

Concept note Session 3

Can regional development help Africa tap its demographic dividend?

Structural transformation – the process by which new, more productive activities arise and resources move from traditional activities to these newer ones – is Africa’s overarching priority. By 2050, Africa will be home to an additional 1.3 billion people, and more than 47 million young people will be entering the labour market every year looking for jobs. Despite some progress over the last decade, current policies have proven ineffective at speeding up job creation in productive sectors. How can regional development strategies, focusing on Africa’s regional-specific assets, help the continent turn its demographic dividend into a driver of structural transformation?

Africa faces urgent demographic and structural challenges. Over the next decades, the ratio between those inside and outside the workforce in Africa will increase drastically and thus possibly create a demographic dividend. Sub-Saharan Africa’s workforce will increase by 910 million people between 2010 and 2050, or two-thirds of the growth in the workforce worldwide. By contrast, annual labour productivity growth in Africa has been small (0.86%) and far below levels in Asia (3.87%) or Latin America (1.35%) between 1990 and 2005 (McMillan et al, 2014). These figures reveal key challenges: How do African economies create jobs for a booming population *and* increase productivity? What is the right mix of industrialisation, services, agriculture and natural resources under the premise of green growth? This session focuses on regional development strategies and local assets as one possible solution to these challenges.

Regional development has been unbalanced and disparities may further increase unless policy makers react. African cities have grown quickly and unevenly. While the bulk of urbanisation stems from smaller agglomerations and big cities, intermediate cities have not grown as fast. Demographic growth will put pressure on natural resources of already densely-populated areas and cause migration. Pressure will be amplified by the consequences of climate change, which will particularly impact the rural population and agricultural practices (see session 2). The continent’s wide regional disparities, reflected in the unequal spatial distribution of poverty, are likely to increase if no appropriate measures are taken.

Focusing on specific local assets and resources could help accelerate Africa’s structural transformation. African countries cannot reproduce past models of structural transformation: In addition to unique demographic and spatial challenges, the current level and speed of globalisation and technological change differs largely from the context in which Asian or OECD countries evolved. A regional development approach could address Africa’s spatial and demographic challenges by making the most out of Africa’s specific assets. Africa boasts huge region-specific potential, including

an emerging middle class of urban consumers, diverse ecosystems as well as ethnic and cultural diversity, high natural-resource endowment and vast land areas. To find and unlock the economic potential in African regions, multi-sectoral and participatory development strategies must be put in place. Regional foresight studies, capacity building at multiple levels of governance and improved statistics would help to achieve this.

Existing policies for regional development must be more effective. So far, policies for regional development have suffered from institutional and capacity defects. They have been too slow at connecting regions with one another, and they have yet to empower local stakeholders in a meaningful way. Special economic zones, economic corridors, strategies for lagging regions and slum upgrading seem to effectively promote regional development and spatial inclusion when carefully managed. Supranational integration has tried to unify the markets of neighbouring countries but still leaves a lot of room for increasing intra-African trade. Some success has been seen in cross-border infrastructure projects and spatial initiatives such as river basins. Most African countries have taken large steps towards political decentralisation but neglected fiscal decentralisation, limiting the potential of local communities to mobilise their economic potential and restraining investment in local economies.

Future strategies must go beyond existing approaches and address Africa's most pressing demographic and spatial opportunities and challenges to accelerate structural transformation:

- Spatial inclusion, such as better integrating rural and urban areas, will be central to this discussion. Though currently boasting the world's highest urban growth rate, the majority of Africa's population will remain rural until the mid-2030s, with the rural population estimated to increase by 400 million people by 2050.
- Massive job creation can happen if labour-absorptive sectors such as agriculture, non-farm activities in rural areas and the urban informal sector are included in structural transformation alongside the modern, formal sector. How can these sectors be made more productive? Non-farm activities, which are more productive and generate higher revenues than agriculture, will have a large role to play in transforming Africa's rural economy. Identifying and promoting these activities will be essential.
- Developing intermediary cities can help connect and integrate regions and promote structural transformation. Intermediary cities can serve as hubs providing health services and education and disseminating technology to their surrounding areas. They are important market places for mediating the flow of goods and services between rural hinterlands and larger cities. They also offer possibilities for circular migration and commuting for off-farm employment.
- Fiscal capacities necessary to meet all these objectives must be bolstered, especially at the local level. Measures could include using transfer mechanisms, expanding the local fiscal base, tapping capital markets and promoting public-private partnerships.

This session will investigate how regional development strategies, can help African economies catalyse their regional specific assets and turn the demographic dividend into a driver of structural transformation. How can policies and long-term strategies for spatial development succeed in overcoming spatial inequalities, mobilising local resources and creating productive employment opportunities?