



## 2. The Role of Cities

---

### 2.1 URBAN REGIONS AS POVERTY ALLEVIATION MECHANISMS

The importance of urban regions in driving economic growth, poverty prevention and alleviation, and energy and natural-resource conservation has never been greater. In part, this reflects the fact that the majority of the world's people will be urban by 2007.

The urbanisation process will continue at high speed throughout the first half of the 21st century. The United Nations forecasts that 61 percent of the world's population will be urban by 2030. Before 1850, the urban population of the world never exceeded 7 percent. In absolute numbers, Asia is the epicentre of the current urbanisation surge. China will add at least 342 million people to its cities by 2030; India, 271 million; and Indonesia, 80 million. In Latin America, which is nearing the end of the rural–urban transition, “only” 169 million people will be added. However, in Sub-Saharan Africa, 395 million people will be added to the cities over the same period, 112 percent of its current population, a larger absolute increment than China will experience (United Nations 2004b). Transitional (Eastern) Europe will be the only world region with nega-

tive urbanisation, a result of overall population decline. Urban areas there will lose 12 million people by 2030, mostly in the Russian Federation, creating new urban challenges. In the industrialised cities of the world, population growth will be slow, with the exception of those in amenity regions in North America, such as Phoenix and Las Vegas in the southwestern United States, and cities that attract large flows of international migrants, such as Toronto, Canada. Cities in Western Europe and Japan will have more stable populations.

The policy implications are obvious. Because most African urbanisation to 2030 has yet to occur, productive migration absorption strategies are particularly important. But urban growth in Latin American cities will represent only 39 percent of current urban population, indicating that *in situ* poverty alleviation strategies should be given more emphasis there. The highest absolute national increase will be in China, but India and Indonesia are earlier in their rural–urban transition processes. Urban growth in India to 2030 will be equivalent to 86 percent of current urban population; in Indonesia, 74 percent; and in China, 64 percent.

*Cities are proven poverty fighters.*

The fact that Africa is the poorest continent but also the one earliest in the urbanisation process presents enormous city-building challenges, but at the same time provides significant economic opportunity. If urbanisation is productive, that is migrants are productively absorbed, rural–urban migration is associated with immediate, large jumps in national economic performance, as the urban trajectories of China and North America clearly indicate. Although urbanisation rates and absolute increases in urban population will be highest in Africa, it is the region with the most limited resources to deal with rapid urbanisation, a process requiring high levels of capital investment and technical resources.

Cities are proven poverty fighters. For example, urban incomes are, on average, four times higher than rural ones in countries such as China and Thailand, and significant income differentials remain after controlling for higher education levels in cities. Metropolitan areas—even larger Extended Urban Regions (EURs), which often contain several metropolitan areas—account for enormous income and wealth creation, and the

capital they create can be mobilised to help alleviate poverty. In 2005, emerging economies grew by \$1.6 trillion<sup>1</sup>, more than the industrialised countries did. Most of this \$1.6 trillion increment accrued to the cities that are relevant to these guidelines. The economic underperformance of India, compared with China (until recently), may be partially a result of India's much lower urbanisation level—28 percent in India versus 39 percent in China (41 percent in 2005) (United Nations 2004b)—India has 221 million fewer urban residents than China.

São Paulo, which has 10 percent of Brazil's population, accounts for 25 percent of the gross domestic product (GDP). In China, by 2020, the three leading coastal EURs (each containing more than one metropolitan area)—the Pearl River delta, the lower Yangtze River delta, and the Bohai Bay region—will be home to more than half of China's population, but they will account for 80 percent of GDP. With metropolitan regions as the metric, the 53 metropolitan regions in China anchored by a city with more than 1 million people are currently home to 370 million people, or 29 percent of the country's population, but account for more than 62 percent of China's nonfarm GDP. Cape Town, eThek-wini (Durban), and Johannesburg account for some 50 percent of South Africa's GDP but represent only 20 percent of the national population. Lagos produces 60 percent of Nigeria's non-oil GDP. This urban dominance in economic productivity often shows up in fiscal performance as well. For example, the Bangkok metropolitan region accounts for about 53 percent of public sector revenue in Thailand but is home to less than 20 percent of the population.



Aerial view of Johannesburg, South Africa

1. All dollar amounts are in US dollars.

Of course, we should treat official data with great caution, especially in Sub-Saharan Africa, where the informal sector dominates and where researchers often undercount its contribution to livelihood and economic development. Estimates for Africa indicate that the informal economy workforce accounts for an extraordinary 78 percent of nonagricultural employment, 61 percent of urban employment, and 93 percent of all new jobs. The recent improvements in Chinese statistics (based on the economic census of 2002) illustrate the economic value of undercounted urban employment, much of it informal. As a result of more accurate counting of service activities, primarily urban, the service sector was 48 percent larger than previously indicated, accounting for 41 percent of national outcome, not 32 percent. The recount increased China's GDP by 17 percent, making it the fourth largest economy in the world by the end of 2006. Similar discrepancies likely affect data in other developing urban economies (Huang 2006).

How can policymakers maximise the benefits of the urbanisation process? How can developing countries mobilise urban capital to increase livelihood opportunities and standards of living for all citizens, not just the most successful?

