

# Linking GROWING AFRICAN ECONOMIES and MUSHROOMING CITIES

Government decisions over the next few years on where and what types of infrastructure are pursued will lock in particular growth paths for decades to come. These growth paths could create a positive link between urbanisation and economic development, writes Ivan Turok, or cause Africa's urban problems to become overwhelming.

The relationship between urbanisation and development is one of the crucial questions of our time. Data from the United Nations Population Division released in April shows that Africa's urban population is likely to treble in size from 400 million at present to 1 300 million by 2050 (Figure 1). This is by far the fastest urban growth rate in the world. It stems from a combination of natural growth (births exceeding deaths) and rural-urban migration.

Three-quarters of African governments would like to reduce migrant flows to cities. They fear the effects of urban overcrowding on food shortages, overloaded infrastructure, public health problems, social frustration and political unrest. These concerns are very real, given past experience, but there is another

vital dimension to urban growth that is often overlooked on the continent.

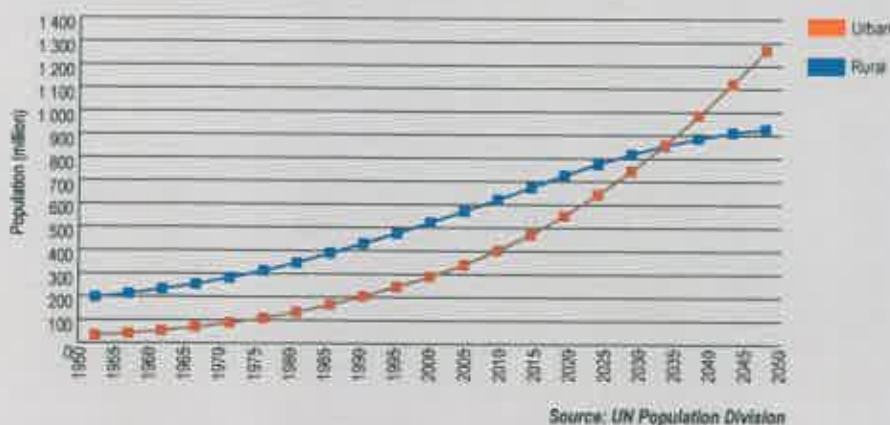
## POLICIES FOR CITIES TO FLOURISH

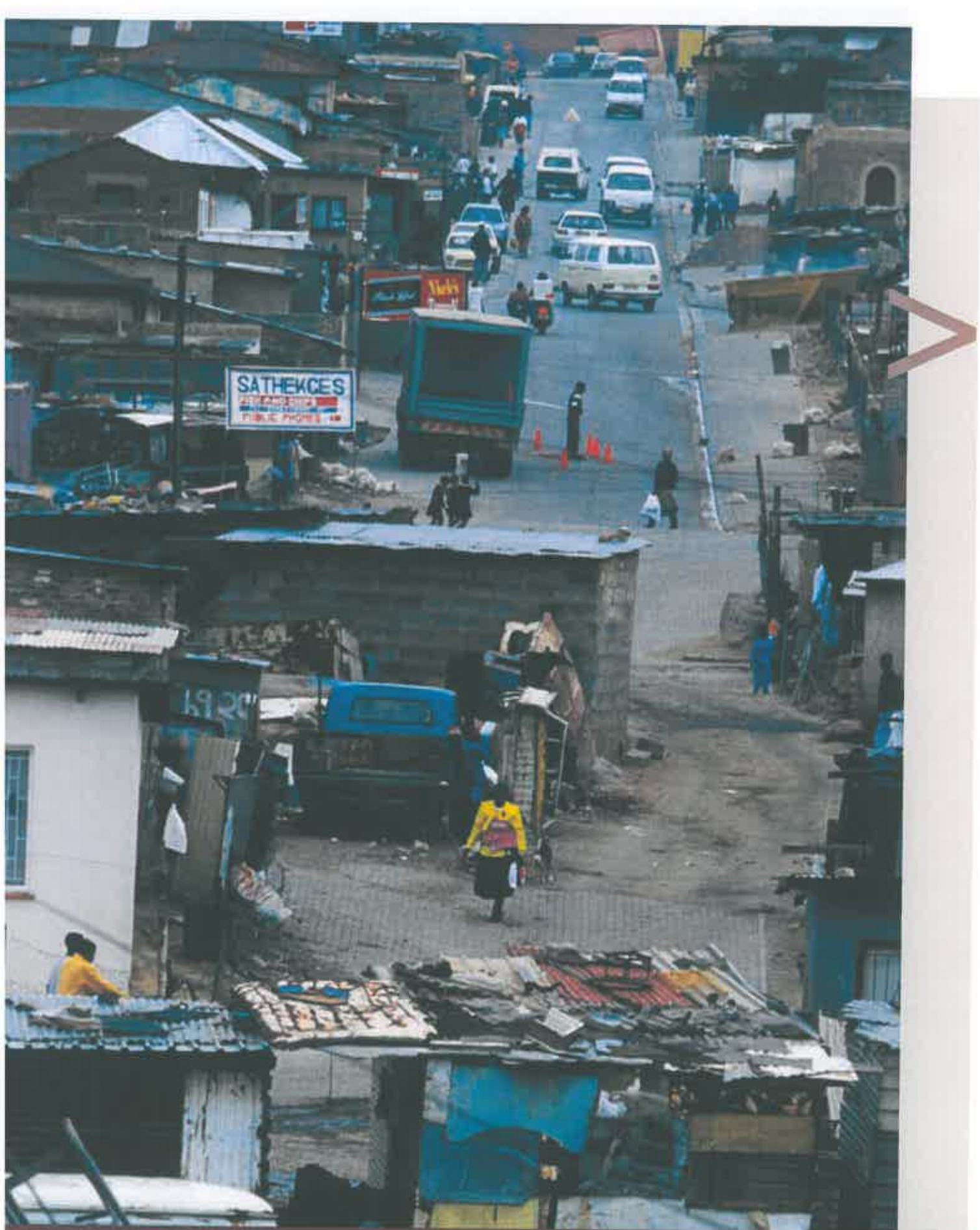
International experience shows that urbanisation has the potential to transform living standards for households, communities and nations. With the right institutions, infrastructure and policies in place, cities can contribute to accelerated economic development, increased private investment and job creation. Policy priorities need to shift from trying to contain and eliminate the growth of informal settlements, to harnessing the benefits of concentrated economic activity in higher productivity and entrepreneurial dynamism. Ordinary people must be enabled to access emerging opportunities and find

