

HAS URBANIZATION LED TO INDUSTRIALIZATION IN AFRICA? EVIDENCE FROM KENYA AND GUINEA

Eze, Emeka¹., Justin C. Alugbuo² and Osuji Obinna³

Department Of Economics

Michael Okpara University of Agriculture, Umudike.

emekaeze@mouau.edu.ng

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ABSTRACT

The study analyzed the nature of urbanization and industrialization in Africa with special focus on the countries Guinea and Kenya. The study established that urbanization in Africa has not delivered the expected structural transformation, rather it has created long term structural distortions that needs effective planning and implementations to overcome. To reap the benefit of urbanization, African countries must facilitate sustainable development in both urban and rural areas by delivering services and infrastructural improvements and expanding opportunities for off-farm employment to rural dwellers. Furthermore, there is need for deliberate efforts towards industrialization driven by the private sector and supported by government through complimentary investment in infrastructure.

Introduction

Urbanization refers to the growth of urban population mainly through migration and population growth, leading to large concentration of the population in cities rather than rural areas. This phenomenon entails the structural transformation of rural areas into urban settlement accompanied with changes in the systems of production, consumption, culture, popular occupation and patterns of behavior thereby altering the demographic and social structure of both urban and rural areas (Montgomery et al, 2004).

Over the years, there have been a rapid increase in urbanization Worldwide. According to a 2018 report of the United Nation Habitat, more than 57% or 4.41 billion of the world population currently live in urban areas. This number is expected to rise to about 68% of the world population or 6.68 billion people in 2050. According to this report, most of the projected increase in the world's urban population between 2021 and 2050 will occur in Asia

and Africa. In particular, Africa records the highest urban growth rate of all the continents in the world currently with an urban growth rate of 3.5% percent per year, during the last two decades. African urban population is projected to hit the 60% of its total population by 2050 (UNDESA, 2018)

Urban population growth in sub-Saharan Africa is driven partly by the rural to urban migration of young adults seeking jobs and other livelihood opportunities but also by the natural increase of the population characterized by a young demographic profile (Todaro and Smith 2004; K'Akumu, 2018; World Bank, 2013). Plummeting commodity prices, the decline in agriculture prices, climate change and unrest in many African countries fuel rural-urban migration causing disproportionate impact on the existing urban infrastructure. On the other hand, declining mortality and high fertility rates which are features of current demographic transition in Africa, has led to a high population growth rate ensuring that even at low rate of rural urban migration urban population will continue to rise. This has led to a view that urbanization is better explained as a demographic phenomenon than strictly as an economic one (Dyson, 2011). Available forecasts indicate that the population of Africa is projected to rise to about 1.5 billion in 2050, in the process, becoming one of the fastest growing continent in the world.(UNDESA, 2018)

The rapid increase in urbanization witnessed in Africa creates both opportunities and challenges. On the one hand, urbanization leads to agglomeration economies which increases productivity and employment and output. Again, access to jobs, public goods, infrastructure, and health care are better in cities. These infrastructures that are often not found in the rural areas and improve the standard of living of urban dwellers. On the other hand, massive population shift worsens rural-urban structural imbalances by exacerbating urban unemployment and underemployment and leading to a long run situation of chronic and rising urban surplus (Todaro and Smith, 2012, 327). Furthermore, majority of the migrants from rural areas lack adequate skillset necessary for employment in the formal sector, as result they move to the informal sector which accounts for more than 90% of new jobs and over 60% of employment in urban areas in Africa. With low and irregular incomes in the informal sector, most migrants are forced to seek shelters in the slums where cost of rent is low, population density high and basic infrastructure lacking. This has led to a proliferation of slums in many African cities with attendant increase in health risks, insecurity and other social vices.(AfDB, 2012). If the current growth trajectory of urban populations continues without adequate economic transformation, a vicious and persistent cycle of high fertility, low wages, and persistent poverty could result. Given the rapid rate of urbanization in Africa, understanding urbanization, its drivers, dynamics and impacts is essential for designing targeted, inclusive and forward-looking policies necessary for achieving the needed transformation in urban Africa.

This study is an attempt to examine the dynamics of urbanization in Africa as well as its impact on industrialization in Africa. Using descriptive statistics, the study seeks to investigate whether the rapid urbanization in Africa has led to a subsequent increase in industrialization and poverty reduction. In particular, the study will examine the pattern of urbanization in Kenya and Guinea and verify whether the postulates of the Lewis theory of development holds in those countries.