China, with its pro-urbanisation policies (accelerated productive urbanisation), has removed 220 million people from poverty in less than 25 years (but 100 million remain in poverty, including 26.1 million farmers in absolute poverty). With economic growth highly correlated with poverty reduction, especially if coupled with pro-poor policy frameworks, the continued economic success of cities bodes well for poverty reduction. It also bodes well for the achievement of Millennium Development Goal 7, Target 11, established by Cities Alliance, the one most relevant to urbanisation: "By 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation" (United Nations Millennium Declaration, GA/55/2 of 8 September 2000 [para. 19], United Nations 2005, p. 3). But the achievement of the goal will be the result of highly skewed global geographic outcomes, with the

bulk of progress in Asia. Africa in particular will need to devise strategies at the local level, supported by national frameworks, to make urbanisation a more effective tool of economic development and poverty prevention and alleviation.

African cities need to provide their residents and migrants with ladders to escape poverty. The ability of African cities to become powerful agents of poverty alleviation and economic development depends on two factors: (i) whether institutions and policy conditions liberate or hamstring a city's potential to create jobs; and (ii) whether city residents have access to land and housing, education, health care, and security, even if they have erratic incomes, few powerful connections, and no recognised status in the city. In Sub-Saharan Africa, with a few exceptions, cities have not been able to move beyond a limited role as trading and commercial and administrative centres, serving only the local populace. They have not developed manufacturing or high-end service economies, which would support poverty alleviation across the continent. In fact, in most Sub-Saharan African cities, formal employment is actually decreasing.

Latin America, which is nearing the end of its rural-urban transition, illustrates the dangers of hyper-urbanisation: the potential of urbanisation to alleviate poverty has been blunted because meaningful livelihood opportunities (employment creation and opportunities for households to create their own jobs) have not occurred rapidly enough. Although economic growth is virtually always beneficial in reducing and preventing poverty, some types of growth are more pro-poor than others—much of the East Asian urban growth in countries such as China, Malaysia, and Thailand has effectively reduced poverty.

*African cities need to provide their residents and migrants with ladders to escape poverty.*

## 2.2 EMERGING CHALLENGES

The fact that cities make people richer and prevent or alleviate poverty has a flip side, namely, environmental and natural resource challenges. Richer societies generally consume more energy and commodities and generate more waste, although not necessarily more pollutants (they also consume less energy and fewer commodities per unit of economic output). Translated into global dynamics, this hastens the day when many nonrenewable commodities and energy sources will become scarce. High urban consumption is not directly associated with urban lifestyles—rural people with the same levels of income as city dwellers would consume more energy for transportation, for example—but is explained by the fact that cities are highly successful in raising household incomes.

This relationship between urbanisation and resource consumption, particularly of products needed for city building, has been clear from the experience of industrialised countries for more than a century. For example, in 2004, China consumed 40 percent of the world's cement and 27 percent of its steel, primarily to build cities (China Republic 2002). Again, as the United States' urban population expanded by 124 million during its urban transition from 1900 to 1970, per capita steel consumption increased six-fold. Similarly, as Japan's urban population increased by 70 percent between 1950 and 1970, its per capita steel consumption increased eight-fold. Goldman Sachs, an investment bank, indicated that oil could reach \$105 per barrel in the next few years, an outcome essentially fuelled by the massive urbanisation processes described above (Pesek 2005).

This means that cities will need to function differently. Buildings, which are the biggest consumers of energy in most developing cities, will need to be built differently. Urban form will become even more important, given the close relationship between urban form and energy consumption for transportation. It is to be hoped that dramatic improvements in the energy efficiency

of cities will be the result of proactive policies, rather than the result of harsh feedback generated by market prices.

The world has consumed half the available petroleum (Deffeyes 2001). Energy, especially for vehicles, is likely to be in short supply before mid-century because alternative fuel systems are not expected to be widely available until later on. The result could be slower economic growth and a slowing of globalisation (which is dependent on inexpensive energy). This situation will bring urban environmental and resource consumption issues centre stage. Most of the world's largest cities are located along coasts, so the risks of natural hazards, especially those related to ocean levels and surges, are becoming real threats. Water supply is a critical issue facing urban regions from Sub-Saharan Africa, to northern China, to the southwestern United States. (Semi-arid regions are the most common climatic type on Earth.) Social disorder and security risks in cities are increasing in many parts of the world, be it from terrorism (Jakarta, London, Manila, and New York), insufficient social capital (Kinshasa, New Orleans, Paris), or disputes over urban land, especially disputes about the transformation of rural to urban land (China).

And infectious diseases, such as SARS and avian flu—often bred in peri-urban areas where humans come in contact with both domesticated and wild animals—may threaten the viability of cities. These challenges and risks will be especially strong for the African urbanisation process because the continent is so early in its rural–urban transition. Yet Africa will have to complete the transition under much more trying external conditions than experienced by the industrialised world and Latin America, which have essentially completed their rural–urban transitions. In short, the risks urban regions face are becoming more problematic, despite the enormous potential of cities to generate wealth quickly and prevent or alleviate poverty. Environment, energy, social, and security issues will have to play a central role in CDS processes. At the urban scale, resilience is now as important as competitiveness.