

Realising the Productive Potential of African Cities

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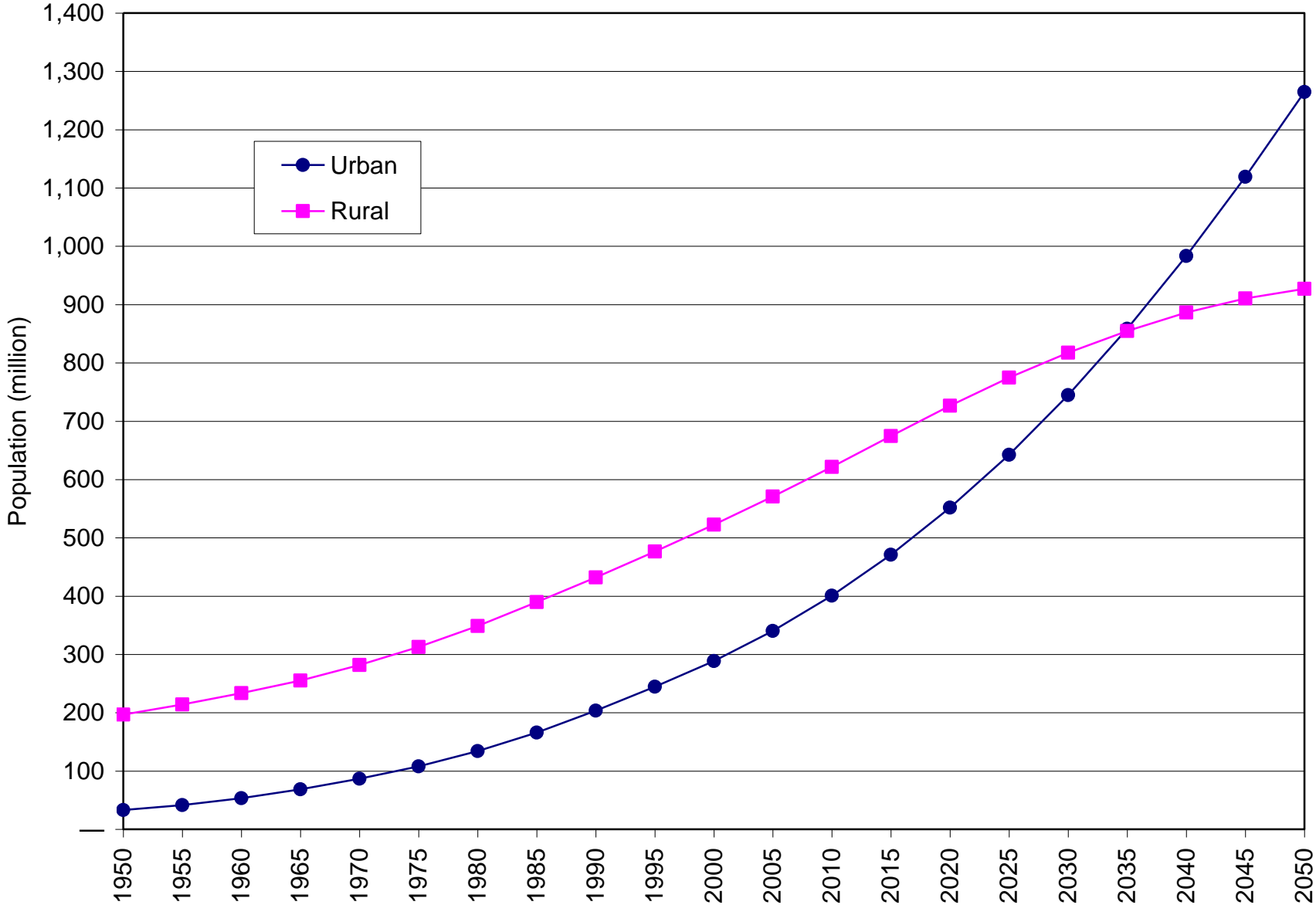


Outline

- Polarised arguments about Africa's demographic and economic future
- Contradictory evidence
- A diverse situation
- Policy implications

