

Chapter 3

The Economic Value of Sustainable Urbanization: *Inclusive Prosperity and Opportunities for All*



Cities do not merely symbolize the dreams, aspirations and hopes of individuals and communities, they are the primary catalysts or drivers of economic development and prosperity across the world. Urban areas generate enormous economic value as they are the world's platforms for production, innovation and trade, generating both formal and informal employment. This chapter, while providing a recap of the foundational mechanisms that enable cities to serve as growth accelerators, highlights the risks embedded within the very structure that enable cities to generate economic value. These risks have been magnified by the coronavirus pandemic and its adverse socioeconomic impacts.

Quick facts

1. Well-planned and managed urban growth improves the economy across a range of scales (local, regional and national) through employment creation, contribution to GDP and FDI attraction among others.
2. Sustainable urbanization is a generator of inclusive prosperity; it allows for economic opportunities for all, including marginalized groups.
3. The informal economy is the lifeblood of many cities in developing countries. Yet, informal sector enterprises generally fly under the radar of public policy interventions.
4. The very dense interaction networks of people, which are the factor behind cities' potential as economic growth accelerators, also carry embedded risks, as evidenced by the COVID-19 pandemic.
5. Property rights, land use regulations and poor transport systems are limiting the generation of economic value in cities of developing countries.

Policy points

1. Urban and territorial planning supported by adequate governance structures will enhance the economic value of urbanization.
2. Cities can enhance their productive capacities by reforming legal and regulatory frameworks and adopting measures that provide greater security to workers, particularly those in the informal economy.
3. Adequate measures to facilitate the transition of workers and economic units from the informal to formal economy are fundamental to achieving sustainable and inclusive urban development in developing countries.
4. Building resilience in the aftermath of COVID-19 is the foundation for managing future pandemic and driving economic growth.
5. Governance, institutional, policy and regulatory frameworks should be aligned to the local realities and should not hinder economic growth.

Cities are the foundation upon which the prosperity of modern societies and past civilizations has been built. They have been the primary catalysts and drivers of economic development across the world. Today, cities generate enormous economic value. They are the world's platforms for production, innovation and trade, generating both formal and informal employment. They underpin the economic development and prosperity of nations, as clearly evidenced by their significant contribution to global economic output.

While cities are concentrations of wealth and productive capacity, they can also be sites of exclusion (Chapter 1 and 5). The urban divide has never looked so wide, as the benefits of urbanization have not been widely shared by all segments of society. In addition, while cities occupy little land globally, urban activities often pose massive sustainability challenges that go beyond their own spatial boundaries (Chapter 1 and 4).

The adoption of the 2030 Agenda for Sustainable Development and the New Urban Agenda not only placed urbanization at the forefront of international development agenda, it also set conditions for the necessary paradigm shift to sustainable urbanization. The NUA recognizes that “sustained, inclusive and sustainable economic growth, with full and productive employment and decent work for all, is a key element of sustainable urban and territorial development and that cities and human settlements should be places of equal opportunities, allowing people to live healthy, productive, prosperous and fulfilling lives.”

As explained in Chapters 1 and 2, sustainable urbanization means that cities are being planned, developed, and managed considering: their costs, not just benefits; quality of life, not just income; their social and environmental,



Street market, Fa Yuen Street at mong kok, kowloon, Hong Kong. © SS pixels/Shutterstock

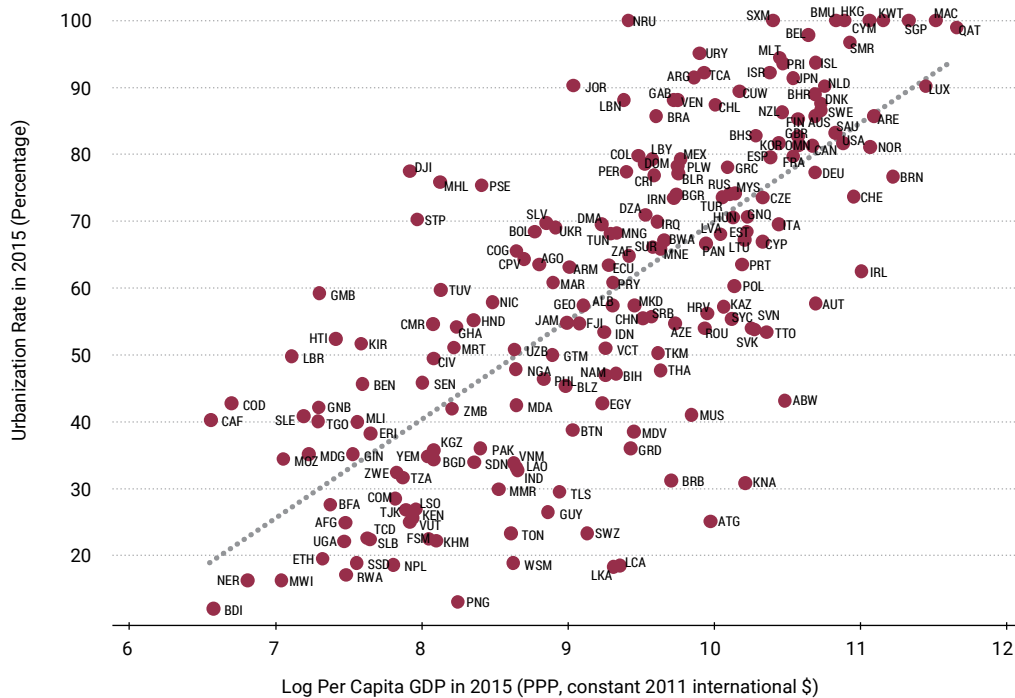
not just economic, benefits; their global, not just local, effects; and their long-term, not just short-term, impacts. Indeed, achieving sustainable and inclusive urban economies that ensure prosperity and opportunities for all requires: leveraging the agglomeration benefits of well-planned urbanization, including high productivity, competitiveness and innovation; promoting full and productive employment and decent work for all; ensuring the creation of decent jobs and equal access for all to economic and productive resources and opportunities; and preventing land speculation, promoting secure land tenure and managing urban shrinking, where appropriate.

As stated above, cities generate a substantial share of the global economic output—over 80 per cent of global GDP—yet concentrate half of the world’s population on about three per cent of the Earth’s land area.¹ As a result, economic output per capita is invariably high in urban areas, and countries that are more urbanized tend to be wealthier, as illustrated by the strong positive relationship between urbanization and income in various countries (Figure 3.1).

However, the economic value generated by cities varies depending on the local context. As shown in Table 3.1, the percentage share of urban activities—industry and services—in GDP is high across all areas, from about 70 per cent in the developing countries of Oceania to 90 per cent in developed countries. Strikingly, urban areas generate this output using little land, from about one per cent of land area in Africa to 10 per cent in the developing countries of Oceania.

Urban productivity—proxied by the total GDP generated by industry and services divided by total urban population—is the highest in developed countries, reaching almost US\$50,000 per capita. It is relatively lower in ex-transition countries (about US\$30,000) and the developing countries of Asia (US\$20,000), the Americas (US\$15,000), Oceania and Africa (US\$10,000 each). In other words, the urban areas of developing countries generate less output per capita than the urban areas of developed countries.

Figure 3.1: Urbanization and economic development



Sources: United Nations, 2018b; World Bank, 2019d.

Table 3.1: Contributions of urban-based sectors to GDP and land use, 2015

	Developed Regions	Ex-Transition Countries	Asia*	Latin America and the Caribbean	Oceania*	Africa
Industry and Services in GDP (%)	92.5	85.2	87.3	85.4	70.7	80.7
Urban Land in Total Land (%)	5.3	1.6	4.2	2.4	10.1	1.1
Industry and Services GDP (US\$) / Urban Population	48,244	28,514	20,162	15,978	10,387	9,436

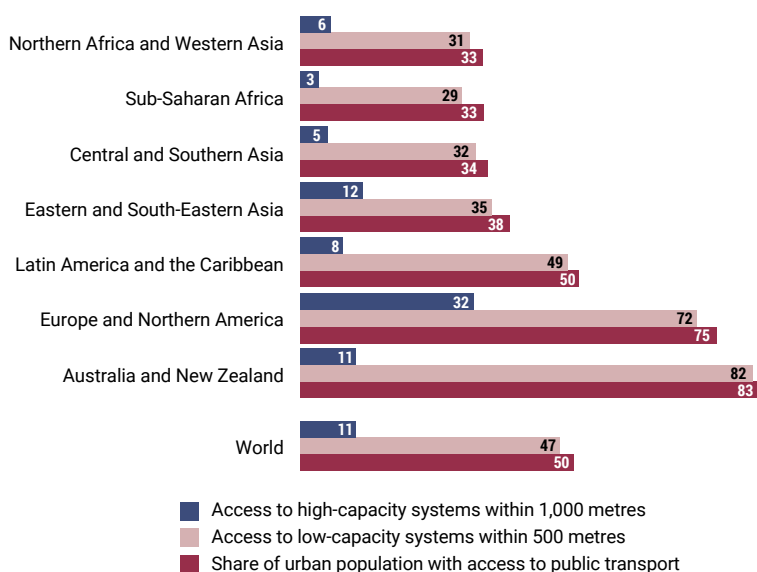
Notes: *Developing countries

Sources: United Nations, 2018b; World Bank, 2019d.

The urbanization process of more developed regions is also relatively more sustainable, underscoring the connection between sustainable urbanization and development. As compared to developing countries, developed countries score higher on selected indicators that monitor progress towards the attainment of SDG 11. As shown in Figures 3.2– 3.4, developed regions have smaller shares of their urban population living in slums; higher shares of people with access to controlled waste disposal facilities; lower mean levels of fine particulate matter in their cities; and a larger share of population with convenient access to public transport. As

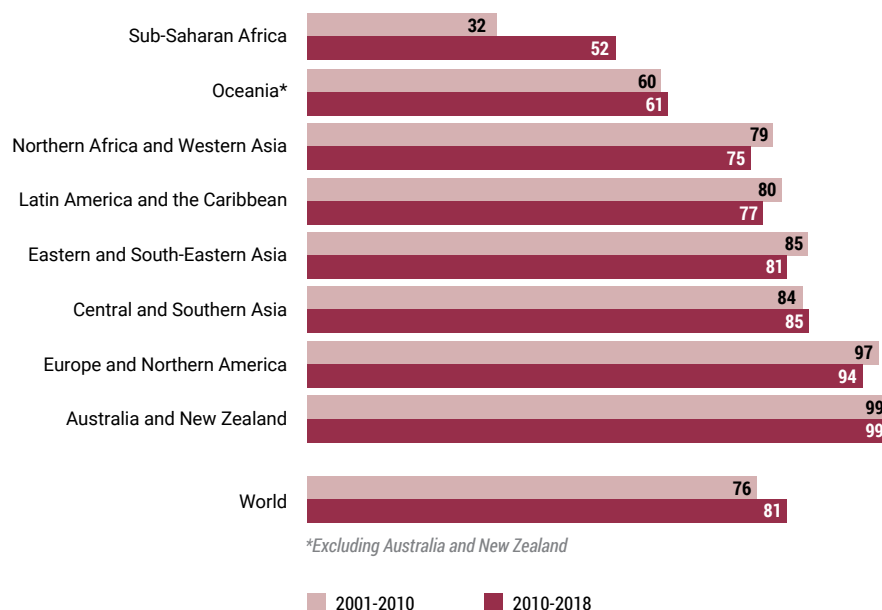
cities in all regions make progress toward realizing the SDGs and the NUA, the more the economic value of urbanization is enhanced. For instance, expanding access to public transport—a vital service for urban residents—not only catalyses economic growth, it also enhances social inclusion.

