PROPOSED THEME FOR THE 24TH SESSION OF THE
UN-HABITAT GOVERNING COUNCIL

Sustainable Urban Development: The Role of Urbanization in National Development, with Special Reference to Employment Creation and Youth

A. Introduction

Economic historical studies have established that there is a positive correlation between urbanization and national development. It is also clear that throughout history, urbanization has been, and continues to be a source rather than only an outcome of development. The present economic dominance of cities and towns is therefore not surprising: they account for 70 per cent of the world’s gross domestic product (55 per cent in low-income countries, 73 per cent in middle-income countries, and 85 percent in high-income countries). Because of this, well planned urbanization can be used as a powerful tool for creating wealth, employment and livelihoods. This, however, requires a mindset shift on the part of decision makers, away from viewing urbanization mainly as a problem, towards viewing urbanization as a tool for development. In developing countries, rapid urbanization is preceding industrialization. This fact has resulted in a limited number of formal industrial jobs and in widespread unemployment. This, in turn, has led to the expansion of the urban informal sector.

In light of this, the theme of “Sustainable Urban Development: The Role of Urbanization in National Development, with Special Reference to Employment Creation and Youth” is proposed for the 24th session of the Governing Council (GC 24). This theme could provide an opportunity to take a closer look at the potential of, and share experiences on, the contribution of urbanization to sustainable national development, including its contribution to the creation of decent jobs and livelihoods, especially among the urban youth.

The purpose of this paper is to provide a rationale for the theme proposed above. The various mandates of UN-Habitat in this area of work are first presented briefly. This is followed by a summary of the current trends and factors that make it very necessary to address the suggested theme. Finally, brief suggestions on the content of the theme paper are made.

B. Mandates of UN-Habitat in Urban Economy, Employment and Youth

In paragraphs 158-161, Chapter 9, of the Habitat Agenda, adopted by Member States in 1996 in Istanbul, Governments are urged to, among other things:

- formulate and implement financial policies that stimulate urban employment opportunities;
- encourage fair treatment of the informal sector; and
- support enterprises, especially those headed by women.
In addition, the Habitat Agenda, in paragraphs 13, 33 and 45, specifically commits UN-Habitat to work in partnership with young people in human settlements management and development and to empower them to participate in decision-making in order to improve urban livelihoods and contribute to sustainable human settlements.

To further strengthen the work of UN-Habitat with urban youth, the Governing Council, through its resolution 21/6 of April 2007, requested UN-Habitat to establish an Opportunities Fund for Urban Youth-led Development. The purpose of the fund is to support youth-led initiatives in pursuance of the Habitat Agenda, including facilitating vocational training, and providing grant mechanisms to promote entrepreneurship and employment, in collaboration with the private sector and other United Nations bodies and stakeholders.

More recently, UN-Habitat’s draft Strategic Plan for 2014-2019, which was endorsed by the Committee of Permanent Representatives in August 2012, pending approval by the Governing Council in April 2013, has ‘Urban Economy’ as one of its focus areas. Through this focus area, the plan places emphasis on the creation of decent urban jobs and livelihoods, especially for the youth. Thus discussion of the proposed theme at GC 24 would not only provide an opportunity to reflect on the work so far carried out under the mandates mentioned above, but would also provide further guidance on the future work of UN-Habitat in this area.

C. Urbanization, National Development and Employment Creation: Current Trends and Factors

Evidence from China, the Republic of Korea, Singapore and Japan, among others, is clear: realizing economies of agglomeration through urbanization is a key driver of national development. In these countries, urban export processing zones and technology parks of various types have played an important role in driving national development. Cities have a huge potential to create value and wealth, to reduce overall costs of transactions, to promote innovations, and to harness the benefits of diversity. Because of agglomeration economies, towns and cities are the best location for industrial production, as well as the efficient provision of basic services to both urban and rural populations. At the same time, they drive national development by providing markets for agricultural produce.