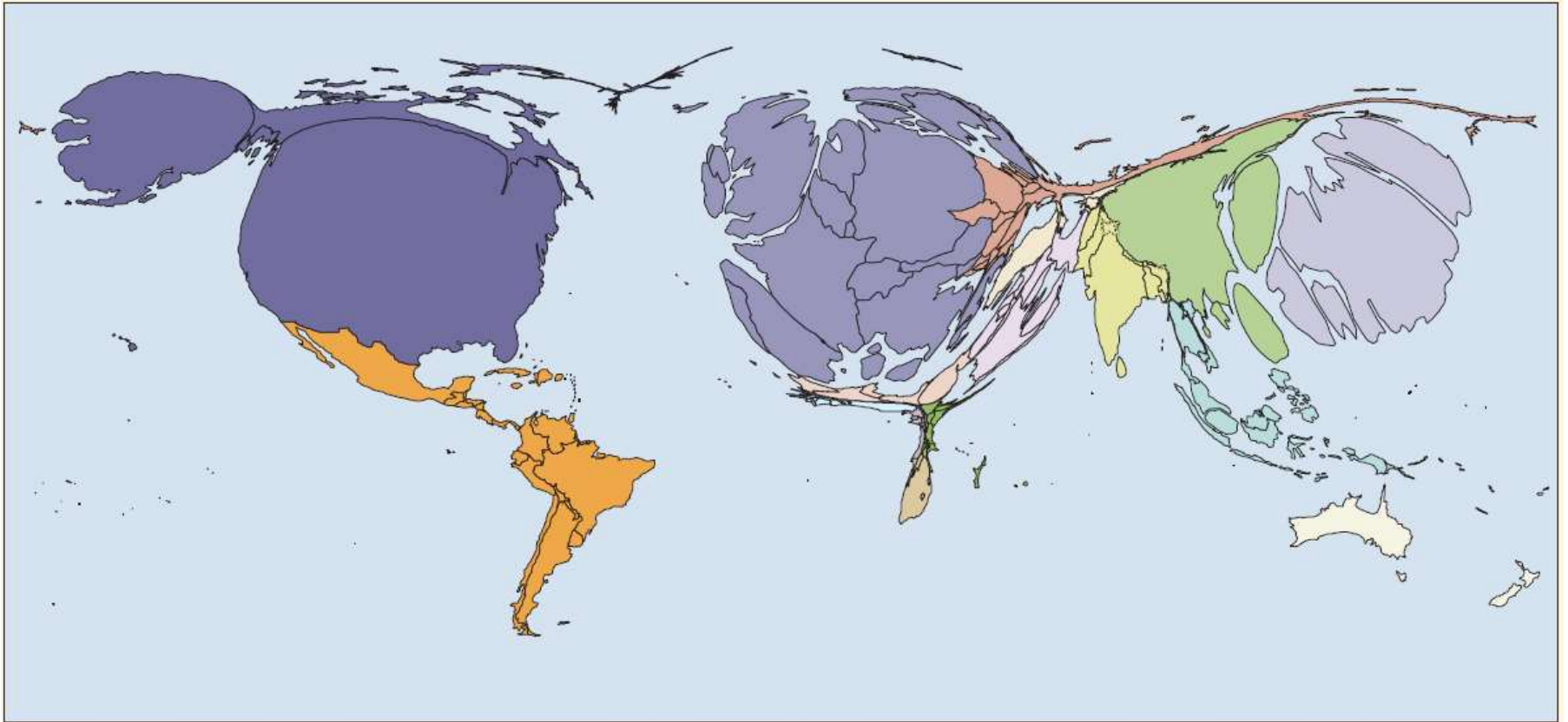


The demographic challenge: Africa's urban & rural population, 1950-2050



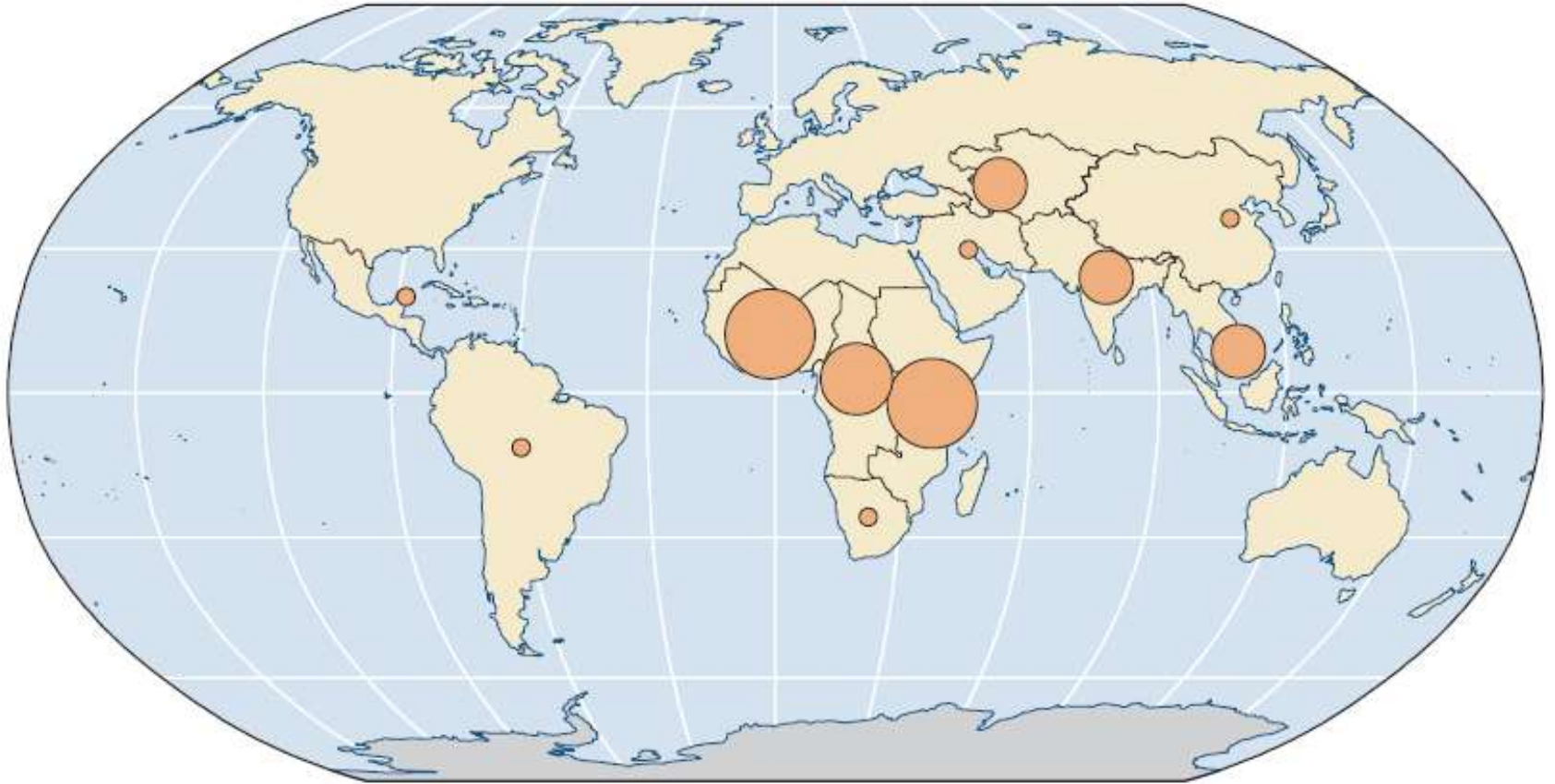
Setting the scene:

