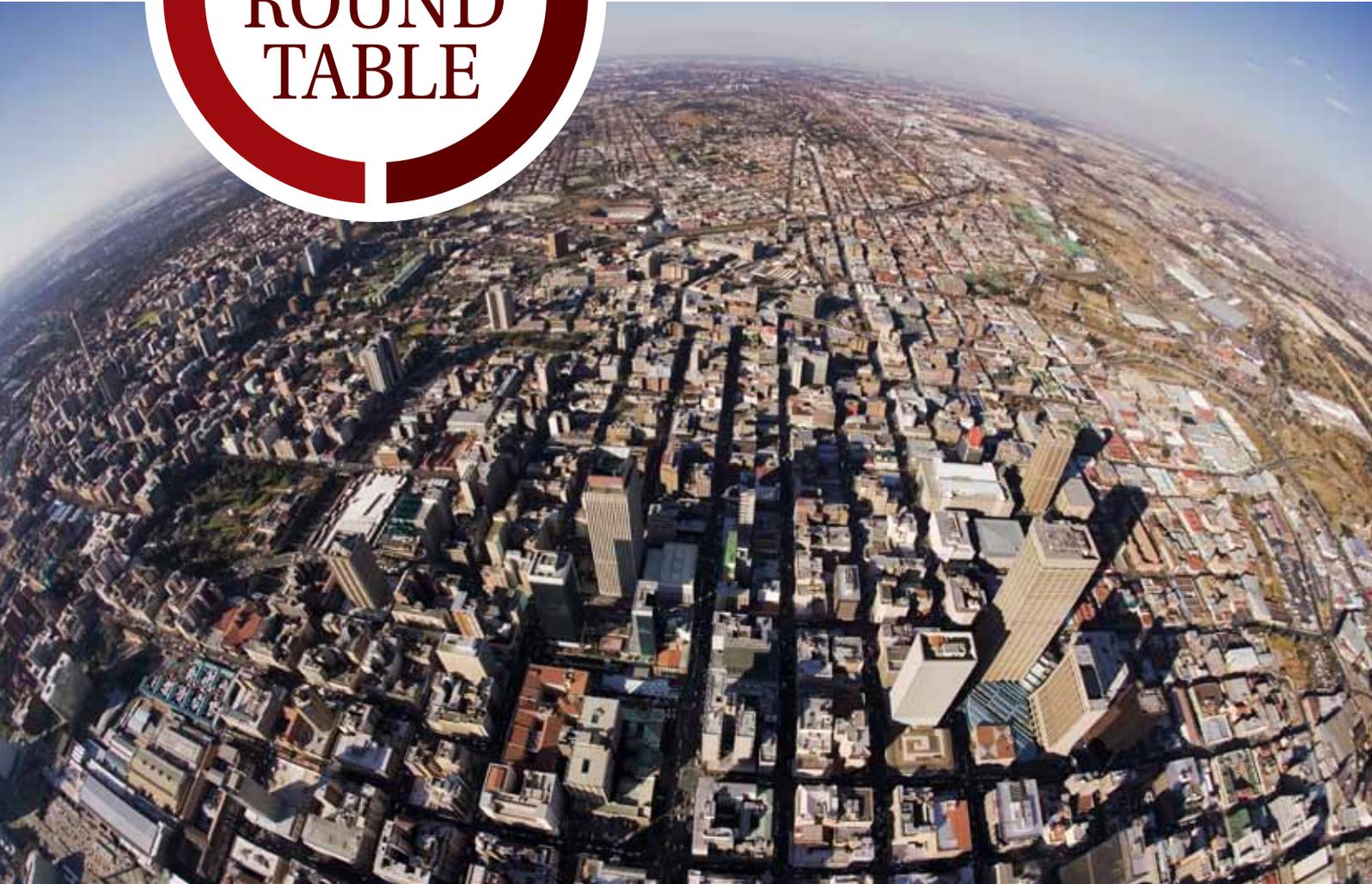




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## CITIES OF HOPE

Young people and opportunity in South Africa's cities  
(Unabridged Report)

Edited proceedings of a Round Table convened  
by the Centre for Development and Enterprise

The Centre for Development and Enterprise is a leading South African development think tank, focussing on vital national development issues and their relationship to economic growth and democratic consolidation. Through examining South African realities and international experience, CDE formulates practical policy proposals for addressing major social and economic challenges. It has a special interest in the role of business and markets in development.

Series editor: Ann Bernstein

This report summarises the proceedings of a Round Table hosted by CDE in June 2013.

Written by Antony Altbeker, Evelien Storme and Ann Bernstein.

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## INTRODUCTION

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With just over half the world's population now living in urban areas, and with estimates of the world's urban population in 2050 running to around 70 per cent, cities have never been more important for human well-being and economic prosperity. These numbers actually understate cities' collective significance since about 80 per cent of the world's output is produced and consumed in cities (where per capita income is generally higher than in rural areas). All of this means that the vast majority of new jobs that will be created in the future will be located in cities, as will be an even larger proportion of better-paying jobs. These will provide incomes to billions of people and — as countries as different as China and Brazil have already shown — they will play an enormous role in raising hundreds of millions of people out of poverty.

If all of this is to come to pass, however, cities' economies must grow. And that growth must be as inclusive as possible for all urbanites — whether newly arrived or urban born — so that all can participate in the main currents of social, political and economic life. Achieving this will not be easy, but the good news is that humanity's experience with cities over the past 500 years is that most have delivered higher living standards, rising prosperity and increased inclusion. As much as anything else, this is the consequence of cities' density, a phenomenon that significantly increases the productivity of individual residents. Historically, urbanisation has been linked with industrialisation, which has both facilitated cities' growth and depended on it. Increasing density also meant that the economic return to living in cities rose exponentially, while making possible the efficient delivery of all kinds of services — energy, water, health, education, finance, logistics, media, transport, etc. Cities, in other words, have generally been phenomenal engines of human progress and economic development.

Despite this, South Africa's relationship with urbanisation has been complicated and ambiguous, if not outright hostile. One of the core goals of apartheid, for example, was to keep black South Africans out of the cities. Not only was this racially discriminatory but impossible to achieve at the same time as growing an economy that was increasingly urban. Apartheid may have ended, but South Africa's policy-makers remain ambivalent about the desirability of more rapid urbanisation, an ambivalence that is manifested in politicians' frequent promises to focus development on rural areas. This promise is repeated in the ANC's 2014 election manifesto, which dedicates considerable attention to rural development and links it to critical priorities like infrastructure roll-out and public works. In the meantime, the manifesto pays little attention to urban challenges and the potential that cities and urbanisation hold for faster growth and improving the quality of life. Also South Africa's then recently-released National Development Plan (2012) seems to put more emphasis on rural development for tackling South Africa's chronic unemployment problems than it does on the need to encourage and build on the positive force of urbanisation.

Policy ambivalence of this sort, combined with the modest performance of the economy, particularly in employment creation, has meant that the pace of urbanisation is not as rapid as many predicted it would be 20 years ago. This is nothing to celebrate: well-managed cities with rapidly growing economies are by far the most effective platform for development that South Africa is likely to find. City growth should be encouraged,

Cities have never been more important for human well-being and economic prosperity

Well-managed cities  
can play a dynamic  
role in reducing youth  
unemployment in  
South Africa and  
increasing social and  
economic inclusion

particularly in light of the need to find meaningful employment for the many millions of South Africans who do not have jobs, most of whom are young.

In the light of these considerations CDE launched a project framed around the question of whether South Africa could build “cities of hope” — cities in which large numbers of otherwise marginalised young people could find work, start businesses and improve the quality of their lives.

This would also be relevant to other developing countries, many of which try to slow urbanisation as they fear that the process can increase inequality and place vulnerable, poor people —recent migrants, unemployed youth—in a position of permanent disadvantage. New arrivals in cities and people born into urban poverty are often forced to exist on the margins of urban economies, in the informal sector, and never gain the skills or access to opportunities to break out. Notwithstanding these experiences, there are many more instances where the opportunities generated by urbanisation create the foundation for rising out of poverty, opportunities that simply do not exist in rural areas.

In order to influence the debate and the policy actions taken regarding the ways in which well-managed cities can play a dynamic role in reducing youth unemployment in South Africa and increasing social and economic inclusion, CDE sought to explore what is happening here and elsewhere in the developing world, with a special focus on emerging democracies such as India and Brazil. We asked a range of international experts on the economics of cities in developing countries to prepare reports and to participate in a workshop attended by leaders from government, business, civil society, academia and urban practitioners in June 2013 (see list of attendees on page xx). This report summarises the proceedings of that workshop.

Within this broad framework of urbanisation, economic growth, and the extent to which opportunities for young people can be expanded, the key issues we have aimed to explore were:

- How do cities generate economic growth that expands economic opportunities, especially for young people?
- Why are some cities better at this than others?
- How important is government policy for such success, and which ones in particular?
- What role do firms and new entrepreneurs play in shaping the expansion of opportunity for young people in cities? How important is the quality of the relationship between government and business?
- How are the particular challenges faced by young people accommodated when cities help expand opportunity?

## Ann Bernstein

*Executive Director, Centre for Development and Enterprise*

CDE started out as an organisation focusing on cities and urbanisation. For the past decade or so, though, the issue of urbanisation and the role of cities in development has been somewhat unfashionable, and like everyone else, CDE has not done a huge amount of work on it. Instead, we've begun to focus much more on young people, unemployment and schooling. But this is an opportune time to get back into the subject, especially because what we want to do is try focussing our energies on the intersection between employment and opportunity expansion, youth unemployment and urbanisation.

Research relating to the impact urbanisation has, and can have, on young people's access to economic opportunities is far less developed than we had expected given that both growing cities and youthful populations are key drivers of social change around the world, and will remain so through the 21st century. Some research on the interdependence of youth, growth and urbanisation has been done, with the World Bank in particular adding interesting perspectives into the debate. One of their most recent reports, for example, finds that one of the categories of employment with the greatest social and economic payoff over time are jobs associated with making cities function better. Elsewhere, we found evidence relating to the pace of productivity gains and new firm entry being associated both with youthfulness of populations and with successful urbanisation and city growth. Spill-over benefits from and into improving education have also been linked to increased densification and sound urbanisation. What, however, does this mean for policy-makers in South Africa?

The latest census in South Africa revealed significant migration into Gauteng and the Western Cape, South Africa's two most urbanised provinces. Despite this, the overall the level of urbanisation, at 62 per cent, is considerably lower than many would have expected 20 years ago. The census also showed that South Africa is a young country: 57 per cent of people are below the age of 30. So, in a context of an education system in crisis, high unemployment and increasing urbanisation and urban growth, we think the nexus of issues that most represents the future of the country is expressed in our topic for today: how can South Africa's cities create opportunities for young people and become 'cities of hope'.

Categories of employment with the greatest social and economic payoff over time are jobs associated with making cities function better

## SESSION ONE: Success stories - generating urban economic opportunities in the developing world

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### SPEAKERS

**Prof. Paul Collier**

*Professor of Economics, University of Oxford*

#### Cities and the miracle of productivity

The first and most important thing I want to say is that cities really matter.

Cities are essentially part of the miracle of productivity, which is what I call the processes through which ordinary people, who throughout history produced output the equivalent of about \$2 a day are now somehow able to produce \$100 a day with about the same amount of effort. That's the miracle of productivity. And, its sources, as Smith discovered 250 years ago, are scale and specialisation.

Cities are fundamental to the miracle of productivity because it is cities that permit scale and specialisation; it's only when you can bring lots of people together in close physical proximity that it becomes possible for each to specialise. The more people you can bring together, the more specialisation is possible. And, in rough terms, we think that every time you double the size of a settlement, globally, you get an increase in productivity per person of about 6 per cent. This means that when you move from a dispersed rural population to people living in mega cities, the settlement's size doubles so many times that you've got huge productivity gains. So, whatever urban middle class romantics about rural areas say to the contrary, dispersed is dumb. Such places may look pretty, but economic activity takes density.

The second important point to make is that cities are built; they are the result of all the varied decisions to construct structures and infrastructure.

You get three types of structures that make up a city, the initiative for each of which gets taken by a different party. The first is what households do when they build shelter—housing. The second is the investment decisions made by firms to construct premises for productive economic activity—factories, shops, etc. The third type of investment is in infrastructure, which is done by governments whose mandate it is to provide for roads, railways, bridges and so on.

These three different physical investment processes in structures, by three different types of actor, occur in the same physical space. The important point is that while the decisions are independent, the outcomes are interdependent because the utility of each structure depends on the decisions made by other players.

Cities are fundamental to the miracle of productivity because they permit scale and specialisation

How does this play out in Africa? Well, the short answer is that African cities have gone badly wrong. The continent's urbanisation has been seriously dysfunctional. Fortunately, the continent is only about half way through the process of urbanisation. This is because (i) a lot of people are still not urbanised, (ii) because populations are growing quickly, and (iii) because a lot of African cities are in the wrong place—too many are inland, while the future is likely to be one of coastal mega-cities. So, in aggregate, Africa is only about half way through the process of urbanisation, and It's got a chance to make the second half better than the first half.

### Housing

Housing is a hugely important part of a nation's stock of capital. So much so, that in the developed world it typically makes up between a third and a half of the entire capital stock of a country. Because it is such a huge component of overall investment, getting housing wrong is disastrous for development.

What has to happen to get the housing market working? Well, the most important thing is that housing has to be affordable for an ordinary, urban household. Since this is often not the case in Africa, many of its people live in shacks and slums. A few things feed into affordability, including construction costs, building regulations, legal rights and affordable finance. To get these right, your starting point should be what an ordinary family can afford to spend on building a home, rather than a fantasy about what you want. So what determines affordability?

- Overly-strict building regulations. Building regulations in much of Africa were modelled on the 1947 British Town and Country Planning Act, which was probably too ambitious even for Britain of that time. Britain was lucky and grew fast, so it took only 30 years before these standards became affordable and appropriate. But if Britain had had those standards in the 1800s, London wouldn't have happened.
- Building standards have to be appropriate to levels of income. If they are too high, you get informality, which fails to reap all the scale economies of a city. Formality is far more efficient. If you start from what ordinary people can afford, you can make more feasible decisions about building standards and unit costs. When you don't do that, as happened in Mozambique and Angola, you end up with housing stock that is hopelessly unaffordable because the specifications are simply too high.
- Who builds homes? In a lot of Africa, houses are built by the very people who live in them, which is in stark contrast with much of the developed world where specialised construction firms erect housing before they become assets on the property market and change ownership. This is a prime consequence of informality, and it means that housing construction fails to reap scale economies, which are the essence of modernity.
- Property rights. The property rights regime is critical because the incentive to invest in housing depends on legal title. Rental markets also depend on appropriate and enforceable legal frameworks.
- Affordable finance. Here's an example of the problem of costly finance: banks and other lenders affiliated to the African Union for Housing Finance typically offer 20 per cent interest rates, over a 10 year term. This is an unreasonable term, because it means a very high proportion of the loan must be repaid in the first few years, which in turn results in high default rates and higher risk premiums. This leaves

To get building regulations right, your starting point should be what an ordinary family can afford to spend on building a home, rather than a fantasy about what you want

decent housing unaffordable. Ways have to be found to move to 20 or 30 year terms and to single digit interest rates.

### Business premises

In a developed economy, firms very seldom build or own their premises anymore. Building is quite specialised and risky; it requires a dedicated management team whom firms hire to do the job while they focus their management on their core business. So somebody else builds the structure, and, usually, somebody else owns and manages it, and rents it out.

This isn't how it works in most of Africa where specialist construction and landlord agencies often don't exist. This forces firms to become jacks-of-all-trades – which raises their costs. In addition, firms, like households, often face high and inflated construction costs, and contested legal rights. So, African countries need to find ways to make it economically sensible for specialist construction and property management firms to prosper.

### Public infrastructure

Building public infrastructure is considerably cheaper when it's done before firms and households build their structures. This means planning ahead, and ensuring that there is a financing system which works for long-term investments which have very long payback periods. The best way to do this is to recognise that the construction of good public infrastructure gives rise to considerable positive externalities. These are reflected in rising property prices. It's important for public agencies, therefore, to try to capture some of the appreciation of land values which they then can use to finance the investment in the infrastructure.

### What does success look like?

I'd like to give you one image to illustrate an efficient city. Think about the typical African city as a doughnut: the middle of the city has a relatively low economic density which, as a consequence, isn't generating jobs or other opportunities. It may look crowded, but this is because there are slums, not because there is much economic activity. By contrast, an efficient city looks like a pyramid where you get more density of economic activity as you get closer to the centre. So Africa needs to start thinking about how it can turn its doughnuts into pyramids.

In a successfully planned pyramidal city, you get two sorts of job opportunities. First, there are those that arise from factors that are inherent in the nature and prospects of each particular city and over which policy-makers have little control, such as the city's location. Coastal cities are better plugged into global markets, and are more likely to generate more opportunities. That means that, as a matter of national policy, you'd want to see a lot of housing stock built at coastal cities, and in areas where residents can access jobs that arise. It's important to make sure that your structures fit into these kinds of exogenous opportunities, and enable residents to draw on them.

But most jobs in cities result from the processes initiated by policies, investments, and decisions of various actors as the city develops. In my mind, they are a product of density. In this regard, I would endorse the proposal made by Doug Saunders in his book *Arrival City*, which is that the preferred residential structure that middle-income countries should

It's important for public agencies to try to capture some of the appreciation of land values to finance the investment in the infrastructure

aim for is five-story apartment blocks. With more than five stories, you need lifts, which push up costs, but with less than five, you lose density. The ground floor of these blocks should be used for businesses, and the remaining four floors should be used for housing.

One implication of this is that strict business/residential zoning policies are undesirable: you really need to have your housing and business interspersed and interdependent. Generating endogenous jobs is a result of achieving density, and good regulation.

Finally, I want to say why formality has so many benefits. Of course you can get formality wrong when, as has happened in many countries, you tie people up in red tape. But when you get formality right, it has three huge benefits:

- Standardisation of construction techniques. This makes valuation much easier and facilitates the emergence of secondary markets for structures.
- Legally enforceable rights. While this is a clear benefit in itself, it turns into a strong catalyst when combined with easier valuation as it enables the financing of buying and building structures. Enforceable property rights are essential for properly functioning markets – primary and secondary – and make planning for the future (and, therefore, investment, possible).
- Widening the tax base. Taxability generates revenue stream, which enables governments to procure public goods. And the combination of public goods at higher scale and production both give you productivity.