This is the positive context of urbanization, within which decent jobs and livelihoods may be created, and significant contributions made to national development. Markets alone cannot deliver these benefits of urbanization. For this reason, strategic urban policies supportive of sustainable urban economic development and creation of decent jobs and livelihoods are necessary. Effective local governments are those that can provide communities, youth, women, entrepreneurs and industry with a host of value added services through urban planning and design, infrastructure and basic urban services, in addition to investing in their people, especially the youth.
There are important economic and social trends that have to be taken into account in thinking about the role of urbanization in national development, only a few of which are outlined below. The first pertains to current levels of economic growth. Urbanization is taking place within the context of a relatively weakened global economy. The impacts of the global economic crisis, which started in 2008 following the virtual collapse of the global financial system, still linger on. Although global growth increased to 5 per cent in 2010, as compared to a decline of 0.5 per cent in 2009,1 many of the developed countries are yet to recover from the economic recession they experienced between 2008 and 2009, as economic growth remains relatively low or negative in some countries. Such relatively low growth rates have direct implications for the robustness of urban economies and employment.

In contrast, many emerging and developing countries have witnessed remarkable growth in the post-recession period, reaching more than 7 per cent.2 Specifically, Asian countries such as China, India and Singapore experienced growth rates of at least 10 per cent in 2010. In Africa, countries with high levels of economic growth in 2010 include Botswana, DRC, Burkina Faso, Ethiopia, Nigeria and Zimbabwe. In Latin America, economic growth has been remarkable in Argentina, Paraguay and Peru.

Another important trend relates to unemployment, which remains high all over the world. The global unemployment rate in 2010 was 6.2 per cent (up from 5.6 per cent in 2007), which translated to 205 million unemployed men and women.3 This was expected to decrease marginally by 1.7 million in 2011, reaching 203.3 million. Unemployment rates vary remarkably across the world. Among developed countries, the rates for 2010 varied from 4.5 per cent in the Netherlands to 9.6 per cent in the USA4, and over 18 per cent in Spain. While accurate information might not be readily available in developing countries, unemployment rates are considerably higher. In South Africa for instance, unemployment stood at 25.7 per cent in 2011.5 This means that the increase in growth rates witnessed in the post-recession period have not been accompanied by comparable reduction in unemployment, indicating that many economies are not generating enough jobs to absorb growth in the working-age population.

Particularly problematic is youth unemployment, which is two to three times higher than adult unemployment globally. In fact, the number of youth in the world today is larger than at any point in human history. Yet this group suffers the most from urban unemployment and often lacks equal access to opportunities. Today, 90 million youth around the world are unemployed (or 47 per cent of the total number of unemployed). An additional 300 million belong to the ‘working poor’ category —

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2 IMF (2011) World Economic Outlook
a category that includes those in unskilled, insecure jobs and living in poor conditions. In South Africa and Spain, youth unemployment stood at 51 per cent and 42 per cent, respectively, in 2011. Developing countries continue to feature the fastest growth of youth unemployment rates, fuelled by persistent rural-to-urban migration.

Rising unemployment has in recent years been accompanied by rising levels of social and political unrest around the world, especially among the youth. The often sudden and unexpected nature of these social and political upheavals points to a serious underlying global problem. If young people are to realize their potential, innovative solutions that are anchored in local realities are urgently needed. At a time when the global economy is looking for paths to recovery and seeking innovative ideas to invigorate itself, young people may offer a lot of hope. Yet young people are often overlooked and underappreciated by society, even though they could contribute significantly to economic activity and innovation, given their energy and inherent optimism.

The most important implication of the above trends is that urban job creation must feature prominently in the future urban agenda, which is expected to be the main outcome of the second United Nations Conference on Housing and Sustainable Urban Development (Habitat III) to be held in 2016. Thus discussion, at GC 24, of the proposed topic – which addresses the economic pillar of sustainable urban development – will contribute to the preparatory process for Habitat III.