How markets view the world (2005 GDP)



The world's poorest billion

c. The bottom billion

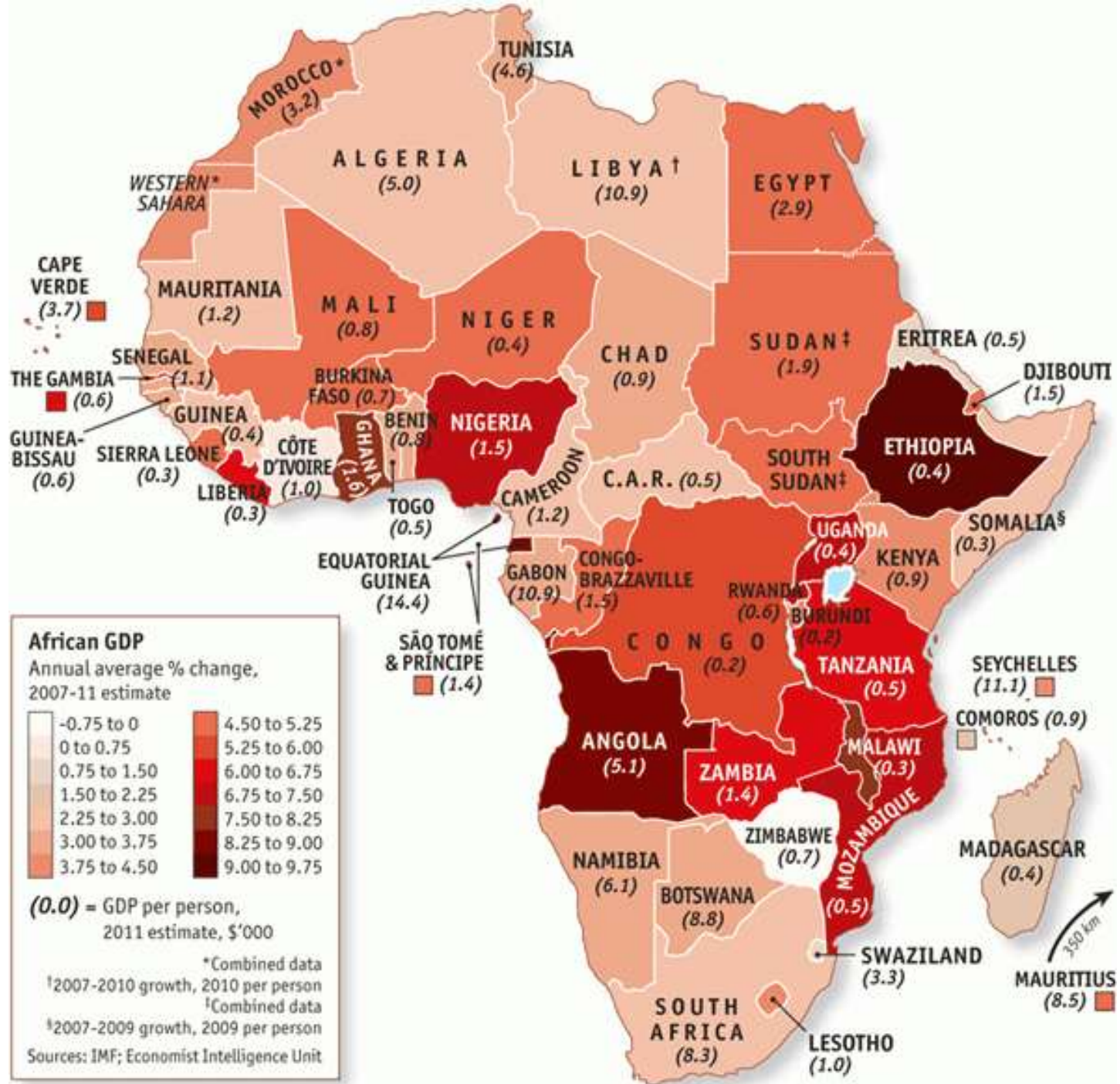


New mood of optimism

- “The **Hopeful Continent** ... real chance to follow in the footsteps of Asia” (Economist 3/12/2011)
- “A profound change has taken hold. Labour productivity has been rising. It is now growing by, on average, 2.7% a year. Trade between Africa and the rest of the world has increased by 200% since 2000. Inflation dropped from 22% in the 1990s to 8% in the past decade. Foreign debts declined by a quarter, budget deficits by two-thirds. In eight of the past ten years sub-Saharan growth has been faster than East Asia’s ... Over the past decade six of the world’s ten fastest-growing countries were African”

