Accelerating regional economic integration: The Role of Cities

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Webinar
Understanding the interplay between urbanization and economic structural transformation & opportunity for enhanced employment, productivity and competitiveness in the region

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Outline

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## Introduction

Urbanization is one of the mega trends that is shaping the global and regional policy landscapes.

### Fast urbanization
- In 2014, Africa was 40% urbanized but it is projected to reach **50% in less than 20 years by 2035**. Africa’s urban population is likely to **triple in coming decades**.
- **Africa’s urban growth rate of 3.4% is the highest in the world** (Asia- 2.10%; Latin America & the Caribbean – 1.28%).
- **24 African countries** already have more than half of their population in urban areas.

### Urbanization & growth
- Urbanization is a game-changer driving growth due to agglomeration economies.
- Cities generate 80% of global GDP (World Bank).
- Africa’s cities generate 55% of GDP per annum – Tunisia (85%), Botswana (75%), Kenya, Nigeria and Tunisia (70%).

### Potential
- Cities pathways to poverty reduction and improved societal welfare.
- Africa’s urbanization...huge potential for ST & urban jobs.
- Cities are the backbone of regional connectivity, spurring faster economic integration.

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Introduction cont’d

- The rapid urban transition in Africa offers considerable opportunities to accelerate structural transformation if harnessed through deliberate planning.

- The economic role of cities is drawn from agglomeration economies.

- Africa lacks large economic clusters, which are identified as a major negative factor affecting the economic growth and transformation of the continent.

- Growth pole strategies, special industrial development zones and the promotion of regional urban corridors are spatial approaches that promote agglomeration economies at national and regional scales.

- The economic power of African cities can better compete in a globalized world if they leverage urban advantages for sub-regional and continental integration.
Urbanization and structural transformation

- Structural transformation is characterized by the movement of resources from low productivity activities to high productivity activities.
- Structural transformation entails 4 connected and simultaneous processes:
  - A declining share of agriculture in GDP and employment.
  - A rise in industrial and service sectors.
  - A demographic transition from high rate of births and deaths to low rates of births and deaths.
  - A rapid process of urbanization.
- Workers move into higher productivity activities. Productivity also increases within each sector.
Urbanization is an outcome of structural transformation.

Agriculture productivity increase leads to urban growth, which in turn attracts labour, leading to industry and services sector expansion. Cities generate productive advantages for firms.

Urbanization and structural transformation
Urbanization and structural transformation

Why cities matter for structural transformation

• Cities are the location for higher productivity, manufacturing and modern services (given agglomeration effects)

• Cities provide opportunities for job creation as most added value sectors are urban

• Urban growth, changing consumption and demand in cities can drive domestic production including agriculture

• Food and agricultural value chains are a major opportunity to leverage African comparative advantage, create urban jobs, and link urban and rural economic growth
Urbanization and structural transformation

Weak link between urbanization and structural transformation in Africa

- Weak connection between spatial planning and economic planning
- Weak planning institutions
- Rapid urbanization without strong economic growth & structural transformation
- Deficiencies in basic infrastructure and services
- Lack of links between enterprises and innovation centres

Africa can optimize the benefits of urbanization for structural transformation through comprehensive and integrated national development planning
Leveraging urbanization for sub regional and continental integration

As major production and consumption nodes, cities connect national and regional economies along transport, energy and trade corridors

- Trade flows are concentrated among a small number of cities that have become major players in the global economy as a result of the strength of the connections between them
- Larger regional markets are more likely to attract more investment intended to optimize economies of scale
- New connections are necessary for value addition in cities and value added trade through African regional markets
- As the share of intraregional trade grows, cities and urban systems morph into manufacturing, trade and logistics hubs
Regional integration policies to capitalize on urbanization

• Regional cooperation is an important step towards strategic integration into world markets (firms learn how to produce regionally)

• Cooperation can start with regional transport projects centred on development corridors to promote greater intraregional trade and scale economies in a wider geographical space

• Development corridors improve connectivity and facilitate cross-border flows of investment and trade
Covid 19 in urban settings

- **Urban settings** provide ideal conditions for heightened risk of disease emergence and transmission.

- The **complex, dense and highly mobile environment** in urban areas presents new challenges for the transmission and amplification of infectious diseases such as COVID 19 (according to WHO).

- **Overcrowded urban areas** are particularly vulnerable to public health crises and face specific constraints related to surveillance, response and public communication.

- Globally, **urban health inequities persist** in both developed and developing countries: the urban poor suffer disproportionately from COVID 19.

- 55.9% of Africa’s urban population (excluding North Africa) live in slums presenting specific challenges for the COVID-19 outbreak.
Increased risks in urban areas

- Surveillance, monitoring, containment, mitigation challenges for COVID 19 outbreak are acute in slums
- Slum challenges for COVID 19 include
  - Population density
  - Overcrowding in households
  - Service and infrastructure deficits (water, sanitation)
  - High mobile population
  - Poor health care access
  - Quarantine enforcement challenges (majority daily income earners)
Responding to COVID-19 in Africa’s urban settings

• **Central role for local authorities** in preparedness and response planning and measures
• **Design tailored responses** for slum areas taking into account constraints specific to those areas
• **Vulnerable hot spots** (e.g. slums) responses prioritization
• **Community mobilization/organization** for effective responses in urban areas
• **Community based data** on surveillance, collection, sharing and analysis of infectious disease data in real time to complement other sources
• **Targeted stimulus packages** for vulnerable but viable urban-based firms and SMEs
• **Social protection and subsidies** for vulnerable populations including slum dwellers and low-income groups in urban areas
Policy Recommendations

- Aligning spatial planning with economic planning
- Mainstreaming urbanization into national planning
- Connecting national and regional urban policies
- Collection of relevant and sex- and age-disaggregated data on GDP by location, jobs (location & sector).
- Policy support to RECs to mainstream urbanization into regional economic integration policies and strategies.
- Investing in regional infrastructure that will enable better connectivity between urban centres and movement of goods.
- Harnessing the opportunities offered by regional urban corridors through sub regional urbanization policies
ECA Country support on urbanization

- Support on well-planned urbanization
- Link urbanization to NDPs processes
- Urbanization and Industrialization for Africa’s Transformation

Through

- Guidebooks, training modules, policy briefs, brochures and fliers
- Training for member States to link urbanization to NDPs
- Policy dialogues for dissemination of knowledge products and advocacy
THANK YOU

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