As cities in all regions make progress toward realizing the SDGs and the NUA, the more the economic value of urbanization is enhanced

Figure 3.2: Share of the population with convenient access to public transport, 2019 (percentage)

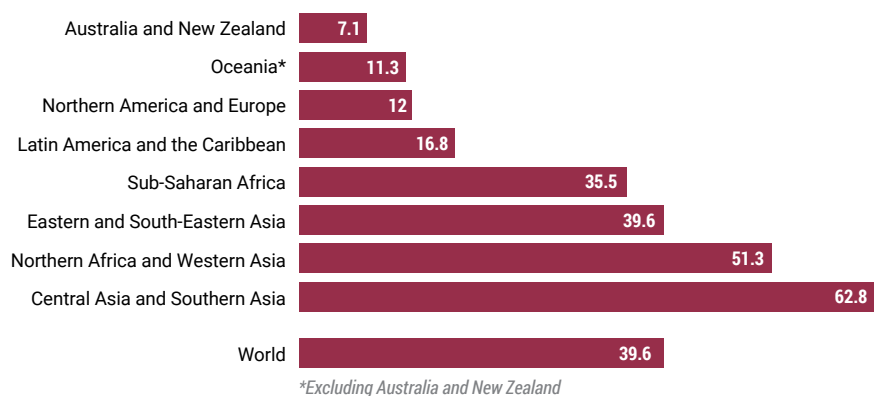
Source: United Nations, 2020d.

Figure 3.3: Share of municipal solid waste collected, 2001-2010 and 2010-2018 (percentage)



Source: United Nations, 2019a.

Figure 3.4: Concentration of fine particulate matter (PM2.5) in urban areas 2016



Source: Based on WHO Global Health Observatory data repository, 2018.

Overall, these facts raise questions that cities must learn from in order to become sustainable growth accelerators and generators of inclusive prosperity. What are the mechanisms by which cities can generate so much economic output per capita and by land area? In other words, what makes density so productive and how it can remain so in the wake of the COVID-19 pandemic? How do cities contribute to prosperity and inclusiveness across

spatial scales? Why do the urban areas of different regions of the world generate different levels of economic output? Are all developing regions experiencing a sustainable urbanization process, and if not, how could this affect the long-term output generated by their urban areas? Finally, what conditions and policy measures are necessary for urban areas to be as sustainably productive as those in developed countries?



3.1. Cities: Sustainable Growth Accelerators

Since the seminal work of Jane Jacobs,² many studies have shown that urban areas increase the productivity, and thus income, of their residents.³ For a given income level, cities also improve consumption possibilities, contributing to life satisfaction.⁴ But what steps can cities take to realize their growth and consumption potential?

The mechanisms by which cities achieve such benefits are referred to as “economies of agglomeration”: by concentrating resources in a small geographical area, cities help residents and businesses save time, money and effort on production; facilitate acquisition and exchange of knowledge and ideas, thus helping improve innovation and human capital; and provide convenient points of consumption.⁵ Ultimately, through economies of scale and agglomeration economies, cities enable accelerated growth and socioeconomic development. Essentially, they

are the intrinsic (natural) productivity growth factors for a city (Table 3.2).

Economies of scale in production are perhaps the best-known of these mechanisms. This phenomenon has spurred the creation of denser human settlements throughout history. Across the world, many cities have grown from their initial organization around one factory or business service centre. For example, many towns in Industrial Revolution-era England developed around one cotton mill where cotton would be transformed into yarn or cloth.⁶ More recently, large call centres are being established in small towns in India, accelerating the growth of these towns and expanding access to economic opportunities.⁷ There are then economies of scale in marketplaces: cities exist because there is trade between regions and cities serve as physical places for the exchange of goods. For example, many trading towns emerged along the Silk Road between Europe and Asia.⁸ Likewise, today’s largest cities are port



Table 3.2: City-specific factors determining a city's productivity

<p>Intrinsic (natural) productivity growth factors</p>	<p>Agglomeration economies</p> <ul style="list-style-type: none"> ▪ Matching ▪ Sharing ▪ Learning 	<p>Economies of scale</p> <ul style="list-style-type: none"> ▪ Production ▪ Consumption ▪ Provision of urban services 	
<p>Extrinsic productivity growth factors</p>	<p>Technical efficiency</p> <ul style="list-style-type: none"> ▪ Structural efficiency ▪ Land management policies ▪ Space efficiency ▪ Infrastructure investment ▪ Taxation ▪ Disaster prevention (resilience) ▪ Operational efficiency ▪ Day-to-day urban management ▪ Service delivery ▪ Emergency management 	<p>Institutional scaffolding</p> <ul style="list-style-type: none"> ▪ Sound local institutions (e.g., decentralization) ▪ Sound governance ▪ Ease of doing business 	<p>Quality of life (quality of education, safety, cultural life, liveliness)</p> <ul style="list-style-type: none"> ▪ Attractiveness to knowledge-based industries ▪ Attraction and retention of the 'creative class' ▪ Learning-based efficiency ▪ Creativity and innovation ▪ Research and development and technological development ▪ Entrepreneurship ▪ Vision ▪ Local leadership ▪ Local governance

Source: UN-Habitat, 2013.

cities. While the link between port and city growth has arguably become weaker over time, some cities, particularly in Asia, have over the past few decades continued to experience strong population growth alongside the high traffic to their cargo ports—for example, Shenzhen, Dubai, Shanghai, Singapore, Mumbai and Kolkata.⁹ Lastly, there are economies of scale in consumption, distribution, public good provision and recreational opportunities. For example, supermarkets, hospitals and stadiums tend to be located in larger cities. Cities make the consumption of some goods and services cheaper for residents, thus generating purchasing power.

Over the years, theoretical frameworks have provided explanations of the basic mechanisms by which agglomeration generates gains for cities. It is because firms and urban residents recognize the economic value derived from cities that they are willing to compete for the more expensive space in cities. These benefits of cities relate to the *sharing*, *matching* and *learning* processes in cities.¹⁰ By concentrating firms and urban residents in the same

location, cities give access to a bigger and improved range of “shared” services, achieve joint economies of scale in provision of infrastructure and services, incentivize firms and workers to ultra-specialize in few products or tasks and achieve resilience to firm- or sector-specific shocks. Cities enable businesses to “match” their distinctive requirements for labour, premises and suppliers because a wider choice is available. Owing to a large density of actors, cities promote “learning”: they are primary centres of innovation, science, arts and creativity. Cities are laboratories of experimentation, which explain their importance in the fourth industrial revolution, facilitated by the rise of computing power (Chapter 6).

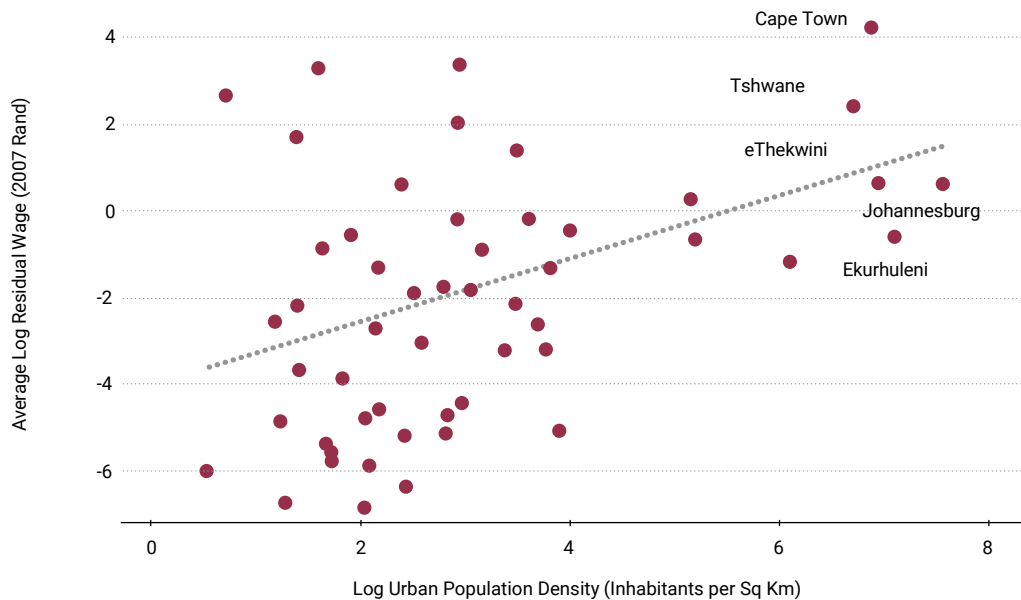
Close proximity in cities provides opportunities for greater human interaction, thus enabling formal and informal networks of experts to emerge which promote comparison, competition and collaboration.¹¹ Cities also facilitate the diffusion of knowledge across broader populations. Indeed, if cities have large shares of educated workers, and if ideas are more likely to be exchanged after a face-to-face interaction between skilled or educated individuals, then knowledge will diffuse faster in cities. The effects, often qualified as *human capital spillovers*, imply that cities with higher shares of often young, highly skilled and educated workers—the “creative class” alluded to in Chapter 6 (and Table 3.2)—grow faster.¹²

As a result of these fundamental dynamics, many workers are more productive, and thus receive relatively higher wages (even for low-skilled jobs), in urban areas than elsewhere—the urban wage premium. The generation of this wage premium is, however, shaped by the characteristics of the urban system in a given country. For instance, recent studies in Nigeria, Tanzania and Uganda show that only the latter’s workers experience an urban wage premium across all urban areas. In Nigeria and Tanzania, the urban wage premium is largest for workers in the primate cities and, in some cases, non-existent for workers in secondary cities.¹³ The primate cities in developing countries usually have the highest economic mass, primarily because they are the location for national headquarters of financial and high-level business services. These cities also have a large number of government offices, with those working for the public sector generally enjoying much higher incomes than those in the private and informal sectors.



Pedestrian crosswalk on a city road. © Ultramansk/Shutterstock

Figure 3.5: Labour productivity and city population density, South Africa, 2007



Source: 2007 Community Survey of South Africa. The residual wage is the estimated wage after controlling for individual characteristics such as educational attainment, age, gender, marital status, industry and occupation.

Likewise, larger, denser cities often offer relatively higher wages than other cities. The wage differential exists even for work of equal value; similar workers are simply more productive in larger cities.¹⁴ Past studies have also shown that increases in employment density often lead to a rise in average labour productivity. In the US, for instance, a study found that a doubling of employment density increases average labour productivity by around six per cent.¹⁵ Another study found that workers living in the 30 largest metropolitan areas in the US earned 33 per cent more than workers living outside these areas.¹⁶ Similar observations of higher incomes in larger and denser cities have been made for the three major metropolitan areas in Japan (Tokyo,

Osaka and Nagoya).¹⁷ In South Africa, doubling of urban population density leads to a similar rise in average wages—the five largest, densest cities offer relatively higher wages compared to other cities (Figure 3.5).

While there is a strong connection between labour productivity and large cities, the agglomeration effects have been observed to be much stronger for *cities with more skills*.¹⁸ Thus, for the sustained economic value of urbanization to be realized, human capital development is crucial. Cities must offer equal opportunities for all residents to access appropriate education and further develop their skills for productive participation in society.

For the sustained economic value of urbanization to be realized, human capital development is crucial. Cities must offer equal opportunities for all residents to access appropriate education and further develop their skills for productive participation in society

In addition, how cities are built and spatially organized is key to delivering agglomeration economies and reaping productivity benefits. Poorly planned and managed urbanization translates to low densities, separation of land uses (high spatial fragmentation), mismatches between infrastructure provision and residential concentration, inadequate street networks and a lack of reliable transport systems. These negative conditions diminish the potential

How cities are built and spatially organized is key to delivering agglomeration economies and reaping productivity benefits

to leverage the economies of scale and agglomeration.¹⁹ In Sub-Saharan Africa, for instance, urban areas suffer from high costs, affecting not just households but also firms. Urban households in Sub-Saharan countries pay 20–31 per cent more overall than urban households in other countries at similar income levels. Notably, rental housing is 55 per cent more expensive compared to urban areas of other regions. These effects have been attributed to coordination failures, poorly designed policies, weak property rights and other factors that lower economic density.²⁰

Recent years have shown that the very dense interaction networks behind cities' potential as economic growth accelerators also makes them vulnerable to disasters and public health threats such as infectious disease. They are often viewed as a factor in the rapid spread of epidemics and pandemics throughout history. Today is no different. The risk of such infectious disease is embedded within the structure and patterns of contemporary society, and requires both the ability to adapt quickly as well as more complex long-term responses at the local, national and global levels.²¹ The coronavirus disease (COVID-19) pandemic, for instance, has had significant impact on urban economies across various regions (Box 3.1). Essential services to the economic functioning of the city, for example transport systems, have been deemed as potential petri dishes for contagion.²² Besides the high fatality rates in some of the world's megacities, the pandemic has put countries, and the world at large, in an economic crisis.