New mood of optimism

- “Africa will be one of the main sites of the next wave of global economic development” (Monitor, 2012)
- “Africa could be on the brink of an economic take-off, much like China was 30 years ago and India 20 years ago” (World Bank, 2011)
- ‘Lions on the move’ (Ernst and Young, 2011)
 1. Strong global demand for **primary commodities** (oil, gas, metals and minerals (diamonds and coal)) and **agricultural products**
 2. Expansion of domestic **consumer markets** - strong demographic growth and emerging middle class



Open for business

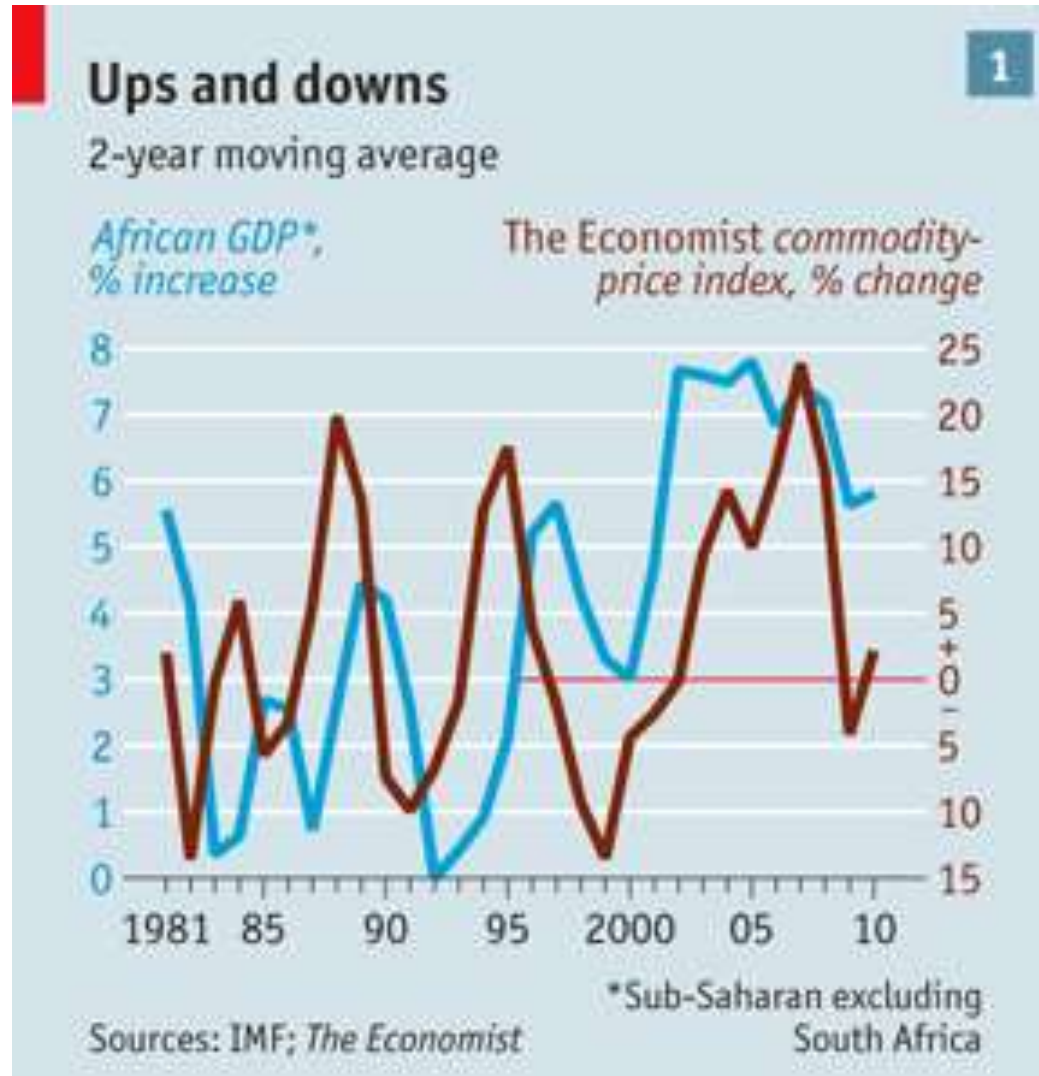
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Capital flows into Africa, \$bn 2010 prices

