

**Urbanization and Development Section,**  
Gender, Poverty and Social Policy Division and **African Trade Policy Centre, ECA**  
Addis Ababa, Ethiopia

# AIDE MEMOIRE

## Experts Group Meetings

on

**The State of Urbanization in Africa: *Cities: Gateways for Africa's Regional Economic Integration***

Dates:

24-25 November 2020 (Policymakers)

01-02 December 2020 (Experts)

## **I. Background**

Internationally agreed development Agendas recognize regional and international trade as a primary means for development and prosperity. The 2030 Agenda for Sustainable Development recognizes it an engine for poverty reduction and economic growth, and as a primary vehicle to achieve the Sustainable Development Goals (SDGs). More specifically, SDGs call for a more open trade that benefits developing countries. Trade and regional integration is also prominently featuring in the Agenda 2063 “The Africa we want” in various ways. The Agenda advocates for infrastructural improvements to facilitate trade, formulation of a common commodities strategy, and the establishment of a single African air transport market. Of the World’s 47 Least Developed Countries (LDCs), 33 are in Africa. It has been internationally recognized, through the Istanbul Programme of Action in 2011 that productive capacity and trade will be used as a vehicle to drive development in these states. The Agenda also calls for the establishment of the African Continental Free Trade Area (AfCFTA) aimed at accelerating intra-African trade and boosting Africa’s trading position in the global market by strengthening Africa’s common voice and policy space in global trade negotiations. 54 of the 55 African Union Member States have now signed the AfCFTA Agreement and 30 Member States have ratified it. The operational phase of the AfCFTA was launched during the 12th Extraordinary Session of the Assembly of the African Union in Niamey, Niger on 7 July 2019 and it has been indicated that the start of trading under the AfCFTA Agreement will begin on 1 January 2021. With this imminent date in mind, it is worth mentioning that many African countries have started developing their national AfCFTA strategies, and the Agreement is expected to provide a tool for stimulating African economies recoveries from COVID-19.

Despite the wide recognition that trade brings socioeconomic development, the catalytic role of cities in the process is, more often than not, missing from the debate. Urbanization is one of the megatrends the African region is experiencing with 42.5 per cent of Africans (587 million people) living in the region’s cities as of 2018. This figure will skyrocket to 1.3 billion in 2050 where two thirds of all Africans will be residing in urban areas. This shift of the population from rural areas to cities does not only alter the locational geography of the continent, but also the economic. In Africa, the link between urbanization and economic growth is weaker than in regions at a comparable level of development, costing the continent in terms of poverty reduction, industrialization, productivity, job creation, and social development. The majority of African countries are urbanizing fast, but at low industrial and agricultural productivity, and without sufficient decent jobs. What is more, many are also relying on natural resources for their growth, as well as on non-tradeable services, without having diversified their economies to enhance employment and shift the labour force towards more job-rich and productive sectors. Africa is therefore facing the risk of delving into increased trade opportunities, without the productive and competitive capabilities that make trade a growth enabler. Exposure of uncompetitive nascent African industries to regional, or global, competition prematurely, might wipe them out.

Urbanization patterns at the regional level, including the emergence of city regions, urban corridors, and mega urban regions, are creating new physical and economic reconfigurations that constitute the backbone of regional integration. Africa’s

development in the next few years will be shaped by infrastructure corridors, instruments to boosting Africa's intra-regional trade. This will also set the basis for job creation. AfDB (2017) foresees the creation of 5 million jobs in the near future through infrastructure and the creation of regional corridors. What is more, experience from the continent clearly demonstrates the importance of urban corridors. In East and Southern Africa, the Mombasa-Nairobi-Addis Ababa corridor quadrupled the trade between the two countries, reducing the travel time of goods by two thirds, while also halving the costs of transportation. In Central Africa, the 1026 km Douala- N'djamena and Douala-Bangui corridor helped intraregional trade to increase from 27 per cent in 2015 to 33 per cent in 2020. Within the same timeframe, average time decreased from 4 to 2 days, and average time spent at border decreased from 30 hours to 10 hours. The Dakar-Bamako-Ouagadougou-Niamey corridor in West and North Africa was responsible for a 20 per cent and 10 per cent increase in intra-community and foreign trade accordingly, within a period of 10 years. Furthermore, time to transit Senegal was reduced from 3 to 1 day. Despite these figures, the region also lacks a clear appreciation, or a common understanding of the catalytic role of urban corridors in regional integration and trade.