### Conclusion

It is critical to get all these components of creating an efficient city right at once. This means getting a whole lot of different institutions to design and implement complementary policies. You need to get affordable finance in place, while at the same time ensuring that building regulations are appropriate, that public works departments are building the right kind of infrastructure, and that your property rights regime is in place and that property titles can be challenged in courts that work. Because of all the interdependence, the payoffs to fixing just one piece of policy are very low. When you need to fix a whole lot of things, like in many parts of Africa, the only way to do this is to elevate urbanisation policy to the highest political levels.

I'll conclude with a final point about the importance of getting this right. At the moment, much of Africa's best bet for making developmental progress is by managing the exploitation of natural resources well. It's true that prices are lower than they were, but this gets compensated for because many countries' in Africa's capacity to produce greater volumes has grown a great deal. No matter how important natural resources are in the present and immediate future, the fact is that these are a depleting resource and that African countries need to invest the resource rents they accrue in developing new productive assets. Well-designed, productive cities could be those assets, triggered by the real spur for economic growth you would get from building them.

African countries need to invest the resource rents accrued in developing new productive assets. Well-designed, productive cities could be those assets

## Dr Shahid Yusuf

*Chief economist of the Growth Dialogue, George Washington University*

Cities are the productive heart of the economy. But to be so, they have to have the capacity to grow. We've become very fond of calling our cities "resilient, green, smart and sustainable", but we achieve none of those goals unless our cities are growing.

Urbanisation has increased extraordinarily from 14 per cent in 1920 to 52 per cent today. Each day, the number of urban residents across the world grows by 1 million, 20,000 new dwellings are built, and 160 miles of road are added. That's what's happening now and it's expected to continue so that by 2040 the number of people in cities will be considerably higher than it is now.

To properly understand urbanisation, one needs to see it as a force that works in conjunction with forces that push people out of agriculture. Today, less than 5 per cent of people in the developed world work in agriculture and the same trend can be seen in the rest of the world. This will continue largely because technological innovation will reduce the number of people needed to grow our food, while climate change will leave many people working the land with no other option but to move into urban areas.

Until recently, urbanisation has been very closely correlated with industrialisation. This relationship has, however, begun to break down as the share of GDP made up by manufacturing falls in many places. This is partly because the world is getting richer, but it is also because of sea changes in the way the global economy is being organised. Today, we're seeing dramatic consolidation of supply chains which, until recently, were fragmenting. The result is that there are fewer opportunities out there for firms and countries looking for niches in the global economy, with incumbents having significant advantages over new entrants.

In the absence of industrialisation, we need to think about what activities will drive future urban growth and productivity gains, and create jobs. One model that has emerged in Africa are the so-called 'consumer cities' which survive on resource rents, services and informal activities. But they will only last for so long and are not a model for sustained growth.

So what are the factors that will create these 'cities of hope', and what are the policy angles that can be worked in order to achieve this? I'm going to run through seven items which I think are decisive.

### Location and design

Densification is crucial. You can go back to the '70s and see literature on how important it is to densify. But it hasn't happened yet because the forces against densification are incredibly strong. At this point, we've locked in a lot of sprawled infrastructure and housing, which makes it extremely difficult to deconstruct and rebuild cities. This is true even in China where they explicitly aim to build vertically because the cities raise revenue when they sell off land (which is usually only available on the edges of cities) to developers. Looking forward, I expect to see a great deal of deconstruction and de-building of cities, in an attempt to generate smarter denser urban planning and make up for the sprawl-flaws of the past. I expect this especially in countries with high rates of savings which can afford it. Cities will also continue to need land to grow, and, while we much rather prefer densification, this spread or sprawl of cities will probably continue.

In the absence of industrialisation, we need to think about what activities will drive future urban growth and productivity gains, and create jobs

Climate change is another factor that will affect future decisions about location and design, which is going to reshape the geography of urbanisation. Coastal cities in particular are not going to be viable unless they invest in building the dykes, the pumps, the natural defences, the mangrove forests and all of those things to try and sustain themselves. Access to water, too, will become even more important.

### Leadership and government

*One* thing we know for sure about successful cities is that they have good leadership and governance. Singapore, which is the gold standard of city leadership, like other Asian cities, has a strong visionary person at the top and he is supported by an able, merit-based bureaucracy that can anticipate opportunities and actually implement things. City leadership there looks five to ten years ahead to see what is it that they need to do to ensure that the engine of growth in these cities continues to turn, that job opportunities are created, and that they build up the human capital to support whatever it is that they are trying to achieve. Because of the quality of their leadership and the effectiveness of their bureaucracy, you've got mobilisation and participation of the private sector, which goes together, in the best of cases, with the building of a civil society that is vigilant and that can monitor the activities of the government.

### Quality and growth of the workforce

It goes without saying that the quality and growth of a city's workforce is a really important force behind its ability to grow. While there is a role in this for national governments, cities should also take this issue seriously. I looked at a number of other countries including Finland, Ireland and Singapore to understand what makes for a high-quality work force. One underappreciated variable, is the ability to get able and motivated teachers who were in the top 30 per cent of their class. Other requirements are technical and vocational training, which is expensive. Active labour market policies can also help, but the American and European experiences suggest that helping the youth and the elderly is difficult and doesn't work.

Although building a high-quality workforce is essential, there really isn't an easy way to do it and it appears particularly difficult for the cohorts of under-skilled people between 15 and 35—precisely the people who most desperately need it. As a stop-gap, drawing on foreign workers can help. But over the long term, local talent is really what matters.

### Urban economic engines

It is impossible to overstate the importance of manufacturing. The fact is that it is shrinking as a share of GDP everywhere, particularly in Africa where it is already only a small share of GDP. This is a matter of great concern for a lot of reasons, including in relation to the prospects of urbanisation.

When I talk to policy-makers in African and South East Asian countries, they often look to building light, labour-intensive manufacturing as engines for economic growth. My sense is that this is not going to be the solution. Even when it is possible to build these industries—textiles, toys, furniture, etc.—you soon hit a wall once you reach GDP per capita of about \$5 000, light manufacturing ceases to be competitive. Think about countries like Bangladesh or Mauritius, which spent 20 or 25 years building up textile industry

City leadership needs to ensure that the engine of growth in these cities continues to turn, that job opportunities are created

capabilities, and now find that they can't go any further that way. So, this is not going to be a long term solution. What might be a solution—and frankly what has to be the solution—is a mix of productive services and manufacturing. Even in manufacturing, 30 per cent of all value-added is services of various kinds like design, R&D, transportation, etc. Get these right and manufacturing will be competitive; take those services out and manufacturing will fail. In fact, looking into the future, improved manufacturing competitiveness will come from the quality and effectiveness of these supporting services. Having said that, and this is an important consideration, improved productivity in important services sectors in the developing world—retailing and logistics for example—will result in less employment, not more, as new technologies are adopted.

### Scale

Enormous amounts of ink have been spent on studies on the importance of agglomeration economics. Some of the meta-studies suggest that the increase in productivity per person of doubling the size of a settlement is closer to 3 per cent than 6 per cent. My sense is that a large city is not necessarily able to achieve this, and that many other things need to be right too for it to happen. These include the composition of industry and the quality of the skilled workers. If you look at a city like Karachi, for example, which is enormous, you can see that sheer scale doesn't do a lot for productivity. By way of contrast, consider the productivity levels of smaller cities like Silicon Valley (population of 2,6 million), Cambridge (+/- 60 000), the research triangle in North Carolina (2 million). So, size is neither a necessary nor sufficient condition for high levels of productivity or productivity growth. It is necessary to do a whole lot of other things.

### Connectedness

Global connectedness really matters. In a world economy which is comprised of networked cities, through flows of capital, knowledge workers, trade and so forth, a city that is highly connected is going to be much more successful than one that is not. The factors that particularly matter for the connectedness of a city – other than physical things like transport – seem to be the presence of financial and other business services which connect one city with others *across the world*.

### Finance

You can be a city with a reasonably prosperous economy, but if you're not able to mobilise enough revenues and raise enough capital, you're going to have a big problem. The question, therefore, is what is needed in order for a city to be able to mobilise the resources? One part of the answer is having a local tax base, in particular from property taxes because that really is the principal source of revenue for cities. Cities need the authority and ability to secure these revenues. But most cities, whether in advanced countries or others, make a complete hash of trying to develop a property tax base and ensuring that regular assessments are done. This is largely because the political forces against them succeeding are immense. In China, for instance cities have been struggling with this for a while, saying that they needed to make sure to put in place an effective property tax base. But the difficulty is that the wealthy in China oppose this adamantly.

If cities manage to consider these seven factors in their planning, they may come closer to what we have been calling "cities of hope".

Size is neither a necessary nor sufficient condition for high levels of productivity or productivity growth. It is necessary to do a whole lot of other things

## Dr Debby Potts

*Reader at King's College London*

I've been researching migration and urbanisation in Africa and sub-Saharan Africa since the '70s, and generally I prefer looking at things from the bottom up rather than from the top down because I'm interested in people's livelihoods, in the incomes they make and what is affordable for them. One of the things you learn by doing this is that the vast majority of African cities often don't achieve what Paul Collier has termed the miracle of productivity: they don't generate large increases in productivity and growth. And you can see that by the fact that urbanisation is not growing anywhere near as fast as had been predicted. I would also caution against the conclusion that densification by itself generates productivity growth --if that were true, refugee camps would be some of the most productive places in the world.

Looking at rural-urban and urban-rural migration patterns, you find that many people can't afford to live in cities and that the ones who manage to stay - even if they're unemployed - typically have access to resources and support that others do not. Those without these assets end up being pushed back into the rural areas as a matter of survival. So for me, open unemployment in urban areas is not really the issue, because those who can afford to be unemployed are often better off than those who work very hard for tiny incomes.

A surprising fact about Africa's urbanisation is that, while lots of people are still coming into African cities, there are also lots of people who leave because they're unable to make a living or maintain a household. In fact, the most recent censuses show a degree of counter-urbanisation in countries like Cote d'Ivoire, Central African Republic, and Zimbabwe, where the proportion of urban people has shrunk. There are also places which are urbanising again, like Zambia which after 20 years of counter-urbanising sees the net movement of people now being into towns again. This is a consequence of the high copper price.

Urbanisation trends reflect the economic reality in a country, good or bad, and can be quite revealing about how successful cities are in realising their potential. The fact is that many sub-Saharan African cities are not realising their potential and that they don't generate masses of formal jobs or decent work. The result is that many of the urban residents are left in low-value and informal sector work, and the very low incomes make them vulnerable. Hence the rapid turnover of people.

It is a surprising fact, that unemployment rates in many African cities outside South Africa are quite low. This is because unemployment is a luxury. Recently the African Development Bank, finally recognising this paradox, published data that showed that unemployed people in African cities can be better off than people who are employed in very marginal, very low-income jobs which they keep only out sheer desperation. These working poor have to do those jobs or would not survive. The ones who can't get into these jobs and don't have access to other income sources to sustain themselves, might have to leave the city. To realise their potential, cities need to find their comparative advantage in a globalised economy. Urban economic theory and reality show that industrialisation, specialisation of labour, and raising productivity is really key to all of this. The geography of comparative advantage goes a long way to explaining why African economies are so weak. The brute fact is that since 1980, the manufacturing share in Africa's economies has been shrinking under the extremely powerful forces of globalisation and liberalisation.

Cities need to find their comparative advantage in a globalised economy. Industrialisation, specialisation of labour, and raising productivity is really key to all of this

The problem for Sub-Saharan Africa is that geography of comparative advantage favours the countryside rather than the cities.

Whereas in the past countries could protect their industries better, trade liberalisation means that cities must compete globally for investment.

Cities with the right combination of factors and with the right comparative advantages have done very well under this regime. Look at Cambodia, for example, which has only 13 million people and an extraordinary difficult history, but which saw annual GDP growth of 10 per cent in the ten years before 2007. This meant 100 000 new industrial jobs per year, with the garment industry alone employing 350 000 women by 2008. Vietnam, as another example, exported in 2008 more light manufacturing goods than the whole of sub-Saharan Africa taken together. And that includes South Africa. Those economies have very different kinds of comparative advantage and are in fundamentally different positions to those of any African country.

The problem for Sub-Saharan Africa is that its cities don't compete well in the relevant sectors. If you look at where African economies generate most value add, it's in minerals and agriculture. So, if anything, the geography of comparative advantage favours the countryside rather than the cities.

How do you change these dynamics? I think the critical thing to recognise is that cities all over the world fail to create decent urban livelihood for everyone, and therefore need to subsidise their workforces.

Take the US, where one in seven people is currently on food stamps. In Britain last year, people with median incomes or less simply couldn't afford to rent a two bedroom flat in 55 per cent of local authorities. Figures like these really transform our understanding of urbanisation in the world. There is often a presumption that urbanisation creates urban livelihoods which are decent for everyone. But that is not true, and it has never been true. There are millions of jobs, in mega-cities like London and New York, which do not provide sufficient income for urban people to support themselves. I believe that various types of subsidises and state support really would make an enormous difference to the resilience of people trying to make a living in the cities. In turn, that would make cities more successful and viable.

## RESPONDENTS

### Kuben Naidoo

*Special advisor to the Governor, South African Reserve Bank*

Prof Collier gave us a number of reasons why cities are good. They allow for specialisation and scale, which combine to provide significant economic benefits. They are also social places, allowing people to engage and interact in ways they otherwise would not do. Urbanisation also contributes to economic growth—through migration, which raises productivity, and through investment in housing assets, capital stocks and so on.

Several studies in the last decade have tried to figure out why rapidly growing sub-Saharan African countries aren't seeing the anticipated employment or income benefits. The general theory is that over the past 20 years, much of this growth has shifted people from higher productivity to lower productivity jobs – for example, from a small-scale factory to a cotton plantation or copper mine. This is because growth has largely been in primary commodities, which provide minimal returns to workers and limited productivity growth. This has implications for urbanisation, as it means there's less pressure on people to move to cities since employment growth is taking place in the countryside. So it is not a given that cities are going to get bigger, denser and more productive. Cities can go backwards. Even though aggregate GDP numbers may look good, this doesn't mean you'll necessarily get the economics of scale or productivity benefits that come from urbanisation.

One reason South Africa's cities fare so badly in these terms is that they are very badly designed. This is largely due to apartheid, which deliberately kept people far from their place of work by building dormitory suburbs like Soweto. These contained thousands of houses but very little else. While they are relatively dense, they aren't as dense as big cities, and they lack the basic economic architecture and infrastructure that could drive productivity gains as they grow.

Government has found it incredibly hard to reverse this pattern in the past 20 years. Although parts of Johannesburg have densified, this has not happened sufficiently quickly to overcome the city's diffuse geography. This geography means that transport is much more expensive, and raises the costs faced by individuals and public institutions in running the city. It also blocks the emergence of small service businesses, and neither moving jobs to the townships, nor moving township residents to higher-paying city jobs has been successful.

Dormitory suburbs like Soweto lack the basic economic architecture and infrastructure that could drive productivity gains

## Khulukani Mathe

*Head of Secretariat, National Planning Commission*

The presentations have been extremely interesting, but also worrying because they challenge us to explain why it is that we are unable to implement policies we know we should be implementing. The key question is why? What prevents us from densifying our cities? Why is it that we cannot align the interests of households, firms and government agencies when it comes to building our cities?

Part of the answer, I think, is that urbanisation and densification are not pretty and they raise a range of difficult social questions about integration and the like. What we find, then, is that rich communities often resist these processes.

A critical question that I think we should ask, though, is how developing cities should think about the degree of informality that is desirable. Personally, I think that South Africa needs to be reducing the amount of informality of our cities, but there are arguments that achieving this requires so much effective policy coordination that it might be an unrealistic expectation. I would welcome the speakers' views on this.

Urbanisation and  
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## DISCUSSION

Two big issues dominated the discussion of the presentations. The first was a response to Dr Yusuf's somewhat pessimistic conclusions about the prospects of Africa urbanisation on the basis of rapid industrialisation and Dr Potts's view that Africa's comparative advantage did not lie in manufacturing. The second related to South Africa, and the degree to which the dynamics of urbanisation identified by the speakers applied to the processes underway here.

### The relevance of the issues to South Africa

An expert on urban dynamics in South Africa noted that, while it might be true that rates of urbanisation had slowed in many parts of Africa, pent up demand for urbanisation had meant reasonably rapid growth of some cities in South Africa. Johannesburg's population, for example, has grown by 70 per cent since 1994. There were a number of difficulties, however. One was that South Africa's cities had not densified, indeed, they are not as densified as even the least dense cities in Europe and Latin America.

In many African cities, patterns of circular migration from countryside to town or city and back again continue to be important. South Africa's experience was that these patterns—which had emerged under apartheid—had begun to break-down with more people focussing their lives on urban areas. At the same time, new patterns of migrant labour with households maintained at multiple sites (retaining a family home in the rural areas even after moving to the city) had emerged, and had created different kinds of challenges for development policy.

He also noted that, to the extent that there had been any industrialisation, this had been concentrated in Gauteng's cities, and that coastal cities had not fared very well in this regard.

Another participant argued that young people were often poorly situated to take advantage of any employment opportunities that might emerge. The skills deficit could be overcome, but it was very difficult to artificially create the networks young people needed to get jobs if they lived in households and communities that were disconnected from the labour market.

Responding to the questions raised by Mr Mathe regarding South Africa's inability to align the interests and decision-making processes of household, firms and public institutions to achieve faster densification, one researcher suggested that perhaps it had something to do with the difficulty South Africa had in getting all decision-makers to focus on the long-term. "South Africans," he said, "have never really planned for the long-term because the country has been in perpetual crisis since the 1970s, and planning for the long-term means believing in the future." He suggested that getting all social actors to think about the long-term could be done only incrementally, and that progress might be possible, but that it was unlikely to be rapid, especially in an era of heightened uncertainty. Another participant with international experience agreed with this point, but added that as a general rule, it was far harder to coordinate decision-making in unequal cities than in more equal ones.

