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The Prospects for African Urban Economies

Ivan Turok

Department of Urban Studies
University of Glasgow
I.Turok@socsci.gla.ac.uk

and Honorary Professor,
African Centre for Cities,
University of Cape Town

Abstract

Cities generally function as sources of economic development and human progress. One of the puzzles about Africa's urbanisation is why it has not been accompanied by greater economic dynamism. The paper considers the distinctive development trajectory of African urban economies. It considers the applicability of the argument that cities are drivers of economic growth, and the idea that cities develop more complex, higher value functions over time. It examines the recent revival of African economies, and asks whether the fashionable idea of enhanced international integration through cross-border collaboration might facilitate greater urban prosperity.

Key words: African urbanisation; agglomeration; economic dynamism; regional integration; foreign direct investment

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The Prospects for African Urban Economies

Throughout the world, economic growth and rising living standards have tended to go hand in hand with urbanisation. Cities have been both sources of wealth creation and sites of power for the expropriation and accumulation of wealth. Dense concentrations of population and trade have spurred human progress through creative problem-solving, entrepreneurial discovery and improvements in the division of labour – finding new ways of doing things and new things to do. The transition from agriculture to manufacturing industry has involved the biggest transformation of the economic and human geography of nations. China is the latest example of a country where large-scale rural-urban migration is fuelling industrialisation and economic development.

One of the puzzles about Africa's rapid urbanisation is why it has not been accompanied by greater economic dynamism. No less than 43% of its urban population lives below the poverty line (UN-Habitat, 2008). Has Africa urbanised prematurely, perhaps in response to environmental disasters and ethnic conflicts in rural areas? What has stalled the economic forces normally associated with urban density that should have created more jobs and higher incomes? And how do Africa's highly populated cities manage to sustain themselves and avoid social disorder and collapse without a stronger economic base? More importantly, what can be done to overcome the economic weaknesses of African cities and to stimulate faster growth and development?

This paper considers some of the distinctive features of African urban economies, including their structure and development. It begins by considering the applicability to the African context of the general argument that cities are drivers of economic progress. Subsequent sections test the relevance of the idea that cities develop more complex, higher value functions over time. The penultimate section examines the recent revival of African economies, at least until the global downturn, and the conclusion asks whether the fashionable idea of enhanced international integration through cross-border collaboration might facilitate greater urban prosperity.

1. The economic argument for urban growth

Cities have traditionally functioned as 'engines' of economic growth and crucibles of social and cultural progress (Hall, 1998; Jacobs, 1969; Castells, 2000). Urbanisation has been intimately bound up with the shift from predominantly agricultural economies to industrial and service-based economies. Economic advance has both depended on more people living in cities (to expand the supply of labour and entrepreneurs, and to stimulate mutual learning and creativity) and it has generated the resources to support urbanisation (through essential infrastructure and services). The outcome of this virtuous circle has been rising national productivity, higher average incomes and greater all-round prosperity.

The economic rationale for urbanisation can be reduced to two basic concepts - the *division of labour* and *economies of scale*. The former was introduced by Adam Smith and explains the benefits for productivity that arise from specialisation between producers. It accounted for the great leap forward from craft production to factory production that gave rise to the industrial revolution. *Economies of scale* relate to the efficiencies that result from larger units of production. Larger firms can spread their fixed costs (rent, rates, R&D etc) over a larger volume of output and buy their inputs at lower prices. *External economies of scale* (or *'agglomeration economies'*) relate to the benefits that firms derive from locating near to their customers and suppliers in order to reduce transport costs. They also include proximity to a large labour pool, competitors within the same industry and firms in other industries.

The gains from spatial concentration can be summarised as three functions: matching, sharing, and learning (Duranton and Puga, 2004; Turok, 2004). Cities enable firms to match their distinctive requirements for labour, premises, suppliers and business services better than smaller towns, simply because there is a bigger choice available. They also give firms access to a bigger and better range of shared services and infrastructure, such as more frequent air or shipping connections to global customers and suppliers. Finally, firms benefit from the superior flows of information and knowledge in cities, promoting more learning, creativity and innovation, and resulting in more valuable products, processes and services. As a result, "urban areas … epitomize the process of *endogenous* growth whereby resources are used more productively and in new ways" (Kessides, 2006, page 13).