URBANIZATION AND POVERTY IN AFRICA

Over the years there has been series of studies documenting the nature of urbanization in Africa, its trends and impacts on poverty, economic growth and development.(Hope, 1999; Fay and Opal, 1999; Tacoli 2012; Güneralp et al 2017;) Theoretically, the economic

benefits of urbanization is based on agglomeration economies that raise workers' and businesses' productivity through the benefits of "sharing", "matching" and "learning" (Harvey, 2009; Duranton and Puga, 2013). Cities provide the platforms for urban inhabitants to share indivisible facilities and achieve joint economies of scale in local infrastructure, service, risks and the production of specialized inputs and final goods. Matching is related to the opportunity provided by the presence of a larger pools of employees, firms, buyers and supplies, which helps each firm or individual find specific attributes demanded. Also, the large concentration of economic agents in urban centers promotes learning through the spillover effect and the diffusion of knowledge and technology (Duranton and Puga, 2013). Consequently, agglomeration economies is expected to lead to improvement in productivity, formal sector job opportunities, in income, standard of living and the general growth and development of the economy.

Evidence from the urbanization experience of western countries, the Asian tigers and more recently china, lends credence to this theory. In these countries rapid urbanization was followed by increases in the standard of living, reduction in overall poverty and general economic growth. For instance, between the year 2000 and the year 2020, china urban population grew from 463 million to nearly 900 million as new cities were built from scratch and many rural workers migrated to the cities in search of jobs (UNDESA, 2018). At the same time china's real GDP per capita rose by more than a multiple of five, as real per capita GDP grew from just over 2150 dollars in the year 2000 to around 11000 dollars in 2021 (WDI, 2021). This has led to a massive drop in poverty and a substantial increase in economic growth and development

In sub-Saharan Africa, recent trends in developing regions, tends to contradict the already established belief of the correlation between urbanization and economic growth (Fay and Opal, 1999). Available evidence suggests that the urbanization process continued in sub-Saharan Africa between the 1970s and 2021, despite economic contraction in the region over that period (United Nations, 2019)

Despite the enormous potential of cities to reduce poverty and to achieve the sustainable Development Goals, recent statistics indicate that the urbanization does not automatically lead to poverty reduction; contrarily, intra-city inequalities are on the rise, especially in the cities of sub Saharan Africa and Latin America. In these parts of the world, particularly in sub-Saharan Africa, urbanization has not led to the expected industrialization and structural transformation as was the case in now developed Western Nations. Rather, many African countries are witnessing urbanization despite poor and stagnating Economic growth records; the region as a whole has the highest urban growth rate in the world, at 3.5 per cent per year. This phenomenon, combined with inequitable distribution of resources and anti-poor policies, has led to rising urban poverty, which impedes the sustainability of cities and impacts their economic viability (UN-Habitat, 2018). According to Piel (1997) this process whereby poverty takes on an urban face rather than its hitherto rural face is known as the urbanization of poverty. In this sense, urbanization of poverty refers to the severity and pervasiveness of poverty in urban centers and connotes the tendency of poverty to shift from the rural areas to the urban centers. It is a type of poverty that was completely different from the ordinary urban poverty experienced in the developed world

The United nations human habitat report 2018 indicate that while the majority of the world's poor resides in the rural area, by 2035, a greater percentage of the world's poor will be found in the cities. In Africa, the proportion of people living in poverty in urban areas (43 per cent) is catching up much faster with the proportion of people living in poverty in rural areas (59 per cent). In many sub Saharan African countries such as chad, Niger and Sierra Leone, urban