Swift measures adopted to combat the spread of the virus such as closing borders, lockdown restrictions and requiring people to stay at home have resulted in reduction of economic activities, production and supply chain disruptions, and sharply reduced demand. Some of the unintended consequences of these measures have been reduced income and loss of livelihoods. The pandemic has clearly exposed the inequalities discussed in Chapters 1 and 2 and has further shown how such inequalities dictate the economic impact of the pandemic on various sectors of

the urban population. Populations living in overcrowded informal settlements and slums have been more economically vulnerable because of their reliance on daily earnings from the informal sector. For example, millions of informal workers in India returned to their villages when urban jobs dried up.²³ As of May 2020, at least 170,000 Peruvians in urban areas requested assistance from local governments to return to the countryside.²⁴ In Kenya, the economic pinch of the pandemic has forced urban households unable to afford rents to downgrade to cheaper housing or relocate to rural areas.²⁵ Given such profound economic and social consequences, if such pandemics are not well-managed—particularly in such deeply fragile contexts—there lies huge obstacles on the path to realizing the SDGs and the NUA.

The COVID-19 pandemic has shown the importance of leveraging the upside of density afforded by urban areas while protecting against its downsides.²⁶ Density supports economies of scale in the provision of critical public services like health care. As a result, the capacity for public health surveillance, control programs, prevention and public knowledge programmes is far better in cities, provided governments allocate the necessary resources to build out this infrastructure.²⁷ In some cases, the novel approaches devised in urban areas have been transformational. The drive-through test centres for COVID-19 in urban areas across Republic of Korea, for instance, have provided a safe and efficient screening system that, to date, has averted massive community outbreak.

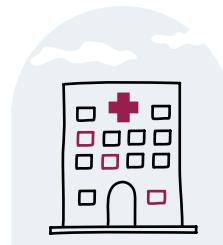
Although urban density has come under fire in critical observations of COVID-19's spread, it has been observed that it is not density in and of itself that seems to make cities susceptible, but the *kind of density* and the way it impacts daily work and living.²⁸ Household crowding, such as the number of people per dwelling unit, matters more than the simple fact of a dense number of residents per square kilometre.²⁹ A study of urban density and COVID-19 in the US found that while denser locations were more likely to have an early outbreak—due to interconnectedness with other locations—they did not necessarily suffer more in

Density supports economies of scale in the provision of critical public services like health care

the long run when compared to smaller towns or sparsely populated peripheries; the time-adjusted number of COVID-19 related deaths was not affected by density.³⁰

Urban forms can be dense and still provide places for people to isolate and practice physical distancing in the face of a highly contagious disease.³¹ Indeed, well-planned and managed cities are uniquely well-equipped to respond to all hazards, including public health threats. The capacity to respond rapidly is also a factor of good governance and the financial health of the local and national governments. In China, some dense cities (such as Shanghai, Beijing, Shenzhen, Tianjin and Zhuhai) were found to have markedly outperformed less populated places in combating the virus as illustrated in Figure 3.6. This has partly been explained by their ability to mobilize enough fiscal resources to cope with the coronavirus.³² In Republic of Korea and Germany, good governance

and fiscal health enabled quick responses in urban areas and ensured low death rates.³³ Proactive governance and adequate financial resources are important in appropriately combining necessary health responses like investments in testing and quarantine facilities with socioeconomic mitigation measures—such as disaster responsive safety net programs like unemployment insurance or targeted cash transfers—to support those whose livelihoods have been upended by the containment and mitigation measures.

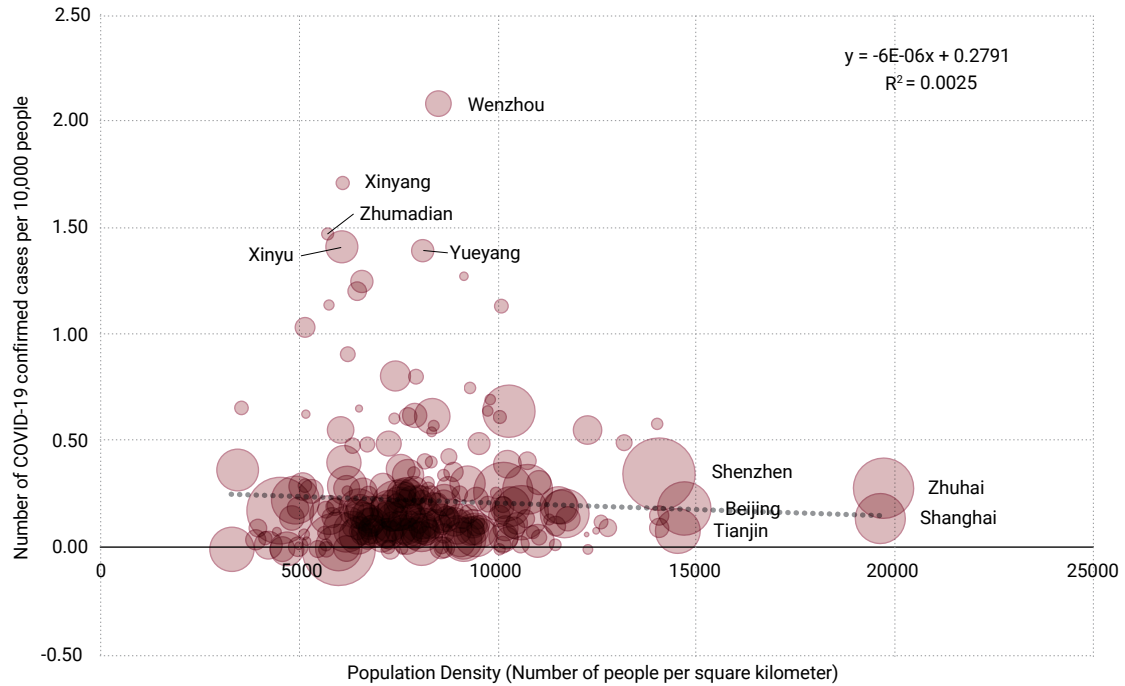


Well-planned and managed cities are uniquely well-equipped to respond to all hazards, including public health threats



A man sanitizing interior surfaces on a train in Mexico City, Mexico. © Eduardo Moreno

Figure 3.6: Urban density and COVID-19 infection rates in China



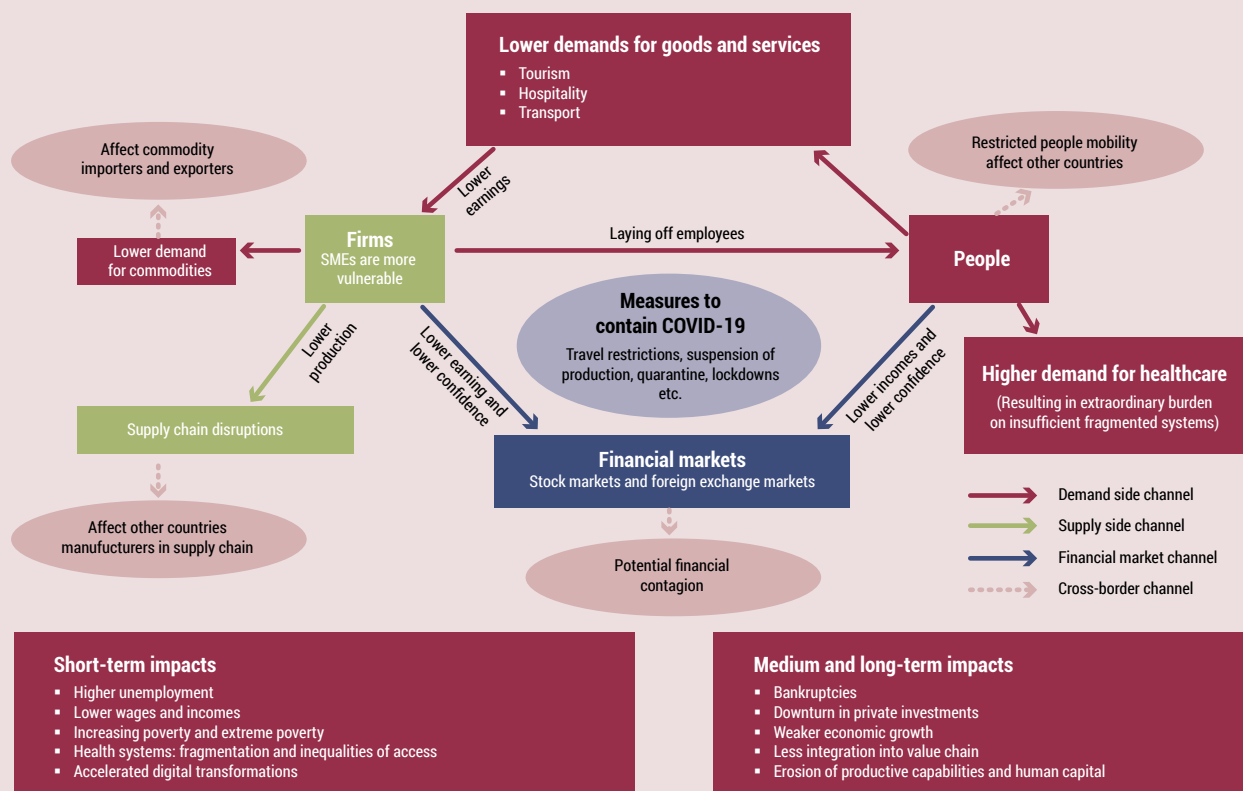
Source: Wanli and Wahba, 2020

Box 3.1: Economic impacts of COVID-19 pandemic in various regions

The COVID-19 pandemic has presented the world with a crisis like no other. As highlighted in Chapter 1, the global economy is expected to contract by three per cent due to the impacts of COVID-19, making it the worst recession since the Great Depression. Estimates also suggest that the pandemic will push between 71 and 100 million into extreme poverty.³⁴ Global remittances are also projected to decline sharply by about 20 percent in 2020.³⁵ Global value chains have been significantly affected and there is a general decline in investor confidence, foreign direct investment is expected to decline by 30–40 per cent in 2020.³⁶

At the centre of some of these economic impacts are measures to contain COVID-19. The transmission control policies of various levels of governments (local, regional and national) as well as the preventative behaviour of individuals have driven the economic costs of the pandemic across various geographic regions. As stated in Chapter 1, the pandemic is reinforcing urban inequalities; workers in the informal economy and migrant workers have been particularly affected by the economic consequences of COVID-19. Notably in some regions, high levels of poverty, informality and unprotected jobs have made it more difficult to implement some of the transmission control policies.³⁷

Economic impacts of COVID-19



Source: Adapted from UNESCAP (2020) and ECLAC (2020a.)

The economic impacts of COVID-19 are playing out differently in urban areas of various regions of the world. In **Africa**, the effects of COVID-19 on employment are likely to be severe in cities as urban-based sectors of the economy (manufacturing and services) are expected to be hit hard, resulting in substantial losses in productive jobs. In addition, the livelihoods of approximately 250 million people in informal urban employment in Sub-Saharan Africa will be at risk. The effects of the pandemic will increase the vulnerability of businesses in African cities, particularly small and medium-sized enterprises (SMEs), which account for 80 per cent of employment on the continent. Consumption in large cities, which is, on average, 80 per cent higher than the national level, is likely to decline with attendant impacts on domestic value chains, including rural areas. A fall in revenue streams for local authorities is anticipated as well as a decline in intergovernmental and national transfers due to immediate national response and recovery requirements.³⁸

The **Latin America and the Caribbean** region, where eight out of every 10 people reside in cities, is bearing the brunt of the global impacts of the COVID-19 crisis: a reduction in international trade, a fall in commodities prices, the intensification of risk aversion and worsening of global financial conditions, lower demand for tourism services and a reduction in remittances. As a result, the region's GDP is projected to drop by 5.3 per cent. The forecasts also indicate that South American economies will contract by 5.2 per cent owing to lower activity in China, an important export market. Central American economies are projected to contract by 2.3 per cent, due to a drop in tourism as well as reduced economic activity in the United States, its main trading partner and source of remittances. Finally, the reduced demand for tourism services will see Caribbean economies contracting by 2.5 per cent.³⁹

The projections also show an increase in the unemployment rate to 11.5 per cent in 2020, a 3.4 percentage points increase from 2019 levels, or a 37.7 million rise in the number of unemployed persons. The negative impact of COVID-19 on employment is also visible through its harsh effects on SMEs as they account for more than 50 per cent of formal employment. Many such businesses are struggling to remain solvent.⁴⁰ On the whole, the drop in GDP and the rise in unemployment is expected to have a direct negative effect on the income of households. As a result, the poverty rate in the region is projected to rise to 34.7 per cent in 2020, a 4.4 percentage points rise from 2019 levels; implying that 29 million more people will find themselves in situations of poverty. Meanwhile, extreme poverty is seen rising by 2.5 percentage points, going from 11 per cent to 13.5 per cent, which represents an increase of 16 million people.⁴¹

In **Asia and the Pacific** region, as the measures to contain the spread of the virus took effect there was a general decline in aggregate demand, with particular impacts on service sectors (such as tourism, retail, hospitality and civil aviation). International demand for commodities also fell, especially for oil, further contributing to economic and financial uncertainty and instability.