These benefits of agglomeration are often offset by rising congestion, limited natural resources and higher labour and property costs in cities - 'agglomeration diseconomies'. On their own, the direct and immediate effect would be to deter investment, reduce urban productivity and hold back growth. Over time, however, they tend to encourage the decentralisation and dispersal of lower value, land-intensive activities (such as routine production, distribution and warehousing) away from large cities. This results in the steady upgrading of urban economies to higher value added industries and more highly-skilled functions and occupations, with benefits for average incomes and living standards. Rising urban prosperity also provides the resources for improved social and cultural amenities, public infrastructure and services. This improves the quality of life and subjective well-being of the urban population.

The process of deconcentration benefits surrounding towns and rural areas since they gain from the spillovers of investment and jobs. The hinterland can also benefit from the large and prosperous markets available in cities, and the logistics systems and shared infrastructure that connect cities to wider national and international markets. Rural areas can supply primary products, energy, water, recreational amenities, landfill sites for waste disposal, and standardised goods and services for urban consumers. Rural workers can commute or migrate to urban labour markets, generating valuable remittances for their place of origin. This is just one of a number of 'livelihood portfolios' or safety nets that urban activities can contribute to rural households (Ellis and Harris, 2004). It illustrates how rural and urban areas can perform complementary functions.

Unsurprisingly, it has been found that rural poverty is lower and high-value agricultural production more common closer to urban centres (Kessides, 2006). The friction of distance means that peri-urban areas have privileged access to the economic opportunities and educational, health and social facilities in cities. Proximity gives rural producers of agricultural, horticultural, mineral and craft products better and more up-to-date information about markets, including consumer preferences, price expectations and quality standards. They have more scope to diversity their activities into other sources of income generation, making them less vulnerable to environmental threats and economic volatility. The growing interdependence between cities and their surrounding regions can be used to support wider national goals of rural development and poverty reduction, i.e. shared or inclusive growth.

Over time, as cities grow and their influence extends into wider regions, partly through falling transport costs, the functional unit of the city-region or metropolitan-region becomes more significant than the city as a continuous built-up area (Scott, 2001). A range of activities and settlement types become incorporated into the urban system and it may develop multiple centres – a polycentric structure. Each centre may have a different function, allowing specialisation and a division of labour to emerge between them (Turok and Bailey, 2004). Centres with the highest level functions of knowledge creation, research, innovation and synthesising ideas may develop connections to leading metropolitan-regions elsewhere in the world and thereby become nodes or hubs in a wider global system of trade and information exchange (Castells, 2000; Hall and Pain, 2006).

2. The relevance to Africa

The World Bank is one of several international organisations that have recently advocated giving urbanisation a higher profile in development policy, particularly in Africa. The landmark 2009 World Development Report marshalled considerable research and historical evidence from around the world to make a strong case for the role of cities in promoting economic development:

> "Growing cities, mobile people, and vigorous trade have been the catalysts for progress in the developed world over the last two centuries. Now these forces are powering the developing world's most dynamic places" (World Bank, 2009, p.13)

The Report argued that economic growth is inevitably unbalanced and focused in the major cities as a result of agglomeration forces. Governments should support and not constrain urbanisation. They should do this through improved infrastructure and more efficient land markets. Responsive public services (especially water, sanitation, health and education) in rural areas should equip people with the skills to access jobs in the main urban areas, while preventing forced migration through lack of local facilities. Lagging regions and rural areas should benefit from urban prosperity through remittances and circular migration, which should be encouraged. Improvements in transport connectivity could facilitate greater 'economic integration' between cities and their hinterlands. The improved flow of goods, investment, people and information would help to distribute income and wealth efficiently. Therefore, although growth will be imbalanced, it can still be inclusive if lagging areas have improved access to the wealth produced in cities. Finally, efforts should be made to reduce the obstacles to cross-border trade and flows of capital and other resources between countries in order to open up markets and foster accelerated economic growth.

