Introduction

1. Africa is becoming an increasingly urban continent, with the total urban population projected to rise from 40 per cent of Africa’s current population to 50 per cent in less than 20 years, and 60 per cent by 2050. The urban transition has implications for national economies and the ways that cities grow can boost or constrain economic development. So far, the integration into African national development plans of urbanization and the related economic opportunities — which are inherent in growing African cities — has been limited. In turn, this results in disconnects between spatial and economic planning, including in relation to industrialization, a top policy priority for the continent.

2. Recently, there has been a resurgence of national development planning, accompanied by improved African growth prospects. Many countries have established a policy framework with a long-term national vision implemented through medium-term (5 or 10 year) national development plans. The long-term success of the new wave of national development plans depends on their ability to establish a strategic orientation for African economies in relation to global megatrends, such as globalization, technological advancement and, in particular, urbanization.

3. This is a critical moment for African economic planning to harness the momentum of urbanization. Urbanization in Africa is proceeding more rapidly than previous times in history or at the rate experienced in other regions and therefore requires a stronger policy response. African cities need major investment to reap the demographic dividends and harness rising urban consumption, a part of structural transformation that countries need to exploit, while there remain opportunities to do so, but this is contingent on a supportive national economic policy framework. Given that the links between cities and national development are multisectoral and complex, national development planning is a critical policy tool to align diverse multisector and multilevel activities towards leveraging cities for inclusive economic development. It can also effectively framework and support the efforts of local governments to more effectively manage, plan and govern cities for prosperity and well-being.

Rationale for tackling urban issues through national development planning

4. There is an inherent link between urbanization and economic development. Cities, through agglomeration economies, make workers and firms productive and drive growth. As countries develop, manufacturing, services and knowledge-based sectors become the main employers and magnets of investment, and their economic performance largely depends on the quality of cities and the national spatial system.

5. Urbanization is an unstoppable megatrend, sometimes carried forward by its own demographic momentum, with urban births exceeding deaths and tipping the population scale towards cities. Africa is the epicentre of rapid urbanization and projected to reach 56 per cent by 2050. As highlighted in the Common African Position on the post-2015 Development Agenda, African countries acknowledge urbanization and its associated trends of the “youth bulge” and population growth as major phenomena defining their development dynamic. They also reiterate structural transformation,
whose components include movement of people from low to high productivity sectors and from rural to urban areas, as the key to achieving its job-rich growth and people-centred development aspirations. Expanding the urban labour market through structural transformation and diversification is also underscored in the longer-term framework of the continent outlined in Agenda 2063.

6. The implications are enormous and multifaceted. As a growing share of Africa’s population becomes urbanized, the fight against poverty and inequality is to be won or lost in cities. Structural transformation is key to Africa’s future. Creating robust manufacturing and service sectors, paired with productive cities is the cornerstone. Not only do cities need to catch up with the infrastructure backlog, but they also need to plan to accommodate future growth. This is a mammoth task of historical significance, and only achievable through a national vision and coordinated action on multiple fronts. It is best achieved when considered within the national development planning framework.

7. The need to incorporate a robust and more explicit consideration of urbanization into national development planning is pressing. Notwithstanding the complexities of African cities, a stronger consideration of urban issues in the economic planning context offers high potential dividends for Africa’s economies. This particularly important for Africa to urbanize and industrialize in tandem thereby ensuring that the urban transition is job-rich and inclusive.

Urbanization and Structural Transformation in Africa: Addressing the Disconnects

8. There is now a renewed commitment among African’s member States to adopt a new generation of industrial policies expected to propel structural transformation and yield high returns in terms of employment, income and dynamic benefits. Africa’s target of structural transformation is to shift labour out of low-productivity agriculture into higher-productivity manufacturing and modern services. But the long-run trend of this shift has been dominated by the informal sector—often services—where jobs remain concentrated, many in urban areas, with detrimental effects for economy wide productivity.