The drop in global demand is expected to cost the region an estimated US\$172 billion from trade alone, equivalent to 0.8 per cent drop of the GDP of the region.⁴² In South Asia, regional economic growth is expected to fall to a range between 1.8 and 2.8 percent in 2020. The region has experienced disruptions in flows of remittances and loss of work for people in the hospitality and transport sectors. The negative impact of COVID-19 on poverty rates is expected to be higher in urban centres.⁴³ In East Asia and the Pacific, a sharp economic contraction is expected, lowering 2020 growth to 2.1 percent, from 5.8 percent in 2019. Growth in China is projected to decline to 2.3 percent from 6.1 percent in 2019 while the rest of the EAP region is projected to slow to 1.3 percent from an estimated 4.7 percent in 2019. Poverty in the subregion is estimated to increase by about 11 million people.⁴⁴

In **Western Asia**, the Arab region's GDP is projected to decline by at least US\$42 billion in 2020. The pandemic, coupled with an oil price war, has led to a continual decline in oil prices, causing the Arab region to lose nearly US\$11 billion in net oil revenues between January and mid-March 2020. During this period businesses in the Arab region lost a massive US\$420 billion in market capital— an equivalent to eight per cent of total regional wealth. The region is projected to lose 1.7 million jobs in 2020, thus increasing the unemployment rate by 1.2 percentage points— as the severely impacted service sector is the main employer. Further, the economic slowdown caused by the pandemic is expected to negatively impact wages and the flow of remittances. As a result, an estimated

8.3 million people will be pushed into poverty. COVID-19's negative effect on the global supply chains, production, transport and distribution is projected to impact food security in the region.⁴⁵

The GDP of **Europe and North America** is projected to fall by 6–7 per cent in 2020 as a result of the crisis. Fiscally speaking, countries in Eastern Europe, the Balkans, Caucasus and Central Asia have been hit the hardest. Declining remittances from labour migrants, massive capital outflows from emerging markets, plunging oil prices and worsening conditions for external financing have taken a heavy toll on economies and societies in these subregions.⁴⁶

As illustrated in this section by a recap of foundational concepts, cities can effectively serve as growth accelerators. However, it is critical that the growth and consumption potential of cities is managed in ways that supports the achievement of sustainable development outcomes and builds resilience. Outcomes resulting from the economic value associated with urbanization should accrue to all by ensuring inclusive prosperity and widespread opportunities. Recognizing that sustainable urbanization is a transformational journey requiring specific collaborative elements is a pathway to achieve these outcomes in cities. The NUA and UN-Habitat's *Strategic Plan 2020-2023* identifies these elements as fundamental *drivers of change*: policy and legislation; governance; financing mechanisms; and urban planning and design.

It is critical that the growth and consumption potential of cities is managed in ways that supports the achievement of sustainable development outcomes and builds resilience

These elements provide a framework for action in response to multiple challenges confronting urban areas and are hence vital for leveraging the economic value generated by urbanization to achieve inclusive prosperity and opportunities for all. They constitute a framework for balancing the economic value of urbanization with other inherent values: social, environmental and intangible. They have a direct bearing on the discussions on various sections of this chapter— and this report in general— and UN-Habitat regards them central to the achievement of objectives its strategic plan.

- *Policy and legislation*: Development and implementation of urban policies at the appropriate levels, including local and national, provide a vital framework to harnessing the economic potential of cities. National urban policies, for instance, bring together the otherwise disjointed energies and potential of urban centres within national systems of cities.
- *Strengthening urban governance*: Effective urban governance is a prerequisite for economic resilience. Effective institutions and governance mechanisms determine how people, public and private sector organizations make decisions of an economic, social or political nature, maximizing potential and optimizing resources.
- *Financing mechanisms*: Effective, innovative and sustainable financing frameworks and instruments strengthen municipal finance and local fiscal systems that create, sustain and share the economic value generated by sustainable urban development in an inclusive manner.
- *Urban and territorial planning and design* has an inherent and fundamental economic function. Reinvigorating long-term and integrated urban and territorial planning and design is key to optimize the spatial dimension of urban forms and deliver positive outcomes of urbanization such as promoting economic growth. The multiscale continuum of spatial planning ensures better integrated and connected cities and territories that foster sustainable urban development. Economic value is thus generated beyond city boundaries into regions, as discussed in the next section.



Modern sustainable neighbourhood in Almere, The Netherlands.
© Pavlo Glazkov/Shutterstock

3.2. How Cities Contribute to National Prosperity and Inclusiveness

Cities are the world's economic platforms for production, innovation and trade.⁴⁷ At the same time, when well-planned and managed, cities are also where populations realize their productive potential. In examining the role of urban areas in contributing to prosperity and inclusiveness, this section begins with an overview of how cities improve the economy across a range of scales. It then presents the unique role cities play as “advertisers” of foreign direct investment as well as their key role in poverty reduction and inclusion for marginalized groups in countries with differentiated access to opportunities.

3.2.1. Economic growth across spatial scales

Well-planned and managed urban growth improves the economy across a range of scales: local, regional and national. As pointed out in the previous section, urban areas generally increase the productivity of their residents. By promoting local economic development, they create employment opportunities that build on the comparative advantages and unique qualities of their localities and communities. As countries urbanize, a larger share of the population enjoys the economic benefits provided by cities. Overall productivity thus increases regionally and for the whole nation. Rural hinterlands, for instance, experience positive spillover effects from urban areas. A variety of urban-rural linkages in production, consumption and financial relationships have profound impact across the urban-rural continuum. Given the magnitude of these linkages, sustainable urban growth has large economic benefits for nearby rural areas.⁴⁸ Strengthening these reciprocal flows is also vital for achieving sustainable urbanization.

There are also spillovers between cities of the same region.⁴⁹ In addition to trading goods with each other, cities also trade ideas. Any innovation originating in one city appears quickly in other cities, from the emergence of shared mobility like ride-hailing or bikeshare to pandemic responses. Urban systems are integrated knowledge creation and diffusion networks, which raise productivity in the aggregate. In particular, there is evidence that major economic activities are increasingly concentrated in large urbanized regions, or “mega-regions,” that are centred in and around global cities. These mega-regions

often encompass cities, towns, villages and rural areas, with some crossing national boundaries in the form of planned or unplanned urban corridors. Oftentimes, they operate as single economic entities that set in motion self-reinforcing, cumulative growth patterns that make a significant contribution to the world's economic activity—as their economic power and boundaries now sometimes surpass those of their nation-states. Table 3.3 presents 29 such mega-regions identified using satellite and economic output data.⁵⁰

These regions account for almost 40 per cent of world GDP. As can be seen in Table 3.3, 11 of them are in Asia, 10 are in North America and six are in Europe (Latin America and Africa only have three mega-regions combined). The five largest mega-regions in the world comprise Bos-Wash (from Boston to Washington D.C. via New York City), Par-Am-Mun (from Paris to Munich via Amsterdam), Chi-Pitts (from Chicago to Pittsburgh), Greater Tokyo, and SoCal (from Los Angeles to San Diego).

If more productive mega-regions can afford to make larger investments in infrastructure, they capture economic activity from less productive mega-regions. Yet, such competition is “healthy,” to the extent that more productive mega-regions are likely to grow faster than less productive mega-regions, making the whole urban system on average more productive. However, mega-regions can over-compete with each other, leading to a geographic imbalance whereby mega-regions absorb economic activity and leave other regions impoverished. Another concern is that two-thirds of these mega-regions belong to the developed world. This “winner take all” approach propels developed countries to keep growing economically as fast, or sometimes even faster, than developing countries, which widens spatial inequality. Oftentimes, these urban configurations result in unbalanced regional development and severe urban primacy due to their self-reinforcing nature—they bolster ties to the existing economic centres, thereby creating more localized development as opposed to allowing more diffused spatial development across territories. Such asymmetrical development has the potential to compound the urban divide.⁵¹

Already, evidence suggests that such city clusters in developing countries may not be generating increasing

economic returns as they get larger due to the slow development of endogenous growth industries and rising externality costs.⁵² This is further worsened by their very fragmented governance systems, extending across municipal and sometimes national boundaries. In order to realize the economic value for sustainable urbanization and ensure inclusive prosperity, developing countries need strategies that ensure integrated spatial growth and

development—to nurture nascent mega-regions within their territories, as well as those spanning neighbouring countries, so as to facilitate economic activities. For instance, it is vital to develop and implement national urban policies that maximize the benefits of urbanization and respond to these forms of interconnectivity and urban interdependence, as well as anticipating and managing the negative consequences of urban and regional growth.

Table 3.3: Largest Mega-Regions in the World, 2015

Rank	Mega-Region	Cities	Output (Billions)	Population (Millions)
1	Bos-Wash	New York; Washington, D.C.; Boston	US\$3,650	47.6
2	Par-Am-Mun	Paris, Amsterdam, Brussels, Munich	US\$2,505	43.5
3	Chi-Pitts	Chicago, Detroit, Cleveland, Pittsburgh	US\$2,130	32.9
4	Greater Tokyo	Tokyo	US\$1,800	39.1
5	SoCal	Los Angeles, San Diego	US\$1,424	22
6	Seoul-San	Seoul, Busan	US\$1,325	35.5
7	Texas Triangle	Dallas, Houston, San Antonio, Austin	US\$1,227	18.4
8	Beijing	Beijing, Tianjin	US\$1,226	37.4
9	Lon-Leed-Chester	London, Leeds, Manchester	US\$1,177	22.6
10	Hong-Shen	Hong Kong, Shenzhen	US\$1,043	19.5
11	NorCal	San Francisco, San Jose	US\$925	10.8
12	Shanghai	Shanghai, Hangzhou	US\$892	24.2
13	Taipei	Taipei	US\$827	16.7
14	São Paulo	São Paulo	US\$780	33.5
15	Char-Lanta	Charlotte, Atlanta	US\$656	10.5
16	Cascadia	Seattle, Portland	US\$627	8.8
17	Ista-Burs	Istanbul, Bursa	US\$626	14.8
18	Vienna-Budapest	Vienna, Budapest	US\$555	12.8
19	Mexico City	Mexico City	US\$524	24.5
20	Rome-Mil-Tur	Rome, Milan, Turin	US\$513	13.8
21	Singa-Lumpur	Singapore, Kuala Lumpur	US\$493	12.7
22	Cairo-Aviv	Cairo, Tel Aviv	US\$472	19.8
23	So-Flo	Miami, Tampa	US\$470	9.1
24	Abu-Dubai	Abu Dhabi, Dubai	US\$431	5
25	Osaka-Nagoya	Osaka, Nagoya	US\$424	9.1
26	Tor-Buff-Chester	Toronto, Buffalo, Rochester	US\$424	8.5
27	Delhi-Lahore	New Delhi, Lahore	US\$417	27.9
28	Barcelona-Lyon	Barcelona, Lyon	US\$323	7
29	Shandong	Jinan, Zibo, Dongying	US\$249	14.2

Source: Florida, 2019.