Africa was singled out for special attention. It has the most dispersed and least urbanised population in the world, the highest transport costs, and the greatest institutional fragmentation and proliferation of national borders because of its colonial legacy (Table 1). Consequently, the continent has to promote higher densities, shorten distances and lower divisions between nations to stimulate economic growth. Anti-urban sentiments also need to change: "urbanisation, done right, can help development *more* in Africa than elsewhere" (World Bank, 2009, p.285). Inefficient urban land markets with informal tenure systems and poor basic services obstruct functional urban systems and development. Deficient rural facilities prompt unskilled rural-urban migration, which concentrates poverty in cities and creates squalor, social tensions and instability. Poor transport infrastructure impedes urban-rural interactions and international economic flows (Naude and Matthee, 2007).

{Table 1 about here}

Finally, government bureaucracy creates major barriers to trade and resource flows, which also holds back economic development. Nineteen of Africa's 48 countries have less than five million inhabitants, so their markets are small. The partitioning of the continent in 1884 created more countries per square kilometre than anywhere else in the world. Each country has four neighbours on average compared with 2.3 in Latin America (World Bank, 2009). Border controls and tariffs impede the movement of goods and people and hold back the emergence of larger regional markets across the continent. Africa's economies often operate in isolation and small countries could benefit far more than at present from their more prosperous neighbours. High transport costs and border delays also complicate the process of exporting and importing for Africa's many landlocked countries.

The Report's assumption was that economic prosperity would emerge almost inevitably through the growing concentration of population and reduced divisions between places. The state's role was essentially enabling - providing public goods, infrastructure and universal basic services. A weak feature of the analysis was its vagueness about timescales and how long this natural process might take to raise incomes above the poverty line and remove hardship. The references to historical experience in Europe and North America suggested it might take generations. At the end there was a hint that "this Report spotlights the importance of starting small and keeping expectations realistic. Regional integration takes time" (World Bank, 2009, p.285). More direct measures by local or national governments impatient to accelerate poverty reduction through economic development were not endorsed because this was not viewed as an appropriate role for the state.

The neat framework of the Report (the 3Ds of economic geography - density, distance and division) could be interpreted as suggesting there is a universal formula for promoting development in any particular country. Underlying it is a causal model which holds that urbanisation stimulates or accelerates industrialisation, which creates wealth and reduces poverty. This analysis of economic dynamics is rather too simple and the process is far from automatic. At the very least it is likely to depend on a range of other conditions (such as the availability of skills, investment capital and supporting institutions), which are obviously more strongly developed in some local and national circumstances but not in others. Thus, there are many prosperous cities around the world that aren't growing, just as there are many fast growing cities that aren't prosperous. If and when this causal relationship between urbanisation and economic growth does operate, it may take a very long time to make significant inroads into poverty and unemployment. It is unreasonable and unrealistic for citizens facing severe hardship to wait indefinitely for tangible improvements to their living standards.

In addition, in advocating economic integration between territories as a way of promoting inclusive growth, the Report played down the fact that if places have unequal economic capabilities at the outset, the outcome of linking their economies may be wider rather than narrower spatial inequalities. Regions and nations that are relatively well-endowed may well pull further ahead by drawing skills, capital and other resources from poorer areas. Any compensating flows of income, productive activity and jobs may be insufficient to counter a widening division of labour between the leading and lagging regional economies.

In terms of policy, the Report took a restricted view of the appropriate role for governments. It was particularly negative about the possibility of spatial development policy in lagging areas. This is not just about spatial incentives to bribe firms to invest where they would not otherwise go. There are many examples around the world of where infrastructure investment projects have generated greater added value and all-round development because they were embedded in comprehensive economic regeneration programmes, including skills training and support for the start-up and growth of small and medium enterprises (Pike et al, 2006).

