



UN HABITAT

STATE OF THE WORLD'S CITIES 2010/2011

BRIDGING THE URBAN DIVIDE



URBAN TRENDS: URBANIZATION AND ECONOMIC GROWTH

No matter the path of economic development a country has chosen, urbanization remains an inevitable outcome of this effort across the world, says UN-HABITAT's report, *State of the World Cities 2010/2011: Bridging the Urban Divide*.

The urban transition occurs at different times and with diverse growth patterns but the real challenge remains for governments to take actions that allow residents to make the most of living in cities. Already half the world's population is urban. Currently, the less urbanized regions are Asia and Africa, but they are expected to reach their respective tipping points – that is when their populations are more urban than rural – in 2023 and 2030. From 2025 to 2030, average annual global growth is expected at 1.5% meaning that by the middle of the century (2050) their urban populations are due to reach 61.8%.

In analyzing global trends, the report argues that the degree of a country's urbanization is now an indicator of wealth. The more urbanized a country, the higher the individual incomes. However, the authors find that the reverse is true for countries ravaged by civil war. In Liberia, for example, individual incomes declined as rural populations fled to towns in search of safety. Extreme inequalities, inadequate or ineffective policies can also block development or, at least, set back progress substantially.

Recent research shows a positive link between economic development and urbanization in most countries in Africa. In Asia it is clear that urbanization is the major factor behind economic growth, contributing to an overall reduction in poverty rates. In Latin America, however, economic development and urbanization have been linked through industrialization and modernization yet the result has been high degrees of inequality between and within countries.

The link between urbanization and economic growth also occurs in regions within individual countries. This is the case in China's eastern seaboard; the Northern Capital Region in the Philippines; the Mekong River Delta in Vietnam; the Southern Region of Mozambique and the capital of that country, Maputo. It is also so for northern Morocco's Tangier-Tetouan area. Those regions with stronger economies are more urbanized and have urban population growth rates about twice or three times the national average.

The solid link between economic growth and urbanization is also noticeable when countries are aggregated by income level. High-income countries have the highest GDPs per capita and urbanization levels; lower-income countries are at the other end of the spectrum. The same is true for regions. The only exception in the developing world is **sub-Saharan Africa**. Here, while countries are generally more urbanized than in **Southern Asia**, their GDP per capita is lower: 36% and US \$601 in sub-Saharan Africa compared with 29% and \$647 in Southern Asia.

THE URBAN ADVANTAGE: URBANIZATION AND POVERTY

The link between urbanization and economic growth is also reflected in the data on relative poverty in urban and rural areas. The authors find that city residents benefit from an "urban advantage". Across the world, there is generally less urban than rural poverty. This is because people in urban areas have greater potential access to services and jobs. However, if the cost of living was factored in, the prevalence of urban poverty would rise closer to that of rural areas.

At the country-level, the relationship between urbanization and poverty is true for 90 per cent of the cases. In Vietnam and Rwanda, rural poverty is five times that of urban areas. In Burundi, the gap is small as poverty is widespread in rural and urban areas. The exceptions are Sri Lanka and Georgia, Armenia and Azerbaijan, where the incidence of urban poverty is at least three times higher than rural poverty.

Given that poverty is generally less in urban areas, and the continual rural to urban drift, overall poverty in a nation will probably decline, assuming the distribution of income in urban and rural areas remains the same.

East Asia has experienced a steady increase in urbanization while achieving drastic reductions in poverty. Although the population became more urban in Latin America and the Caribbean, and Northern Africa and the Middle East during the past two decades, the reduction in poverty of the 1980s came to a halt in the 1990s. The same was true for the East/Central Europe and Central Asia during the 1990s, where the degree of urbanization remained largely unchanged. Most of the people of sub-Saharan Africa will become urban over the next 30 years and this transition presents an opportunity and, at the same time, a challenge.

In trying to understand the causal relationship between economic growth and urbanization, the results remain unclear. However, what is certain is that the level of urbanization (that is the proportion of people living in urban areas) is associated in some places with numerous, positive outcomes such as technological innovation, forms of creativity, economic progress, higher standards of living, enhanced democratic accountability and women's empowerment. In conclusion, the report calls for policy-makers and planners to understand that urbanization can be a positive force for economic development, leading to desirable social and political outcomes.

Level of urbanization per region and tipping points urban vs. rural

Region	Tipping point before 2010 (year)	2010 urban (%)	Tipping point after 2010 (year)	2050 urban (%)
World		50.6		70
MORE DEVELOPED REGIONS				
Europe	before 1950	75		86
Eastern Europe	1963	68.8		80
Northern Europe	before 1950	84.4		90.7
Southern Europe	1960	67.5		81.2
Western Europe	before 1950	77		86.5
LESS DEVELOPED REGIONS		45.3	2020	67
Africa		40	2030	61.8
Sub-Saharan Africa		37.3	2032	60.5
Eastern Africa		23.7		47.6
Northern Africa	2005	52		72
Southern Africa	1993	58.8		77.6
Western Africa		44.6	2020	68
Asia		42.5	2023	66.2
Eastern Asia		48.5	2013	74.1
South-central Asia		32.2	2040	57.2
South-eastern Asia		48.2	2013	73.3
Western Asia	1980	66.3		79.3
Latin America and the Caribbean	1962	79.4		88.7
Central America	1965	71.7		83.3
Rest of the World				
South America	1960	83.7		91.4
Northern America	before 1950	82.1		90.2
Oceania	before 1950	70.6		76.4

Source: UNDESA, *World Urbanization Prospect*