3.2.2. Foreign direct investment (FDI) attraction

Cities are important drivers of FDI, which in turn can boost national economic prospects. With the exception of the natural resource sector, most FDI is often in manufacturing or knowledge-intensive service sectors.⁵³ Studies also show that the biggest factors attracting FDI are trade regimes, quality of institutions, labour force talent and infrastructure.⁵⁴ Since cities are where these factors are the most visible to potential investors, and also where the most commonly invested-in industries tend to be concentrated, they are important “advertisers” for FDI in their countries.⁵⁵

There is a snowball effect as FDI attracts similar investment. As FDI grows, a virtuous cycle is established: when a few cities are economically successful, they are able to make additional investments that boost the country’s competitiveness internationally, in turn attracting more



An elderly woman from an informal settlement. Georgetown, Guyana.
© UN-Habitat/Kirsten Milhahn

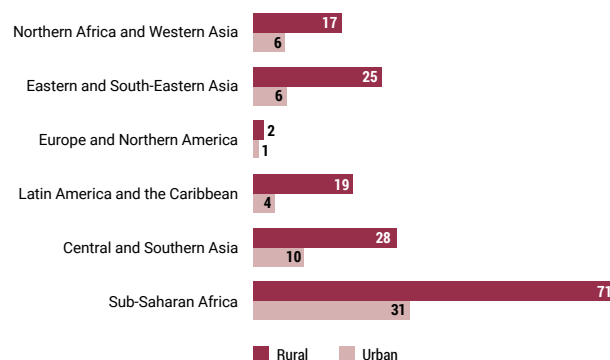
FDI. Urbanization in Asia, especially South-East Asia, has been strongly linked to economic transformation and greater integration into the global economy as many cities have become FDI recipients. In Africa, FDI stock has created the largest number of jobs in South Africa, Nigeria, Egypt and Morocco.⁵⁶

3.2.3 Poverty reduction and inclusion for marginalized groups

Cities are where aspirations, ambitions and other intangible aspects of life are realized for all, including economic opportunities for marginalized groups. For those at the bottom of the economic ladder, the value of urbanization lies in its contribution to poverty reduction, whether through formal or informal employment. While most urban dwellers do not enter the informal economy by choice, studies show that earnings from informal employment are relatively potent contributors to poverty reduction (Box 3.2).⁵⁷ In the same vein, estimates of multidimensional poverty, which takes into account overlapping deprivations in education, health and living standards, show that poverty is generally lower in urban areas than in rural areas (Figure 3.7).⁵⁸ Access to improved infrastructure (such as better health and education) in urban areas generally enhances quality of life and is associated with lower levels of poverty.

In countries where women, people with disabilities, and ethnic, religious and/or sexual minority groups face discrimination in the education system and the labour

Figure 3.7: Percentage of the population living in multidimensional poverty, 2018



Source: UNDESA, 2020a.

Box 3.2: Informal economy: A lifeblood for many cities

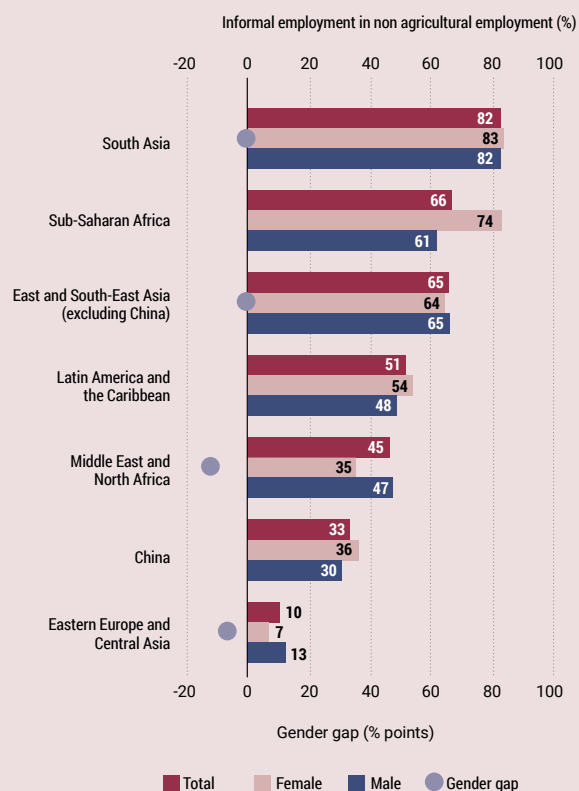
The informal economy has become the lifeblood of many cities. Sustainable and inclusive urban development is impossible in most developing countries without addressing the plight of informal workers. In 2020, over 2 billion people are earning their livelihoods in the informal economy, accounting for 62 per cent of the world's workforce. Informal employment represents 90 per cent of total employment in low-income countries, 67 per cent in middle-income countries and 18 per cent in high-income countries.

Informal employment comprises more than half of non-agricultural employment in most regions of the developing world: 82 per cent in South Asia, 66 per cent in Sub-Sahara Africa, 65 per cent in East and South-East Asia, 51 per cent in Latin America and the Caribbean and 45 per cent in the Middle East and North Africa.

The informal economy in all its aspects is also a major challenge for the rights of workers. As such, inclusive prosperity calls for a rights-based approach built on effective partnership between informal workers and local governments as well as a radical rethink of governance and urban planning paradigms to facilitate the transition of workers and economic units from the informal to the formal economy. Doing so aligns with the priorities in the Decade of Action to deliver the Global Goals, particularly SDG 8, which commits Member States in part to "...build economies for the future and ensure decent work for all."

Source: UN-Habitat, 2018b; UN-Habitat, 2016c; ILO, 2017; ILO, 2019; ILO, 2020e

Informal employment as a percentage of total non-agricultural employment



market, the productive potential of a significant share of the population becomes constrained.⁵⁹ Studies have shown that living in cities causes residents to become more accepting of these groups.⁶⁰ Thus, within a country, cities offer a less discriminatory environment for minority groups, allowing the members of such groups to access human capital development and employment opportunities that otherwise they would not easily access elsewhere (Chapter 5). For instance, some cities have dedicated formal channels and programs for persons with disability to access gainful employment like *Access to City Employment* in San Francisco and *EmployAbilities* in Edmonton.

Overall, urbanization generates economic value in many ways. However, all too often the generation of this value is constrained as is evident in instances where increased urbanization is not associated with economic growth. As highlighted in this section, well-planned and managed cities can be catalysts for inclusion and powerhouses of equitable economic growth. It is imperative, therefore, that the urbanization process be sustainable in order to maximize the economic benefits that urban areas are able to provide. Further, at this time when the world is grappling with the impacts of the COVID-19 pandemic, cities have a key role to play in inclusive and sustainable economic recovery as engines of growth.



Aerial view of beautiful city Helsinki at spring, Finland. © Subodh Agnihotri/Shutterstock

3.3. Sustainable Urbanization is Crucial to Reap the Economic Benefits of Cities

While urbanization has historically been associated with economic development, this relationship has become weaker over time.⁶¹ Various explanations have been advanced for this phenomenon of “urbanization without growth,” for example globalization and food imports contributing to lower food prices or rapid demographic growth pushing people into cities in poorer countries.⁶² Likewise, some regions of the world appear to have urbanized almost to the same extent while experiencing

different growth and industrialization patterns, for example Africa versus Asia (see Chapter 1).⁶³ Countries with similar urbanization and income levels may have distinct urban economic structures, thus suggesting that the urbanization process has different determinants across countries. Finally, even in cases where urbanization is associated with economic growth, there are ways to make the process more sustainable. These various scenarios are outlined in more detail below and should inform urban and territorial planning processes in order to enhance the economic value of urbanization in existing and new urban settlements.

3.3.1. Urbanization rate and the absorptive capacity of cities

The world continues to rapidly urbanize even if the COVID-19 pandemic has created unforeseen consequences to that global mega-trend. If projections hold true, 90 per cent of the urban growth expected by 2050 will occur in less developed regions. As highlighted in Chapter 1, rapid urban growth presents an important opportunity, but it also poses challenges to the implementation of the NUA, the urban dimensions of the SDGs and other global development frameworks relevant to sustainable urbanization. If urban population increases too fast, particularly in settings with weak planning systems and capacities, there is a risk of “uncontrolled urbanization.” In this scenario, the benefits of concentration are offset by rising congestion, overcrowding, overloaded infrastructure, pressure on ecosystems, higher costs of living and high property costs in cities, all of which harm productivity.⁶⁴ If urban areas do not have the capacity to absorb this growing population, the increase in population scale will decrease productivity.⁶⁵ For example, transport networks become overcrowded and congested, with an attendant increase in costs for all. The surge in demand for housing causes neighbourhoods to develop haphazardly and cities lose the economic gains associated with well-planned urbanization. This urban growth pattern results in urban sprawl, with development occurring prior to the layout of infrastructure for basic services and local authorities playing catch-up or incurring increased service provision costs due to low densities. Finally, services vital to the enhancement of quality of life in urban areas are not adequately provided. In such a scenario, there will be inadequate schools and health facilities, as well as insufficient trained teachers and health personnel, to cope with rapid population growth, thus curtailing human capital formation in the economy.

Besides enhancing efficiency in existing city footprints through planned infill development, it is vital that urban expansion be planned for, in particular by reserving land

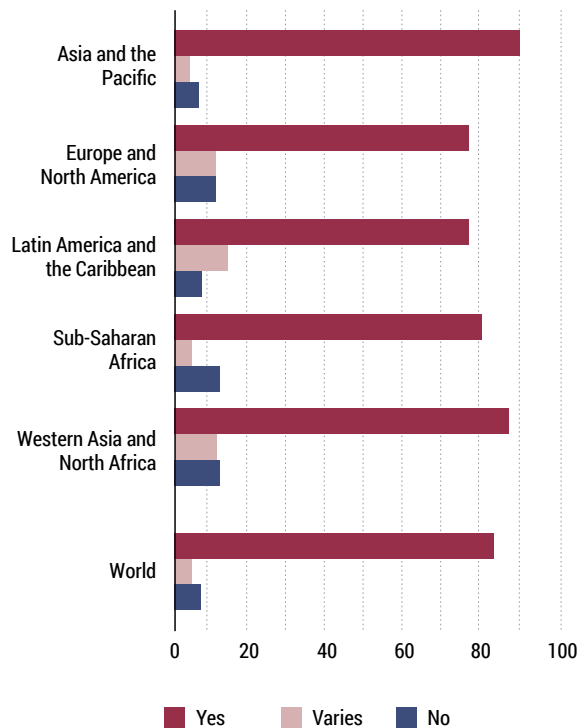
If urban areas do not have the capacity to absorb this growing population, the increase in population scale will decrease productivity

that can be developed to meet this future demand.⁶⁶ This land would have to be: (i) at the periphery of existing cities to promote compact, contiguous development and thus avoid having to create whole new cities *ex nihilo*, which is expensive; (ii) of lower environmental value, in order to minimize the environmental impact of such expansion;⁶⁷ and (iii) properly designed and serviced, with clearly laid-out blocks, streets, and protected pavements and public spaces.⁶⁸ The pavements, streets, squares and parks should remain publicly owned, but there should be well-defined private property rights for the parcels of land comprising the blocks. As the economy of these cities grows, developers will acquire the parcels, build structures of various heights and subdivide these structures into housing units or commercial spaces. But if local authorities do not pursue this pathway, they will be ignoring the future needs of urban residents and the costs of redeveloping these areas at a later date will be higher.⁶⁹

As cities plan for future growth, they may have to reassess their development controls, such as floor-area ratios, plot coverage and height limits, other among other restrictions. A study by UN-Habitat found that an overwhelming 85 per cent of cities report one or more regulations that limit building size in their expansion areas (Figure 3.8). Of these, 68 per cent had maximum floor area ratio regulations, 59 per cent had maximum building height regulations and 57 per cent had maximum plot coverage regulations. Strikingly, 62 per cent of all cities, and 72 per cent of cities in less developed regions, reported that multifamily buildings were either not allowed, or allowed only in a small part of the city. Such restrictions reduce housing supply (thus increasing housing prices), limiting opportunities for densification and consequently the absorptive capacities of these cities.⁷⁰ Most African cities still retain regulatory standards passed on from the colonial era that are ill-equipped to address present-day needs, making housing unaffordable to a majority of the population.⁷¹

Therefore, in order for the economic benefits of urbanization to be realized, such exponential growth must be accompanied by the relevant governance, institutional, policy and legal frameworks necessary for a city that plans.⁷² Otherwise, weak planning or overly restrictive development controls will result in land regulation crises marked by rampant speculation and growth of informality.

Figure 3.8: Presence of building size regulations across various regions



Source: UN-Habitat, 2016c.