The Report's biggest omission was its silence on the need for strong city-level institutions (metropolitan governments) to provide the leadership and strategic capacity to guide development, to take a long-term view of problems and potential, and to steer, shape and stimulate the market if and when necessary. Cities are complex systems and national governments are too remote to plan and manage their development and to cope with the crises that inevitably arise. They need responsive and accountable city-wide institutions with the detailed knowledge and close relationships with local communities to make a lasting difference to conditions.

3. The development of dynamic urban economies

The analytical framework of agglomeration economies and the concepts of density, distance and division are useful reminders of the spatial dimensions of economic development and of the leading role of cities. They also provide some clues as to why economic progress in Africa has been slow and some suggestions for improving the situation. However, the ideas are too general and lacking in concrete points of reference to offer more detailed insights into how the structure of urban economies evolves over time. There is an unquestioned assumption that urbanisation is accompanied by industrialisation. This offers no explanation for why the economy of African cities stalled or even declined during the 1980s and 1990s. Urban economies are treated as a black box without unpacking the composition and dynamics. A more elaborate framework is needed to explore the changing economic trajectories of cities, and to interrogate Africa's specific challenges.

Drawing on extensive historical observation, Jane Jacobs (1969) identified a series of stages through which city economies typically develop (see also Bryceson and Potts, 2006). The foundation for durable economic growth is basic infrastructure, services and goods, including a stable food supply, water, shelter, security, transport and communications. Once these fundamentals are in place cities are in a position to grow more rapidly and securely. The second stage (economic dynamism) emerges with the growth of external trade (imports and exports) along with the facilities and services to support this trade, such as storage and distribution (logistics). In the third phase, growth is strengthened by the substitution of imported goods with local production (urban import replacement). This adds diversity and scale to the urban economy, although the goods and services tend to replicate those produced elsewhere rather than being original. Jacobs claimed that import replacement builds up local infrastructure, skills, and production, and can produce rapid growth when formerly imported goods are produced locally and then exported to other cities.

The fourth stage involves greater novelty and innovation through the creation of wholly new products and services for new markets. This reinforces the vitality and scale of production in the city and gives it genuine distinctiveness and a differential advantage over other urban economies. One might add that firms can charge premium prices and out-perform rivals on the basis of product quality rather than cost (Turok, 2009). In a fifth phase of economic revival and renewal, the old skills and activities are retained by incorporating and refreshing them with new ideas and investment, rather than permitting obsolescence and decline. These cities make full use of their productive resources and avoid redundancy, dereliction and social problems through creative application of new thinking.

This is a helpful account of the growing diversity and complexity of successful urban economies. As they grow and develop, the different activities become more inter-dependent, which increases the city's overall resilience and adaptability. It emphasizes that cities are open, externally-oriented systems in which trade with other places is vital. Subsistence-type activities and those that merely circulate resources locally do not generate growth. Real prosperity (and a strong local multiplier effect) depends on local production of useful goods and services – cities must use local labour to add value to natural resources and products made elsewhere, and not simply distribute and exchange them. The more efficient, resourceful and ultimately innovative their productive enterprises are, the more wealth and jobs will be generated. Avoiding complacency and 'lock-in' to out-dated structures and stagnant markets is also important for increased productivity and robust long-term performance.

4. Africa's urban economic trajectories

To what extent have African cities developed along these lines? If not, why has progress stalled? The phases suggested by Jane Jacobs are not neatly sequential and they overlap in practice, although there is an underlying logic in the shift from simpler local activities to more sophisticated externally-oriented functions. Have African cities progressed from a basic trading role towards more value added activities – manufacturing, marketing, design, R&D, science and technology, head offices and business services? To what extent has production moved beyond craft-based processes to a fuller division of labour with internal economies of scale, and from mass production of low value goods to more flexible, small batch and bespoke production of high-end goods and knowledge-intensive services? In short, how elaborate and productive are African urban economies?