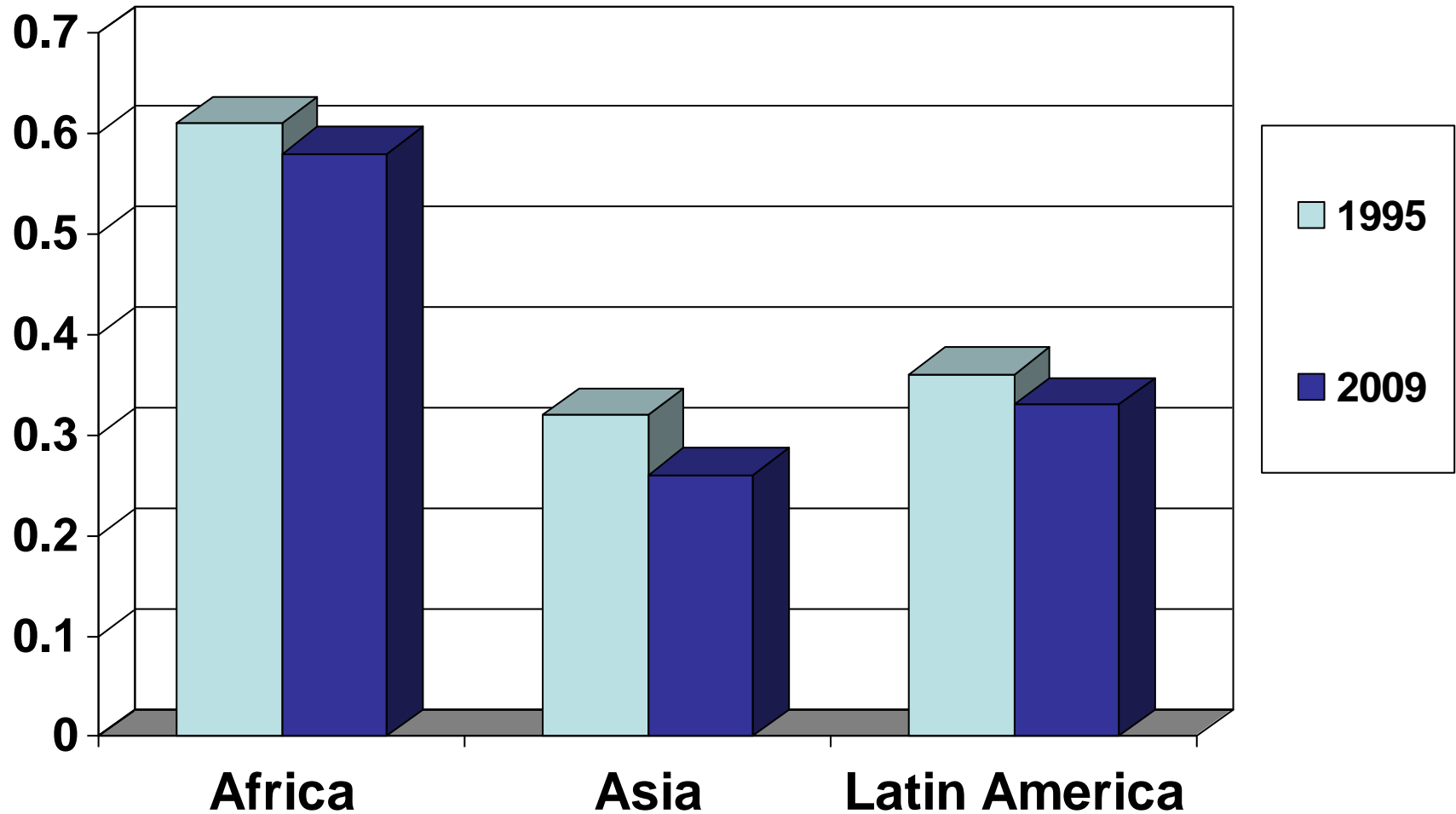


Sources: UNCTAD; OECD

Growth spurts linked to commodity prices



Export diversification index (UNCTAD 2011)



Doubts about resource-based growth

- Vulnerable to volatile commodity prices
- ‘Natural resource curse’ – crowding out
- “Commodity exports can lead to high but not sustained economic growth” (UNCTAD)
- Capital-intensive rather than labour-intensive
- Narrow enclave economy – exclusive growth
- Elite capture & rent-seeking
- Urban equivalent – high cost, divided cities
- But, could generate capital for urban infrastructure
- Need for diversification and industrialisation

Neglect of economic geography

- In recent reports on Africa's growth prospects
 - Urbanisation ignored or seen as an effect/outcome
- Despite risk that resource-based growth will bypass cities
- Or reinforce urban inequalities 'cos exclusive
- And despite costs of dispersed growth
- And calls for **diversification**, **embedding** of FDI, **integration** via upstream and downstream linkages
 - inevitable spatial dimension ('concentration')
- Anti-urban sentiment among $\frac{3}{4}$ of governments

