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Urban growth can drive Africa's resurgence

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THE relationship between urbanisation and economic growth is one of the crucial issues of our time. New estimates from an important United Nations (UN) Population Division report show that Africa's urban population is likely to treble in size, from 400-million to 1,3-billion, by 2050. This is by far the fastest urban growth rate in the world. It arises from a combination of natural growth (births exceeding deaths) and rural-urban migration.

African cities are expected to absorb 75% of the continent's demographic expansion over the next few decades. Population growth is becoming a largely urban phenomenon.

The countries with the largest absolute increases in urban population are Nigeria, the Democratic Republic of Congo, Tanzania, Ethiopia, Kenya and Egypt. Countries with the fastest relative urban growth rates are Uganda, Tanzania, Zambia, Malawi, Niger and Mali.

Urbanisation threatens disaster if it simply multiplies the problems of overcrowding, squalor, destitution and degradation. Alternatively, it could become a transformative force for higher productivity, entrepreneurial dynamism and rising prosperity. Infrastructure investment decisions in transport, electricity, water, sanitation and land use will affect whether cities become more productive.

The UN report reveals that 75% of African governments have policies to reduce migrant flows to cities, fearful of the effects on food supplies, overloaded services, public health, social frustration and unrest. International experience shows that urbanisation can transform living standards. With the right institutions and policies, cities can contribute to accelerated growth and investment. Policy priorities need to shift from preventing the growth of informal settlements to harnessing the benefits of concentrated activity by removing bottlenecks.

The recent improvement in economic circumstances across parts of Africa provides an opportunity to improve urban infrastructure. Strong global demand for primary commodities offers more state resources for investment in roads, pipes, pylons and public transport.

On its own, growth focused on harvesting natural resources is not the best thing for African cities. Capital investment will inevitably be targeted at mineral reserves and transport corridors linking them to coastal ports. Infrastructure to improve the functioning of urban areas seems a lower priority. Resource-rich states are vulnerable to rent-seeking behaviour and predatory political structures that inhibit broad-based development. Diversification would strengthen African economies by adding more value to primary products before export. It involves developing activities such as refining, beneficiation and supplying inputs to mining and manufacturing. Countries need to make their own products and produce more of what they consume in order to retain domestic spending power and increase household incomes. This would create more integrated economies and ensure that when growth is stimulated it generates larger multiplier effects and substantially more jobs.

Diversification will require a concerted effort and patient investment in infrastructure, human skills and local enterprise development. Global corporations engaged in resource extraction could be incentivised to do more local processing and to establish joint ventures with local firms to transfer knowledge and experience. Suppliers of these corporations could also be encouraged to invest in local production of relevant inputs, equipment and services.

African cities can play a vital role in diversifying economies. Urban environments have advantages for integrated production and related services. They can reduce business transaction and transport costs, support more intense trading and collaboration between companies, improve access to diverse skills and foster local enterprise and innovation.

The provision of all kinds of public infrastructure is also more cost effective in large urban centres than in towns and rural areas. Investing in these assets will enable African cities to function more efficiently and generate positive spillovers for all-round development.

Critical 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. They could reinforce the positive link between urbanisation and growth, or cause Africa's urban problems and poverty to become devastating.

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