Unfortunately, the detailed analysis required to answer these questions has not been undertaken. Research on the economy of African cities has been seriously neglected for at least the last decade. It is well known that the overall productivity of most African economies (GDP per head) is very low by international standards. An edited collection by Bryceson and Potts (2006) offers some evidence for why most African cities do not have dynamic economies. Urban population growth has out-stripped economic development, having been driven more strongly by rural poverty, conflict and natural demographic growth than by economic opportunity. Positioned as coastal ports or major rail depots, most large African cities have good strategic locations to engage in national and international trade. However, productive investment is low by the standards of cities elsewhere in the world. Labour specialisation is also undeveloped, and production processes are rudimentary in the sizeable informal economy. The purchasing power of most urban residents is very low, so consumer demand is a weaker motive force for development and modernisation than elsewhere. "In short, their economic content lacks the dynamism, specialisation, diversity and economies of scale normally associated with urban life" (Bryceson and Potts, 2006, p.324).

Looking at each stage of urban economic development, starting with the foundations, there are clear deficiencies in the basic infrastructure and services of many African cities, including a reliable electricity supply, water supply, telephone service and efficient transport systems (World Bank, 2009). This discourages foreign direct investment since these factors are usually taken for granted in business locations elsewhere. A complete lack of electricity, business premises and poor all-round security are particular problems for enterprises seeking to start-up and grow in informal urban settlements. Many, if not most, informal enterprises seem to be limited to the retail trade (hawkers and spaza shops) (Rogerson, 1997), with no value added processes and little scope for upgrading without essential infrastructure and facilities. Poor literacy and numeracy skills are additional complications preventing people from breaking out of survivalist activities. Imitation seems to be far more common than innovation or experimentation.

The second stage of producing goods for wider markets (tradables) is vital for stronger, sustained growth. Many African cities began to develop manufacturing industries after independence in attempting to diversify from exporting basic agricultural products and minerals. However, this was generally unsuccessful, for various reasons including enforced structural adjustment programmes and poor enterprise management and implementation (Rakodi, 1997; Bryceson and Potts, 2006). Africa's share of world exports declined from 7% in 1970 to 2% in 2000 (African Development Bank, 2007). Most cities seem to retain a residual manufacturing sector confined to consumer goods for domestic markets (typically food processing, furniture, soap, beer, textiles, cigarettes, cement and other building materials). Beneficiation of Africa's abundant primary commodities has been slow to develop through lack of capital and know-how, and high tariffs on value-added agricultural exports to Europe and USA. Consequently, 60% of the continent's total exports are still primary products (agriculture and mining) (African Development Bank, 2007).

Trading activities tend to dominate Africa's urban economies, including retail, distribution and import-export services. They do not provide a strong economic base because of their low value added, high volatility and low multiplier effects. The jobs are less well-paid and tend to be more insecure than in manufacturing. Many cities have become gateways or depots through which increasing volumes of oil and industrial goods are imported. Exports have dwindled from most port cities, except for those that handle mineral exports. Mombasa, Mogadishu and Dar es Salaam are good examples of ports dominated by imported goods. Luanda, Beira and Maputo have a better balance of exports, including oil and minerals. Airports have also expanded, bringing in tourism and enabling international travel by business, political and donor organisations. However, Africa's fragmentation means a lack of economies of scale - there are 48 international airports competing for relatively thin air traffic and 33 small ports fighting to capture the meagre freight leaving and entering the continent (World Bank, 2009).

The third phase of replacing imported goods with local production has generally failed to take off. A minor exception is the growth of urban agriculture in many African cities, including cultivation of crops and keeping livestock. Garbage picking and waste recycling could perhaps be placed in the same general category. However, these are very small-scale subsistence activities undertaken in response to inadequate household incomes, with limited scope for expansion (Rogerson, 1997). Reductions in national tariff barriers and falling transport costs associated with containerisation have instead resulted in a flood of cheap imports, particularly from Asia. Chinese textiles, clothing and household goods have eroded the residual local production in many African cities (Southall and Melber, 2009). Deindustrialisation continues in countries such as South Africa, which developed a large and diversified domestic manufacturing sector under Apartheid import protections, but subsequently removed them rather too quickly for many local firms to adapt to global competition (OECD, 2008).