IMF, 2011

Table 2.3. Employment Indicators (*annual percent change, except where noted*)

	Period	Employment					Formal Sector Employment ¹
		Total Employment	Output Elasticity	Urban Employment	Agricultural Employment	Rural Agricultural Employment	
Cameroon	2001–07	2.7	0.8	5.6	5.9	4.2	9.5
Ghana	1999–2005	3.4	0.7	6.1	3.5	1.4	13.3
Mozambique	2003–09	4.4	0.6	7.4	3.4	-0.4	16.7
Tanzania	2000–09	3.3	0.5	8.8	2.3	2.1	9.5
Uganda	2002–09	7.5	1.0	9.8	6.0	6.4	13.9
Zambia	1998–2004	1.9	0.6	5.1	-0.2	-1.6	13.8
<i>Memo items:</i>							
Cambodia	2004–07	4.2	0.4	4.5	3.9	4.7	25.0
Vietnam ²	2000–07	2.9	0.4	6.1	-0.3	n.a.	44.0
Sub-Saharan Africa (sample median)		3.3	0.6	6.8	3.5	1.8	13.6

Dangers of exaggeration by others

Cities as a panacea – “Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier” (Glaeser, 2011)

1. Agglomeration - a sufficient condition for accelerated economic growth
2. Urbanisation - an essential ingredient of national economic progress
3. Spatial inequalities – a necessary condition for increased efficiency and national growth

Neglects

- Specific ways in which cities can contribute to economic progress
- Circumstances in which these mechanisms may **not** work (eg lack of infrastructure investment)
- Strength of these effects compared with other influences on economic growth
- Possibility of different development paths - economic trajectories may not be linear, broad-based, or inclusive

Agglomeration diseconomies

‘Negative externalities’ or costs:

- **Congestion & overcrowding** – gridlock, conflict...
- **Pressure on infrastructure & ecosystems** – air pollution, water shortages, power cuts, fragile systems
- **Higher labour and property costs** – can dampen private investment and constrain growth
- Also affects **quality of life** – & can deter population
- Can lead to dispersal of activity to peri-urban areas and surrounding towns
- Informal sector – drives up costs and crowds out formal

An emerging field

Work on agglomeration ... remains far from an adequate causal account of the dynamics. ...

Deciphering the causes of agglomeration will require a much better understanding of the complex interdependencies between agents that lead them to congregate together (Storper, 2010)

theories of agglomeration “embody crude conceptions of geography and history” (Garretson and Martin, 2010)

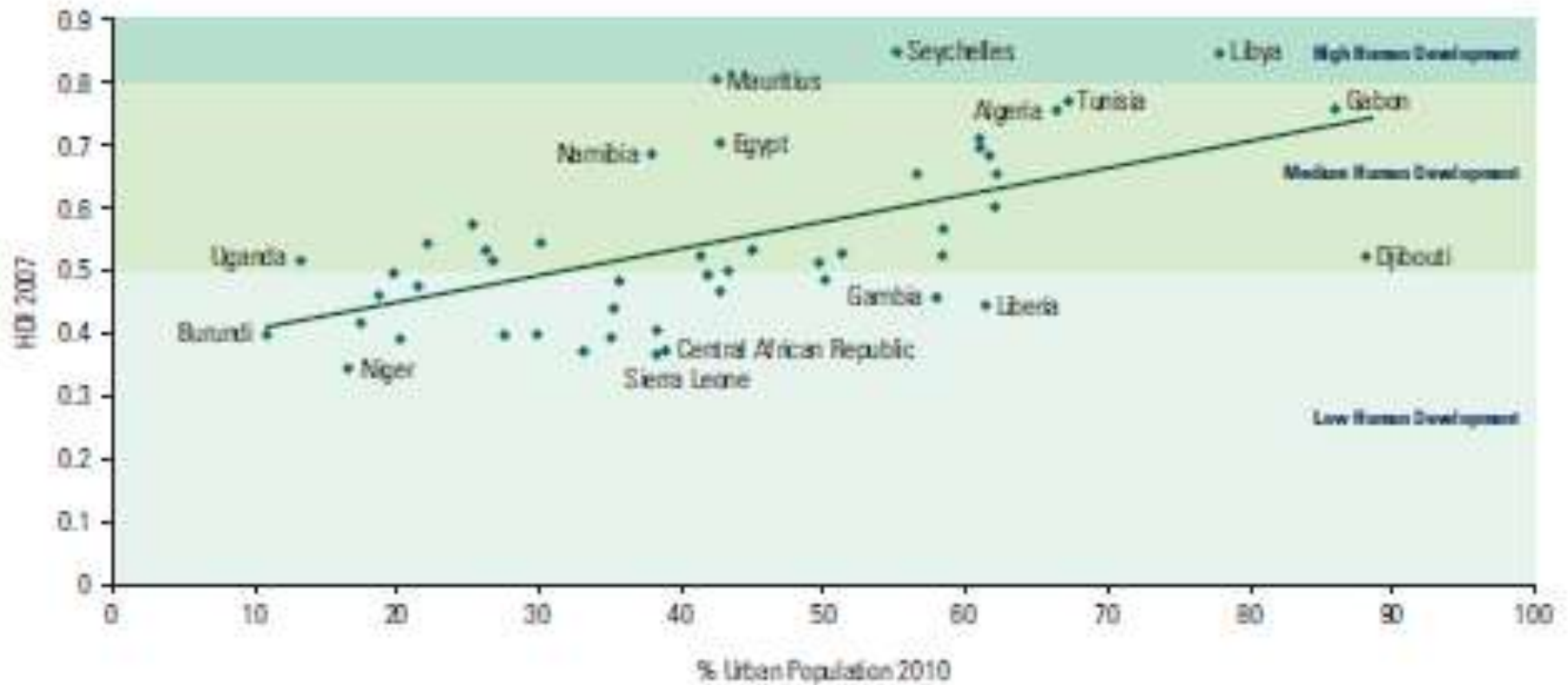
Not only is there no one formula toward urban eminence, but also the sources of success are often highly nation specific (Glaeser, 2011)