A senior official in government agreed that the country needed a strategy for urban development and that it had struggled to formulate one despite a number of attempts to do so. One reason for this was that there were a number of provinces which had sought to ensure that the country's spatial planning had a more rural bias. He suggested that the next iteration of the relevant policies by government would be more urban-centred.

To the extent that there had been any industrialisation, this had been concentrated in Gauteng's cities

What has to happen  
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### Can Africa industrialise?

Prompted by a remark from Ann Bernstein about whether the context of China's rising labour costs would disprove the widely-accepted premise that industrialisation through light-manufacturing is not possible for Africa, a number of participants weighed in on the question of the plausibility of a growing industrial sector's driving South Africa's urbanisation process. Ms Bernstein noted, in this regard, recent estimates by Justin Lin, the former chief economist of the World Bank, who has said that China may lose as many as 85 million low-wage manufacturing as its workforce becomes more skilled and productive, and as it moves up the value-chain. "South Africa for example would not need a very large proportion of those jobs to make a big difference," she said. "What is needed is for the managers of South Africa's cities and regions —as well as national decision makers—to go to China and figure out what it would take to compete for those jobs."

Responding to these points, Prof Yusuf said that while it was true that the number of manufacturing jobs in China might fall, this was largely because of increasing productivity as the capital stock per worker rises, and that the jobs would not, therefore, migrate. Besides, he said, Chinese manufacturing was not based solely on cheap labour—which might be available elsewhere—but also on a range of subsidies (for land and capital) and heightened competitiveness in input costs associated with their very efficient manufacturing clusters. "Few countries," he said, "will be able to come close to matching this. It is a particularly big stretch of the imagination to think that these jobs will come to Africa."

Prof Collier offered a much more optimistic take. He pointed out that Asia had managed to break into light manufacturing and this proved that it was not impossible for countries to do so and to find developmental paths that do not seem possible at previous points in their histories. "Chinese manufacturing clusters are super-efficient," he said, "and it's no longer just about low wages because they have such strong agglomeration effects. But even these advantages won't last forever." He pointed to Ethiopia's recent success in breaking-in to the shoe industry which was premised in part on Chinese manufacturers' perception that Africa might continue to retain preferential access to developed world markets and that China might lose this, he said, "What has to happen is for African manufacturers to find niches and to build a competitive cluster around that. This probably needs to be near a port, and transport links and electricity need to be cheap and efficient. "

### Other issues

One expert on African cities said that he differed somewhat with Paul Collier on the question of whether Africa could plausibly pursue an urbanisation strategy premised on formalising the city. While African cities had lower economic densities than was desirable, and while they were not pyramidal in structure, they were also not donuts. Most big African cities, he said, were multi-nodal in structure. Although there were obvious benefits to formalisation, he thought it unlikely Africa would achieve large-scale formalisation, and that the conditions for doing so were not present because levels of governance were too low.

In response Prof Collier said that, in addition to the benefits of formalisation in construction and building to which he'd alluded in his talk, it was important to recognise how difficult it was for informal firms to attain the kind of scale needed to raise productivity. One study of Ethiopian manufacturers, he said, showed that productivity per worker

were in firms employing 50 people was 10 times greater than that in firms employing 4 workers or less. Achieving this kind of scale, he said, was extremely difficult in the absence of formalised businesses. More generally, he said, one of Africa's scarcest resources was effective organisations (ie organisations which can coordinate the activities of numerous people and dramatically raise their collective productivity by facilitating specialisation). Many of the same policy failures which had led to informality had also contributed to the failure to build more effective organisations.

One of Africa's scarcest resources was effective organisations which can dramatically raise people's collective productivity by facilitating specialisation

## SESSION TWO: Urban economic growth in Brazil and India

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### SPEAKERS

#### *The Indian experience*

#### **Prof Chetan Vaidya**

*School of Planning and Architecture, University of New Delhi*

#### **Introduction**

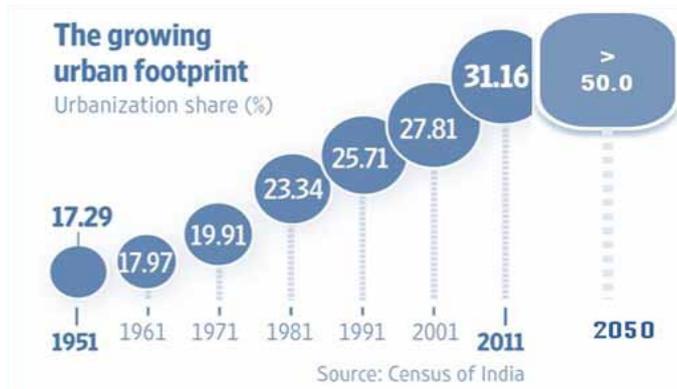
You will understand how important urbanisation is in India if I tell you that India has the second largest urban population in the world. This is despite the fact that urbanisation rates have been slow and only one out of three people lives in cities. Our cities are disproportionately important for the economy: in 2009/10, cities and towns produced 62 per cent of GDP. There is thus a strong realisation that urban areas are going to play a vital role in the country's further economic development. It is clear that it is important to manage these urban spaces effectively, something that will take considerable leadership.

#### **India's cities**

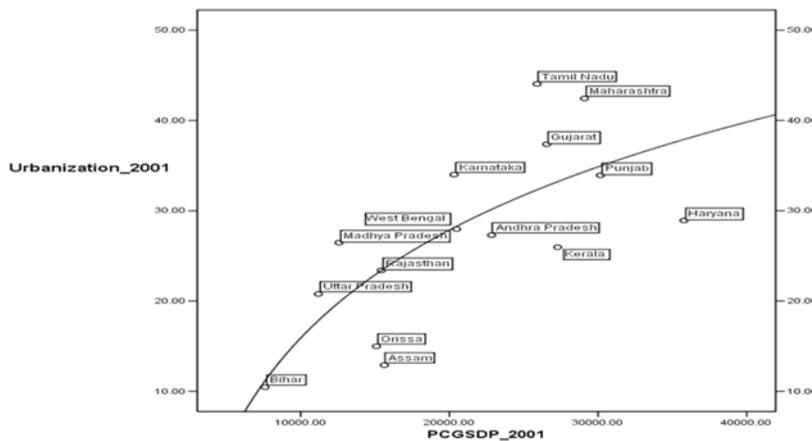
Just over 377 million people (31 per cent of the population) were living in India's cities in 2011. This was 91 million more than 2001, which, for the first time ever, was marginally larger than the increase in the population of rural areas. Looking forward, 67 per cent of total population growth in India in the next 25 years is expected to take place in urban areas and by 2050 half of the population is expected to be living in cities. A quarter of the total urban population will be concentrated in eleven cities, each with populations of over 4 million—so the pressure on urban infrastructure and service provision is enormous.

India has the second  
largest urban  
population in the world

**Chart 1: Per Capita Income and Urbanization Levels: States (HPEC, 2011)**



**Chart 2: Urbanisation and economic growth linkage**



Original Source: Census of India and Central Statistical Organization (HPEC, 2011)

Metro-cities have less poverty than the small and medium cities

### Urban poverty

We have done reasonably well in reducing urban poverty, which has fallen from 26 to 21 per cent in the past five years (with faster falls in bigger cities), with rural poverty rates also falling (to 34 per cent) in that time. Interestingly, the demographics of urban poverty show that metro-cities, which typically have at least a million inhabitants, have, at 14 per cent, less poverty than the small and medium cities, which are at 24 per cent and 20 per cent respectively. Despite the improvements, the number of urban poor still is enormously high—some 76 million people in 2010/11.

**Table 1: Percentage Poor in Different Size Classes of Cities/Towns**

City/Town Size	1987-88	1993-94	1993-94	1999-2000
Large towns/cities	35.2	22.6	18.4	14.2
Medium cities/towns	40.5	32.2	27.6	20.4
Small towns	45.3	36.2	33.2	24.2
All urban centers	41.2	31.4	27.4	19.9
Rural areas	47.6	41.0	35.7	23.9

Source: Kundu and Sarangi (2007)

Interestingly, we find that both the poor and rich are moving into cities, albeit for different reasons, and that, if anything the rate at which rural people urbanise is positively correlated with income. One implication of this is that rising rural incomes may be driving increased urbanisation.

Within the cities, poverty declines with level of education, both among migrants and non-migrants. Finally, there is evidence, too, that newly emerging metro cities, like Bangalore, Ahmedabad, Jaipur, Hyderabad and Surat, are providing more jobs than old metropolises like Mumbai, Delhi, Chennai and Kolkatta.

There's lots of under-employment. Many people are working in unconventional work, taking place in the streets, homes, and community places. These kinds of informal self-employment are often a kind of employment of last resort.

**Table 2: Poverty and unemployment in Indian cities** Table A: Percentage of Below Poverty Line in Rural and Urban Areas: 2004-05 and 2009-10

Item	2004-05	2009-10
Urban	25.7	20.9
Rural	41.8	33.8
All-India	37.2	29.8

Source: Planning Commission, March 2012 (a)

**Table 3: Percentage Poor in Different Size Classes of Cities/Towns**

City/Town Size	1987-88	1993-94	1993-94	1999-2000
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Source: Kundu and Sarangi (2007)

**Table 4: Unemployment rates (per 1000 persons/person-days in the labour force) of persons aged 15 years and above as per usual activity status (adj) for each city/size class of town during 1993 - 94, 1999 - 2000 and 2004 - 05.**

City/size class	Male			Female		
	61 <sup>st</sup> (2004 - 05)	55 <sup>th</sup> round (1999 - 00)	50 <sup>th</sup> round (1993 - 94)	61 <sup>st</sup> (2004 - 05)	55 <sup>th</sup> round (1999 - 00)	50 <sup>th</sup> round (1993 - 94)
A. Metropolitan cities						
Delhi	49	24	9	59	33	64
Mumbai	31	68	53	53	117	71
Kolkata	53	36	50	104	70	149
Chennai	30	45	53	23	41	117
B. Other million plus cities Class 1 cities						
Bangalore	12	29	38	137	80	134
Hyderabad	33	64	20	59	38	6
Ahmedabad	27	10	44	27	10	137
Surat	2	13	52	11	0	29
Jaipur	27	33	3	10	18	8

Interestingly, we find that both the poor and rich are moving into cities, albeit for different reasons

## Young people and opportunity in South Africa's cities

Pune	62	25	48	10	31	61
Bhopal	56	39	46	0	44	74
Indore	16	65	44	0	0	37
Kanpur	53	89	54	49	6	30
All class 1 cities	34	47	38	43	64	86
Urban India	38	44	40	70	57	63

Source: Sharma and Krishna, 2007

Yet, there is improvement as far as quality of employment is concerned. The data for the last seven to eight years show that employment in administrative and professional services now accounts for a larger share of employment, having increased from 14 per cent to 20 per cent for both for men and women.

Literacy rates, too, improved drastically, and now sit at around 87 per cent in non-metro areas and 93 per cent in urban areas. Having said that, these figures should be treated with some scepticism because they do not reflect levels of functional literacy, but only whether people can sign their own names.

There's also a change in role models of employment in the country, which is an extremely positive thing. For example, ten years ago it would have been impossible to imagine a female bus conductor or a rickshaw-driver. Now, we see women getting employed in different kinds of companies, they are becoming architects, engineers, all sort of non-traditional professions. This also means that increasingly more women are getting into semi-skilled jobs, which of course improves their job prospects in the long run.

### Urban infrastructure

Inevitably, cities in India will need to invest in infrastructure. It is not clear where the funds to do this will come from, especially because governance structures are not consistent across the country. Development and infrastructure is a task of the state, rather than local government, but the delivery of services and town planning is done completely differently in different cities, with some aspects managed and provided by different levels of government all the way from national to local, across the country.

A major analysis of investment requirement showed that we need \$807 billion dollars over 20 years. This is a huge figure in the Indian context. Nonetheless, we can meet it if government spends as little as 0,25 per cent of GDP on urban infrastructure over the next 20 years. We will also need another \$500 million dollars for operation and maintenance.

Apart from the finances, getting urban infrastructure right requires a new constitutional mandate that provides revenue sources to local government, which at the moment is totally dependent on the state. We need to provide an environment that enables local bodies to collect money, provides them access to borrowing and public-private partnerships, and motivates them to re-invest capital gains in urban infrastructure.

### Governmental urbanisation programmes

Given what we know both about urban poverty and the job creation opportunities cities offer, the Indian government has become increasingly supportive of urbanisation and has been driving nationwide programmes for public-private partnerships, market-based financing, etc. Urban policies have started to aim for greater impact at local level, too, with initiatives being set up to increase the ease of doing business, to improve bylaws,

India needs \$807 billion dollars over 20 years, which we can meet if government spends as little as 0,25 per cent of GDP on urban infrastructure over the next 20 years

shortening the planning approval process, and other measures that could benefit the poor.

The most important and largest programme driven by the government under the Ministry of Urban Development is the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). It is India's first long-term large-scale urbanisation programme aimed at improving the quality of life and infrastructure in the cities by creating "economically productive, efficient, equitable and responsive cities". It started off in 2005 with a budget of \$25 billion in the first seven years, which for the next five year plan will be doubled.

A first phase of JNNURM made clear that there is a total lack of long-term city planning, human capacity, and procurement systems at all levels of government. There were also problems with project identification planning and reforms, as well as poor communications. It became clear that our commissioners, our city fathers as well as our officials were not able to communicate with governments and citizens on what the issues are and why the reforms are required. In the next phase, capacity building is a goal point, together with knowledge sharing among cities.

Government is also planning to drive a national urban livelihood mission, which is similar to India's massive rural livelihood mission, and which will focus on social mobilisation, capacity building, employment generation, financial inclusiveness, infrastructure, and technical assistance. However, unlike the rural programme, the urban variant won't provide guaranteed employment. One state already implemented such a programme, and was able to help about 2,5 million people, mainly through women's savings groups.

As a conclusion, urbanisation has enormous potential to provide jobs and reduce poverty in India but that, unfortunately, the country has not utilised this opportunity. What we need is long-term, large-scale urbanisation programmes like JNNURM, linked to local programmes. We need an integrated approach for skills development, which should be linked with community structures and be fully supported by all levels of state governance in the form of private-public partnerships, rather than the state itself doing all of this. And for all this, knowledge sharing will become very important.

The Indian government  
has become  
increasingly supportive  
of urbanisation

## *The Brazilian experience*

### Prof Carlos Leite

*University of Presbyterian Mackenzie, São Paulo*

#### Introduction

I want to talk about Brazil as an emerging economy and how urban development for the young fits in that picture. At first glance, this picture is a positive one: we have the seventh largest economy in the world, worth \$2,5 trillion, which features a 70 per cent labour force participation rate and which is virtually fully-employing, as there is only 8 per cent unemployment. We have jobs everywhere and for everybody —with people from all around the world coming to Brazil to work. There also has been great improvement in social inclusion, with poverty rates having fallen by half in the past decade and the income of the poorest 50 per cent having grown by almost 70 per cent over that period.

So things seem to be going well in Brazil. And yet, recently we have seen over a million young people making their voices heard in weeks of heavy protest, suggesting that not all is well with urban youth. The question is why, and what can we do about it.

When I use the term “young people”, I’m talking about people between 15 and 24 years of age, which corresponds with the cohorts used by most official data. This is a group of people who require special attention from public policy because they are most at risk of unemployment, are relatively unskilled, and have relatively high risks of dying as a result of violence or traffic accidents.

In 2011, 85 per cent of Brazilians lived in cities. But unlike a few years ago, “urban Brazil” no longer consists of just two mega-cities, Sao Paulo and Rio; instead there are 13 large metropolises. So we are seeing better balanced regional urban development.

One symptom of the growth of the cities is that areas of informality have grown. But they have also been reinvented and informal economy is growing in all large slums, especially in Sao Paulo and Rio. These areas are providing new opportunities for the people who live there in the form of new enterprises, as well as participation in organised sports, culture and social activities. Increasingly, the areas are connected to public transport and the subways

#### Informal employment

Unemployment has decreased over the last decade and we’ve seen a significant expansion of formality of the labour market. According to the Ministry of Labour, in 2011, nearly 2 million formal jobs were created, half of which were in the services sector and a quarter in the trade sector, with a smaller number in the construction industry. Nearly half of young people in employment work in the informal sector. In some respects this is low – compared for example with 72 per cent of the people over 60 years of age who are informally employed, and for whom informality clearly is a means of survival. But even for young people informality is a hard way of making a living, with low remuneration for long hours. Nearly 45 per cent earned less than the minimum wage (of just over \$325), while only 13 per cent had an income greater than double the minimum wage.

Poverty rates having fallen by half in the past decade

So why are young people's opportunities in cities and employment prospects below the average for those of the adult population in Brazil? The answer to a large extent lies in weak institutions and bad politics

Despite low wages and long working hours (more than 25 per cent of young people in the informal sector work more than 45 hours a week), the unemployment rate for this age group is two to three times higher than that for adults.

Having said that, the good news is that the proportion of young people in the informal economy fell by 13 percentage points between 2006 and 2011. Increasing access to education, which has expanded in the past decade, plays an important role in this. Nevertheless, this has been an historic failure in Brazil, which in 500 years has never been able to deliver quality mass education.

Despite the progress made, young people remain incredibly vulnerable, and cities remain challenging environments to live in.

### Brazilian cities and the youth

Nearly 9 per cent of Brazilians live in extreme poverty, with nearly 16 million people in households earning less than \$42 per month. Some 2 million young people live in slums, of whom 30 per cent live in households with per capita income of less than half the minimum wage. In addition, people in the first two-fifths of the income distribution tend to have low levels of schooling (early dropout and years of schooling below the national average) and poor sanitation (over 40 per cent of households in which per capita income is less than half the minimum wage have no sanitation). Sixty per cent of people under the age of 15, and 44 per cent of 15 to 24 year olds, live in inadequate housing and live lives marked by unemployment, spatial segregation and violence. Since 1980, the murder number for people under the age of 19 has nearly quintupled, which is a much larger increase than the rate of increase of all murders over that period, and, by 2010, over 40 per cent of all murders were of children, adolescents and young adults.