The fourth and fifth stages of innovation and renewal have also been limited in extent. Perhaps the most obvious manifestation takes the form of improvisation in the informal economy and has been concerned with replacing or filling gaps in the formal, waged economy, and with household survival. For example, informal retail enterprises have provided goods unavailable in the formal sector (such as traditional medicines), in smaller quantities, or in locations where formal outlets are sparse (such as informal settlements). Small informal manufacturing enterprises have also emerged following the closure of larger formal businesses where people had acquired relevant skills, such as clothing. There has also been some outsourcing of work to informal firms in order to circumvent labour regulations and to cut costs, although apparently on a much scale than in India.

Unsurprisingly, the rewards and conditions of informal work tend to be inferior, reflecting the lack of capital, skills and technology. Growth takes an extensive character (proliferation of more of the same small-scale units), rather than higher productivity, so it is questionable whether this is real progress. It also means that informal enterprises tend to operate in saturated markets and generate low incomes for their proprietors and workers. Consequently, most experts believe that there is little scope for a dynamic informal economy of growth-oriented firms to emerge in Africa without concerted state support in the form of credit, technical assistance and skills training (Rogerson, 1997; Bryceson and Potts, 2006; Gill, Kharas, and Bhattasali, 2007). In practice, many local and national governments have been unsupportive if not hostile to informality on the grounds that it undermines decent paid work and pays no taxes. Rogerson argues there is potential for this sector to enhance urban productivity if a model of ‘flexible specialisation’ can be developed involving local clusters of small enterprises that form networks and collaborate to recreate a division of labour and scale economies, along the lines of the ‘industrial districts’ in several European countries.

5. Recent recovery

Commentaries on African urban economies are invariably negative about the past and pessimistic about the future. It is often argued that globalisation has stalled economic progress. Multinationals are deemed to have exploited the continent’s natural resources and bodies such as the IMF and World Bank have dictated unfavourable policy packages (see e.g. Rakodi, 1997; Southall and Melber, 2009). Yet, in recent years there have been signs of change with brighter prospects than for decades, at least until the global downturn. The average rate of economic growth across Sub-Saharan Africa increased from 3.5% in 2000-02 to 5.7% in 2005 (African Development Bank, 2007). Foreign Direct Investment (FDI) increased from $7 billion in 2000 to $31 billion in 2008, according to the IMF. UN-Habitat (2008) estimate that Africa’s cities produce 55% of the continent’s GDP with only 39% of its population.

The principal cause of the turnaround was strong global demand for primary commodities, especially oil, gas, metals and minerals (such as diamonds and coal). Yet, Africa’s four main exports are non-renewable and create few direct jobs, so the basis of the recovery has been narrow. To create and sustain wealth in the long-term these resources have to be converted into other forms of capital, preferably tradable industries that will outlast the minerals. Governments have gained large revenues from the exports, but they have not reinvested sufficiently in diversification to spread the benefits more widely. Weak institutional capacity and poor governance are partly to blame (African Development Bank, 2007; Southall and Melber, 2009). Another effect of the export boom has been has been to stimulate urban consumption, inflated house prices and speculative property development. Nigerian cities have experienced this for some time. Angola's capital Luanda is the latest example.

Booming exports have reflected strengthening economic ties with Asia. Exports to China grew by almost 50% each year between 1999 and 2004, followed by India. Both countries want access to African raw materials, minerals and fuel, and African markets for their manufactures. It is widely hoped that this will create new development opportunities for Africa, with a fairer East-South nexus than the old North-South relationships (Murray, 2008; Ampiah and Naidu, 2008). Africa's cities have a critical role to play in broadening and deepening trade and investment patterns beyond primary products and short-term consumption that sucks in luxury imports and creates macro-economic imbalances.

