And last, how to develop an operational urban agenda? Answers to these questions will determine whether urbanization will promote or delay Africa's development.

While the facts are clear that at least a dozen major cities will see their populations increase by 50 percent between 2010 and 2025, and the

continent is projected to be 70 percent urbanized by 2050, policymakers have largely relegated work on cities to mayors; few have integrated the urban agenda into national development strategies. Work on cities is often left to urban planners and there are huge disconnects between what ministries of finance do and what planning commissions recommend. The two need to get on the same page before it's too late. Retrofitting is expensive and is only affordable once countries reach middle-income status. Capturing benefits of urban growth requires early action, effective coordination and political direction from the top.

Financing of urban infrastructure is not cheap, and as urban sprawl develops, those costs rise. Infrastructure spending on the continent is notoriously inadequate as is seen in poor energy performance, weak transport links and inefficient ports. With a greater share of economic activity taking place in cities, infrastructure needs to improve. Currently, transport is costly to producers, workers and consumers. What is needed are forward-looking strategies, a greater share of public expenditure, better governance and stronger institutions, and more accountability. Many African countries still appoint their mayors. Most spend less than three percent of GDP on infrastructure. And most ignore their secondary cities. This must change.

When viewing urbanization as a massive internal economic transformation, much larger than trade liberalization or export diversification, the magnitude of the challenge becomes clearer. Similar to demographic trends, we know that cities will grow and that the needs of urban populations for basic services will increase rapidly. Yet these challenges are not as yet the key priority for governments, development partners or multilateral institutions. It is no exaggeration to say that this is a ticking time bomb that most politicians ignore since it requires long-term planning and multi-year expenditures, coordination among levels of government, engagement with the private sector, and major improvements in governance.

Countries that have managed urbanization well, such as Korea and Malaysia, have thought long-term and have used strong political leadership to connect the growth of cities with national development plans. Still, the probability of "getting it right" is simply by historical record lower than the chances of "getting it wrong." The costs of this fundamental miscalculation are very high, even higher for a continent that is lagging behind the development curve and still confronts massive poverty problems. Seeing the rural poor become the urban poor is a bad development outcome; yet, without a change in policy direction on the urban agenda, this is quite likely.