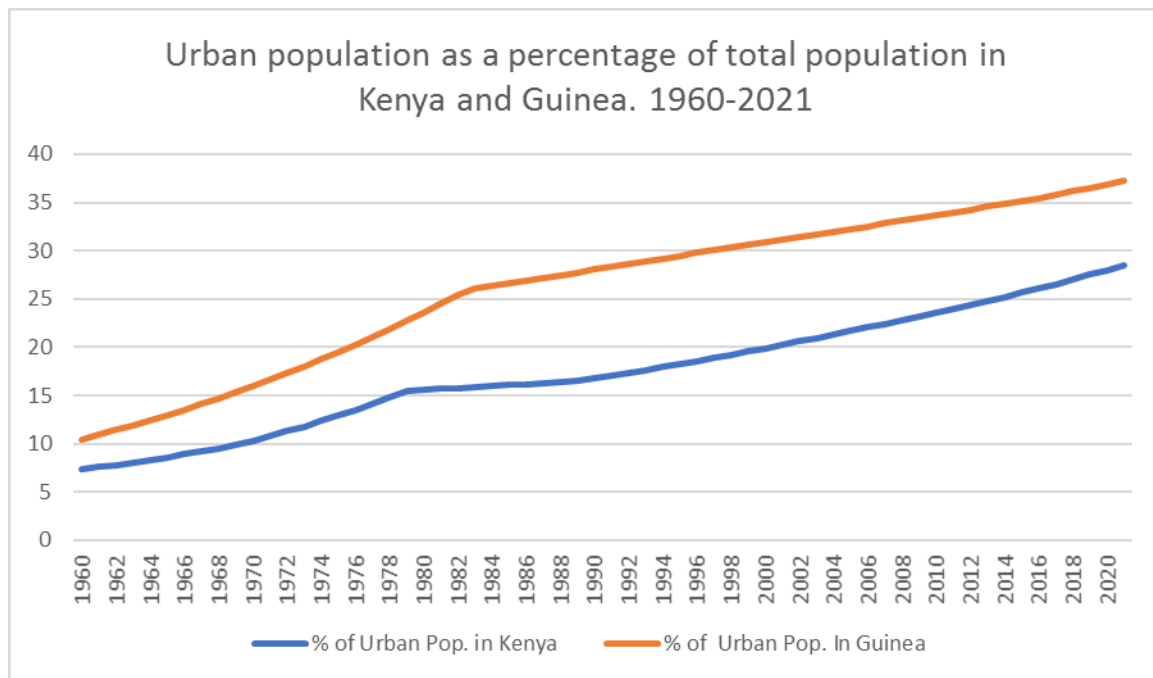
poverty already exceeds 50 percent representing some of the highest urban poverty rates in the world. In other countries – notably Nigeria – urban and rural poverty percentages are almost equal. (UN, Habitat 2018)

Several factors have been cited as being responsible for the rise in the number of the urban poor in sub-Saharan Africa despite rapid urbanization over the years. According to K'Akumu,(2018) the end to colonial urban policy in Africa in the 1950's and 60's that led to the influx of migrants from the rural areas to the city. The unregulated and unhindered migration of unskilled and barely literate people into the cities led to development of large slums and the proliferation of the informal sector. (K'Akumu and Olima, 2007). Others are the structural adjustment policy of many African countries in the 1980's, ineffective neoliberal economic policies, corruption and mismanagement by successive African leaders, lack of adequate industrial base in many African cities to absorb excess labor as well as war and civil unrest that took place in many African countries in the years after independent from colonial rule.(Güneralp, 2017). However, what is clear is that government and policy makers in sub Saharan African countries have not been able to utilize the opportunities that urbanization presents to drive economic growth and development in the region . How many countries in the region are able address the challenges and benefits posed by urbanization will play a crucial goal in determining future growth trajectories in the region.