Given all of this, and despite the fact that the economy is growing and there are lots of jobs, it shouldn't be a surprise that young people en masse went to the street to protest for days and days. Macro-economics are not enough for them. They are saying they're not interested in the World Cup or 2016 Olympic Games, for which an estimated \$12,5 billion will be put into airports, football stadiums and new transportation systems. Instead, they say, the government should be putting money in the quality of life in the cities.

So why are young people's opportunities in cities and employment prospects below the average for those of the adult population in Brazil? The answer to a large extent lies in weak institutions and bad politics. We have historical gaps and long-term developmental issues in areas like education, infrastructure, city management, city government, urban mobility, urban security; etc. These limit the opportunities for the young. In education, we have improved access but not quality. Employment is a problem, too, as we have lots of jobs for highly skilled people with high education levels, but not for the vast numbers of young people that have few skills.

Young people complain that there is no affordable space to live close to job opportunities, so many of them spend two, three, four hours per day commuting. The official response to the housing crisis is to provide social housing in immense superblocks far away from the city centre, and far away from everything. In other words, government is neglecting city life, neglecting density, and putting the poor far away and out of sight.

### Entrepreneurship among young people

Because the perception among the young is that government hasn't been delivering, we see plenty of initiatives emerging from among the young themselves, and from within civil society, in the form of entrepreneurship and partnerships between civil society, business and government.

Most encouraging is the growth of entrepreneurship, partly supported by laws like the General Law on Micro and Small Enterprise in 2007 and Individual Entrepreneur law in 2009. The Global Entrepreneurship Monitor estimates that rates of entrepreneurship have gone up from about 21 per cent in 2002 to 30 per cent in 2012. This means that about 36 million Brazilians having become initial entrepreneurs or have become established in the market. In 2010, more than half of these entrepreneurs were younger than 35 years—which conforms with global experience. Younger entrepreneurs remain much less likely to be well-established in their markets than older ones. Most initial entrepreneurs have education equivalent to a high school diploma.

In the mega cities of Sao Paulo and Rio, we've seen a number of interesting initiatives recently. Civil society organisations in those cities are directing more and more energy at city governance, and, as a result, we are seeing an upgrading of the slums, with investment in infrastructure, water, etc. Borders between formal and informal areas are becoming blurry and stronger connections between neighbours from the two different kinds of areas are being forged. This brings of course all kinds of interactions between businesses, entrepreneurs, schools, teachers, etc. from both sides. Two PPPs for business start-ups are helping young people with funding, training, and so on. And just to give you an idea of the proportions, in Heliopolis, a slum in Sao Paulo with 100 000 inhabitants has no less than 127 NGOs involved in everything from education to job funding. Hotels are being opened on the top of the hills of the large slums of Rio, and they seem to do very well. Until two years ago, a white middle class person would never have gone to the top of that place, now they are doing business with neighbours over there. This is something new and encouraging.

But we have to contextualise my comments, because, while you see this happening in the big cities and large informal territories like in Sao Paulo, and to some extent in Rio – where it is more difficult though because the slums are separated by hills from the formal city -- these changes are not happening in other cities in the country.

Nevertheless, I'm confident that in five years we'll have a strong programme, including good public policies in transforming these slums into hybrid territories. This can only happen, however, with a strong commitment of the state to investing in these areas.

About 36 million Brazilians having become initial entrepreneurs or have become established in the market. In 2010, more than half were younger than 35 years

## RESPONDENTS

### Roland White

*The World Bank*

Some of our discussion so far has drifted from a focus on urban issues much more towards a focus on broader economic issues, and their policy dimensions. There is a very good reason for that. Some of the most important policies that affect the nature of urban development and urban growth go way beyond the activities of cities themselves.

For instance, consider the question of light manufacturing and to what extent it's going to gravitate away from China or not. The issue for most countries is not whether that's going to happen—let's assume that it is—the issue is whether it's going to come to them, and what sort of policy is conducive to ensuring that.

I think it's important to distinguish three areas of policy making in this context:

- The first is national urban policies, which are not directed at the urban sector or city development at all. For example, market access is a key policy priority, and so are issues of education and labour market regulation. The question here, of course, is how attractive do these policies make the country to investors in a given sector.
- The second area of policy-making relates directly to the cities and to what extent are those policies conducive to urban growth. I've just come from Malawi, which has really had pretty aggressive anti-urban policy for 20 years manifested a number of direct expenditure programmes formulated on the premise that they don't want too much growth in urban areas.

Other key issues in this area are questions about institutional and financing frameworks, like the extent to which fiscal resources are devoted to city growth, and the kind of governance arrangements that exist. In this regard, I want to stress how unique—at a technical level—the South African intergovernmental fiscal and institutional system is relative not just to the rest of sub-Saharan Africa, but also to the rest of the developing world. It is so much better than practically any other country in the world. India is almost at the opposite end of the spectrum. Of course, the question for South Africa is why this system is not delivering the results that we wanted. But countries have choices to make about these things, and these choices are very important.

- Lastly, there is the question about the things that cities themselves can do. Often these are the most important. They relate to what you do about the informal sector and informal economic sector in your city; the extent to which you get behind it; and the extent to which you are trying to obliterate it. There are very different approaches in Thailand where for example universal pensions and healthcare are being extended to informal workers as opposed to what we see in many African countries. In Johannesburg for example, they pursue a rather aggressive policy aimed at removing informal street vendors in the city centre.

Two final remarks. The first is that policy cuts across sectors and that it therefore never is owned by a single institution, but requires the participation of many. As a result, the main barrier to fixing a problem is often not so much coming up with the policy itself, but

Some of the most important policies that affect the nature of urban development go way beyond the activities of cities themselves

getting the institutions to line up and cooperate so that there is broad enough a support base to come up with a plan and implement it. The same is true for city governments: they first need to function effectively as institutions in order to come up with progressive policies in the first place. This is common to countries across sub-Saharan Africa where most cities got tons of structure and land use plans, and so on But if you compare them you'll find that what has actually happened spatially in those cities looks very different than what was said on the plan. And that's because institutions can't function.

The very final point is that the policy environment across Africa and much of the developing world has become much more open to seeing urban development and urban growth. Even when these are not seen as positives, at least they are seen as inevitable, and something that has to be planned.

The main barrier to fixing a problem is often not so much coming up with the policy itself, but getting the institutions to line up, cooperate and implement

## Dr Catherine Cross

*Human Sciences Research Council*

One of the issues that strikes me in relation to the Indian experience is the question of who migrates to cities. Where are the migrants on the income distribution? They are not where you might expect them to be – they are not at the bottom. You've got a lot of migration going on by people half way up the income distribution, or higher than that. And it raises questions about some of the standard development models that say that the urban and rural sectors compete to attract people, and that people will remain at home or they will move to the cities depending on the capacity of those economies to attract them. So the question arises what are the economic options in rural areas now? What is holding people there? Why aren't more people moving to the cities?

One option is that there are not enough jobs for poor people in the cities. And although that isn't stopping people in South Africa from coming, something in India is keeping people in the rural areas. One clue might be that poverty in the rural sector is on its way down and has dropped more than poverty in the cities. So there's something very interesting going on here, and it would be nice to know more about it.

In relation to Brazil, I'd like to highlight the attitude to informality and how it articulates with the city. This raises questions about space and identity, and where is 'informal' in the city, and what does that mean? We have a worldwide issue of trying to integrate the formal and the informal, and we see new identities popping up with hybrid forms. What we are seeing in Brazil is the informalisation of the formal city — the city is drifting towards informality. Brazilian cities have unplanned poverty areas, and in some cases at least they may be run by gangs. Now we are seeing the police being able to move in these areas to increase security. In effect, they can pull the shack areas into the city where they were previously isolated and run as separate enclaves that were institutionally not part of the city. There is also another process in those areas, where people are engaged in some really spectacular self-upgrading and are building remarkably good housing. So something is happening economically and socially that's driving big changes in the city.

South Africa also has shacks, but these can be divided into shack areas and backyard shacks. The shack areas have distinct spatial identities: they are in a place, they have a name, etc. But my sense is that we don't seem to have the kind of separately institutionalised no-go areas to the same extent that Brazil may have had. What we've got is areas like Diepsloot, for example, that are on the edge of the city and where people, and particularly youth, come there wanting to get inside the economy.

Now in the past, people who lived in these areas—young people especially—would say, "Okay, we are in the city, but we are rural, this is a rural foothold. It's inside the city physically, but it is not inside the city economically; it is not inside the city institutionally – it's something separate, it's the urban end of the rural economy". But recently we've seen a rather sudden change. Now people are saying, "Okay, I'm an urban citizen", and they're building urban housing, claiming tenure security, demanding infrastructure. They're hammering on the table saying, "I'm a rate-payer and want service." We are seeing people who are moving to the city as migrants, coming in, building their houses, getting an RDP house, moving up into the middle class – all in one generation. That is really remarkable progress.

So what's driving this?

On the one side, I think the key is our housing policy which has been enormously successful— admittedly against my own expectations. But from what we are seeing

People are moving to the city as migrants, and moving up into the middle class – all in one generation

on the ground, it is. Once people get that house, it not only moves them up but it also creates suction for higher-income migrants coming into the area, people who are building housing of a very high standard. And as that happens, you get people's asking price for their housing moving up from R30 000 or 40 000, all the way up to R150 000 or R200 000 over of a few years. And they seem to be getting remarkable prices when those houses sell.

On the other hand, if we see the housing policy working very well in the high migration areas, we will have to look more closely into what it's doing in the rural areas and the areas from which people are moving, and what the implications are for households and communities in those areas.

Housing is moving up from R30 000 or 40 000, all the way up to R150 000 or R200 000 over of a few years

## DISCUSSION

One participant noted that one aspect of the experiences of both India and Brazil (and, to an extent, South Africa) is that urbanisation has seen growth in employment, but that a large proportion of that employment was in low-paying jobs (whether in the formal or informal sector). He suggested that cities and countries ought not to pursue a strategy of “chasing smokestacks” where they count on a few big, industrial players to provide employment in the region, but should find alternative and more broadly-targeted ways when developing a job-creation strategy for their city.

In response to this, another participant objected to the emotive phrase “smoke-stack chasing” and suggested that another phrase, which was also emotive but which had different connotations, might be “job-creation”. This, he said, was a strategy that could work. Pointing to Bangladesh as an example, he said the country and its cities were considerably less well-governed than South Africa, but they produced \$12 billion of garment exports every year. Haiti, too, had recently attracted investment from Korean garment makers. One could describe these industries as “sweatshops” if one wanted, he said, but it was better to think of them as having gotten onto the first step on an escalator which, over time, would see the individual workers gain skills and the economy become more productive. From the point of view of city governance, he said, the critical thing to do was to experiment to find how to get on the escalator.

In both India and Brazil, second tier cities appeared to be growing in size and to be experiencing disproportionate economic growth and job creation. This, said a participant, is not the case in South Africa where urban economic growth is now heavily dominated by the largest cities.

In response to a question from the Deputy Minister of Cooperative Governance about the reasons why India’s work-guarantee scheme favoured rural areas and the implications of that, Prof Vaidya said that the decision was essentially political and that there were other subsidies available in rural areas which discouraged areas from declaring themselves as towns and cities. It also reduced the rate of urbanisation.

Finally, participants noted that while Brazil had done many things well, there were aspects of their strategy that gave cause for concern—increasing indebtedness and growing public sector pension commitments. Brazil’s growth did not appear to be driven by innovation and productivity gains. Its share of global markets for sophisticated manufactures, for example, has fallen, while even industries in which it is well-established—such as aircraft manufacture—did not lodge very many patent applications every year. On the plus side, however, cities like Curitiba had shown the enormous benefits of well-planned public transport in driving growth and efficiency gains.

In South Africa urban economic growth is now heavily dominated by the largest cities

## SESSION THREE: Spurring growth and opportunity in South Africa's cities

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### SPEAKERS

#### Prof Phillip Harrison

*Member of the National Planning Commission and Chair in development planning and modelling, University of the Witwatersrand*

#### Introduction

I'm going to talk about youth and cities in South Africa, a theme which brings together two of the most salient forces shaping our century.

No-one seriously doubts the importance of cities and urbanisation to the future, and, at least since the 1980s, attention has been paid to youth as a social group. It is only much more recently that there has been attention to youth in cities as a social group. Increasingly, we're understanding the enormous possibilities for society of having such an agglomeration of talent and energy in concentrated places. But also, and this is very important, how this possibility is in many contexts deeply constrained by youth unemployment.

There is also another theme in the emerging literature, however: the fear of alienated youth concentrating in one place. This ambivalence is apparent, for example, in two reports by UN Habitat on urban youth, which has sought to locate the sources of youth inequality in cities, and have identified the denial of educational equality as being one of the most fundamental sources of youth unemployment. You see it also in South Africa's National Development Plan, which talks about urbanising youthful population as an opportunity to boost economic growth and reduce poverty, but also refers to this tension of the growing numbers of youth in cities requiring a positive response as disenchanted youth represent both a hazard and a loss of resources to society.

My presentation here is a modest contribution to an emergent connection between cities and youth in South Africa and draws mainly on Census 2011 and some economic data. It explores the extent to which cities in South Africa meet the needs of youth, and it specifically asks the question whether cities address the needs of youth better than other areas, and whether big cities address the needs of youth better than smaller cities.

#### How urbanised is South Africa?

It's important to recognise that the South African reality is complex, generating correspondingly complex questions of definition. How to delineate "urban" and "rural", for example, remains contested and is currently the subject of detailed discussion by a

The National Development Plan, talks about urbanising youthful population as an opportunity to boost economic growth

government task team. Operationally, most municipalities in South Africa cut across the “urban” and the “rural” and so it is impossible to use municipal boundaries as a basis for delineation, making measurement hard. Despite this, there have however been attempts to put a figure to the urbanisation level in South Africa. The last official figure which dates back to 2001 was 57,5 per cent, but the South African Institute of Race Relations estimated that 62 per cent of South Africans were urbanised in 2011.

One of the difficulties in measuring urbanisation is that Apartheid created a peculiar landscape in which large numbers of black Africans were trapped in homelands, but often lived as close as possible to urban areas as the homeland boundaries allowed. This created a dense peri-urban sprawl around the edges of urban areas that are neither purely “urban” nor purely “rural”. The Draft National Urban Development Framework (released originally in 2009) took account of the complexity of South Africa’s urban landscape, estimating that 71 per cent of South Africa’s population lived in urban areas in 2009, across a hierarchy of settlements, from city-regions to local niche settlements.

Dividing South Africa’s settlements into “cities” and “towns” is also complex. There is no internationally accepted definition of “city.” The Wikipedia entry, for example, defined a city simply as “a relatively large and permanent settlement” and then goes on to show how 53 countries offer 53 different ways of distinguishing between “town” and “city.” In South Africa there is no formal distinction between “town” or “city” but only a distinction between a “metropolitan” and “non-metropolitan” municipality.

So matters are complex, but here is my working definition: a city municipality can be defined as having a population of more than 150 000 and annual economic output—gross value add (GVA)—of more than R5 billion. This generates a range of cities which can be categorised as:

- Major Metropolitan Municipalities—municipalities with a population of more than 1 million people and a GVA of over R50 billion (a definition which excludes Mangaung and Buffalo City, although these are classed as metropolitan areas for governance purposes);
- Secondary City Municipalities—population of at least 500 000 people and a GVA of over R15 billion; and
- Minor City Municipalities—population of over 150 000 and a GVA of over R5 billion.

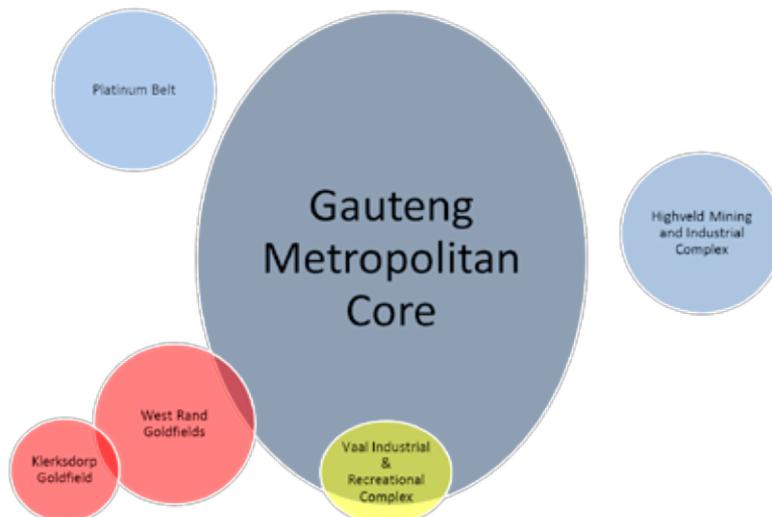
One of the difficulties in measuring urbanisation is that Apartheid created a peculiar landscape

**Table 5: Categories of Urban municipalities in South Africa**

<b>Major metropolitan Municipalities</b> <i>(pop &gt; 1 million and GVA &gt; R50 billion)</i> <b>36.7% of SA pop, 58.8% of national GVA</b>	<b>Secondary city municipalities</b> <i>(pop &gt; 500 000 and GVA &gt; R15 billion)</i> <b>8.9% of SA pop, 9.7% of national GVA</b>	<b>Minor City Municipalities</b> <i>(pop &gt; 150 000 and GVA &gt; R5 billion)</i> <b>15.7% of SA pop, 14.8% of national GVA</b>	
<ul style="list-style-type: none"> <li>• Johannesburg</li> <li>• Cape Town</li> <li>• eThekweni (Durban)</li> <li>• Tshwane (Pretoria)</li> <li>• Ekurhuleni (E. Rand)</li> <li>• Nelson Mandela Bay (Port Elizabeth)</li> </ul>	<ul style="list-style-type: none"> <li>• Buffalo City (East London)</li> <li>• Mangaung (Bloemfontein)</li> <li>• Rustenburg</li> <li>• Emfuleni (Vereeniging)</li> <li>• Mbombela (Nelspruit)</li> <li>• Polokwane</li> <li>• Msundusi (Pietermaritzburg)</li> </ul>	<ul style="list-style-type: none"> <li>• Emalahleni (Witbank)</li> <li>• Govan Mbeki (Secunda)</li> <li>• Matjhabeng (Free State Gold Fields)</li> <li>• Madibeng (Brits)</li> <li>• Thulamela (Thoyohandou)</li> <li>• Makhado (Louis Trichardt)</li> <li>• City of Matlosana (Klerksdorp)</li> <li>• King Sabata Dalindyebo (Mthatha)</li> <li>• Mogale City (Krugersdorp)</li> <li>• Umhlatuze (Richard's Bay)</li> <li>• Steve Tshwete (Middelburg)</li> <li>• Newcastle</li> </ul>	<ul style="list-style-type: none"> <li>• Metsimaholo (Sasolburg)</li> <li>• Ba-Phalaborwa (Mopani)</li> <li>• KwaDukuza (Stanger)</li> <li>• Greater Tzaneen</li> <li>• Moses Kotane (Platinum Belt)</li> <li>• Hibiscus Coast (Port Shepstone)</li> <li>• Merafong (West Rand)</li> <li>• George Moqhaka (Kroonstad)</li> <li>• Breede Valley</li> <li>• Stellenbosch</li> <li>• Tlokwe (Potchefstroom)</li> <li>• Sol Plaatjie (Kimberley)</li> <li>• Drakenstein</li> <li>• Mafikeng</li> </ul>

But of course, cities don't operate within municipal boundaries. You have clusters of municipalities that create urban agglomerations and there are cities that form only a portion of a municipality. So we need to understand that out of the 15 of the city municipalities I've put up on the list, four are within one urban agglomeration – Gauteng city region (Table 5). Another four of them fit within a sort of extended Western Cape urban agglomeration; five within an agglomeration on the KwaZulu Natal coast.