On the positive side, the rapid economic growth being experienced by many developing countries presents a unique opportunity to use the benefits accruing from such rapid growth to better manage and plan the process of urbanization, so that, ultimately, urbanization itself will be able to enhance the process of national growth. Even before the onset of the recession in 2008, annual growth in GDP in Sub-Saharan Africa and South Asian countries (the most rapidly urbanizing continents) was high, averaging 5.2 and 7.3 per cent, respectively, between 2000 and 2008. As pointed out above, this high growth trend has continued in the post-recession period. If serious effort is taken to ensure that planned urbanization works well for these developing countries, then there is a possibility that these percentages could be enhanced.

D. Proposed Content of the Theme Paper

With formal employment opportunities across the world hardly growing, or even dwindling, due to the uncertainly characterizing the global economy, adequate attention needs to be given to the creation of decent urban jobs and livelihoods. This can be achieved in part through local economic development, which has increasingly become an important development strategy for

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7 World Bank (2010)
addressing the economic challenges that cities and towns face. Furthermore, effective national urban policy and planning could create the enabling conditions required for employment to thrive through flexible land use management or zoning systems that allow for mixed land uses, as opposed to mono-functional zoning that seeks to segregate different activities. If urbanization is properly managed and planned by providing essential public investment in infrastructure and services, this will go a long way towards creating the conditions for employment and livelihoods to thrive.

In this regard, GC 24 could provide a platform for sharing of experiences with overall urban policies and strategies supportive of national economic growth, including for the creation of jobs and livelihoods, as well as those that specifically target youth employment. As part of its efforts to support the implementation of the Habitat Agenda by Governments, UN-Habitat has acquired considerable experience in providing policy guidance on the contribution of urbanization to sustainable national development, local economic development, creation of urban jobs and livelihoods, and supporting youth projects in urban areas. Examples of these are shown in the annex to this paper.

It is proposed that the theme paper covers the areas listed below, as a minimum, starting with the broader issues of the role of well-planned urbanization in national development, and then narrowing down to issues of employment and livelihoods creation, and ending with a focus on youth employment and livelihoods:

(a) The role of urbanization in sustainable national economic development: empirical evidence
(b) The role of urbanization in national social development and improvement of the quality of life: access to modern basic services
(c) Urbanization and generation of decent jobs and livelihoods
(d) Urban youth employment and livelihoods: successful experiences
(e) Policy issues for discussion

Annex: UN-Habitat’s Experience in Areas Relevant to the Proposed Theme

1. Urban Economy Policy Guides and Related activities

- Challenges of municipal finance in Africa
- The economic role of cities
- Global economic urban dialogue series

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2. Projects with Significant Urban Economy Components

- Lake Victoria water and sanitation initiative (local economic development strategies form 20 per cent of the initiative’s capacity building component targeting 10 towns and cities)
- Participatory slum upgrading programme (local economic development strategies are prepared as part of the programme, which is complete/active in 43 countries and approximately 130 cities)
- Learning for community empowerment programme, Afghanistan (which covers 20 provinces, in which 91,578 women and 60,994 men have been trained)

3. Relevant Training and Capacity Building Programmes and Support Materials

- Local economic development series (in use in 14 countries, translated/adapted into five languages)
- Financial management for local government (in use in 6 countries)
- Participatory budgeting for Africa (used in 6 countries and translated into three language)
- Locally elected leadership series (in use in over 80 countries and translated and/or adapted to 45 different languages and contexts)

4. Examples of Urban Economy and Youth Related Projects

- Youth Empowerment for urban development (which is global in coverage)
- One stop youth centres
- Opportunities fund for urban youth-led development
- Making urban investment planning work: building on Indonesian community development
- Regional competitiveness for the tourism and agro-industrial sectors in the Brunca region (with emphasis on the creation of green and decent jobs and poverty reduction)
- Participatory budgeting and gender mainstreaming (in Senegal, Mozambique, and DR Congo)
- Urban and productive integrated sustainable settlements programme in El-Salvador
- Empowering urban women entrepreneurs through housing development and land ownership in Ethiopia and Mozambique
- Urban and productive integrated sustainable settlements in El-Salvador
- Myanmar coastal communities livelihoods assistance programme