URBANIZATION AND INDUSTRIAL DEVELOPMENT IN AFRICA: EVIDENCE FROM KENYA AND GUINEA

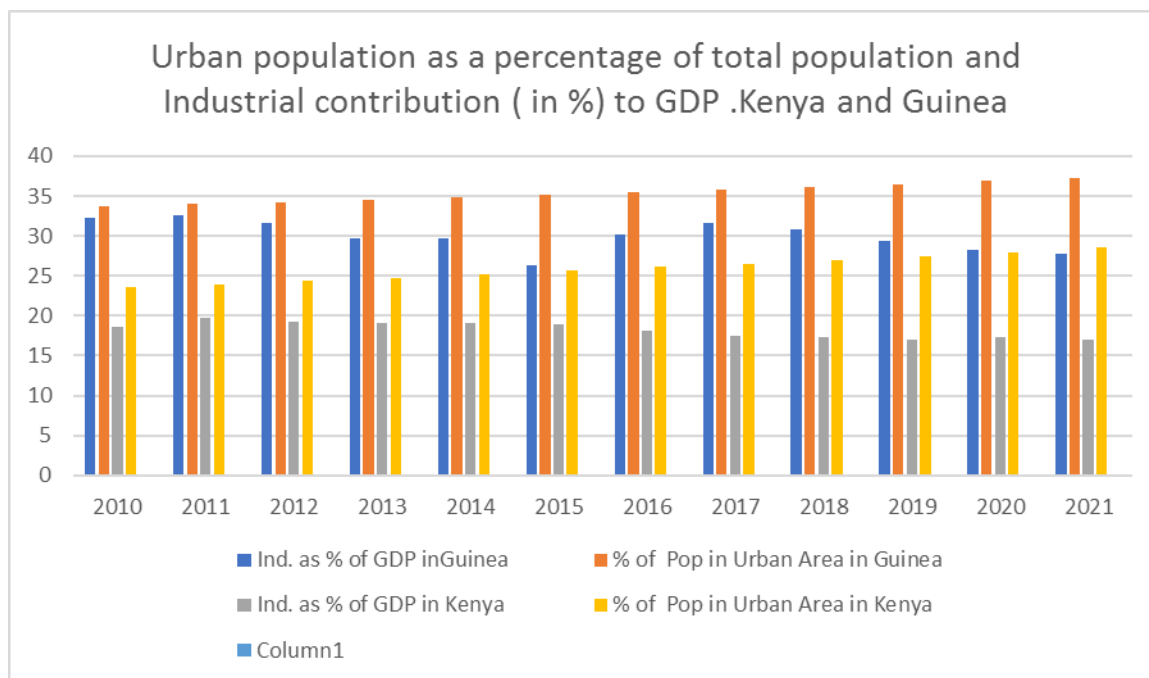
The transition from urbanization to industrialization has been examined by several theories of structural transformation. Arthur lewis (1954) proposed a theory of development in which surplus labor from the traditional agricultural sector is transferred to the modern industrial sector, the growth of which absorbs the surplus labor, promotes industrialization, and stimulates sustained development. According to this theory, the expansion of the industrial sector caused by its absorption of surplus labor from the traditional agricultural sector will lead to the structural transformation of the economy with the balance of economic activity shifting from traditional rural agriculture to modern urban industry (Todaro and Smith, 2004, 118). We verify this theory in the context of urbanization in sub-Saharan Africa using evidence from Kenya and Guinea.

Data from the world development indicator (WDI) 2021 shows that there has been rapid urbanization in Kenya and Guinea over the years. As shown in the graph below.



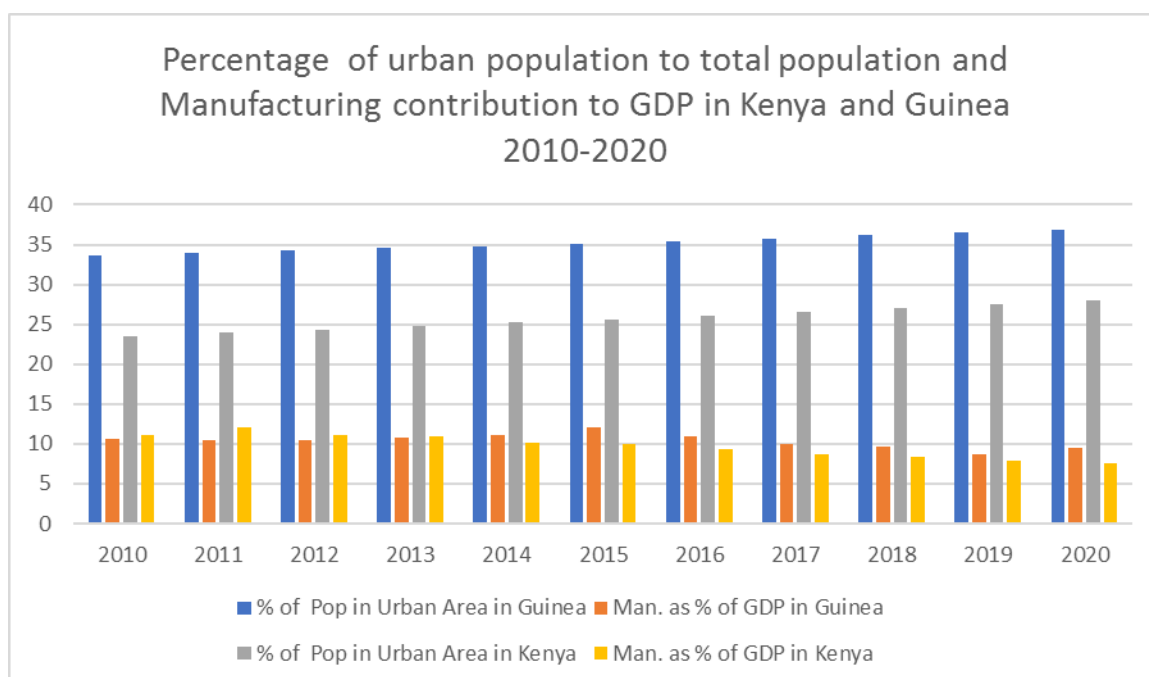
Source: Authors computation using Data from WDI 2021.