It is therefore important that the objectives of legal frameworks be aligned to local realities so that legislation is not overambitious, setting unrealistic targets irrelevant to local needs and conditions. UN-Habitat has developed an assessment tool for cities and countries to systematically identify the strengths and weaknesses of urban planning law within their contexts. The *Planning Law Assessment Framework* looks at the laws, regulations and decrees that are applicable in a city, and enacted at different levels. It has been tested in Colombia (2012), Philippines (2013), Rwanda (2014), Mozambique (2014), Egypt (2015) and Saudi Arabia (2016).⁷³

It is important that the objectives of legal frameworks be aligned to local realities so that legislation is not overambitious, setting unrealistic targets irrelevant to local needs and conditions

3.3.2. Demographic composition and growth implications

The demographic trends highlighted in Chapter 1 clearly point to the changing population composition of cities. Cities across the world dramatically vary in their age structure and their share of workers vis-à-vis non-workers.⁷⁴ For example, while New York City had an average of two adults per child in 1850, it now has four adults per child. Most cities in China and Japan have 10 adults per child, an extremely low child dependency ratio. At the opposite extreme, cities such as Dhaka (1.5 adults per child) and Bamako (one adult per child) have high child dependency ratios. Finally, in many developed countries, cities are ageing. Milan, Munich, Orlando and Tokyo have three working-age adults per older person, while by comparison Bogotá, Istanbul, La Paz and Manila have 10 working-age adults per older person.

Higher age dependency ratios could impact a city's economic growth through a variety of negative channels.⁷⁵ The economically active population and the overall economy might bear a greater burden to support and provide the social services needed by children and older persons, both of whom are often economically dependent on working-age adults. Low dependency ratios promote economic growth. In rapidly urbanizing regions like Africa, for instance, studies have also shown that a one percentage point change in the working-age population could cause up to a 1.1 percentage point increase in GDP. However, this benefit is conditional on major investments in human capital and labour-intensive industry and services.⁷⁶

Local authorities and national governments can support low dependency ratios by adopting family planning policies and programmes, as well as expanding education and labour force participation policies that ensure sustained economic growth and higher levels of productivity to help economies navigate through demographic transitions. Such policies are typically more efficient to implement in urban areas. In the short- and medium-term, cities should collect data on their age structure and fertility, mortality and migration trends in their population, in line with Key Item 1.1 of the Action Framework for Implementation of the New Urban Agenda (AFINUA).⁷⁷ Cities can use this information to forecast how their total population and its composition will evolve, which will inform urban and



Women stitch clothing at training centre in Savar city, Dhaka, Bangladesh.
©UN-Habitat-Kirsten Milhahn

territorial planning processes, for instance, in planning their future neighbourhoods and adapting public services to the current needs of the population.

For example, regions with high percentages of children should put in place strategies that will expand youth-employing sectors so as to leverage demographic dividends resulting from the window of opportunity afforded by this increase in working-age population. These children will eventually enter labour markets, consequently improving the city's economy if there are jobs available to them.⁷⁸ Such efforts align with the New Urban Agenda, where Member States committed themselves “to harnessing the urban demographic dividend, where applicable, and to promoting access for youth to education, skills development and employment to achieve increased productivity and share prosperity in cities and human settlements.”⁷⁹

As highlighted in Chapters 1 and 5, the proportion of older people living in cities is rapidly increasing in both developing and developed regions with important implications for economic and social development and for environmental sustainability. Planning for an ageing urban population requires innovation as well as devoting adequate resources to geriatric care and other social services. In Asian countries, for instance, age-related public expenditures, such as pensions and health care, are projected to increase, eroding public finances by up to 10 percentage points of GDP by 2050.⁸⁰ Nevertheless, Member States must support their ageing populations in line with the SDGs' overriding principle of “leave no one behind” and the New Urban Agenda's commitment “to addressing the social, economic and spatial implications of ageing populations...and harnessing the ageing factor as an opportunity for new decent jobs and sustained, inclusive and sustainable economic growth, while improving the quality of life of the urban population.”⁸¹ In the same vein, the World Health Organization's Age-Friendly Cities initiative is fostering mutual learning between cities and communities worldwide (Chapter 5). Indeed, ensuring access to age-appropriate health care services, lifelong learning opportunities and formal and informal support networks is essential for the better health and wellbeing of ageing persons. Better health provides access to more economic opportunities that allow older adults to continue to contribute creatively to sustainable development.⁸²

3.3.3. Consumption cities vs production cities

Economies of agglomeration are typically stronger in manufacturing and high-skilled service sectors, both of which tend to be found in most Asian or Latin American countries, but not in Sub-Saharan African, Middle Eastern or North African countries.⁸³

Patterns of urbanization and industrialization vary across regions of the world. Kuwait, Gabon, Saudi Arabia, Libya, Algeria, Angola and Nigeria are as urbanized as Uruguay, Republic of Korea, Mexico, Malaysia, South Africa and China, and yet “the former countries have not industrialized to the same extent as the latter.”⁸⁴ Indeed, urbanization does not have to be necessarily associated with an industrial or service revolution because other factors like natural resource exports can drive urbanization. As countries discover natural resources, whether oil, diamonds or cocoa, their income level increases. As the recipients of the proceeds from resource exports (“resource rents”) in these countries spend a large share of their income on goods and services produced in cities, economic opportunities are created in cities. In addition, if resource rents are used to import food and cities serve as trading stations for the exports and imports, living in cities becomes cheaper. As a result, more migrants will be attracted to cities.

Figure 3.9 confirms that the relationship between urbanization and income that was shown in Figure 3.1 is not significantly different between resource-rich and resource-poor countries. In other words, wealthier countries are more urbanized, no matter whether industrialization (and/or services) or natural resources are behind their higher income level. Figure 3.10 then illustrates the relationship between industrialization and urbanization in resource-exporting countries versus non-resource-exporting countries. For non-resource-exporting countries, urbanization is strongly associated with industrialization. The same relationship is not seen in resource-exporting countries.

Urbanization in resource-rich countries is driven by the income effect of these endowments; people consume the resource rents in cities. Since a large share of urban workers in these countries work in non-tradable service sectors (specifically, commerce, transport, personal services and government services), these cities are referred to as

Consumption cities, because of their economic structure, will not generate the same kind of productivity growth associated with production cities

“consumption cities.” Cities in resource-poor countries, on the other hand, tend to be “production cities,” with more workers in manufacturing or in tradable services like finance and business services. For example, in the urban areas of resource-rich Angola, Ivory Coast, Kuwait, Nigeria and Saudi Arabia, 60–70 per cent of individuals work in non-tradable service sectors (as defined above) versus 5–10 per cent in manufacturing and tradable services.⁸⁵ In the urban areas of countries with a relatively poor resource base such as China, Lesotho, Malaysia and Mauritius, these shares are more balanced, reaching about 35–40 per cent and 35–45 per cent respectively. In addition, within the non-tradable service sector, government services represent 5–10 per cent of workers in resource-poor countries, 10 per cent in African resource-rich countries and 20 per cent in resource-rich countries of the MENA region. Thus, consumption cities, because of their economic structure, will not generate the same kind of productivity growth associated with production cities.

In addition, some resource-rich countries have the national government as the primary agent for urban growth and as result their urban systems are often skewed towards their primate city. That is the case in resource-rich Angola, Chile, Gabon, Equatorial Guinea and Mongolia, where the primacy rate is in the range of 40–60 per cent. Oil-rich Gulf countries also have very high primacy rates. Indeed, resource rents are disproportionately “spent” on goods and services (including government services) produced in the most administratively and/or economically important cities. Owing to their centralized governance structures, resource-rich countries also often lack clearly articulated mechanisms for inclusion and public stakeholder participation in urban governance. In turn, their top-down approaches tend to adopt urban-biased policies or policies favouring the primate city.⁸⁶ More generally, such policies resulting from centralized planning limit proactive management of urbanization at lower tiers of government thus leading to unsustainable patterns such as urban sprawl, which result in inefficiently oversized

cities. In some of the cities in oil-rich Gulf countries, for instance, planning practices have encouraged low urban density due to land availability in some countries, preference for single-family detached housing and also an inability to control development on land designated for planned uses.

Cities increase productivity because of economies of scale in productive infrastructure and agglomeration effects. However, in consumption cities, the absence of the necessity to focus on optimizing the conditions for private sector production provides limited incentive to invest in productive infrastructure such as roads, hospitals and schools. Instead, there are more frequent public investments in high-profile building projects such as public monuments, conference centres, and sports venues that may not have high payoffs. Likewise, the economic sectors of consumption cities do not benefit from the knowledge generation and diffusion potential of cities because they are not particularly knowledge intensive.

Cities have the potential to become engines of growth, but only when they have productive industries within the private sector that can benefit from the economies of scale and agglomeration that cities offer. Historical examples show that the development of these industries should not be driven by large and generally inefficient public subsidies. As the 2016 edition of the World Cities Report puts it, governments need to move “from sectoral interventions to strategic urban planning and more comprehensive urban policy platforms.”⁸⁷ To create an enabling environment



Cities have the potential to become engines of growth, but only when they have productive industries within the private sector that can benefit from the economies of scale and agglomeration that cities offer

for these industries to grow organically, investments in productive infrastructure are needed, along with strong, responsive institutions (Chapters 1 and 7). There are indeed cases when strong institutions have helped to achieve long-term development from resource production. For example, gold rushes led to the growth of cities such as San Francisco, Denver and Seattle in the 19th century, while oil booms explain why Calgary, Dallas-Ft. Worth and Houston are large North American metropolitan areas today. In both Canada and the US, federal institutions had been established before the discovery of natural resources. As such, resource rents were used to invest in productive infrastructure that bolstered the sustainable development of these cities and their national economies. Supported even further by policies that enabled and encouraged private sector growth, these cities all ultimately industrialized and

are now specialized in tradable services, notably technology in the case of the former gold rush cities.

In these contexts, national policies should be aimed at mitigating the effects of the so-called “Dutch disease,” where the discovery of natural resources can paradoxically harm a country’s broader economy as other sectors slow down. Ways to counteract Dutch disease include strengthening institutions and ensuring citizens have the freedom to pursue new economic opportunities. Additionally, in countries with bureaucratic inefficiency or corruption at the national level, local governments will be less able to deal with the challenges arising from rapid population growth in their cities. Finally, resource-rich countries must focus on creating the conditions for their cities to become centres of private production, rather than centres of public consumption.



Compact neighborhood aerial view © Jaggat Rashidi/Shutterstock

3.3.4. Affordability, compactness, and connectivity

As cities grow, a larger population is able to access the benefits cities offer. Indeed, because cities offer economic benefits, firms want to be located, and residents want to live, in urban areas. However, as cities become larger, externality factors often arise, complicating access to affordable housing, labour and services.⁸⁸ There is increased pressure on land, commercial real estate and housing markets. There is also increased pressure on transport networks, contributing to congestion—and the negative environmental and health effects associated with it. In addition, the urban poor are less likely to enjoy the economic benefits of increasingly unequal and less socially mobile cities, thus limiting the economic value they contribute to the urban economy (Chapter 5). They are also more likely to suffer from high housing costs, congestion and pollution (Chapters 4 and 5).