**Graph 1: Gauteng urban agglomeration**

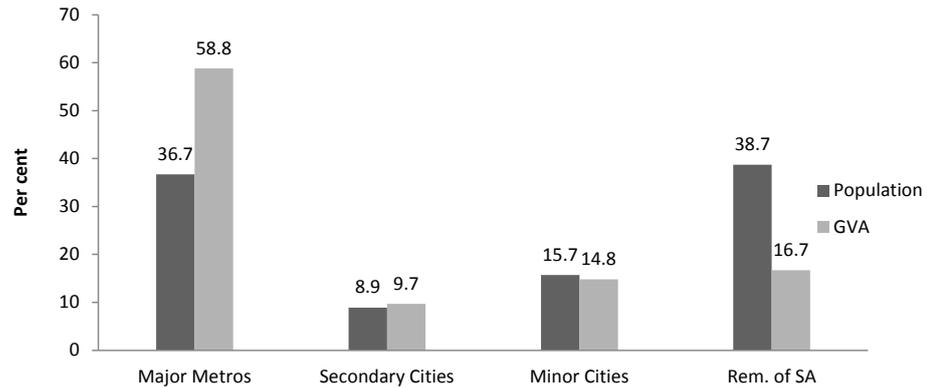


Cities don't operate within municipal boundaries, you have clusters of municipalities that create urban agglomerations

### Cities and society

South Africa's major metros are home to 40 per cent of South Africa's population, but represent nearly 60 per cent of South Africa's economy. Most secondary and minor cities, on the other hand, don't make a disproportionate contribution to the economy. So there is a very big concentration in the big cities.

**Chart 3: Contribution of Cities to population and GVA**



Almost all our economic growth has happened in the major metros

So what's happening in relation to economic growth? Between 1996 and 2011 was just over 3 per cent, largely being a result of growth in the metros, which is about 3,8 per cent. This is nothing to write home about in an international context, but it shows how heavily South Africa relies on these cities for growth. Population growth is less than economic growth, which means our GDP per capita is rising. But the gradient is quite steep and we see much faster population growth in the cities than outside of them. By implication, South Africa is urbanising, and there has been quite a significant shift of population. If you look at the economy, however, the shift is even more pronounced: almost all our economic growth has happened in the major metros. So our major metros is where the economy is concentrated, and is becoming more concentrated at quite a rapid rate.

**Chart 4: Proportional growth in population and economy - average annual change 96 - 2011**



## Urban youth

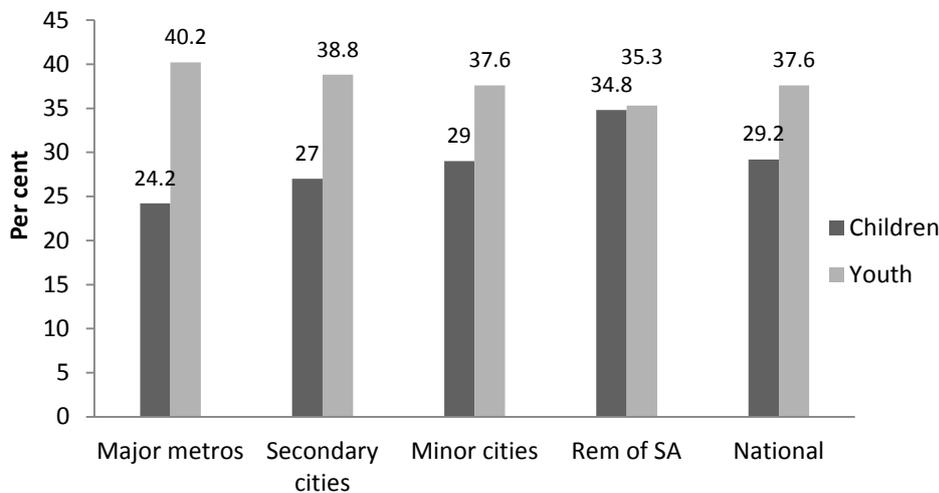
South Africa officially defines young people as being between the ages of 15 and 34. Using this definition, there are 19,5 million young people in the country, 85 per cent of whom are black African (compared to the 70 per cent of older adults). There is, in other words, significant demographic change happening.

Young people tend to be more educated than older adults, but they are also more likely to be unemployed (36 per cent versus 20 per cent). In both cases, two-thirds of people in employment can be classed as working poor.

Young people are more heavily urbanised than older adults and children, and some 64 per cent of young people (12,4 million people) are in the cities. In general, the rule seems to be that the larger the city, the larger the over-representation of the youth, and the larger the under-representation of children.

Relative to the country as a whole, the cities tend to have a disproportionately large number of young people and a disproportionately small number of children. Within the cities, the biggest concentrations of youth are in the core of the big cities – the core of Johannesburg, the core of Tshwane, and so on—and in the townships.

**Chart 5: Percentage of youth and children per area category**



The biggest single youth concentration in the country is Soweto, followed by the core city of Jo'burg, the core city of Pretoria, and then the townships of Tembisa in Ekurhuleni, Khayelitsha in Cape Town and Soshanguve in Tshwane. In the top 20 with the largest numbers of young people, there is not a single rural area—though Bushbuckridge, which is a quasi-rural area linked to Mbombela, does appear in the list.

The 2011 Census also shows that young people are on the move: they are nearly 50 per cent more likely to have moved than older adults. The big cities of Gauteng and Cape Town are attracting youth from across the country, the continent and the world. The secondary cities and metros like Ethekwini and Nelson Mandela Bay, on the other hand, mainly

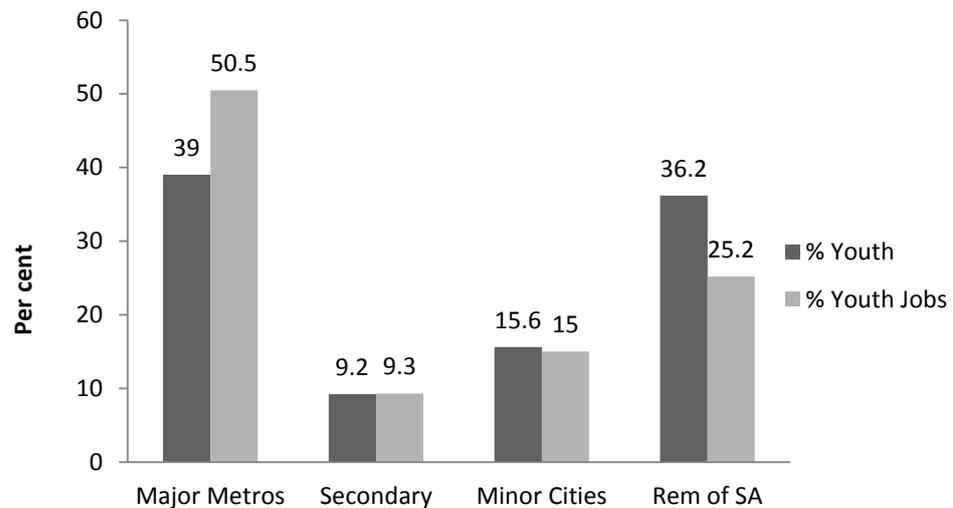
If young people are concentrated in the city, employed young people are even more concentrated in the cities and the large cities

attract migrants from their own province; as do the secondary cities. Two exceptions are Rustenburg as a mining city and Mbombela (Nelspruit), which attract migrants from Zimbabwe and Mozambique, respectively.

### Youth and the labour market

If young people are concentrated in the city, *employed* young people are even more concentrated in the cities and the large cities. This disproportion will only increase over time because the cities are creating jobs faster than anywhere else.

**Chart 6: Distribution of youth population and youth jobs**



If young people are concentrated in the city, employed young people are even more concentrated in the cities and the large cities

Unemployment rates in the large cities, at 35 per cent, is not very different from unemployment rates elsewhere (43 per cent) because of differences in the level of participation in the labour market, especially among migrants to the cities. There is, however, considerable variation. Thus, while the largest number of unemployed youth is in Johannesburg, which has 387 000 unemployed young people, even though youth unemployment in that city is a little under 32 per cent (which is low relative to rest of the country), Bushbuckridge has a much higher rate of youth unemployment (65 per cent)

**Table 5: The Top Twenty Hotspots in terms of Youth Unemployment in South Africa, 2011**

Municipality	Unemployment Rate	Number of Unemployed Youth	Number of Discouraged Youth Work Seekers	Combined Youth Unemployed and Discouraged Work Seeker
City of Johannesburg	31.5	387 000	70 000	457 000
eThekweni	39.0	309 000	80 000	389 000
City of Cape Town	31.9	277 000	55 000	332 000
Ekurhuleni	36.9	310 000	54 000	364 000
City of Tshwane	32.6	237 000	42 000	279 000
Nelson Mandela Bay	47.3	105 000	26 000	131 000
Emfuleni (The Vaal)	45.0	75 000	13 000	88 000

## Young people and opportunity in South Africa's cities

Municipality	Unemployment Rate	Number of Unemployed Youth	Number of Discouraged Youth Work Seekers	Combined Youth Unemployed and Discouraged Work Seeker
Buffalo City	45.1	61 000	18 000	79 000
The Msunduzi (Pietermaritzburg)	43.1	53 000	17 000	70 000
Mangaung	37.2	56 000	12 000	68 000
Bushbuckridge	64.6	46 000	21 000	67 000
Mbombela	37.6	46 000	15 000	61 000
Polokwane	42.0	50 000	9 000	59 000
Thulamela	58.3	38 000	21 000	59 000
Rustenburg	34.7	49 000	8 000	57 000
Madibeng	38.2	44 000	8 000	52 000
Matjhabeng (Free State Gold Fields)	49.7	39 000	9 000	48 000
Makhado	49.6	30 000	15 000	45 000
Emalahleni (Witbank)	36.0	36 000	6 000	42 000
Greater Tubatse	59.6	35 000	7 000	42 000

StatsSA, Census 2011

Employed youth in the large cities are in less fragile forms of employment than in other categories. Just under 20 per cent of youth in the large cities with populations close to a million are employed in informal or domestic labour. This is significantly lower than in the smaller cities and rural areas in the rest of South Africa, where a larger proportion of employed young people are in informal or domestic work.

An important difference in all of this relates to the proportion of young people with higher education, with more educated young people being concentrated in the cities. Overall, 6 per cent of young people have higher education, but the figure rises to 10 per cent among young people in the large metros. Outside the cities, less than 3 per cent of young people have degrees. There is, however, quite a lot of variation among cities: 6 per cent of young people have higher education in eThekweni (Durban) compare to 14 per cent in Tshwane. Among the small cities, the figures range from 2 per cent in the Platinum belt to 12 per cent in the university town of Stellenbosch. But in general, there is a very steep gradient which says the larger the city, the higher the proportion of young people with higher education.

### Conclusion

*Cities*, and particularly the large cities, are where economic growth and job creation happens in South Africa. And, largely because this is where the opportunities are, young people are moving to cities. While many young people in the cities have no work, a significantly larger proportion actually have jobs than is the case elsewhere in the country. In addition, employed youth in the metros are twice as likely to be formally employed than in large cities and municipalities.

When looking at the opportunities that cities compared to the country as a whole offer to young people's economic prospects, we found that factors like skills concentration, access to services, bringing youth closer to jobs, educational opportunities, services,

The larger the city, the higher the proportion of young people with higher education

creating agglomerations of talent etc., are what turn our cities into places of (relative) hope. Also, the concentration of youth themselves is also bringing opportunities for society as a whole.

But there is also another story, and I haven't had opportunity to go into that. We must remember that cities are also places of risk and vulnerability, where crime rates are higher than elsewhere. They are also places of high absolute concentrations of unemployed youth, which brings social risks. And so, we can go back to the literature that I mentioned at the beginning, which does emphasise very strongly the benefit and the considerable advantage of cities, but also argues very strongly that education inequality, which denies the urban advantage to large proportion of youth in the cities, has to be addressed.

Education inequality  
has to be addressed

## RESPONDENTS

### Sandeep Mahajan

*Lead Economist, The World Bank*

Prof Harrison brought out two trends, which are obviously critical: increasing urbanisation and changing demographics.

It's important to see that the urban-rural dichotomy in South Africa is not as clear-cut as it is in many other countries. One way to see this is through the fact that despite rapid urbanisation in South Africa and despite the youth bulge (which are usually associated with increased savings and faster growth), per capita income rose by only 13 per cent since 1980. That's very, very little growth, even allowing for the decline in per capita income in the 1980s. I think part of the reason for this is the peculiarity of the urban-rural divide in South Africa.

Countries' urban growth, across the world, is divided into two distinct spatial realms: one is urban, one is rural. The classic models from the 1950s predicted faster growth in the urban areas causing rapid migration from rural areas to cities and thereby lifting average incomes in both places. This pattern of rising urbanisation accompanying economic growth has become one of the most visible and self-evident, empirical facts across the world. And we see it in the fact that 200 000 people trek from rural to urban areas every day in search of economic opportunities. So it's clear that cities across the world are powering growth and development.

The situation in South Africa is more tricky. Here there is a third realm that is not fully connected with the urban system—spatially, socially, or structurally—and that is disconnected from the rural economy. This is the realm of the country's townships and informal settlements. These are a relic of the country's past, but the contemporary reality has been encapsulated by current policies and the course of South Africa's historical development.

In many ways, the townships and especially the informal settlements are similar to the slums of much of the world, although there was never a slum with as much central planning as townships in South Africa. Informal settlements in particular contain masses of people, compactly huddled together in grim conditions. Yet, they're also a destination of choice for aspiring young migrants.

There is something distinct about townships and informal settlements – they are not rural but nor are they urban; they lie somewhere in the middle. The result is that we have a situation where you don't see the economic landscape of townships and informal settlements anywhere close to some of the other more dynamic slums in the developing world. The slum of Dharavi in Mumbai, for example, has 15 000 single room factories. There is nothing close to that in the townships and informal settlements in South Africa. Consider, in this regard that the employment rate in townships is 42 per cent, 46 per cent in informal settlements, other urban areas 55 per cent. In rural areas, however, it's only 26 per cent.

There is an important dynamic that may change this. For the first time the population in the townships and informal settlements is larger than it is in the rest of urban areas. Rural population growth in the last ten years has been less than 1 per cent per year whereas

This pattern of rising urbanisation accompanying economic growth has become one of the most self-evident, empirical facts across the world

urban population growth has been 3 per cent. Within that, however, population growth of informal settlements has been 13 per cent, the population growth of townships 3.3 per cent and the population growth of other urban areas 3 per cent.

## Sithole Mbanga

*CEO, South African Cities Network*

The problem in South Africa is that, unlike in other countries, our urbanisation is not so much driven by economic development as it is propelled by poverty. I think that's why you get the kinds of patterns that you see. So how have we responded to this?

As a country, we have not recognised that youth is concentrating in particular areas. This could be an opportunity for us. The difficulty, however, is that many of these places are vestiges of the apartheid legacy, and that concentrating there actually undermines development. So you've got opportunities and growth on the one hand and you've got stagnation on the other. And these are always at play in one single space. For me that's the biggest thing that we need to recognise. We ought to be able to look at these areas and differentiate them, and then work to change the form and function of the areas concerned. In their current form and in their function, they are not promoting growth and development.

Of course there are lots of stumbling blocks to the type of transformation that we need, but the probable impact of us tweaking the apartheid spatial form needs us to plan differently, especially in relation to the way we think about critical aspects of change. The most important macro issues are:

- *Human settlements.* Not everyone has come to understand human settlement in its entirety, as we are still in the mode of building brick and mortar houses. If we get human settlement planning right, we can facilitate much more inclusivity than our old housing policies allow. Public transportation, mobility and access. There are experiences from elsewhere in the world on how to improve the ability of people to move and therefore gain access to the city. There is a lot of resistance, particularly on the part of the private sector, property owners, and even state owned enterprises. But, if you look at where there are opportunities and whether or not you'll be able to access those pieces of land in order to facilitate mobility, inclusivity would be a positive result.
- *Land ownership.* Transformation in this realm would lead to real changes in political dynamics.

The problem in South Africa is that, unlike in other countries, our urbanisation is not so much driven by economic development as it is propelled by poverty

## Illana Melzer

*Co-founder, market research company, Eighty20*

I'm going to look at youth in the informal sector, using the labour force survey data, distinguishing between 15 to 24 year olds and those who are 25 to 35. And I'm only looking at urban youth—some 12,2 million people—of whom 36 per cent (4,4 million) are working. For 15-24 year olds, of whom there are about 6 million, less than a million are working. Of these 82 per cent are in the formal sector, 13 per cent are in informal jobs, and 5 per cent work in private households. About two million more are either looking for work or discouraged workers, while 3,2 million (53 per cent) are engaged in some form of education.