FDI may help countries to diversify at lower cost and with less risk than starting from scratch. The traditional sources of FDI have been Europe and the USA, but China, India, Malaysia, Brazil and South Africa itself are increasingly important. India is keen to sell Africa its ICT products, including telephony and mobile internet services. Over the past five years it has offered lines of concessionary credit to Africa worth $2.5 billion. China has increased its investment commitments in Africa from less than $1 billion per year before 2004 to $8 billion in 2006 (World Bank, 2008). Over 800 joint Chinese–African projects have been set up, with large investments in oil, timber, minerals and hydropower in 10 countries. China is also financing the building or rehabilitation of 3000 km of railway lines across the region, including reopening the Benguela railway linking Zambia and the DRC to the Angolan port of Lobito. The challenge is to ensure that such investments help with industrial diversification and urban economic development, and don't simply accelerate the exploitation of Africa's natural resources.

South Africa has become a major investor elsewhere in Africa since the early 1990s (Southall and Melber, 2009). Its direct investments have mostly been in consumer focused businesses in urban areas - retailing, hotels, breweries, fast food, mobile phones, banking and construction. The search for markets is a bigger driver than for minerals and oil. SABMiller (previously South African Breweries) is a good example. It had no operations outside South Africa before 1992 but now has 19 breweries in 10 other African countries, plus additional bottling plants, distribution depots and administrative facilities. This is in addition to large scale operations on other continents. The company capitalised on the knowledge it acquired during South Africa's transition in the 1980s and 1990s with an emerging middle class of young consumers aspiring to new brands, and applying these to other economies undergoing similar social changes. It expanded rapidly through the acquisition and modernisation of former state-owned breweries in countries such as Tanzania, Zambia, Mozambique, Zimbabwe, Uganda and Angola.

In such countries beer consumption in relatively low compared with South Africa, so there is considerable growth potential. "All you need to do is get cold beer to consumers at an affordable price and they'll buy it" (SABMiller executive, personal interview, 7 July 2009). Growth therefore depends on the fundamentals of efficient production and distribution, unlike the saturated markets elsewhere, where marketing is critical. With beer prices inflated by the costs of imported raw materials and government tariffs, SABMiller has sought to develop affordable products brewed from local African crops and thereby to take costs out of the supply chain. The Eagle brand based on local sorghum is a successful example and is now available in smaller bottles and draught form to make it even cheaper. The company is also working with farmers in several countries to expand production of suitable crops for beer production, including experimenting with maize and cassava.

Affordable products should attract consumers from unregulated home brews to commercial beers produced to higher standards. More formal and regulated brewing will enable governments to benefit from higher taxes and provide economic opportunities for local farmers. Conscious not to be seen as new colonialists, the company has also invested in joint ventures with other brewers and active social responsibility, community development and health programmes for workers. Poor transport infrastructure is an obstacle to growth, both for transporting raw materials to the breweries and finished products to the consumers. The low incomes of consumers and lack of skilled managers and workers are additional constraints in many African countries.

This case illustrates how foreign investment can assist the economic development process by providing vital capital and expertise to raise productivity and facilitate innovation. Consumer-focused investments tend to focus on the cities, but rural areas also benefit through the stimulus to agricultural production. This may offer a useful example of the benefits of regional integration, which is discussed more fully in the conclusion.

6. Conclusion: The potential for a regional agenda

The idea of regional integration involves collaboration between neighbouring countries in different parts of the continent and stronger cross-border flows of goods, services, labour, capital and information. It has become very popular among international donors and agencies such as the World Bank. The main economic rationale is that this will expand markets for goods and services and help to exploit scale economies in supply chains and labour markets (World Bank, 2009). It is believed that this kind of economic integration could help particular parts of Africa become more globally competitive. This conclusion outlines the economic challenges as well as opportunities for African urban economies arising from cross boundary cooperation. They can be grouped into three categories.