Measurement difficulties

- Multiple, complex interactions & feedback effects
- Benefits partly absorbed by higher land and labour costs, and offset by increased congestion
- Open city economies and leakage of benefits
- Effects masked by government transfers to weaker areas
- Productivity data usually unreliable at local level
- Higher incomes, growth and productivity also caused by political access and rent seeking(!)

African evidence: statistical associations

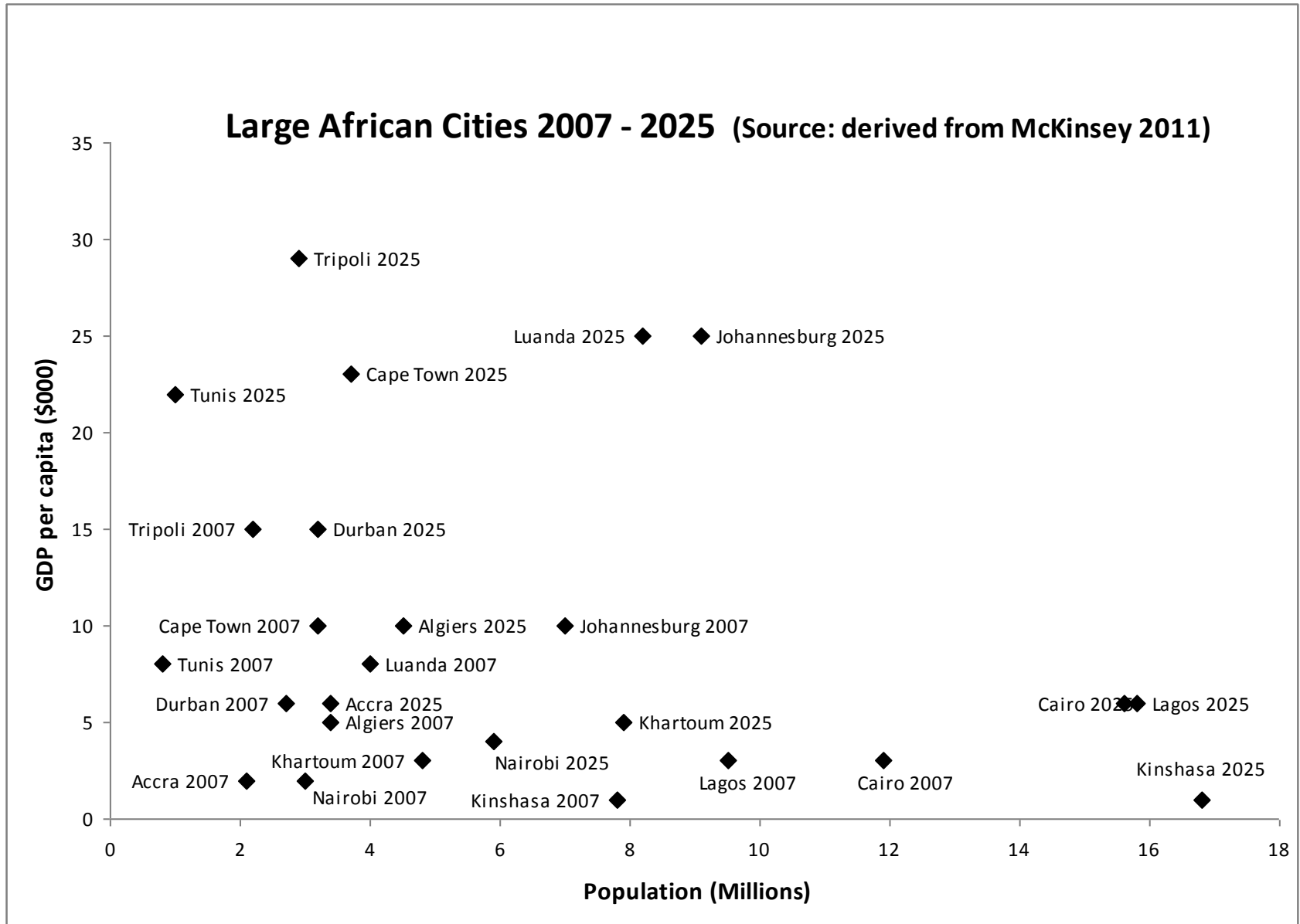
UN-Habitat (2010)



