African Economic Outlook 2016

SPECIAL THEME:
Sustainable Cities and Structural Transformation

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AfDB

- Research Dpt
- Statistics Dpt
- Operations
- Country economists
- 1. Algeria
- 2. Angola
- 3. Benin
- 4. Botswana
- ...
- 52. Uganda
- 53. Zambia
- 54. Zimbabwe

OECD

- Development Centre
- Thematic Departments
- Publications Unit
- 54 country notes with original 2-year forecasts
- 5 overview chapters: macro, financial flows, trade, human development, governance
- 1 thematic chapter
- 1 harmonised statistical annex

UNDP

- Africa Bureau
- Country Offices
Africa’s Growth Performance

- Post 2010 real GDP growth very volatile
- Libyan effect lingering 2011–2014
- SSA steady and buoyant but more moderate in 2015
- Medium term acceleration in North Africa
- Growth expected to remain moderate in 2016 but strengthen in 2017
Regional Growth 2015

Africa 3.5%

North Africa
GDP growth 3.2%

East Africa
GDP growth 6.3%

West Africa
GDP growth 3.3%

Central Africa
GDP growth 3.7%

Southern Africa
GDP growth 2.2%
Huge sectoral productivity gaps make structural transformation a challenging task.
Different challenges: comparing population and income

1. **Economic** = sectoral re-allocation of factor of production
2. **Demographic** = decline in fertility rates
3. **Spatial** = urbanisation

But there is no straight causality relationship between those three dimensions.

=> **Typology of African countries:**

- a) 5 ‘diversifiers’: most advanced on all three dimensions
- b) 13 countries based on natural resources: usually highly urbanised, decreasing fertility but slow economic transformation (undiversified)
- c) 7 ‘early urbanisers’; 8 ‘late urbanisers’; 9 ‘agrarian’ countries: struggling with fast urbanisation, high fertility rates and slow economic transformation
Diverse types of structural transformation

- Agrarians
- Late urbanisers
- Early urbanisers
- Diversifiers

Total Fertility Rate, 2010-2015

Urbanisation level (%), 2015

Diversifiers
Early urbanisers
Late urbanisers
Agrarians
Natural resource-based
Africa is urbanising fast with slow structural transformation
Africa’s urbanisation is a megatrend

Population and urban population growth trends in Africa, 1950-2050

- Rural population
- Urban population

Today
Fast urbanisation yet no industrialisation

Manufacturing value-added (% GDP)

Urbanisation level (%)

East Asia & Pacific (developing only) Sub-Saharan Africa (all income levels)
Africa reflects different types of urbanisation

Contribution to population growth by city size and rural-urban interface by type of African country, 2000-10

<table>
<thead>
<tr>
<th>Type of African Country</th>
<th>Population growth from rural areas</th>
<th>Growth from urban areas &lt; 500 000 inhabitants in 2000</th>
<th>Population growth from cities &gt; 500 000 inhabitants in 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversifiers</td>
<td>25 Million</td>
<td>22 Million</td>
<td>67 Million</td>
</tr>
<tr>
<td>Early urbanisers</td>
<td>25 Million</td>
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<tr>
<td>Late urbanisers</td>
<td>27 Million</td>
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<tr>
<td>Agrarians</td>
<td>19 Million</td>
<td>19 Million</td>
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<tr>
<td>Natural resource-based</td>
<td>38 Million</td>
<td>38 Million</td>
<td>67 Million</td>
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</tbody>
</table>

- Population growth from rural areas
- Growth from urban areas < 500 000 inhabitants in 2000
- Population growth from cities > 500 000 inhabitants in 2000
High costs of air pollution despite slow industrialisation

*Economic cost of selected risk factors in the African continent*

- **Unsafe water**
- **Household air pollution**
- **Ambient particulate matter pollution**
- **Unsafe sanitation**
- **Childhood underweight**

![Graph showing economic cost in USD Billion](image-url)
Many cities grow through sprawling

Source: AUE, 2016 project, contribution by UN-Habitat
How can cities foster structural transformation?
Urbanisation could make food supply chain more efficient

Travel time and crop production in sub-Saharan Africa, 2000

Total crop production/potential

Average travel time to nearest large city (hours)
Connecting the network of cities could link rural-urban economies

Population settlements and rural-urban linkages in West Africa, 2000
Cities could provide enabling conditions to host African productive sectors.

City attracts capital, firms and skilled workers.

- Higher productivity and living standards
- Pool of labour & inputs
- Services for economic activities (real and financial)
- Knowledge spillovers and tech transfer

Agglomeration economies
Cities as part of networks could “integrate Africa”
Cities could “lighten up and power Africa”

Projected electricity demand from the sub-Saharan African population gaining access to electricity, “New Policies Scenario” 2020-40
African cities must also raise more local revenues.
What conditions make cities sustainable and spur structural transformation?
National urban strategies have to be country specific

**Principles**

- Participatory
- Multi-sectoral
- Place-based

**Policy priorities**

- Urban land reform
- Infrastructure
- Intermediary cities

**Multi-level Governance**

- Decentralisation
- Capacity building
- Transparency
Phasing out fossil fuel subsidies could free up investment in renewable energy

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<tbody>
<tr>
<td>Lusaka</td>
<td>2.1</td>
<td>2.4</td>
<td>3 774 481</td>
<td>55 838</td>
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<tr>
<td>Total (for 24 cities)</td>
<td>16</td>
<td>16</td>
<td>54 880 707</td>
<td>387 992</td>
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</tbody>
</table>
Colombia’s royalty payments generated USD 5.2 billion in 3 months for regional development.

- Transport infrastructure: 27.1%
- Science, technology, and innovation: 13.9%
- Education: 12.8%
- Water and basic sanitation: 9.8%
- Housing: 6.1%
- Health and social protection: 4.6%
- Agriculture: 3.6%
- Others: 22.1%
THANK YOU!

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Central government transfers make up a significant share of local budgets
African cities are poor, towns even poorer

USD per inhabitant

Capital cities

Intermediary cities

Operating revenue (USD per inhabitant)

Capital expenditure (USD per inhabitant)
Local governments make up:
7% of total revenue and
8% of expenditure

- Uganda
- Africa
- South Africa
- Rwanda
- Tanzania
- China
- Brazil
- Indonesia
- EU27
- Japan
- India

Alice: What countries have the highest share of local government expenditure? Alice: I'm curious to see if there are any patterns for these high-share expenditure countries.
“Slum urbanisation” prevails

Urban Multidimensional Poverty Index by world region and AEO 2016 typology group

- Africa - Natural resource-based
- Africa - Agrarians
- Africa - Late Urbanisers
- Africa - Early Urbanisers
- South Asia
- Middle East
- East Asia and the Pacific
- Latin America and the Carribean
- Africa - Diversifiers
- Europe and Central Asia
African cities attract a small but growing share of global FDI

Global greenfield investments between cities, 2003-2014
Easing of tensions in most African countries in 2015 after peaking tension in 2013

Unemployment and poor public services are the top drivers of public protests

Public protests dropped in 2015, while violence by non-state actors slightly increased

<table>
<thead>
<tr>
<th>Years</th>
<th>Public protest</th>
<th>Civil violence</th>
<th>Political hardening</th>
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