9. African cities thus face low productivity, tepid job creation, high informality, huge infrastructure and service gaps, weak linkages with rural areas, high levels of informality, increasing inequalities, growing environmental damage and vulnerability to climate change and weak institutional systems and capacities. Unless resolved, these impediments will undermine Africa’s urban potential for structural transformation.

10. The links between urbanization and industrialization have generally been weak or absent in Africa, underlining the urgent need to connect urban and industrial development given their interdependence and growth impacts. In most African countries, the linkages between urbanization and industrialization have been weak or absent. Africa is urbanizing rapidly amidst declining, or at best stagnant industrial or manufacturing output.

11. The missing links between urbanization and industrialization are rooted mainly in the context of national institutional and policy frameworks for growth and transformation. Specifically, the connections between urbanization and industrialization have not been sufficiently considered in the context of national development planning, industrial policies, urban policies and regional integration policies and frameworks. So far, urbanization has been conceived in most cases as a sectoral issue, with a limited role in transformation and industrialization. Many African countries lack a long-term vision on urbanization in the context of their national development strategy and/or industrial policies.
12. The challenge confronting Africa is thus to accelerate structural transformation by harnessing the rapid urban transition to promote economic diversification, with a special focus on industrialization that will create jobs, enhance access to basic services and reduce inequality and poverty. There are several opportunities and entry points in this regard.

13. For instance, urban demand could be a driver of industrial development. As Africa’s middle class and urban consumption are on the rise, and as patterns of consumption are changing, demand for manufactured and processed goods is increasing, presenting a major opportunity for industrialization. The report highlights the automotive industry, an area that demonstrates the ability of African industrial policies to select and support high-growth sectors. The urban demand for food is also rising and changing, with a growing number of urban residents beginning to buy groceries from supermarket chains. Furthermore, African cities are facing large unmet urban housing needs that could also provide opportunities to improve urban living conditions and generate construction and service jobs. Urban development also creates demand for public infrastructure, which could be leveraged through procurement policies and support to domestic firms in the construction industry.

14. Despite the importance of cities for industrial development and vice versa, policies, planning, strategies and institutional frameworks in Africa are frequently disconnected. Rapid urbanization could be a powerful asset for industrialization provided it is harnessed through a strategic cross-sectoral policy framework anchored in national development planning. Given the multi-dimensional implications of urbanization for industrialization and economic growth, strategic interventions prioritized and implemented under national development planning would benefit urban and industrial development. Although there are positive experiences of addressing urbanization in national development vision and planning processes, there is room for improvement to ensure that the complexity, and the inter-sectoral and multi-level facets of urbanization, are fully considered.

15. Under national development planning, a cross-sectoral and strategic perspective is required to link urbanization and industrialization. Sectoral policies for industrial development need to factor in the implications of Africa’s rapid urbanization, and urban policies have to better integrate job-rich industrial development for sustainable urbanization. In this way, urban and industrial strategies can be explicitly linked to broader national goals such as employment creation, poverty reduction and improving the quality of life in both urban and rural areas.

16. Cities and local governments would benefit from aligning their priorities and strategies with national development priorities. For instance, urban productivity could be enhanced by implementing local economic development strategies with an explicit focus on accelerating industrialization, mirroring national industrial policy and national urban policy, factoring in the competitive advantages of certain cities—including knowledge sharing in large, diverse cities and urban–rural linkages for smaller cities. Also, the planning and management of cities needs to be considered beyond service provision, as key foundation for achieving national development targets, and should more often be seen from the perspective of enhancing the productivity of cities particularly in generating jobs in sectors such as manufacturing and modern services.
Questions and issues for discussion

1. How can urbanization be integrated in national development planning as a strategic and cross-sectoral driver of inclusive growth and transformation? What are the necessary levers to bring about this shift in policy perspective?

2. What is the role and contribution of local authorities in planning and managing cities so that urbanization contributes to national development priorities, including industrialization?

3. What could be done to strengthen the linkages between spatial and economic planning at the national but also local levels?

4. How can local authorities prioritise job creation in productive economic sectors as a means of fostering prosperity and well-being for urban dwellers?