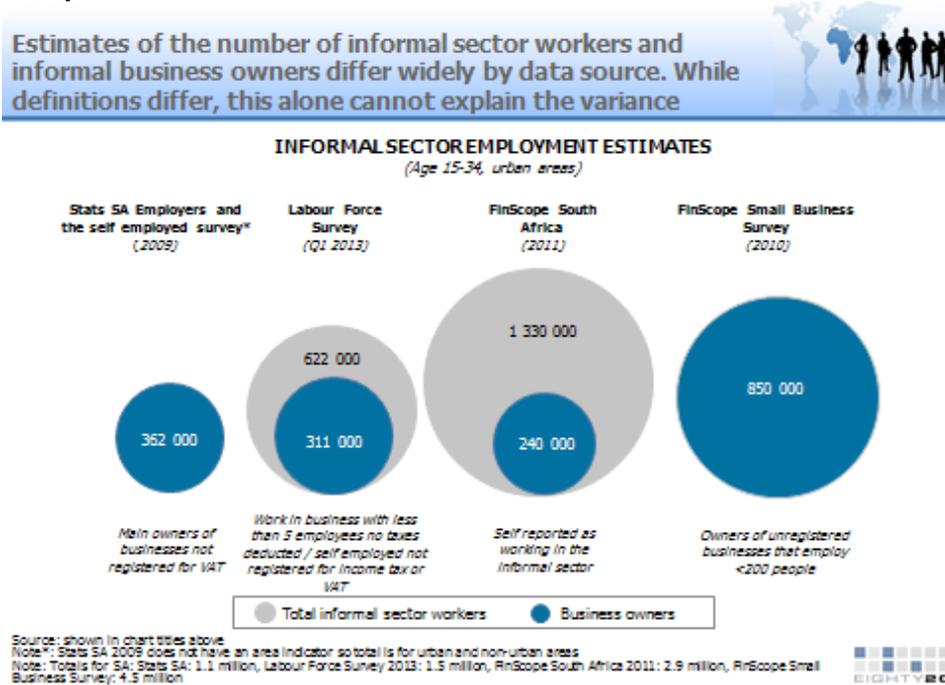
The figures look quite different for the 6 million or so urban 25 to 34 year olds, of whom 58 per cent are working: 80 per cent in the formal sector, 14 per cent in the informal sector, and 5 per cent in private households. Close to 2 million people are either looking for work or are discouraged.

According to StatsSA's data, some 14 per cent of urban youth overall work in the informal sector, with the majority (64 per cent) being male. By international standards this seems small, and there is some evidence that it may be an underestimate (see below), but, interestingly, we found that the informal sector is actually larger in rural areas. That's surprising, I think, because it's normally assumed that the informal sector would thrive in cities because there are so many more opportunities and more demand in urban areas. In absolute terms, there are more informal sector jobs in urban areas than in rural.

Now, as I've suggested, there is an empirical question about the true size of the informal sector in South Africa, with very different estimates from different sources. As can be seen from Figure XX below, estimates of the number of people who own non-VAT-registered businesses range from 240 000 to 850 000 and from 622 000 up to 1 330 000 for the total of informal sector workers. It's not at all clear why these numbers vary so much and how much this can be explained by definitions and how much by different sampling methodologies.

The informal sector is actually larger in rural areas. That's surprising, because it's normally assumed that the informal sector would thrive in cities because there are so many more opportunities and more demand in urban areas

**Graph 2**

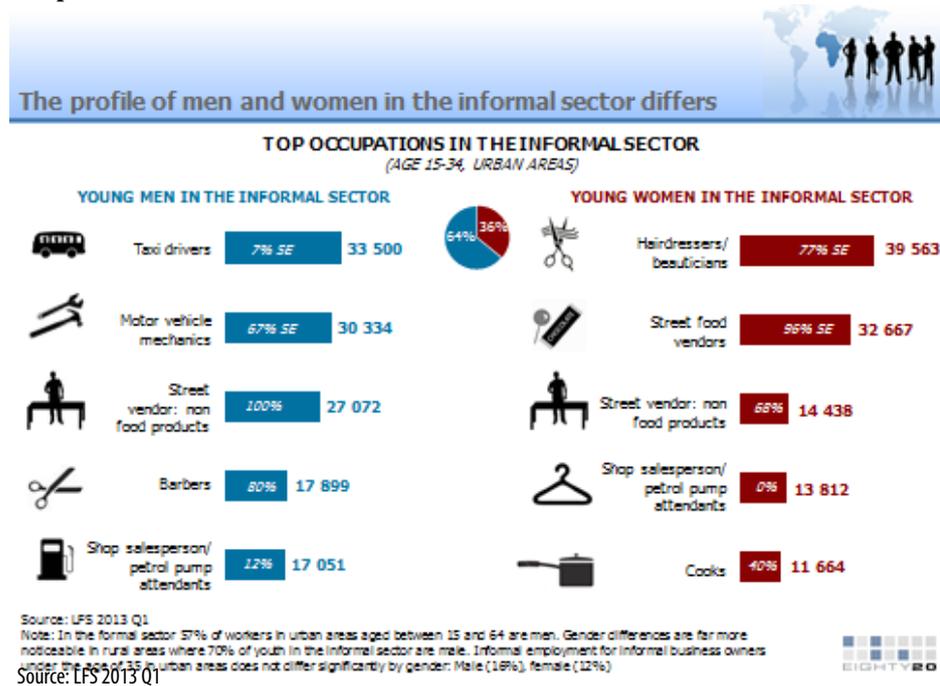


An important distinction between formal and informal sectors is that in the latter, a much larger proportion of people are self-employed—50 per cent versus 3 per cent, according to StatsSA's Quarterly Labour Force Survey. That is a massive difference. The main reason why people start businesses in the informal sector is necessity (42 per cent), with another 19 per cent saying they had recently lost a job. This illustrates that survival can be tough in cities, and that people really have to come up with a plan to make ends meet. But 34 per cent of people in the informal sector—most of them young—say they started their business because they saw an opportunity.

There are very different job profiles for men and women in the informal sector. We found in the same survey, that no less than 40 000 women in the informal sector are hairdressers. We are lucky that our fashion trends are so labour intensive. Another huge job provider is street food vending, with 32 600 women making a living out of that. What struck me about these data was how extremely female-dominated these two occupations are. For men, on the other hand, the largest occupations are taxi drivers (33 500 people) and motor vehicle mechanics (30 300 people). Interestingly, taxi drivers tend to be employees—only 7 per cent said they are self-employed.

An important distinction between formal and informal sectors is that in the latter, a much larger proportion of people are self-employed—50 per cent versus 3 per cent

Graph 3



We don't have data to even estimate the size of the informal sector. And in part it's because of the nature of the sector

### Education, skills and incomes

About 37 per cent of the young between 15 and 34 per cent working in the informal sector in cities have their matric, which is a lot higher than the plus-35 group, of whom only 19 per cent have finished high school. Another 6 per cent have a post-matric qualification or university degree. In terms of skills, 58 per cent said they taught themselves the skills to manage their businesses, compared to 69 per cent in the plus 35 group, and 12 per cent of the young with informal jobs say they learnt their skills mainly from family.

Bad as the data on employment numbers are, the data on incomes in the informal sector are even worse. We've got basically a non-response rate of around 50 per cent, so either people don't know or they refuse to tell us, and we know that many people who refuse are doing so because they don't know. But then of the informal business owners who do know, about half earn less than R2 000 a month. But, really, we don't even know what that means because people are so bad at distinguishing between turnover, wages and profit. And when you take off the fact that you have debts and so on, it gets hard to see what is left. We doubt many people are tracking it carefully. In fact, we did an experiment with some high schools students in Khayelitsha a couple of years ago, where we gave them money to start a business on condition they kept financial records for us. But the typical record were a few memos on a piece of paper. And by the way, of the 12 students who participated, about 10 of them went into money lending.

As a conclusion, I'd like to stress the point that we don't have data to even estimate the size of the informal sector. And in part it's because of the nature of the sector. When you go back to the original research papers written about the informal sector in the '70s, they were described in terms of their escaping enumeration. But now we are trying to enumerate it and I think we are not going to get it. The informal sector is complex and diverse, so I think government is going to tend to think of the informal sector as something we can do something about, but chances are we can't.

What could work to gather some insightful data are specific experiments. You might be able to do something about hairdressers in the informal sector, or taxi drivers in the informal sector. And probably, if you track those experiments, you'd have a lot more interesting things to talk about.

## Kecia Rust

*Coordinator, Finmark Trust, promoting financial inclusion for the poor*

I've been asked to talk about housing policies and how they can create economic opportunity in South Africa. Our housing policies don't actually talk about economic opportunities much. But this is surely a mistake.

### Housing policy

The basis of our housing policy is in the constitution, which explicitly focuses on the provision of housing. From the beginning that was interpreted as meaning that housing policy was about the delivery of houses. This was softened a little in the 2004 policy, 'Breaking New Ground' which introduced a degree of market awareness in the way we started looking at housing when it said that 1.6 million subsidy houses that had been built hadn't become productive assets in the hands of the poor. So, the awareness has grown that within the space of unemployment and in the attempt to address poverty alleviation, housing might provide an asset to enable income generation. So the government's new policy approach sees housing as a strategy for poverty alleviation, for job creation strategy, for wealth creation, for empowerment and so on. Housing is also now seen as an instrument for the development of sustainable human settlements in support of spatial restructuring. The question is how does that work, and how does that begin to get articulated?

Steven Topham, from the National Upgrade Support Programme (NUSP), analysed municipalities' Integrated Development Plans, looking at backyard shacks and their potential for generating incomes. Backyard shack rentals are becoming increasingly important and significant in many cities, and in Johannesburg for instance, it seems to be the most significant form of housing delivery. Despite this, integrated development plans don't really recognise it. Backyard rentals are not part of their focus except as a partial measure of the housing backlog. In other words, the IDPs don't acknowledge the important role that rental income plays in the economy.

When we look at provincial and municipal policy, the City of Cape Town is perhaps the most interesting as they've been doing a lot of work in servicing backyard areas. They're looking to try formalise housing and have set guidelines on house and spaza shops, and people who own businesses within their homes. But they are really struggling with the concept of backyarders and how 'backyarding' fits within their overall policy strategy.

Beyond this initiative, at a municipal level, there is very little attention to the way in which housing might operate as an asset, and the way in which it can perform in terms of creating economic opportunities for residents.

### Are RDP houses productive assets?

We have other expressions of policy that don't come out in policy documents themselves, but are reflected in the way in which officials talk about housing delivery. This is the view that RDP housing are for the needy and that owners are not allowed to sell them.

There are cases, like in this news article from 2010 in Nelspruit where officials talk about 'illegal owners' of RDP houses who are to be evicted because they bought the house from the original beneficiary: "We have a situation where our people have gone back to live in

The awareness has grown that within the space of unemployment and in the attempt to address poverty alleviation, housing might provide an asset to enable income generation

shacks because they have sold their RDP houses to greedy individuals," the official said. "This is going to come to an end this year".

*This* view is replicated among ordinary people, the majority of whom told interviewers that it is illegal to sell an RDP house under any circumstances. But that is not true, it's not what the policy says. In terms of South African housing policy, you are not allowed to sell your house for the first eight years of occupation; after that, you are certainly allowed to sell your house. So there is a huge misconception, which holds back people from moving up and forward.

The other comment was made in Mafikeng, where an MEC had someone thrown out of an RDP house he was renting and from which he was running a spaza shop. The MEC was reported as saying, "These houses belong to the needy. We will not allow people to use them for personal profit." This makes one think what are these houses about? Are they actually places where people will live and grow and discover sustainable livelihoods and realise economic opportunity? Or are they only shelter in order to deal with a backlog? It's that shift in housing policy that we need to see. Because, while our policy recognises job creation and economic opportunity in housing delivery projects, and also recognises that there are backward and forward linkages in terms of other industries that get created, the real value of RDP houses is not getting captured as long as owners are not being allowed to progress economically.

On top of that there's economic opportunity in incremental building and the way in which that can be promoted: there are crucial backward and forward linkages with home improvements. There is also an impact on labour as RDP houses need things like ceilings, gates, geysers, etc. installed before people actually can go live in them. These are opportunities for all sorts of investment in growing and consolidating some assets that have been developed.

Another way in which people can use RDP houses to move up the socio-economic ladder is illustrated by a woman in an informal settlement who got her RDP house in 1995. After she got it, she had a container dragged onto her front yard and started a spaza shop. Because she now had income, she got a microloan which she used to increase her stock and so could sell some more. From that revenue, she took out a further loan, and she was able to build three backyard rooms. These weren't shacks but formal housing that she's renting out. This is a fabulous, astonishing success, and an indication of what could happen in South Africa, when people begin to use that asset towards a whole lot of additional economic opportunity. But our policies don't really facilitate this.

Other spin offs go beyond the entrepreneur and add to the overall liveability and sustainability of human settlements. When rentals supplement people's incomes, a demand for other services arises and increases the range of possibilities for everyone in the neighbourhood. For example, if you can put your children into a crèche because you have the income to do so, and someone else has the space in their backyard to open up a crèche, it suddenly may become possible for you to generate a home-based business as well.

In Cape Town, we're seeing two story buildings starting to pop up, where RDP subsidy beneficiaries knocked down the house and filled the whole plot with a two story structure, which provides rental accommodation. And the Rand per square metre there is sometimes higher than in the CBD of Cape Town. So there is somebody who is recognising the opportunity. But it is also a bit of a waste, because the house which was built by the government was knocked down to then build the double story one. Again, though, the policy is not recognising what is the economic activity that is happening.

Because, while our policy recognises job creation and economic opportunity in housing delivery projects, the real value of RDP houses is not getting captured as long as owners are not being allowed to progress economically

There are great opportunities, and the Trust for Urban Housing Finance has been doing some really interesting work in inner city upgrading and diversifying the local economy in a number of ways. It is also creating a whole new class of small-scale landlords who are trying to meet the demand for different forms of housing. We're hoping to see more and more young people occupy this space.

To summarise, I would say that the first thing we need to do is recognise that it is not illegal for a house to perform as a financial or an economic asset. For that, we need to change the way in which our policy responds. There is a lot of important work that's already been done around backlogs in title deeds. But more needs to be done. A real problem with our RDP programme is the resale restriction, which reduces the inclusivity of the property market. But more importantly, while that takes time, the real recommendation is that we need to start seeing housing as an asset.

The first thing we need to do is recognise that it is not illegal for a house to perform as a financial or an economic asset. For that, we need to change the way in which our policy responds

## DISCUSSION

General discussion focussed on a number of key issues:

- Does the set of policies that a youthful developing city must adopt differ from the policies that a developing city that is not youthful ought to adopt?
- Do large informal sectors limit or contribute to the capacity of cities to grow? And what are the implications of this?
- Are landlocked cities (like Johannesburg), whose manufacturers face higher transport costs if they are to export goods to global markets, less likely to grow, industrialise and develop? And if so, what options do they have?

### Does it matter if cities are youthful?

Ann Bernstein asked from the Chair whether addressing the needs of the youth requires youth-specific policies, or could satisfactorily be met by age-neutral growth-promoting policies.

In response, Deputy Minister Carrim pointed out that since the inauguration of democracy, an achievement in which youth had played a critical role, the needs of young people had been regarded as inextricably linked to the country's trajectory. As a result, this had spurred the development of numerous youth-oriented policies and institutions promoting the interests of young people. That this link hadn't lost relevance up to today, was manifested in the potential threat to the country's social and political stability that concentrations of disaffected young people in the cities represent.

Another participant advocated the opposite view, saying that, if the experience of East Asia was anything to go by, youth-oriented urban policies were of secondary importance. Countries there did not develop policies along these lines, preferring, instead, to focus on general competitiveness. The clear priority was to ensure the conditions existed to generate significant demand for labour; everything else was secondary to this. Another participant agreed with this, but offered an exception to the general rule. This related to Asian governments' investing heavily in education, a decision from which they have continued to reap rewards. Where government fell short in advancing the skills of the existing workforce in times of increasing demand, companies and factories had offered on-the-job training and, in that way, had massively invested in increasing the productive capacity. A scenario, he said, which is entirely plausible in the South African context.

Another partial qualification to the general rule that policy-makers ought to focus primarily on raising competitiveness concerned housing. The current housing stock doesn't cater for single person households —the majority of which are young people who haven't started families yet. The shortage of this type of housing has led to a mismatch, which could be rectified by recognising the value of building housing stock suitable for single person households. This might suggest that attention to specific needs of young people was needed, but, by the same token, one might argue that getting the appropriate mix of housing options right was essential to ensuring a city's overall competitiveness.

What role does the informal sector play in shaping a city's growth path? Central to the question how cities can increase the economic opportunities they offer young people, is the debate regarding what role the informal sector plays in this, and whether it is limiting or contributing to cities' economic growth.

Views among participants diverged on this issue. One group argued that the informal sector doesn't share in the "miracle of productivity" in which cities' comparative advantage

If the experience of East Asia was anything to go by, youth-oriented urban policies were of secondary importance, first came general competitiveness

“You cannot accept a situation in which 40 per cent of your economy is doomed to zero productivity growth”

lies because informal firms are usually small, operate in overtraded environments/sectors, struggle to attract investment, and generally have to operate on a cash basis. If a city’s economy is too reliant on informal activities, it will struggle to grow and to increase incomes. It was important, to formalise economic activity to reap productivity (and, therefore, income) gains. “You cannot accept a situation,” said one economist, “in which 40 per cent of your economy is doomed to zero productivity growth.”