First, there are many common economic issues faced by cities in different countries. One of the most important is to secure government recognition for the contribution of cities to national prosperity. Regional cooperation among local authorities could strengthen the case for positive urban planning and coordination of investment in housing, transport and industrial development. Networks of public authorities could share experience and form stronger alliances to negotiate funding arrangements with foreign investors for economic and physical upgrading programmes. Cities in similar geographical circumstances (e.g.

coastal or mining areas) could exchange knowledge of opportunities to beneficiate minerals or create jobs through environmental projects, clean energy and the 'green economy'. Those with large informal economies could collaborate on experiments to support their growth and development, perhaps through enterprise networks, supplier development and public procurement programmes. The provision by governments or international bodies of minor incentives for inter-city cooperation might be important to overcome initial barriers and could have valuable knock-on effects in promoting goodwill and building long-term relationships.

Second, some cities are functionally connected through flows of trade, labour migration or capital so their economic fortunes are more obviously interdependent. There may be scope to instigate forms of joint decision-making and collaboration at the regional scale to reduce transport and transit barriers, harmonise national regulations and product standards, and improve economic integration. For example, one city may be the port of another city, or the source of a key input to its economy (such as coal, energy or water supply). It takes an African exporter about 40 days to cross the border into a neighbouring country compared with 22 in Latin America (World Bank, 2009). There may be scope to develop single, integrated regional production networks based on complementary industries and supply chains in different cities where individual places lack critical mass. A collaborative approach might make industrial diversification easier and more sustainable through shared learning and the development of clusters of related products. There would be cost advantages from the scale economies and opportunities for specialised niche production and service providers. The larger markets would be more attractive to external investors and mobile talent. The way to start may to build on existing agricultural products or mineral resources. In short, regional integration could help particular parts of Africa become more globally competitive.

The Maputo Development Corridor is a good example of an attempt to provide a seamless road and rail connection between Gauteng and the port of Maputo. The project has been driven by national government and focused on transport and transit issues, including more efficient border posts and port upgrading. The structure promotes fast-track design and implementation of bankable private investment projects. Local and regional authorities feel somewhat excluded from this top-down process and are critical that more effort has not been devoted to a broader economic and social development agenda (including jobs, skills and public facilities) at appropriate towns in the corridor's catchment area (Soderbaum, 2001).

Third, some cities in different countries form part of the same continuous built-up area or corridor as a result of physical expansion or because they have always straddled national borders. These cities share much in common because their ecosystems are integrated and their economic systems have the potential to be. Cross-border agreements are particularly important, probably between local municipalities and involving higher level regional, national or international authorities. There are major opportunities for productivity gains through well-functioning labour and housing markets, smooth flows of goods, services, capital and ideas, and joint marketing and shared facilities to attract FDI and tourism. A range of shared regional services and pooling of infrastructure should also be possible, including higher education and training, research centres, common utilities (power generation and telecommunications systems) and transport hubs (such as airports).

There are many examples of cities that are close to each other but separated by a border in Africa. The New Partnership for Africa's Development (NEPAD) has identified considerable scope for corridor development in the lower Congo including Kinshasa-Brazzaville because of enormous hydroelectric power potential. Another example is the Lagos-Cotonou-Lome corridor, perhaps extending to include Accra and Abidjan. The Southern African Development Community has identified a range of corridor initiatives, including Nacala (linking Mozambique and Malawi) and Namibe (linking Angola and Namibia). There is some way to go to transform these into functionally integrated economies with the resulting advantages of agglomeration.

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Table 1: The most distant and divided regions of the world

Region	Trading time across borders for exports (days)	Average transport costs ($ per container to Baltimore)	Population in landlocked countries (%)	Ratio of number of countries to surface area	Road density (km^2 of road per surface area, 1999)	Estimated number of civil conflicts (1940-2000)
East Asia & Pacific	24	3,900	0.42	1.44	0.72	8
Europe & Central Asia	29	n.a.	23.0	1.17	n.a.	13
Latin America & Caribbean	22	4,600	2.77	1.52	0.12	15
Middle East & North Africa	27	2,100	0	1.60	0.33	17
South Asia	34	3,900	3.37	1.67	0.85	24
Sub-Saharan Africa	40	7,600	40.2	2.00	0.13	34

Source: World Bank, 2009