A study by UN-Habitat found only 13 per cent of the world's cities have affordable housing.⁸⁹ Urban households across various regions spend a disproportionate portion of their incomes on housing. The poor in urban areas are at most risk of becoming cost burdened for housing. In 16 OECD countries, for instance, more than 40 per cent of low-income owners with a mortgage spent over 40 per cent of their disposable income on housing in 2016. The same was true for low-income renters in private rentals in 14 OECD countries.⁹⁰ As housing prices increase, priced-out residents have to seek housing further away from cities, especially the urban poor who have to live in peri-urban slums like Ciudad Bolívar in Bogotá or low-income housing projects in peripheral areas such as RDP houses in South Africa and HLMs in France.⁹¹ As a result, cities are both less productive and less equitable, making them less likely to meet SDG Target 11.1: “by 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.”⁹²

The fact that cities are too expensive for the poor to live in endangers their “right to adequate housing” and thus their “right to the city” (Chapter 5).⁹³ While slum upgrading, land titling and other social housing programs directly improve the lives of poorer urban residents (Chapters 2 and 5), cities cannot meet the fast-increasing demand for urban space without managing densification. Sustainable densities that

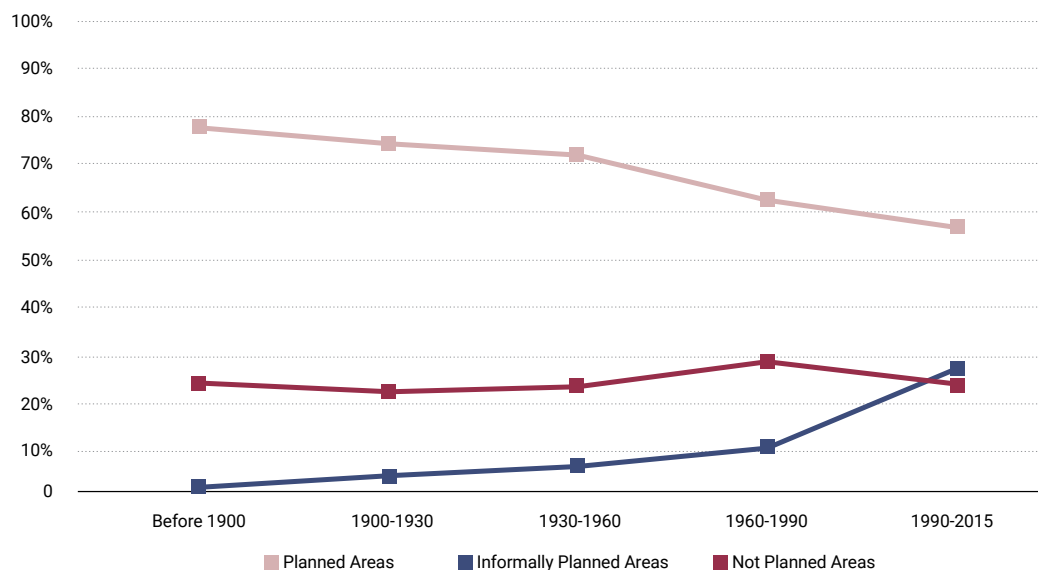
ensure an upward rather than outward expansion can be achieved through multi-storey dwellings and commercial buildings. At the same time, cities can work to reconfigure already dense settlements to make them more liveable and productive.⁹⁴ This modification is particularly important to meet the physical distancing needs necessitated by the COVID-19 calls for reimagining public space both during and after the pandemic.

Inefficient land use exacerbates land-intensive urban sprawl. Studies have shown that the rate of land consumption through urban expansion exceeds population growth in recent decades, a trend that has profound repercussions for environmental sustainability at various scales. For instance, between 2000 and 2014, land areas occupied by cities grew 1.28 times faster than their populations.⁹⁵ Alongside falling densities, cities are facing a decrease in the proportion of planned areas (Figure 3.11).⁹⁶ The implication, if this trend continues, is that there will be a steady increase in the real unit area operating costs of servicing urban areas. Cities that continue to experience a rapid fall in population density will see aspects of their competitiveness reduced.

Cities that continue to experience a rapid fall in population density will see aspects of their competitiveness reduced

The ratio of land consumption rate to population growth rate is indicative of cities' planning and management capacities (SDG Target 11.3), namely their ability to achieve compact integrated and connected development. It is therefore vital that adequate investments be made to enhance institutional capacities so as to realize well-planned and designed cities, among other aspects of sustainable urbanization (Chapter 8). Well-planned and designed cities can optimize economies of agglomeration as well as anticipate expansion with sound policies—such as planned city extensions—that will encourage compact growth as well as control the speculation associated with urban sprawl.

Another key component to a successful compact urban form is sustainable mobility, yet only half (50 per cent) of urban residents have convenient access to public transport

Figure 3.11: The evolution of planning in the expansion areas of cities, a sub-sample of 30 cities

UN-Habitat, 2016c.

(Figure 3.2). As workers spend significant amounts of time commuting, they lose time that they could use to work, recreate, take care of household tasks or be with family and friends. Traffic data indicates that drivers in the five most congested cities in the world—Mumbai, Bogotá, Lima, New Delhi and Moscow—spend an average of 55–65 per cent extra travel time stuck in traffic.⁹⁷

Given the impacts of traffic congestion on productivity losses, investments in public transport systems can have large economic benefits, especially for the urban poor whose access to economic opportunities is limited by socio-spatial segregation (Chapter 5). Mass public transit is key for the transition to a low-carbon, resilient and inclusive cities (Chapter 4).⁹⁸ In regions with low access to public transport, informal transport modes have emerged. However, such modes are less efficient, less safe and less environmentally friendly than public transit. Under the right conditions, public transit can reduce the total amount of time commuting and promote an efficient distribution of the population and economic activity in a city. Such transformations are possible even in cities with strong informal transport networks. UN-Habitat

is thus working with such cities to strengthen transport policies and guidelines for sustainable and equitable access. UN-Habitat has developed a toolkit to support the creation of safe, sustainable and accessible public transport spaces for women and vulnerable groups.⁹⁹ With the ongoing pandemic, the inclusion of informal transport operators in the COVID-19 recovery efforts provides an opportunity of making “these services, safer, and more efficient, while protecting millions of jobs.”¹⁰⁰

Finally, as mentioned in the previous sections, the *drivers of change* identified in the New Urban Agenda are fundamental to achieving sustainable urbanization. For example, urban and territorial planning is a catalyst for sustained and inclusive economic growth, which provides an enabling framework for new economic opportunities, regulation

The particular ways cities are planned, designed and built says much about what is valued there, and planning processes can either help or hinder development of opportunities for all

Box 3.3: Public transport networks: BRT and the economic benefits of cities

Cities in developing countries are increasingly investing in mass transit to manage congestion associated with rapid urban growth. The Bogotá TransMilenio (opened in 2000) is seen as the gold standard of BRT, with a daily ridership of about 2.5 million passengers. The TransMilenio has had large economic benefits, allowing workers greater mobility and achieving significant reductions in travel time for commuters. Similar benefits have been observed in cities that have recently implemented BRT projects. In Dar es Salaam, the BRT system (DART) has been transformational, both socially and economically; it has achieved travel time savings of about 16 days per year for commuters. At the beginning of 2020, there were 172 cities across the world operating BRTs with a daily ridership of 34 million passengers.

Global BRT data

Regions	Passengers per Day	Number of Cities	Length (km)
Africa	491,578	5	131
Asia	9,471,593	44	1,624
Europe	1,613,580	44	875
Latin America	20,939,780	55	1,835
Northern America	912,598	19	588
Oceania	436,200	5	109

Sources: <https://brtdata.org/> (Version 3.48, January 13, 2020); ITDP (<https://staward.org/winners/2018-dar-es-salaam-tanzania>)

of land and housing markets and the timely provision of adequate infrastructure and basic services.¹⁰¹ The particular ways cities are planned, designed and built says much about what is valued there, and planning processes can either help or hinder development of opportunities for all.¹⁰² If housing and transport costs are high—for instance, due to poorly defined property rights and land use regulations that limit housing supply, underinvestment in public transport systems and policies that do not promote transit-oriented development, among other factors—the economic growth of cities will be constrained. Sustainability and productivity go hand in hand. While making cities more affordable, inclusive, compact and connected are desirable goals on their own, they also have important economic effects.

The particular ways cities are planned, designed and built says much about what is valued there, and planning processes can either help or hinder development of opportunities for all

3.4. How Various Levels of Government Can Help Cities Thrive

Local, regional and national governments all have a role to play in ensuring urban areas contribute to economic growth and inclusive prosperity. Indeed, economic inclusion is strongly associated with the planning functions of all levels of government, as well as with the active participation of various actors that advocate for stronger political will, freedom of expression and human rights. The connection between economic inclusion and social and political freedoms comes as a response to extensive rent-seeking by the political and economic elites that often dominate the urban economy, resulting in the economic benefits accruing from urbanization realized only by a few.¹⁰³

Therefore, national and local governments need to explore ways to strengthen the productive capacities of all inhabitants by reforming legal and regulatory frameworks as well as integrating urban planning and design with measures that provide greater security to workers,

particularly those operating in the informal economy.¹⁰⁴ These measures should be in line with the rights-based approach to formalization that has been recommended by ILO for transition from informal to the formal economy.¹⁰⁵ In this regard, several countries have started institutionalizing participatory governance. India, for instance, enacted *The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014*, which requires cities to establish town vending committees to regulate street vending, with at least 40 per cent representation of vendors on the committee.¹⁰⁶ Cities can also support alternative economic models to develop decent jobs in line with SDG 8 and the NUA, while fostering small, medium and micro enterprises (Chapter 7).

The COVID-19 pandemic has further brought to the fore the vulnerability of the urban informal economy. Informal micro and small enterprises that constitute 80 per cent of enterprises worldwide are generally out of reach of public policies, for instance, government measures to save jobs and enterprises, and provide workers with income support. Various levels of government need to put in place mechanisms that ensure equitable and inclusive policy responses during such crises. For instance, income support could be extended through non-contributory social security schemes or existing cash transfer programs.¹⁰⁷ In Mexico City, for instance, the city government has launched a cash transfer program for non-salaried workers.¹⁰⁸

How urban areas are spatially configured is directly connected to their generation of economic value, namely their capacity to improve productivity and expand wealth. All levels of government also play a crucial role in organizing cities in the most efficient and sustainable way to ensure sustained economic growth. For example, by effectively implementing integrated urban and territorial planning and design that delivers compact urban forms, a city is set on the course to generate externalities aligned with sustainability goals. These functions are in line

How urban areas are spatially configured is directly connected to their generation of economic value, namely their capacity to improve productivity and expand wealth

with the New Urban Agenda's clarion call "to optimize the spatial dimension of the urban form and deliver the positive outcomes of urbanization."¹⁰⁹ Moreover, according to the AFINUA, "good urbanization does not happen by chance, but rather by design."¹¹⁰

In terms of planning for urban expansion, these levels of government—working in coordination and collaborating with other public entities and stakeholders—have at minimum three fundamental roles to play: (i) creating realistic projections of future urban growth based on available demographic information as well as the historical spatial expansion of an area; (ii) identifying expansion areas in direct proximity within existing urban fabrics and in relation to natural features and risks; and (iii) planning the routes for wide arterial roads and sustainable mobility. Malaysia, for instance, has taken a proactive approach in development of an economic corridor in Iskandar (Box 3.4). The forward-looking planning functions of these levels of government are especially important to avert haphazard development, which is characterized by curvilinear loop or cul-de-sac street designs and poorly-defined property rights. These can be observed in the slums of developing countries, from Kibera in Kenya to Dharavi in India, to the exurban communities of North America and Australia. Indeed, once an area is already developed, with the land and structures subdivided, it becomes more expensive to redevelop in an efficient way.¹¹¹ Moreover, well-planned cities offer a higher quality of life, thus attracting the right capital and talent to maximize the benefits of agglomeration economies.

Cities that offer a low quality of life usually have limited growth relative to their potential. Thus, besides provision of necessary infrastructure and social services, local governments are at the front lines of addressing challenges relating to sustainability. As a result, local and national governments need to incentivize companies and residents to minimize any social costs they generate, for example their contributions to traffic congestion or pollution. Local governments may, at times, employ the use of relevant land-use regulations such as zoning and greenbelts to ensure sustainability. To ensure affordable housing, cities may adopt strategies that increase supply for the local population. Paris, for example, tripled taxes on 100,000 second homes to incentivize homeowners to either sell or

Cities that offer a low quality of life usually have limited growth relative to their potential

rent their properties so as to open up more housing for full-time city residents.¹¹² Similarly, Vancouver has an Empty Homes Tax (Vacancy Tax) whose proceeds are reinvested into affordable housing initiatives.

Subnational administrative structures can catalyse or hinder the full realization of agglomeration economies. Urban agglomerations, while part of a broader economic system linking them to other agglomerations, towns and villages, are usually their own independent economic entities. As localities expand and become de facto combined, city-regions develop. In places where subnational administrative structures are not reformed to be responsive to such dynamics, oftentimes overlapping functions, (dis)economies of scale and policy fragmentation become the norm. This increased fragmentation has been shown to have negative impact on regional economic growth (as indicated by per capita

GDP).¹¹³ New governance arrangements across existing administrative boundaries and sectors are needed to reinforce institutional coordination at all levels. It is thus vital to enable metropolitan governance structures and collaboration mechanisms (see Chapter 7).