Offering a contrary view, some participants noted recent World Bank work that showed that, despite the fact that Africa’s economies remain dominated by informal activities, they have achieved economic growth with rising incomes. For them, policy-makers seeking to develop a growth path that connects the “least formal parts” with the “most formal parts” of the economic spectrum will reap dividends. They suggested that often too much formality—in particular, the urge to impose inappropriate regulation—could stifle economic growth. “In a context like South Africa’s townships I think too much formality might be the problem—that you are suffocating parts of the market instead of creating points of entry.” Adding to this, another participant argued that rapid growth in developing countries had nothing to do with productivity growth, as conventionally understood and everything to do with simply adopting techniques and technologies developed elsewhere. There was no reason to think that unregistered firms were incapable of doing this, though much would depend on their ability to attract finance and to contract with suppliers and customers in enforceable ways. This, he suggested, was the case in South Korea, where firms producing for export markets remained informal, but only because they sought to evade taxation.

Where and how these points of entry can be created best is not clear. One participant pointed out that informal sector employment at least offers people a chance to learn-on-the-job and to develop skills that they can transfer into formal jobs. It does not, he said, “de-skill them”, as the experience of unemployment would.

### What sources for growth are there for cities?

A key message from the roundtable came from Prof Collier, who said that urbanisation in Africa is far from complete. This is significant for South African cities’ growth prospects in two ways: first, it offers an overall chance to make the next phase of urbanisation and urban growth more successful and efficient than had been the first phases. Second, expanded urban growth represents an opportunity for the country to increase the demand for labour-intensive jobs required literally to “build the city.”

As a start, housing, which is only one component of the structures that make up a city, could be seen as a source of growth and development as it would stimulate the construction sector, in the process creating the kinds of jobs that South Africa needs. Moreover, it could provide an opportunity for the country to rethink spatial planning and building standards in ways that make urban accommodation more affordable.

Growth paths cannot stop at the cities’ boundaries, however, and the degree to which a city is connected to world markets, for instance to global manufacturing clusters, matters. For cities which are land-locked like Johannesburg, the geographical constraint of being far-removed from trade routes across the ocean to export high-volume, low-margin manufactured goods into international markets may well force this city to become an international player in other domains. Johannesburg, it was suggested, could thrive as the financial and entrepreneurial capital of Africa. The city, as well as its citizens, would have to come to terms with the fact that Johannesburg may not be the right place to create

millions of low-skilled jobs, and that, as a result, it should allow for these kinds of jobs together with the people who would need them, to move to more suitable cities across South Africa, particularly coastal cities. If Johannesburg were to follow the general rule that each city should develop where its comparative advantage lies, the city should be looking at building capacity in the service sector to support the development of a stronger financial and mining sector that could serve the country's and the sub continent's needs.

Johannesburg should be looking at building capacity in the service sector to support a stronger financial and mining sector

## KEY INSIGHTS

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### Introduction

The Cities of Hope project was conceived as an attempt to get to grips with three major issues that will shape the twenty-first century in the developing world: urbanisation, the pursuit of faster economic growth, and the needs of growing populations of young people, particularly those with few skills and opportunities. We hoped to identify the best international evidence, experience and initiatives on how these three macro-trends effect each other, and what the implications may be for policy-makers. To our surprise we found that, while there is plenty of work being done on each of the three areas, work that takes seriously all three trends and which synthesises the impact of all three was extremely difficult to find. In the light of this finding – interesting in itself— we reconfigured the project.

Our aim, instead, became to identify and bring together specialists in particular parts of the nexus of issues we are interested in – urbanisation, growth and young people – to see if together we could think through questions issues and possible policy implications that arise when all three topics are considered together. In addition, work commissioned from experts on the urbanisation experiences of India, Brazil and South Africa was used to place the broader discussions into the context of three important developing countries.

### So what did we learn?

#### **Cities and young people in India, Brazil and South Africa: The facts**

Perhaps the most critical point about the experiences of the three countries—India, Brazil and South Africa—is how divergent they are. India’s population, is more than 20 times larger than South Africa’s and six times larger than Brazil’s. Brazilian per capita income is the highest of the three, but India’s (the lowest) has been growing the fastest. South Africa has by far the highest level of unemployment, but poverty rates are lower than India’s. Brazil and South Africa have relatively small agricultural sectors, and all have seen relatively rapid growth of the services sector.

Brazil’s population is the most urbanised by a considerable margin, while India’s cities accommodate only a minority of its people. South Africa’s cities are somewhat more youthful than the country as a whole. In South Africa, average unemployment in the cities is not very different from that of the rest of the country, but, because the labour force participation rate is higher, the proportion of urban adults who have jobs is considerably higher than is the case for rural adults. In India and Brazil, by contrast, employment rates in cities and the countryside are more equal. They are also higher than South Africa’s employment rate.

South Africa’s informal economy is considerably smaller than the informal economies of Brazil and India, and, somewhat surprisingly, seems to be more important in rural areas than in cities.

Despite these important differences, one thing that can be said of all three countries’ cities is that much more could be done to ensure that young people on the periphery of the formal economy and who lack both skills and workplace experience, access opportunities

In South Africa the proportion of urban adults who have jobs is considerably higher than is the case for rural adults

to improve their lives. In all three cases, large numbers of people—disproportionately young—are unemployed, underemployed or engaged in informal work with very limited prospects for increasing incomes and prosperity. Their principal need is for the cities in which they live to be places in which opportunities are expanding, cities, in other words, of hope.

**Table 6: Overview of 3 countries' socio-economic indicators**

	India	Brazil	South Africa
<b>Total population<sup>1</sup></b>	1.2 billion	197 million	51 million
<b>% between 15 and 34</b>	36% or 430 million	34% or 67 million	38% or 19.5 million
<b>Population growth rate</b>	1.3%	0.8%	0.5%
<b>Urban population growth rate</b>	2.5%	1.2%	1.2%
<b>Rural population growth rate<sup>2</sup></b>	0.8%	-1.0%	-0.7%
<b>Current level of urbanisation<sup>3</sup></b>	31%	85%	62%
	More than 40% of urbanites live in the biggest cities each of which has a population of over 5 million) <sup>4</sup>	18% of Brazilians live in the three largest cities <sup>5</sup>	37% live in 8 metropolitan municipalities with populations ranging from 700 000 to 4 million.
<b>Internet users ratio</b> (percentage of total population with access to the internet, 2012) <sup>6</sup>	13%	50%	41%
<b>Aggregate poverty</b> (with poverty lines at \$1.25 and \$2 per capita per day) <sup>7</sup> what does this X mean?	33% (\$1.25 poverty line) 69% (\$2 poverty line)	6% (\$1.25) 11% (\$2)	14% (\$1.25) 33% (\$2)
<b>Size of economy and average growth over past 20 years<sup>8</sup></b>	GDP of \$1,9 trillion, and growing at annual rate of 6.8% for 20 years GDP per capita US\$1,489 in 2012	GDP of \$2,5 trillion, growing at 3.1% over 20 years GDP per capita US\$11,340 in 2012	GDP of \$420 billion, growing at 3.2% a year over 20 years GDP per capita US\$7,508 in 2012
<b>Total labour force participation rates<sup>9</sup></b>	58% (470 million people)	70% (86 million people)	56% (18.3 million people)
<b>Employment ratio</b> * For youth (15-24) * For adults (25+) <sup>10</sup>	Adults: 61% Youth: 34%	Adult: 68% Youth: 53%	Adult: 49% Youth: 13%

How do cities in the developing world become “cities of hope”? The two most important reasons for optimism about the role that young people living in the developing world's cities could play in accelerating economic progress arise directly out of the fact that they are young and that they live in cities. Growth and opportunity can be facilitated both by the youthfulness of cities and by the fact that cities tend to be good for growth.

### Young people are good for growth

While it is true that youth bulges are sometimes associated with heightened risks of political instability as some argue has been the case in the Middle East in recent years, they can also help accelerate economic growth. This is because demographic shifts of this kind tend to increase the size of the working age population, reduce the dependency ratio,

Growth and opportunity can be facilitated both by the youthfulness of cities and by the fact that cities tend to be good for growth

and inject fresh energy and entrepreneurialism into the economy. In addition, young people tend to save more than older people, so youth bulges can also improve one of the key macroeconomic variables — the savings rate.

### Cities are good for growth

Cities are machines for producing economic prosperity and have been described by Prof Paul Collier, one of the world's leading development economists, as being essential to the “miracle of productivity”. This is the set of processes through which human energies, which for thousands of years could produce output of the equivalent of only \$2 per day per person, now generate output that may be hundreds of times more than that.

At its root, this transformation of the productivity of human labour is the result of two processes: the increasing scale of production and the increasing specialisation of economic activity.

Increased scale and specialisation can be achieved far more easily in densely-packed cities than in dispersed rural populations, making the growth of cities a critical factor in humanity's economic progress over the centuries. Cities are places where people can combine their different skills to make things that would be beyond individual capacities. Residents can access and exchange skills, learn from each other, and transact more efficiently than would be possible in sparsely populated areas. While estimates differ, the per capita increase in productivity every time the size of a settlement doubles, is thought to be between 3 and 6 per cent. This means that cities have the potential to vastly increase the productivity and value of human labour relative to small towns and villages: each person living in a city of 6 million people would be between 1,5 and 2,5 times more productive than they would be if they lived in a village of 100.

That cities can generate miraculous productivity growth does not mean that they always do so. In much of Africa, urbanisation has not generated the kind of productivity growth needed to raise living standards. One reason for this may be that the comparative advantage of many African economies lies in activities that are not generally located in cities — in agriculture and the extraction of natural resources, for example, rather than manufacturing. This constrains the possibility of rapid industrialisation, which was a key process driving successful urbanisation elsewhere in the world. Another possibility is that the benefits of density and connectedness are not sufficient to offset some of the costs of expanding cities (such as congestion and growing pressure on infrastructure), unless per capita incomes are higher than a particular threshold. One way in which this manifests itself may be institutional, in the sense that poor societies generally have weak institutions. And this is certainly true of many African cities which have serious planning and institutional deficiencies resulting in poorly planned settlements with too little density, inadequate infrastructure, and dysfunctional markets for land and property. This has not only had an impact on productivity growth but has also reinforced the dynamics that encourage informality in economic activity, housing, and other markets.

### Industrialisation, comparative advantage and urbanisation

If one of the challenges African cities face is that the comparative advantages of African economies do not appear currently to lie in industrial activities, should they try to develop such comparative advantages over time? And is it possible that they will be able to do so?

Increased scale and specialisation can be achieved far more easily in densely-packed cities than in dispersed rural populations

An important debate during the Round Table (and in the policy world, generally) relates to the extent to which it may be possible for African cities to develop comparative advantages in manufacturing activities. In this regard, it's important to note that all participants accepted that as a rule, industrial production does not account for the bulk of economic activity in any city of any size, with the production and exchange of services usually employing more people and generating more value added in most cities than does manufacturing. At the same time, however, most successful experiences of urbanisation, whether in the developed or the developing worlds, have occurred during periods of rapid industrialisation when manufacturing industries were growing particularly quickly. This was the case, for example, in the United States and Europe over the past two centuries, as well as more recently in Japan and the rest of East Asia over the past 50 years.

Given this association between successful urbanisation and industrialisation, some participants suggested either that Africa's comparative advantages—which, they said, lay outside of manufacturing—made it unlikely that urbanisation could follow the same trajectory as had been followed successfully elsewhere, and/or that the global decline in importance of manufacturing (especially labour-intensive manufacturing) will limit the opportunities that cities face in developing an industrial base for effective urbanisation.

Evidence that the comparative advantage of many African countries does not lie in manufactures was provided by Dr Potts who reminded the Round Table that, compared to stagnant and declining manufacturing sectors in much of Africa, countries like Cambodia and Vietnam were seeing very dramatic growth in light manufacturing. By itself, she noted, Vietnam exported more light manufactured goods in 2008 than the whole of sub-Saharan Africa (including South Africa). In addition, Dr Yusuf noted that in recent years supply chains, which for decades had been fragmenting, were again consolidating. This, he suggested, meant that the technological forces that had made possible the emergence of rapidly-growing manufacturing clusters in East Asia were weakening, and that it would be far harder for cities in Africa to follow the example of cities in East Asia. Complicating matters further for a country like South Africa, Dr Yusuf also suggested that light-manufacturing—which was the basis of the rapid growth of East Asian cities and their entree into global trade—was not viable for countries in which per capita income was over about \$5 000 because at these levels countries ceased to be competitive in these industries as their cost base rose.

Against these somewhat pessimistic views, other speakers suggested that the challenges were not insurmountable. Noting that Ethiopia had begun to break into the global footwear market with a Chinese firm's having recently set up a factory there, Prof Collier said that Chinese manufacturing clusters were losing their super-competitive edge as wages rose. Besides, he note, before the emergence of Chinese manufacturing, it was long believed that it was not possible for developing countries to compete with the developed world in manufacturing. So, the mere fact that China and other developing countries had succeeded in doing so meant that it might be possible for poor countries—including African countries—to do so today.

This was a view endorsed by the Round Table's chairman who cited the comments by Justin Lin, a former chief economist of the World Bank, to the effect that as Chinese manufacturing moves up the value chain, millions of low-wage jobs will move to other developing countries. "South Africa would not need a very large number of those jobs to make a big difference," she said. "What is needed is for the managers of South Africa's coastal cities to go to China and figure out what it would take to compete for those jobs."

Most successful experiences of urbanisation, whether in the developed or the developing worlds, have occurred during periods of rapid industrialisation

Building comparative  
advantage in light  
manufacturing meant  
being able to compete  
with other countries

In relation to cities' competitiveness, Prof Collier suggested that a key variable in building manufacturing clusters would be integration into world markets. In this regard, coastal cities with navigable ports were far better placed than cities in the interior. This was largely because, after decades of trade liberalisation, transport costs have emerged as a far more important barrier to trade than tariffs. "What has to happen," he said, "is for African manufacturers to find niches and to build a competitive cluster around that. This probably needs to be near a port, and transport links and electricity need to be cheap and efficient."

It was important to recognise, however, that building comparative advantage in light manufacturing meant being able to compete with other countries, such as Vietnam and Cambodia. To do this, policy-makers need to understand what a competitive price would be for particular light manufactures delivered to key markets, and to work backwards from there to try to provide the business environment needed to ensure delivery of that good at that price. The fact that Chinese firms believed that African countries, particularly low-income countries, were more likely to retain preferential trade access to developed world markets gave African economies an advantage in getting to competitive price levels, but it was likely that more would have to be done.

It is important to recognise that the two poles of this debate are not mutually exclusive. It is quite possible to be pessimistic about the possibility that all African cities can develop manufacturing industries while recognising that not all face entirely insurmountable constraints; some might have reasonably good prospects of developing industrial bases and of using that to initiate more economically effective urbanisation processes. If they are to do that, however, such cities need to focus policy attention and resources appropriately in order to build economically efficient cities. Indeed, doing so may be critical to developing the competitiveness needed to develop new comparative advantages. So what are the critical issues that cities need to confront?

### Policy priorities for more effective urbanisation

If comparative advantage in industrial activities is necessary, and if it can be built, it can be built only by cities that successfully manage a range of processes. Effective urban management requires policies and institutions that create the conditions in which it is possible for economies to grow quickly through rapidly rising productivity.

Key to successful urbanisation is the recognition that the physical shape of a city and the way that it evolves depends on the decisions made by hundreds of thousands (sometimes millions) of economic actors: households which decide where and how to build homes; businesses which decide where to build factories, shops and offices; and governments which must build public infrastructure. While these decisions are made (largely) independently by the various economic agents, the benefits accruing to any one agent depend on the decision made by others. For this reason, a critical challenge lies in trying to shape the millions of choices in a way that maximises the benefits of urbanisation. This is difficult to achieve in societies in which structures of governance are weak and where social divisions are significant. It is, however, evidently possible for success to be achieved since that has been the experience of scores of cities in the developing world.

## Urban design

Densification is the most critical goal of urban policy because it is the source of the agglomeration economies that cities generate, and the basis for increasing both the scale of cities' economies and the specialisation of its firms and workforce. It is often hard to achieve with many cities unable to overcome countervailing forces. One example of the challenge lies in the existence in many cities of inappropriate land use regulations and building codes which can make building unaffordable. This, in turn, can lead to informalisation as households and businesses ignore the rules. In addition, high building costs, themselves a result of numerous institutional failings, often mean that the kinds of formal structures needed for densification — multi-storey buildings in particular — cannot be built even when zoning laws allow for them. Finally, poor planning of public infrastructure and transportation often works against policy-makers' stated desires to densify cities.

Further challenges lie in the resistance of some residents to regulatory changes needed to encourage densification. The fact that land on the outskirts of cities is usually cheaper than land at the centre also encourages developers to build new structures on the edge of cities, inducing sprawl. This challenge is accentuated when city governments generate income from selling land to developers, much of which will, of necessity, be on the outskirts of cities. Urban centres, however, could become significantly denser if governments were to consider mapping and selling much of the vacant land they own in cities and towns so that these could become productive and lucrative assets. "Upzoning" areas (rezoning parcels of land for more intensive use) to allow for much greater density can be an effective tool, as can the implementation of sensible modes of public transport which encourage developers to locate new structures along their routes.

Linked to this, one of the most significant roles that a city could play in seeking to promote industrialisation (or, indeed, the more rapid development of other economic sectors) revolves around delivering the set of infrastructural and policy interventions needed to ensure that firms cluster in such a way that they can generate the efficiencies and productivity gains associated with agglomeration. These derive from the positive spill-overs that firms enjoy when they are located close to other firms both in the same industry and in others. Zoning rules are one tool for achieving this, but so too is the establishment of special economic zones of various kinds, the provision of some kinds of incentives to induce clustering, and working with developers seeking to exploit perceived niches. Importantly, the clustering of activities doesn't benefit firms alone, but makes more affordable the provision of public infrastructure.

## Financing urbanisation and city growth

Although urbanisation can induce rapid economic growth, the process itself needs to be financed. The challenges here exist on two distinct levels: paying for public infrastructure and ensuring that firms and households have access to affordable finance in order to facilitate the building of homes and business premises. Given these costs, urbanisation is more efficiently achieved in high-savings economies where there is a larger (and cheaper) pool of funds available to finance it.