Evidence from the Graph above shows that from 1960, both countries experienced rapid urbanization. In Kenya Urban population as a percentage of total population grew from 7.7% or in 1960 to 28.5 in 2021 representing more than 380% increase in the population of people in the urban area. In Guinea, a similar trend was observed, urban population grew from about 10.3% in 1960 to about 37.2% in 2021. However, despite the rapid urbanization in the last seven decades, it has not translated to a commensurate increase in industrialization and subsequent structural transformation as envisaged by the Lewis theory of development. Rather, what has been observed is that the industrial sectors in both countries are still largely underdeveloped with its contribution to total output even declining thereby making it unable to absorb surplus labour.



Source: Authors computation using data from WDI. 2021

Evidence from the figure above shows that industrial growth declined for both countries over period the under consideration despite considerable increase in the urban population over the years. Industrial sector contribution to GDP declined in Kenya from 18.6 % in 2010 to 16.9% in 2021. In Guinea it fell from 32.3% of GDP in 2010 to 27.6 of GDP in 2021. With most of the growth in the industrial sector largely centered around the service sector which employs fewer people, mostly skilled and educated individuals, a look at manufacturing sector performance will give a clearer picture of how productivity has improved in the face of urbanization. When we consider the manufacturing sector we see an alarming pattern.



Source: Authors compilation using data from WDI. 2021.

The chart shows that the contribution of the manufacturing sector to overall GDP remained very low and declining in both countries. Considering that the manufacturing sector has the largest capacity to absorb semiskilled and unskilled surplus labour, the implication on urban employment and income is very troubling. In Kenya, Manufacturing sector contribution to GDP fell from 11.16% in 2010 to 7.2% in 2021 representing a 35% decline in eleven years. In guinea it declined from 10.2% of GDP to about 9.6% of GDP in Guinea. Compared to countries like Thailand with 27% of manufacturing contribution to GDP countries in sub Saharan African countries are still far behind

Unable to find jobs in the Industrial sector, most urban migrant engage in the informal sector, a labour intensive sector, characterized by individual or family ownership, low incomes, lack of job security, lack of access to financial capital and low productivity. Evidence suggests that 70 percent of Africa's urban population lives in informal settlements and 60 percent of total urban employment is in the informal economy (World Bank, 2013). In Kenya 60 per cent of Nairobi's population – around 2 million people – live in slums with limited or nonexistent access to water, sanitation, housing, education and healthcare services

Given this statistics it is clear that urbanization in Africa has not followed the path envisaged by the Lewis theory of economic development. Rather what is witnessed in many sub-Saharan African countries can be referred to as urbanization without growth or development.

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Conclusion

From the foregoing discussion it is quite clear that urbanization in Africa has not delivered the expected structural transformation, rather it has created long term structural distortions that needs effective planning and implementations to overcome. That being said, it is important to understand that processes that shaped urbanization in Africa are vastly different from those experienced in now developed nations. Much of urban expansion in Africa is characterized by unplanned and unregulated growth, exacerbated by the legacy of colonialism, structural adjustment, and neo liberalism that led to the rise of weak urban planning institutions (Güneralp, 2017).

To reap the benefit of urbanization, African countries must facilitate sustainable development in both urban and rural areas by delivering services and infrastructure improvements and expanding opportunities for off-farm employment to rural dwellers

Again, there is a need for the conscious building of strong institutions capable of making and implement sound economic policies and support strategic investment. (Karuiki et al, 2013).

Furthermore, there is need for deliberate efforts towards industrialization driven by the private sector and supported by government through complimentary investment in infrastructure.

Others include championing the rehabilitation of the informal settlements through the provision of basic infrastructure and service as well a properly coordinated urban planning.

Development of human capital through access to quality education and healthcare services especially for poor households. This is necessary in other to provide them the skills necessary for transitioning from the informal to the formal sector of the economy.

Investment in small and medium scale enterprises through provision of soft loans, grants and subsidies so as to improve the incomes of participants in the informal sector as this will go a long way in reducing urban poverty.

Finally, there is need for increased investment in rural infrastructure as this will improve rural incomes and reduce the high rate of rural urban migration.

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