It is against this background that the United Nations Economic Commission for Africa (UNECA), has prepared a draft policy Report entitled "*State of Urbanization in Africa: Cities: Gateways for Africa's Regional Economic Integration*". The Report was prepared by the Urbanization and Development Section of the Gender, Poverty and Social Policy (GPSPD) Division, in collaboration with the African Trade Policy Section (ATPC) of ECA. It examines the bidirectional relationship between regional integration and emerging urban geographies. Cities and the agglomeration economies they offer are fundamental to the traded goods and services, especially those with high value added and job creation potential. These emerging configurations serve as crucial entry points for promoting scale economies in a wider geographical space by improving connectivity and facilitating cross-border flows of investment and goods. Therefore, the quality of cities and their linkages, including urban-rural and cross-border value chains, will shape regional trade potential. And, as regional integration and regional trade increase, a flood of workers responding to these opportunities will contribute to urban growth and shape which cities grow fastest.

This Report's findings suggest that AfCFTA is expected to increase trade between African countries by 50-69 per cent, and boost African GDP by up to \$44 billion. Implementing AfCFTA components related to non-tariff barriers and traded services could more than double the boost to GDP. Initial gains will come primarily from agriculture, food and manufacturing, with job-rich subsectors like transport equipment, machinery, dairy products and textiles.

The Report also suggests that reducing the trade costs associated with food could have a significant effect on urban welfare with ripple effects to the competitiveness of African cities. Lowering freight costs on traded goods to match an international benchmark would result in a 46.4 per cent reduction in the average price index for staple grains, with welfare gains equivalent to 2.17 per cent of GDP. Lower food costs could play a major role in the cost of living in African cities, which tends to be disproportionately high by a margin of 31 per cent above comparator countries.

This in turn would impact the competitiveness of African traded manufactures, which suffer from high production costs in African cities.

The Report suggests a symbiotic relationship between urbanization, economic diversification, structural transformation, trade and economic and social growth. However, structural changes are needed in the region to fully reap the benefits of trade.

Against this milieu, two Experts Group Meetings (EGMs) are being organized to review the draft report and strengthen its robustness, policy relevance and applicability in the context of Africa's pursuit of inclusive economic growth, structural transformation and regional integration. The EGMs' content will especially be geared towards African cities, trade and regional integration. It will facilitate peer-to-peer exchanges and promote learning from shared experiences.

Following the EGMs, ECA will publish the finalized Report with recommendations on key policy interventions that African Member States can consider for leveraging the productive potential of cities and human settlements to accelerate regional economic integration and industrialization, while also leveraging the economic benefits of regional integration for inclusive urban growth.

## **II. Objectives**

The main objective of the meetings is to provide a platform for experts from member States and Intergovernmental Organizations, as well as from the academia, the UN and other partner institutions, to review the draft report on "The State of Urbanization in Africa: Cities: Gateways for Africa's Regional Economic Integration" and suggest practical strategies that member States can implement to align the unstoppable force of urbanization and the opportunities arisen from the AfCFTA for increased regional trade.

Specifically, the meetings will:

1. Gather feedback from experts and member States that will be used to formulate and review the suggested set of policy options to optimize the role of cities maximizing their potential in increased trade and regional integration with a focus on the least developed African countries;
2. Identify opportunities for the application of the report's findings through technical cooperation interventions in selected African countries;
3. Provide suggestions on how to proceed with the dissemination and uptake of the policy options by member States for consideration

## **III. Expected Outcomes and Outputs**

The outcomes and outputs are expected from the Expert Group Meetings include:

### *Outcomes*

- Well-informed and timely policy options and suggestions to utilize the potential of African cities and urban areas in regional trade;
- Sharing of lessons learned, experiences and good practices that can inform strategies for implementing the policy options in countries

### *Outputs*

- Concrete policy recommendations on exploiting the megatrends of urbanization and trade in Africa for economic and social development
- A meeting report capturing participants' suggestions for the improvement of the State of Urbanization 2020 report

## **IV. Format of the Meetings**

The work of the meeting will be held online in plenary sessions as per the attached draft agenda.

## **V. Dates of the Meetings**

The first meeting will be organized on 24-25 November 2020 with the participation of experts on urbanization, trade and regional integration and the second meeting will gather African policy makers on 01-02 December 2020.

## **VI. Participation**

The EGMs will comprise experts from African member States drawn from ministries responsible for Housing and Urban Development, trade, regional integration and National Development Planning, officials from the African union Commission, Regional Economic Communities, corridor authorities, the African Development Bank, the World bank and the United Nations System specifically the United Nations Human Settlements Programme, United Nations Capital Development Fund, Civil Society Organizations (CSOs) and the academia.

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