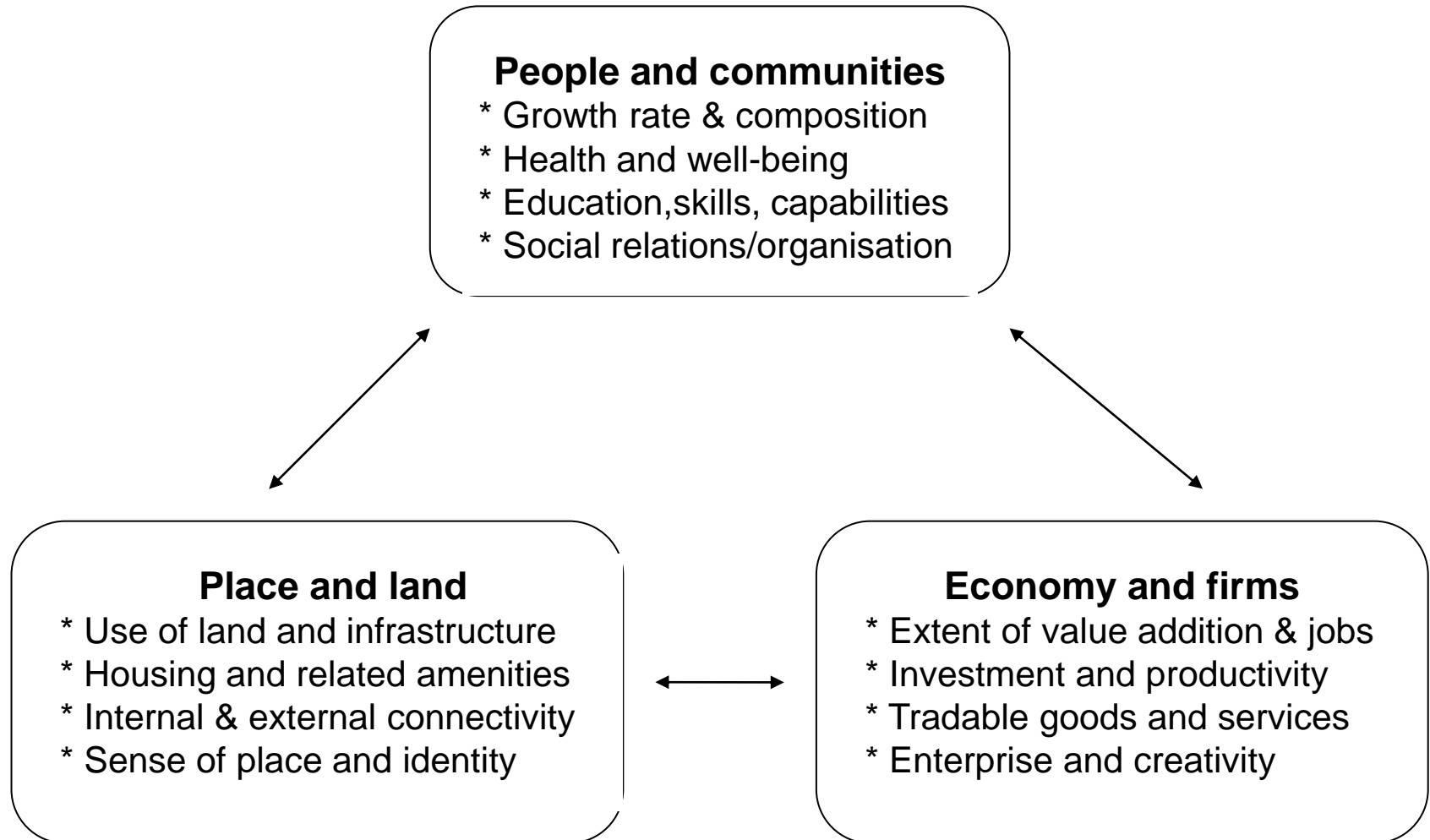
Evidence from Africa

- Ravallion et al (2007) - Positive relationship between urbanisation and poverty reduction, except in Africa
- Kamete (2001) - positive correlation between urbanisation and economic growth except in Africa
- Bloom and Khanna (2007) links between urbanisation and income are weak at low levels of development
- Njoh (2003) - positive correlation between urbanisation and human development
- Kessides (2007) - connection between urbanisation and growth in 15 of 24 African countries
- “urbanisation, done right, can help development *more* in Africa than elsewhere” (World Bank, 2009)

Diverse prospects



Integrated place-based policies



Role of city-level institutions

- Strategic vision and leadership
- Engaging and energising stakeholders
- Responding to needs and opportunities
- The 'glue' that helps to hold things together