Sustainable urbanization calls for sustainable municipal finance. As highlighted in previous sections, urban areas are the biggest contributors to wealth generation in most countries. Yet, in most developing countries, cities are financially constrained as locally generated annual revenue ranges from US\$100 to US\$500 per inhabitant. The figure is even lower (less than US\$50) in smaller cities of Africa and South Asia.¹¹⁴ Consequently, they invariably rely on transfers from the central government to make necessary infrastructure investments and provide services. In Africa, for instance, these transfers account for 70–80 per cent of local authorities' finance.¹¹⁵ On the other hand, cities in developed countries rely less on intergovernmental transfers. In cities

Sustainable urbanization calls for sustainable municipal finance

Box 3.4: Iskandar Malaysia: a catalyst development corridor

Designated as a catalyst development corridor, Iskandar Malaysia is one of Malaysia's fastest growing areas in terms of population and economic activity. By 2025, the population is expected to have doubled from 1.6 million in 2006 to 3 million, while GDP is expected to grow at an annual rate of change of over seven per cent. Established in 2006, Iskandar Malaysia was largely funded by the federal government's investment arm, Khazanah Nasional Berhad. The objectives for Iskandar Malaysia's establishment were to strengthen Malaysia's economic competitiveness and improve the quality of life for its citizens.

The Iskandar Regional Development Authority (IRDA) was established under the IRDA Act (Act 664) of 2007 to oversee the development of Iskandar Malaysia. Act 664 assigns IRDA the power to facilitate the planning and implementation of spatial and economic development program in support of the vision for Iskandar Malaysia. IRDA has formulated a Comprehensive Development Plan and several sectoral blueprints, including the Transportation Blueprint 2010-2030 and the Low Carbon Society Blueprint for Iskandar 2025.

Due to its strategic geographical location as the southern gateway to Malaysia and neighbouring Singapore, Iskandar Malaysia is well positioned to increase its transboundary economic activity. The economic region is divided into five flagship zones. Each flagship zone is a priority area for major investments and new developments including industrial parks, education hubs and health parks.

Source: UN-Habitat, 2019c.

such as New York, Stockholm, Seattle and Tokyo, locally-based revenues are more than US\$3,000 per capita each year. Such cities are better equipped at attracting multinational corporations that benefit from strong property rights and contribute to municipal and national revenue streams.¹¹⁶ Local governments in developing countries need to build productive capacities and leverage endogenous sources of finance as well as exercise prudent financial management practices to ensure sustained finances (Chapter 8). In areas where taxation and fees are levied, equity considerations like progressive revenue must be taken into account to ensure inclusive prosperity.

Finally, as highlighted in Chapter 6 and 8, local authorities also need to leverage the potential offered by technological advancement to improve operational efficiency in the face of declining revenues. Besides enhancing efficiency, employing such technologies appropriately can make a city “smart” in terms of being more responsive, as well as enhancing its capacity to provide better and new services critical to meeting the SDGs and New Urban Agenda.

3.5. Concluding Remarks and Lessons for Policy

Although the COVID-19 pandemic represents an unprecedented course correction, world history strongly suggests that continued urbanization is inevitable. In turn, chapter suggests that sustainability and productivity in cities can go hand in hand. Cities both large and small have the potential to create sustained economic prosperity and improve quality of life for all. For cities to be engines of growth and the economic benefits of sustainable urbanization to be realized by all, this chapter has placed emphasis on the following key areas for various levels of governments to unlock the economic value of sustainable urbanization:

- Strengthen the productive capacities in cities and ensure that the legal and regulatory frameworks are equitable.
- Ensure that cities are spatially organized in the most efficient and sustainable way that will increase their absorptive capacities and sustain economic growth.

Local governments in developing countries need to build productive capacities and leverage endogenous sources of finance as well as exercise prudent financial management practices to ensure sustained finances

- Assess development controls to ensure that the objectives of legal frameworks are aligned to the local realities and not a hindrance to economic growth.
- Pursue strategies that increase the supply of affordable housing and, where appropriate, employment self-containment to reduce commuting distances.
- Regularly collect disaggregated demographic data to forecast how total population and demographic composition is evolving so as to inform labour force participation policies, as well as urban and territorial planning processes.
- Adopt family planning, education and labour force participation policies that ensure sustained economic growth and higher levels of productivity through the demographic transitions from youth booms to the “silver tsunamis” of ageing cities.
- Establish clear property rights to facilitate the efficient functioning of land, housing and commercial real estate markets.
- Take advantage of economies of scale in the provision of various types of infrastructure and social services.
- Encourage good urban governance and investments in productive infrastructure, especially in resource-rich countries and countries experiencing rapid demographic urban growth.
- Leverage endogenous sources of finance.

Endnotes

1. Using data from World Bank, 2019d, cities occupied 2.85 per cent of earth land area in 2010. When considering cities above 50,000 inhabitants, this share drops to 0.1 per cent of the world's land area (using data from European Commission, 2019). However, their environmental effects go beyond their own spatial boundaries (UN-Habitat, 2017a).
2. Jacobs, 1961.
3. Rosenthal and Strange, 2004; Combes et al, 2012; Combes and Gobillon, 2015; Duranton, 2016; Chauvin et al, 2017; and Quintero and Roberts, 2018.
4. Glaeser et al, 2001; Albouy, 2008; and Albouy and Stuart, 2014.
5. Rosenthal and Strange, 2004; and Duranton and Puga, 2004.
6. Rimmer, 1970.
7. The Economic Times, 2016.
8. Coulibaly et al, 2012.
9. OECD, 2014.
10. Duranton and Puga, 2004.
11. MIER, 2015.
12. Rauch, 1993; Glaeser, 1999; Glaeser and Mare, 2001; Moretti, 2004a; Moretti, 2004b; Moretti, 2004c.
13. Jones et al, 2017.
14. Larger cities foster greater rates of human capital accumulation on the job, especially for more highly skilled workers (Baum-Snow and Pavan, 2008; Baum-Snow and Pavan, 2012).
15. Ciccone and Hall, 1996.
16. Glaeser and Maré, 2001.
17. Kondo, 2015.
18. Glaeser, 2009.
19. UN-Habitat, 2016a.
20. Lall et al, 2017; Nakamura et al, 2016.
21. Benson and Faiez, 2020.
22. Florida, 2020.
23. Agarwal et al, 2020.
24. Nolte, 2020.
25. Kivuva, 2000; As of May 2020, 37 per cent of households were unable to pay rent. Reduced income and earnings were cited as the main reason for the inability to pay rent by 61 per cent of these households (Kenya National Bureau of Statistics, 2020).
26. Florida, 2020.
27. Neiderud, 2015.
28. Florida, 2020.
29. UN-Habitat considers a dwelling unit not overcrowded (i.e. providing sufficient living area for the household members) if not more than three people share the same habitable room.
30. Carozzi et al, 2020.
31. Florida, 2020.
32. Wangli and Wahba, 2020.
33. Ahn, 2020; Jowett, 2020.
34. Mahler et al, 2020.
35. World Bank, 2020b.
36. QiangYan et al, 2020.
37. ILO, 2020d.
38. UNECA, 2020.
39. ECLAC, 2020b.
40. Boston Consulting Group, 2020.
41. ECLAC, 2020b.
42. UNESCAP, 2020.
43. World Bank, 2020c.
44. World Bank, 2020d.
45. UNESCWA, 2020.
46. UNECE, 2020.
47. UN-Habitat, 2016a.
48. Cali and Menon, 2013; UN-Habitat, 2016a; Vandecasteele et al, 2018; Asher et al, 2019.
49. Abdel-Rahman and Anas, 2014.
50. Mega-regions are defined as "areas of continuous light that contain at least two existing metro areas, have populations of five million or more, and generate economic output of more than US\$300 billion" (Florida, 2019).
51. UN-Habitat, 2010a.
52. Tsen and Furuoka, 2005.
53. Wall and Van der Knaap, 2011; Burger et al, 2012.
54. Wall and Stavropoulos, 2016; UN-Habitat, 2018a.
55. UN-Habitat 2016b, pp33-34.
56. UN-Habitat, 2018a.
57. Rogan and Cichello, 2017.
58. United Nations, 2020b.
59. Badgett, 2014; World Bank, 2015b; Panter et al, 2017.
60. Wirth, 1938; Stouffer, 1955; Tuch, 1987; Huggins and Debies-Carl, 2015.
61. Jedwab and Vollrath, 2015; Glaeser, 2014; Fay and Opal, 2000.
62. Glaeser, 2014; Jedwab et al, 2017; Jedwab and Vollrath, 2019.
63. Gollin et al, 2016.
64. Turok and McGranahan, 2013; UN-Habitat 2016b, p3.
65. Jedwab and Vollrath, 2019.
66. Angel, 2012; Lincoln Institute of Land Policy, 2016; Lamson-Hall et al, 2018.
67. Key Item 1.2 of the AFINUA stipulates that "the supply of urbanized land must be sufficient to accommodate urban growth while protecting sensitive areas and avoiding uncontrolled sprawl" (UN-Habitat, 2017, p5).
68. Key Item 2.2 insists on the importance of distinguishing "public space from buildable urban land" (UN-Habitat, 2017b, p7). Key Item 3.5 stipulates that urban design must provide "livable spaces, walkability and a sense of place" (UN-Habitat, 2017b, p10); In the projected areas of expansion, the routes for wide arterial roads should be spaced no more than one-kilometer apart. That space should have a clear "iron" (like New York City) or "radial" (Washington, DC) grid with well-defined blocks, pavements, streets, pavements, and public spaces, consistent with Key Item 3.3 of the AFINUA.
69. Lamson-Hall et al, 2018; focus on the case of Ethiopia to document how making room for urban expansion can be implemented in African cities, where on average 78 per cent of the new residential areas developed since the 1990s are informal, of which 27 per cent were not within walking distance of an arterial road.
70. UN-Habitat, 2016c; Key Item 2.4 of the AFINUA stipulates that the "area and proportion of a plot that may be built upon and the permitted building height and floor space are fundamental to value and have a significant impact on street dynamics and service demands. These elements should be effectively regulated and actively managed to fairly balance burdens and benefits" (UN-Habitat, 2017b). While cities with fewer tall buildings offer a higher quality of life due to natural light being less obstructed, the same residents may prefer having access to cheaper housing, and taller, denser cities can provide social and other services at a lower cost per capita due to returns to scale.
71. Visagie and Turok, 2020.
72. UN-Habitat, 2016a.
73. UN-Habitat, 2018c.
74. Jedwab et al, 2019.
75. Jedwab et al, 2019.
76. Drummond et al, 2014.
77. UN-Habitat, 2017a.
78. UN-Habitat, 2016a, p9.
79. United Nations, 2017a, p18.
80. IMF, 2017.
81. United Nations, 2018d; United Nations, 2017a, p18.
82. Stakeholder Group on Ageing, 2018.
83. Rosenthal and Strange, 2004; Combes and Gobillon, 2015.
84. Gollin et al, 2016, p55.
85. Gollin et al 2016.
86. Ades and Glaeser, 1995; Davis and Henderson, 2003; Campante, Do and Guimarães, 2019.
87. UN-Habitat, 2016a, p27.
88. Glaeser, 1998.
89. UN-Habitat, 2016b.
90. OECD, 2019a.
91. RDP stands for "Reconstruction and Development Programme" and HLM for "Habitation à Loyer Modéré" ("Moderate Rent Lodging").
92. United Nations, 2015.
93. United Nations, 2017.
94. Visagie and Turok, 2020; The importance of relaxing such regulations has been highlighted in the previous WCR (UN-Habitat, 2016a, p35).
95. United Nations, 2019d.
96. UN-Habitat, 2016b.
97. TomTom, 2018.
98. Calneq-Sugin and Heeckt, 2020.
99. Gender Sensitive Mini-Bus Services & Transport Infrastructure for African Cities: A Practical Toolkit.
100. Calneq-Sugin and Heeckt, 2020.
101. UN-Habitat, 2015a.
102. UN-Habitat, 2010a.
103. UN-Habitat 2010.
104. UN-Habitat, 2018b.
105. ILO, 2015.
106. UN-Habitat, 2016d.
107. ILO, 2020d.
108. Noteworthy, domestic workers in Mexico have secured multiple, historic victories over the past few years, including a Supreme Court ruling making social security protections obligatory for domestic workers in late 2018 (WEIGO, 2020).
109. United Nations, 2017a, p8.
110. UN-Habitat, 2017b.
111. Henderson et al, 2016.
112. O'Sullivan, 2017.
113. Bartolini, 2015.
114. UN-Habitat, 2017b.
115. UNECA, 2020.
116. UN-Habitat, 2017b.