Governments should seek to capture a significant proportion of the capital gains accruing to owners of land in cities

There is great variety  
in the ways in which  
different countries  
finance public  
infrastructure in cities

### Financing public infrastructure

One proposal for financing urbanisation is that local governments should seek to capture a significant proportion of the capital gains accruing to owners of land in cities. The rationale for this is that the rise in the value of those properties is the consequence of the rising productivity of the city rather than being a product of the actions of a particular land-owner. As a result, the benefit of rising property values should not accrue exclusively to the private owner, but ought to be used to finance public investment. A critical challenge, however, is institutional: how effectively are funds channelled to local governments from other levels of the state and how well do local governments collect rates and taxes? Also, how effectively do they spend and allocate these monies? If these institutions are weak, financing urbanisation will be difficult even if the principles on which it is founded are coherent.

There is great variety in the ways in which different countries finance public infrastructure in cities: how much is financed through taxes and how much through user charges; whether taxes are levied locally or are transferred from national or provincial budgets; whether allocations from other spheres of government are dedicated to particular uses or can be allocated as local governments see fit. The critical factors are: ensuring that there are sufficient funds to finance the appropriate level of public infrastructure; rigorous needs assessments so that different kinds of infrastructure can be appropriately prioritised; keeping costs of infrastructure as low as possible; and ensuring the funding process is transparent and accountable. These characteristics are critical to ensuring that infrastructure plans deliver what cities need as affordably as possible.

### Financing private investment in housing and business premises

If households are to afford homes and businesses are to afford their premises, construction costs, which depend both on building regulations and the structure of the property market, need to be appropriate for the level of per capita income. In addition, financial instruments that ensure that loans are available and affordable are required. Once again, this is primarily an institutional and regulatory challenge that involves a wide range of institutions: financial sector regulators, deeds offices and the various law enforcement agencies involved in enforcing contracts and repossessing collateral. In the absence of these housing becomes 'dead capital' – assets which cannot be used to support economic activity because the suite of institutions needed to create and enforce property rights are absent or deficient. For this reason, policy-makers face critical challenges in coordinating public policy reforms across a range of institutions and policy areas.

### The size and quality of the workforce

A key determinant of the rate of growth of urban economies is the quality of their workforces which plays a large role in determining levels of productivity. This puts a premium on the quality of education and training institutions. But urbanisation and densification can help improve education by reducing the cost of delivering education and raising its quality through increased competition and greater specialisation in both public and private provision of education and training. In addition, the density of urban areas makes the exchange of information, knowledge and skills easier, increasing the productivity gains from education. This also increases the individual returns on education

which encourages people to stay in school and to seek to upgrade their skills. Finally, the presence of large and medium size firms in cities means that there is far more opportunity for (and supply of) in-firm training to workers, raising the quality of the labour force.

While all of this suggests that the quality of education benefits from the process of urbanisation in the medium and long run, matters are more complex in the short-run. Upgrading education and skills systems is a notoriously complex and time-consuming endeavour, and its results are generally felt only after some time. This is true no matter the starting point, but in societies in which large numbers of young people have received inadequate education, improving the quality of the workforce is difficult. It is important, therefore, that cities maximise what opportunities exist by fostering quality public education and facilitating the emergence of private sector providers. They should also seek to promote the growth of formal sector firms, including those that rely on unskilled, low-productivity labour, since on-the-job and in-service training are among the most efficient ways to raise workforce skills levels.

### The quality of leadership and governance

The quality of public institutions and the extent to which cities have power to govern and can make decisions that are appropriate to the specific circumstances of the city are critical variables in determining the effectiveness of the process of urbanisation. For cities to manage themselves effectively, they need to have both the authority to manage critical areas of public policy and the business environment and the institutional capacity to do so.

The ability of cities to manage their own trajectory is constrained because much of what will determine how a city's economy performs is not in the control of local leaders. Some factors are out of the hands of domestic policy-makers. These include: the state of the international economy; the impact of technological change on the evolution of global supply chains; the demand for labour; the geographical location of the city; and the impact of climate change. Other factors affecting the state of the national economy and the trajectory of socio-economic development may be determined by national policy makers- macroeconomic and industrial policies, labour market policies, the quality of the education system etc. - may be determined by national policy makers, with cities seldom having much impact on their substance. Having said that, the more independence, authority and capacity a city has, the more likely it is to develop a strategy that works. Indeed, some of the largest and most successful cities are those that had the opportunity to experiment with what might work for themselves.

Managing cities effectively requires strong leadership able to deal with a wide range of challenges simultaneously. The outcome of any decision made by independent economic agents depends very heavily on the decisions made by other agents. Those decisions, in turn, are shaped by a wide range of institutional, political and economic variables that govern land, labour and product markets. This creates a complex matrix of challenges, which may not lend themselves to straightforward prioritisation if the impact of one set of reforms is dependent on the successful implementation of others. Leaders, in other words, will have to prioritise areas for action, and coordinate changes across what may be a broad front of challenges. Precisely where energy and attention should be focused will depend on the character of the city concerned.

Given that most of the critical decisions about whether and where to build structures (homes, business premises, public infrastructure) will be taken by independent actors,

The quality of public institutions and the extent to which cities have power to govern are critical in determining the effectiveness of the process of urbanisation

it is important for local leaders to work with major constituencies to try to align space-related decisions. The importance of this is hard to overstate. If, for example, firms are uncertain about the long-term prospects of a city, they will under-invest in business premises. Similarly, if households are not committed to the city, because, for example, they have retained strong links with the countryside, they may invest housing resources in homes elsewhere. The key is that these decisions are based on views about the future that can become self-fulfilling: if all firms under-invest in business premises because they have doubts about the future, then the future will, in fact, be less prosperous than it might have been. The same is true in relation to housing investment and investment in public infrastructure: the returns on these investments depend on the decisions made by independent actors which can raise or lower those returns. What we learn from successful cities is the importance of developing a common vision of the future among investors, existing firms, households and policy makers. A practical and achievable vision, with realistic targets is important. So too is creating an environment that encourages investment and where the city works with business and households to ensure and facilitate growth. Leadership matters and can make an enormous difference.

Two implications follow from this. The first is that the principal challenges confronting local leaders both in their management of local institutions and in their interactions with policy-makers at different levels of government, is to coordinate a range of processes so that they can capture the positive spill-over effects. This is a challenging managerial and political task, and leads to a second implication: that it may be critical for the success of cities that their development be elevated to the highest political levels in society. This should not be a surprise, of course: economic activity in cities drives the national economy, so political leaders and policy-makers across government should be focused on making cities grow. This means that they must ensure both that the cities have the requisite level of authority and capacity to manage their development and to make strategic choices, but also that national and provincial governments design their policies and programmes around the need to take advantage of the growth that cities can generate. The health of the cities needs to be seen as an issue of national importance and this requires a more dedicated and deliberate focus on how to improve the economy of cities by national decision makers.

What we learn from successful cities is the importance of developing a common vision of the future among investors

## CONCLUDING REMARKS

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The objective of the Cities of Hope project was to try to understand how urbanisation, properly managed, might help developing economies like South Africa's to grow and, in the process, ensure that young people — particularly those who lack skills and workplace experience — find routes out of poverty.

The initial design of the project was premised on the assumption that there would be a great deal of work being done at the intersection of these three issues. As it turned out this is not the case. There is plenty of work being done on the challenges of growth, of successful urbanisation, and of describing the needs of young people who are excluded from the economies of their societies. But the nexus of the issues is comparatively under-researched. We found plenty of material and debate on what drives economic growth in cities, and a great deal on the kinds of social services that young people (especially those who are marginalised) need in developing world cities. But there wasn't anywhere near as much as we had expected to find on the relationship between growth and inclusion for young people.

This is a pity for we know that during periods of rapid economic growth — usually associated with industrialisation — rural to urban migration tends to accelerate substantially adding to what is often a fast growing urban population. We know also that how quickly urbanisation happens and how effectively it is managed is a vital factor in stimulating growth. The rate of growth of household incomes depends on more than just the choices that individual migrants make or the decisions existing urban residents take, but on the institutional incentives and barriers that exist in the urban economy. Thus, while urbanisation is largely driven by the expectation that incomes and opportunities will improve if people move to the city, how fast their incomes actually rise depends not just on their individual efforts and endowments (skills, willingness to accept risk, etc.) but on the extent to which urban institutions make it possible for them to gain a foothold in the city, start their own businesses or find employment.

Looking at what needs to be done in and by cities on the institutional front to maximise their impact on young people's economic prospects suggests that their priorities are reasonably "general" in character, and that thinking about the specific needs of young people may not be optimal unless and until cities' most important institutions work well. Or, stated more precisely, focusing too much on the specific needs of the young might distract from the more important work of getting cities' economies and competitiveness right.

Given South Africa's critical need to create millions of jobs, as well as its status as relatively under-urbanised, policy-makers should be doing everything they can not only to reverse the anti-urban biases of apartheid planning legacies, but to put in place policies that would actively encourage urbanisation. The critical variable here is the quality of life: to the extent that policy-makers can ensure that cities' residents' lives are improving quickly, they will attract people to the cities. In South Africa's case, what it would take to improve the quality of life in the cities can be stated quite simply — the creation of many more jobs. There is, in other words, a self-reinforcing dynamic that policy-makers need to seek to set in train: if they can initiate effective urbanisation, they will help ensure more jobs are created; if more jobs are created, more people will move to the cities. Getting

Thinking about the specific needs of young people may not be optimal unless and until cities' most important institutions work well

A city's competitiveness largely depends on the quality and size of the local workforce, therefore cities should play an active role in education and skills development

this dynamic going is one of the most exciting possibilities for accelerating South African growth and development.

This is obviously easier to aspire to than to execute, and cities have little meaningful control over many of the variables which determine whether and how quickly jobs can be created. Such issues include the state of the global economy, political and economic uncertainty, the regulation of the labour market and the quality of South Africa's education and training systems. Having said that, there are areas where cities can and must act:

South African cities offer considerably better infrastructure and services than many cities in the developing world, but there is considerable evidence that South Africa's competitiveness is slipping. Policy attention must be directed at halting and reversing this slide. Particular attention should be paid to the quality of institutions and governance at the local level. Infrastructure, too, needs attention, and, while it is true that infrastructure is often better than in other developing countries, the cost of transport and electricity, for example matter for cities' competitiveness. Rising costs are clearly hampering South Africa's cities' international competitiveness. High levels of crime also impact on businesses' costs and on the extent to which cities can attract and retain (relatively mobile) skilled workers.

Cities need to find niches in the global market for goods and services that can be filled competitively by local firms. Transport costs, which must be recouped when goods are sold in foreign markets, are critical in determining the cost-competitiveness of local industries seeking to supply goods to foreign markets, particularly in light manufacturing. Given this, South Africa's coastal cities may be better suited to creating large manufacturing industries, though even here considerable work is needed to bring down the costs of moving goods through our ports. Cities in the interior, on the other hand, may seek niches for higher value-add, lower volume goods and services where unit transport costs are less significant.

While much has been written about the economic inefficiencies associated with apartheid-era spatial planning, insufficient action appears to have been taken to address this. Part of the problem is that at a sub-city level, positive externalities accrue to firms and households that are located in areas where economic activity is more densely packed, giving them an advantage over firms located in less well-developed areas. This means that, without incentives, townships will always struggle to attain levels of competitiveness expected in other parts of the city. Policy-makers need to address this challenge boldly and much more vigorously.

As suggested, these policy priorities are not youth-specific but relate more directly to the priority of building cities' economies. This reflects the urgency of South Africa's broader development challenges, and the fact that youth-targeted interventions are unlikely to address these successfully. There are, however, two policy areas that are exceptions and do need configurations that specifically target the young, these are education and housing.

In addition to seeking to densify cities, infrastructure and settlement policies should focus on turning housing into productive assets that generate income. Backyard shacks, which tend to be more affordable for young people, should be included in municipal plans so that the young can capture their real value when wanting to buy, sell or rent-out. The same is true for RDP houses where policy and incorrect perceptions hold back many owners from making economic progress using their houses as productive assets.

A city's competitiveness largely depends on the quality and size of the local workforce, therefore cities should play an active role in education and skills development projects within their boundaries. This could require policy changes to enable individual cities to

shape education and training policies to their needs: one such policy could enable cities to develop programmes encouraging apprenticeship and other public private training schemes; another might link universities, tertiary training institutions and schools with employers in their areas. In addition, because city leaders should be on top of trends and opportunities within the city, they are potentially well placed to inform and influence central government on city-specific needs and opportunities, and to link the one to the other.

The essential insight, then, is that, especially in South Africa, policies that stimulate the city's overall potential to grow economically will usually be of more benefit to the young than will youth-specific policies; it is these that are most likely to stimulate the greatest increase in the opportunities available to them. Cities should focus on what cities do best, and, in particular, on their role in bringing about the "miracle of productivity". That is, creating an environment for economic growth and productivity that builds on the urban advantage of agglomeration, energy and innovation.

Cities should also not focus excessive energy on small-scale projects that distract and detract from efforts to ensure much greater competitiveness for firms and much higher productivity for residents. The scale of cities' efforts should match the scale of the challenges they face. This means focusing on some of the big issues:

Ensuring institutions create a property rights regime that supports growth and encourages investment by households and firms;

Focusing development plans on increased densification and on concentrating business development in order to take advantage of the economics of agglomeration;

Ensuring that housing markets provide the kind of housing stock – for sale and rent and for household economic activities that residents (especially younger resident) need;

Ensuring that residents can build their skills in schools and in training institutions, and creating an environment in which private providers of education and training can flourish; and

Lobbying for more powers to experiment and apply different policies that fit their city and its economic and competitive needs better

The presence of many young people does matter to cities' potential to grow. Their age is likely to multiply the positive consequences of getting policies right because engaging young people in the economy, especially the formal economy, has so many positive externalities that will amplify those policies' economic effects.

The youthfulness of a city's population is likely to increase the impact of getting policies right. Therein lies the challenge: cities need the appropriate authority and capacity to drive the kinds of changes needed to accelerate the growth of their economies. That requires city leadership that is capable and effective, and empowered and committed to doing all it can to enable growth. But it also requires that government at all levels recognise the critical importance of cities and their performance to the future of the country and the quality of life of its people.

Engaging young people in the economy, especially the formal economy, has many positive externalities that will amplify economic effects

## Speaker biographies

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### **Prof Paul Collier**

Paul Collier is professor of economics and director of the Centre for the Study of African Economies at Oxford University. He has previously served as director of the Development Research Group at the World Bank (1998-2003). He was senior adviser to former Prime Minister Blair's Commission on Africa, professor associate of the Centre d'Etudes et de Recherches sur le Développement International (CERDI) in France and research fellow at the Centre for Economic Policy Research (CEPR) in London. His past and current research has centred on addressing developmental challenges facing low-income countries including research on the economics of conflict, governance and macro-economics with a strong focus on the effects of aid, exchange rate and trade policies. His award-winning book *The Bottom Billion* brings together much of his past research and aims at providing concrete solutions to answering the plight of the world's poorest citizens.



### **Dr Shahid Yusuf**

Shahid Yusuf is chief economist of the Growth Dialogue at George Washington University. He holds a PhD in economics from Harvard University, and a BA in economics from Cambridge University. He joined the World Bank in 1974 as a young professional and spent more than 35 years tackling issues confronting developing countries. During his tenure at the World Bank, Dr Yusuf was the team leader for the World Bank-Japan project on East Asia's Future Economy from 2000-2009 and the director of the World Development Report 1999/2000 entitled 'Entering the 21st Century'. Within the Bank, he was economic adviser to the senior vice president and chief economist (1997-98), lead economist for the East Africa Department (1995-97) and lead economist for the China and Mongolia Department (1989-1993). Dr Yusuf has written extensively on development issues, with a special focus on East Asia and has also published widely in academic journals. He has authored and edited extensively on industrial and urban development, innovation systems and tertiary education.



### **Dr Deborah Potts**

Deborah Potts has a geography degree (B.Sc First Class) and PhD from University College London. She taught and researched in the Geography Department at the School of Oriental and African Studies (SOAS) of the University of London from 1979-2001. She joined King's College London in 2001 when SOAS's Geography department merged with that at King's College in London. She is a reader in geography at King's. She has twice been an honorary research associate at the University of Zimbabwe. Dr Potts is on the editorial board of the *Journal of Southern African Studies*, *Africa* (*Journal of the International African Institute*) and the *Canadian Journal of African Studies*. She has published extensively on sub-Saharan and Southern Africa.



### **Prof Chetan Vaidya**

Prof Chetan Vaidya is the director of School of Planning and Architecture, at the University of New Delhi, India. He was formerly the director of National Institute of Urban Affairs from February 2008 until September 2012. He is an urban planner from IIT Kharagpur with over 30 years of experience. He has advised various cities, state governments and financial institutions in the areas of municipal resource

mobilization, development of commercially viable urban infrastructure projects, market-based financing of urban infrastructure and improving access of poor to urban services. Prof Vaidya was professor of architecture and planning at M.S. University of Baroda during 1991-94 and also worked as assistant general manager with the National Housing Bank during 1989-91.



### **Prof Carlos Leite**

Carlos Leite is an architect and urbanist with a Masters and PhD in urban planning from the University of Sao Paulo and a Postdoc in urban-economic sustainable development from California Polytechnic University where he was a visiting professor. He is a professor at the School of Architecture and Planning and coordinator of Smart Informal Territories lab, Mackenzie Presbyterian University, Sao Paulo, Brazil. He has been a visiting professor and lecturer at different schools in US (Berkeley, Stanford, Columbia, Parsons), Canada, Barcelona and the Netherlands.



### **Prof Philip Harrison**

Prof Philip Harrison has been appointed to the chair in development planning and modelling at the University of the Witwatersrand. His research focuses on describing, analysing and explaining urban change in the dynamic Gauteng city-region. He has also recently been appointed as a member of South Africa's National Planning Commission. Professor Harrison's career has been divided between government office and academic world. He started his career as an urban planner in provincial government, before lecturing at the University of Natal and at the University of the Witwatersrand. Between 2001 and 2006, Prof Harrison taught urban and regional planning at the University of the Witwatersrand, where he also served as assistant dean and acting head of school. In 2006, Prof Harrison moved from 'gown to town' when he accepted the position of executive director: development planning and urban Management in the City of Johannesburg. He worked in this capacity for three and a half years.

## Endnotes

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