7TH AFRICA EMERGING MARKETS FORUM

SUB-SAHARAN AFRICA'S URBAN AWAKENING: CATALYSING ECONOMIC GROWTH AND JOB CREATION

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Main messages

Sub-Saharan Africa stands at a pivotal moment. Between 1950 and 2025, the region's urban population grew by 742 million people, and by 2050 another 748 million will be added, bringing its total urban population to 1.7 billion, by which time its urbanization will be almost complete.

Historically, rapid urbanization in other regions of the world has been accompanied by equally rapid productivity growth, along with structural transformation, that has fueled more and better job creation for their expanding workforces. This points to the potential that Sub-Saharan Africa's rapid urbanization over the next few decades holds for the creation of the roughly 15 million new jobs per year that the region requires just to keep pace with its rapidly expanding young workforce. However, with average GDP per capita stalled at around $4,400,[i] Sub-Saharan Africa is at risk of missing out on these gains without decisive action by its national and local policymakers to address key constraints on urban performance and thereby take advantage of a rapidly closing window of opportunity.

Using the World Bank Group's jobs framework as its lens, this report diagnoses the key challenges that are holding back Sub-Saharan Africa's urban areas from realizing their full economic potential and proposes policy solutions to address these challenges. The report distinguishes between three basic types of urban area − cities, their associated rapidly growing peripheries, and small towns—viewing these as distinct policy spaces. Recognizing, the speed, scale and urgency of the region's urbanization and jobs challenges, the report places a strong emphasis on "fit-for-purpose" policies that can yield near-term results within the tight timelines that Sub-Saharan Africa's urban awakening demands.

Three types of urban area, three challenges

- **Cities—lack of accessible jobs-rich clusters:** Home to 503 million people in 2025, SubSaharan Africa's cities are expected to add a further 320 million people by 2050, including an extra 218 million within their current extents. While households in cities enjoy significantly higher levels of both nominal and real expenditure per adult than equivalently educated rural households, their economic performance nevertheless lags far behind that of developing country cities elsewhere. One key reason for this is the relative absence of accessible jobs rich clusters in key city locations due to insufficient foundational urban infrastructure—especially transport infrastructure—and weak regulatory environments that constrain land access and development of key locations.
- **Peripheries—inadequately prepared for rapid expansion:** With each city, there is an associated much less densely populated urban periphery. Currently hosting a collective population of 165 million, these peripheries are the areas into which Sub-Saharan Africa's cities will expand as their area grows by 90 percent between 2025 and 2050. However, these peripheries are inadequately prepared for the rapid expansion of the cities with which they are associated. To date, expansion has largely been informal and unplanned, resulting in fragmented spatial patterns that undermine agglomeration effects, reduce productivity, and raise infrastructure costs. While some bottom-up informal organization exists, development is often uncoordinated and lacks the foundational infrastructure—such as roads and services—needed to support efficient urban functioning and more and better job creation.
- **Towns—small, still partly rural and overlooked:** Even as they experience rapid natural population growth, the combination of small size and a continuing dual urban-rural character leave Sub-Saharan Africa's 15,162 towns lagging not only cities, but also rural areas. On

average, levels of both nominal and real household expenditure per adult across the towns of 13 countries are less than are the levels in rural areas. Yet, many towns, especially those along existing and emerging transport corridors, possess strong overlooked locational advantages that give them the potential to grow into vibrant economic centers and homes of more and better job creation as their populations continue to swell.

Policy solutions to address the challenges

Cultivate accessible jobs-rich clusters in cities

- **Foundational infrastructure:** As part of an area-based urban development approach, pursue integrated packages of investments in physical foundational infrastructure targeted at key locations within cities that can cultivate the emergence or strengthening of jobs-rich clusters. At the same time, increase the connectivity of workers and housing to these key locations by investing in mass public transportation systems as the backbone of any long-term plan to increase urban mobility.
- **Regulatory environment:** Recognizing that investing in mass public transportation systems will take time, also adopt complementary fit-for-purpose regulations to better integrate informal and formal transport services—as Lagos' bus reforms demonstrate—while encouraging the supply of well-located affordable housing to connect workers to jobs, as Cape Town's Mayoral Priority Program for affordable housing illustrates. Relax excessively stringent building height limits and floor area ratios that constrain vertical development of residential buildings by private developers, especially in locations targeted for development.
- **Private capital mobilization:** Take advantage of the inherent attractiveness of key locations to pursue their integrated area-based urban development through public—private partnerships wherever possible. The confined spatial scope of such projects allows for the benefits, including the positive externalities, of urban development to be capitalized into the value of land in a way that can be captured and shared between the public and private sectors. In doing so, such projects leverage a land-infrastructure-finance nexus that can help deliver economic growth and more and better job creation.

Prepare peripheries for rapid expansion

- **Foundational infrastructure:** As part of a two-pronged approach to preparing for rapid urban expansion, plan and invest in an arterial road grid—a critical piece of foundational infrastructure—to define the city's future macro structure and coordinate private sector investment decisions.
- **Regulatory environment:** Complement the planning of, and investment in, an arterial grid with regulatory reforms that facilitate land-pooling and subdivision by private landowners and developers, enabling the provision of interior roads and other foundational infrastructure within the blocks defined by the grid.
- **Private capital mobilization:** Leverage city peripheries as locations for public-private partnerships that bundle large-scale urban development with special economic zones (SEZs), drawing on East Asian experience and emerging Sub-Saharan African examples. This integrated approach improves the odds of success for both components while crowding-in private financing and expertise.

Selectively facilitate the growth of towns with strong locational fundamentals

- **Foundational infrastructure:** Focus investment in low-potential towns that lack strong locational advantages on foundational human infrastructure—schooling and health—equipping residents to access more prosperous urban labor markets. Direct integrated, place-based infrastructure packages that are tailored to the unlocking of the advantages offered by their strong underlying locational fundamentals, to high-potential towns. Place a particular priority on targeting clusters of high-potential towns along corridors to maximize impact at manageable fiscal cost.

- **Regulatory environment:** Administratively reclassify high-potential towns from rural to urban to unlock appropriate governance and financing tools. This includes tools to help plan for rapid urban expansion in a manner akin to the rapidly growing peripheries of cities.

Strengthen urban governance to effectively manage rapid urbanization

- Advance accountable urban authorities through pragmatic, results-oriented approaches, such as special jurisdiction decentralization and SEZ-integrated urban development. These mechanisms can deliver visible governance results within compressed timeline, while helping to build the political foundations for broader national decentralization over the longer term.
- Begin now on the medium- to long-term fiscal reform agenda: expanding property tax coverage, deepening land-based financing tools such as land leasing, betterment levies, and user fees, and investing in enabling technologies—Geographic Information Systems (GIS)-based property mapping, digitized billing, and simplified valuation systems—that can accelerate revenue mobilization. Also, continue efforts to strengthen urban land governance, which are key to unlocking the land-infrastructurefinance nexus.
- Act immediately on reform of inter-governmental transfer systems: simplify allocation formulas, improve predictability and transparency, enforce formula compliance in practice, and enhance accountability. Paired with deliberate selectivity in directing central government and donor resources toward the highestpotential locations, these are the most actionable near-term levers available to national governments.

Sub-Saharan Africa's urban awakening is a time-bound opportunity. The challenges are real, but the strategy is clear. Implemented with ambition and selectivity, the policies set out in this report can help transform the region's rapid urbanization into a lasting engine of economic growth and job creation—delivering the more and better jobs that hundreds of millions of its people need and deserve.

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[i] GDP per capita is expressed in constant 2021 international dollars based on Purchasing Power Parity (PPP) exchange rates.