their position in urban labour markets, education systems and social networks.

Fortunately, economic circumstances across many parts of Africa have improved recently. An unexpected upturn during the last decade has caused a noticeable reversal in mood and confidence about the continent's future. Strong global demand for primary commodities (especially oil, gas, metals and minerals) and agricultural products have been the main drivers of growth. Large new mineral deposits are regularly being identified, such as the recent discovery of major oil and gas reserves in Tanzania, Mozambique, Kenya and Ethiopia. Major construction projects, new buildings, roads, pipelines and shopping malls offer tangible signs of Africa's revival.

Figure 1: Africa's urban and rural population, 1950-2050





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Professor Turok produced a report and organised an international workshop for UN-Habitat providing up-to-date evidence and fresh thinking about the links between economic trends, demographic shifts and urban outcomes in Africa, called: 'Unleashing the Economic Potential of African Cities'.

## VITAL TO ADD VALUE TO RAW MATERIALS

Yet growth focused on harvesting raw materials is not necessarily good for African cities. Capital investment tends to be targeted at assisting mineral extraction from resource-rich areas outside cities, and upgrading transport corridors linking them to coastal ports. Infrastructure to improve the functioning of cities and living conditions is a lower priority. Booming commodity exports tend to boost the amount of money in circulation before the real economy can respond to supply the rising demand, resulting in a flood of imports. There is also plenty of evidence that resource-rich states are vulnerable to rent-seeking behaviour and predatory political structures that inhibit broader and deeper development.

In cities like Luanda and Accra, surging oil revenues are also prompting speculative land acquisition and luxury property development. This inflates land prices and crowds out the growth of other productive activities, such as manufacturing. Meanwhile at least three-quarters of these cities' residents have no access to piped water on site and no waterborne sewerage, despite their countries' vast oil wealth. National authorities have recognised the escalating value of well-located urban land and engaged in large-scale demolition and eviction of informal settlements in order to make space for commercial buildings, hotels and government offices. 'Slum eradication' is supported on the grounds that informality is out of place in a contemporary urban setting.

## EXPANDING LOCAL HORIZONS

It is vital that African economies begin to diversify by adding more value to their natural resources prior to export. The continent's

stock of natural resources is diminishing and these vital assets need to be used in ways that will help to sustain economic growth into the future. Countries need to make their own products and produce more of what they consume, in order to retain domestic spending power, expand job creation and increase household incomes. Diversification involves developing upstream and downstream activities such as refining, beneficiation and supplying inputs to mining and manufacturing. This would create more integrated economies with stronger backward and forward linkages. It would ensure that any stimulus to growth generates larger multiplier effects, substantially more employment and a broader spread of incomes.

Diversification will require a concerted effort and patient investment in infrastructure, institutions, skills and the development of local enterprises. One approach is to encourage global corporations engaged in resource extraction to do more local processing and to establish joint ventures with local firms to transfer knowledge and experience. Another is to persuade the suppliers of these corporations to invest in local production of relevant inputs, equipment and services. Governments need to be determined in doing deals with foreign investors to increase local procurement so that Africa can bolster its productive capabilities. Given the scale of the mineral reserves and consumer market opportunities available, the potential must be considerable. And with stagnant markets in Europe and North America they may find that they are pushing at an open door.

African cities can help to build more diverse, integrated economies based on domestic production rather than imports. Urban

environments have comparative advantages for broad-based economic development that governments cannot afford to ignore. Cities can reduce business transaction and transport costs, support more intense trading and collaboration between companies, improve access to diverse skill-sets, and foster local enterprise and innovation. The provision of all kinds of public infrastructure is more cost-effective in large urban centres than in towns and rural areas. This will help African cities to become more than centres of luxury consumption; public administration and informal trade.

## INVEST IN INFRASTRUCTURE

Investing in urban infrastructure and municipal institutions will enable African cities to function more efficiently and secure positive externalities for all-round development. Critical decisions taken over the next few years on where and what types of infrastructure are pursued will lock in particular national growth trajectories for decades to come. They could reinforce a positive relationship between urbanisation and development, or cause urban problems and poverty to become overwhelming.

Decisions on transport systems, power generation, water treatment, sanitation systems and serviced land will determine whether cities become more productive and prosperous, or run into disastrous social and ecological limits to growth as a result of their burgeoning populations.

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**NUCLEAR  
ATTITUDES**

*page 8*

**PERCEPTIONS  
OF CORRUPTION**

*page 12*

**COMMUNITY WORK  
PROGRAMME**

*page 22*