Introduction

What are the transitions?

1. **ECONOMIC**
   
a. Africa was witnessed an increase in the number of low-income countries graduating into middle-income status (rising GDP per capita). This newly acquired economic status has implications for investment, trade and commerce, infrastructure development, macroeconomic policy environment and the growth of the private sector.

   b. The continent has also experienced a transition from rural-based structures to urban-based economies anchored on manufacturing and services. According to ECA, the service sector provides openings tied to cities and industrial development. Business services tend to cluster in cities, where they can tap pools of skilled labour and share knowledge. These tradeable services, including finance, insurance, real estate, accounting, ICTs and other business services, have a dual role in linking urbanization to growth.

   c. Closely tied to (b) above, Africa has gone through structural transformation in many countries i.e. a movement from low-value sectors (agriculture) to high-value sectors such as services. However, for some countries services are typically low-value in content and largely associated with low productivity and low-paying jobs. There is therefore a need to refocus the development paradigm to high-value services supported by the right skills mix.

2. **SPATIAL**

   Africa is undergoing a rapid urban transition and is set to be the fastest urbanizing region in the coming decades. This growth is largely driven by natural population growth. This shift has profound implications for achieving the continental and global targets for inclusive growth and transformation, including Agenda 2063 and the 2030 Agenda on Sustainable Development. Africa’s urban transition has also been accompanied by the rise in transboundary urban or regional trade corridors that open opportunity for economic activities and investments.

3. **SOCIAL**

   Socially, Africa remains the youngest continent with a youth bulge and facing a window of opportunity for a demographic transition. Africa has a young age structure with about two-fifth of its population in the 0-14 age bracket and nearly one-fifth (19%) in the 15-24 age bracket. The population of children in the 0-14 age group was nearly 45% in 1980 reducing to 41% in 2015, but, has increased in absolute numbers from 213.5 million in 1980 to 473.7 million in 2015. Therefore, youth in Africa have great potential to drive economic growth and development through their participation in labour markets, as drivers of science and
innovation and also as consumers of goods and services in urban areas. Thus, Africa needs to find ways to make the youth bulge an opportunity for structural transformation through targeted investments in health and education. Indeed, the continent needs to find alternative ways to ensure this potential is transformed into a force for change and innovation. ECA through its 2017 *Economic Report in Africa* has identified several social challenges that have accompanied its urbanisation and industrialisation process. Some of these are:

a. **Inequality:** The period of sustained growth in most countries in Africa has boosted per capita incomes, reduced poverty and led to steady progress in education, health and living standards. But the pace of progress is slow, hampered by high levels of income inequality within countries. The unweighted average Gini coefficient in Africa is 0.44, which is the second highest after the Gini in Latin America (around 0.50), and nearly 12 per cent higher than the coefficient for the rest of the developing world, at 0.39.

b. **Poverty:** The number of people in poverty in Africa other than North Africa increased by 42 per cent from 276 million in 1990 to 391 million in 2002. After 2002, however, economic growth had a positive, though slow, impact as the number of people in poverty remained almost constant at around 390 million. Poverty in Africa fell much more slowly in 1990–2013 than in other world regions.

c. **Informality:** Africa’s urbanization is often characterized by poverty and informality, with residential and social segregation creating poverty traps and reducing economic mobility. Urban inequality and informality are especially problematic when economic growth is largely jobless, particularly for economies reliant on natural resources, which create “consumption cities”. Informality is characterised by low productivity and low earnings leading to a vicious cycle of poverty.

d. **Unemployment:** Africa’s youth unemployment up to three times higher than adult employment. And in Africa young people with higher education are two or three times more likely to be unemployed than those with primary education, in contrast to those in high-income countries. At the same time, industrial firms struggle to find enough skilled workers. Promoting well-targeted technical and vocational education and training is therefore vital for African economies.

Local government dimension

4. At the heart of these multiple transitions is the role of cities (urbanization) as drivers and outcome of economic and social transitions. Undoubtedly, a transition towards a more inclusive and equitable society underpinned by well-planned urbanization is a key enabler of Africa’s sustainable development agenda. Cities need to be planned properly to take advantage of the economic and social transitions that are taking place at different levels. In addition, services and their delivery to the people should move from a highly centralised system to a more decentralised way in order to reach communities.

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5. In this context, local and subnational authorities should strategically position themselves in order to play an effective role in harnessing Africa’s economic and social transitions. This should go beyond their usual mandate of service provision to finding innovative ways of generating fiscal revenues through various economic activities in the cities. In addition, local and subnational authorities should embrace knowledge-based and innovation-driven development strategies including the use of ICT to diversify local economies for growth, employment creation, and poverty reduction.

6. Thus, the multiple economic and social transitions highlighted above present immense opportunities for local and subnational authorities to own the development agenda for strong outcomes. In this regard, local and subnational governments are better placed to harness and leverage the economic and social transitions for improved employment creation and increased revenue generation for their development programmes. Indeed, these economic and social transitions avail the local economy to play a decisive role in galvanizing the gains from the changing regional policy and institutional landscape in Africa.

7. Local and subnational governments by virtue of their proximity to economic activities within their purview are better placed to know the economic and social needs of communities and be able to devise appropriate strategies to address many social stresses including unemployment, poverty and inequality. Evidence shows that the overriding problems in many African cities are poverty and income inequality that are holding back many people from participating in economic growth processes. Therefore, one effective way of tackling social stresses is by the empowerment of the people especially the youth to provide them with economic opportunities (e.g. employment creation). To a large extent, the success of local authorities or cities depends on whether or not they have access to adequate resources.

8. Local and subnational authorities in general are increasingly playing an important role in managing and delivering a range of services while at the same time unlocking investment potential for different economic activities. Across Africa, cities have become nodes of economic production and by extension generating employment and revenues for governments, although the nature of these functions, and the extent to which they are successfully performed, is influenced by the political and economic context and the institutional framework. It is therefore critical that cities are attuned to the ongoing multiple transitions in order to deliver social and economic outcomes to the people.

Focus of the session on economic and social transitions

9. Against this background, the session will focus on a broader discussion including whether the current policy environment is favourable for Africa’s economic and social transition and the region’s development aspirations. The session will further interrogate and analyse the potential benefits of cities and local authorities through experience and knowledge sharing in order to tease out lessons learned and best practices from Africa’s standpoint with a view to enhancing the capacity of local and regional authorities.

10. Specifically, the session will map out policy actions and strategies at city level in order to inform an assessment of potential benefits, quick wins (low-hanging fruits) and complementary actions necessary for an effective economic and social transition in Africa. Finally, the session will identify
major city and sub-national challenges in economic and social transitions including those that relate to labour markets and employment opportunities for youth.

Outcomes of the session

11. The session will highlight lessons learned and experiences for accelerated policy actions required to harness cities’ economic and social transition. Special attention will be paid to local and subnational strategic responses to harnessing the youth bulge in the context of economic transition. In doing so, experts will examine how cities can facilitate economic diversification through multiple transitions with the resultant improvements in social outcomes at the local level.

Questions and issues for discussion

1. What are the main opportunities and challenges that Africa’s economic and social transitions offer to local authorities and subnational governments?

2. What are the policy priorities and strategies that local and subnational governments should be focusing on to harness economic and social transitions for sustainable urbanization?

3. Are there any good practices or lessons from your country or region that are worth replicating in terms of the role of local authorities and subnational governments in economic and social development?

4. Why do you think strategic partnerships are critical to deliver on economic and social development at city level?