

African cities: urban form

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Stylised facts

Rapid population growth & chronically low levels of investment

- Residential:

- Land markets/ property rights
- Inappropriate regulation
- Lack of mortgage markets
- Low income vs cost of 'decent' housing

- Public infrastructure/ services/ utilities

- Low levels of provision
- Lack of local tax base
- Weak governance

- Business & commercial investment:

- Poor business environment
 - Macro & country wide level
 - Cities are high cost

- Informality
- Sprawl and low height
- Low density

- Infrastructure lags not leads
- Fails to play coordinating role

- 'Urbanisation with industrialisation' (structural transformation)

Vicious circle as these elements combine?

Project: LSE/ Oxford/ WB + IGC support

Evidence base for stylised facts:

- Priority cities + other
- Wide range of data sources

- Effects of changes in, e.g.:
 - Transport
 - Land tenure
 - Labour market (SF)

- See city as a whole:
 - Calibrated model: Kampala
 - Framework model:
 - Modify the basic urban model

A framework model for African cities: ingredients?

Cities are growing:

- Investment & construction process:
 - Formal: can build high, sunk costs, expectations!
 - Informal: low quality/ flexible

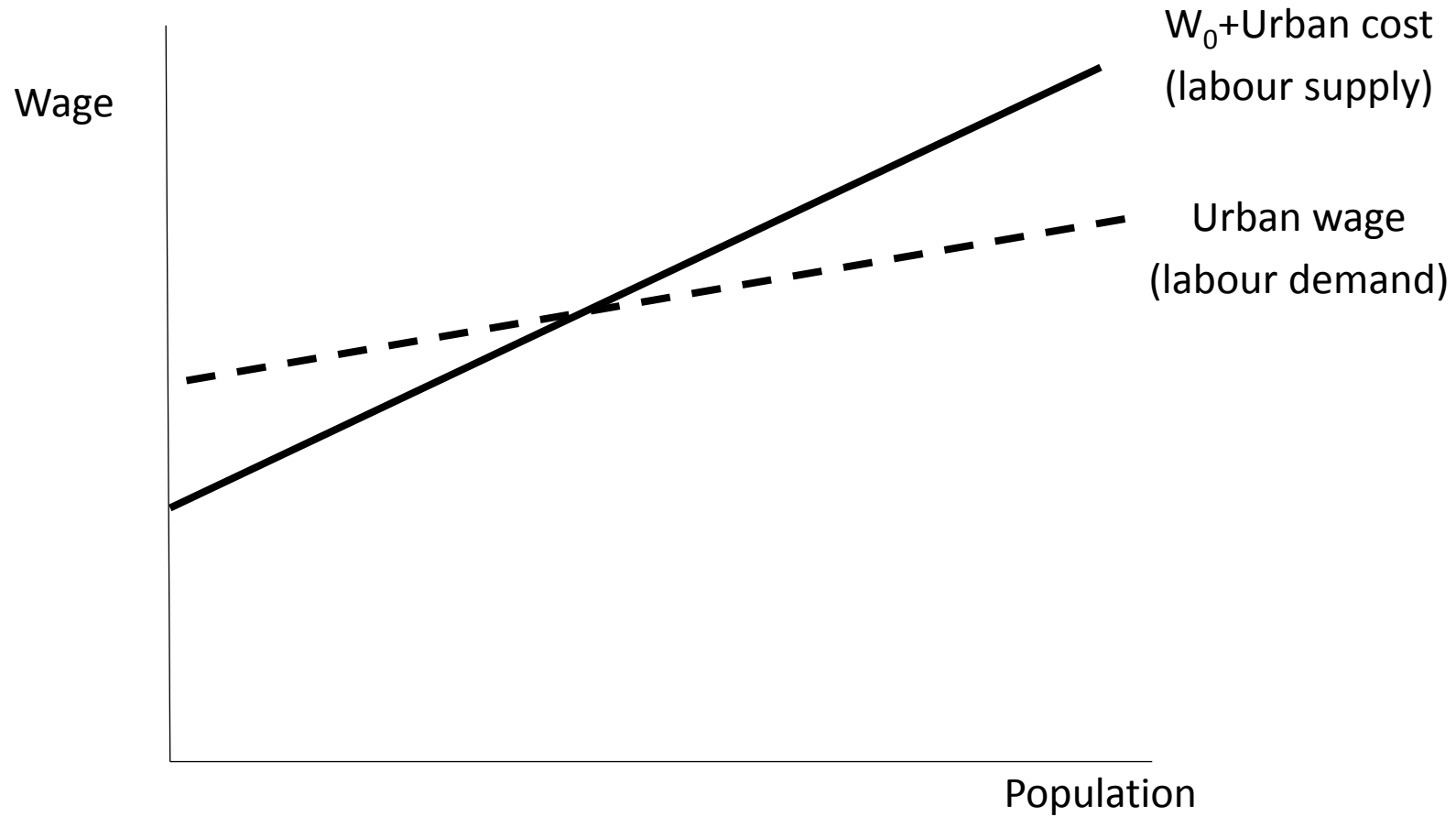
Jobs: what do people do?

- Internationally traded/ footloose: Formal?
- Non-traded: Informal/ artisanal?

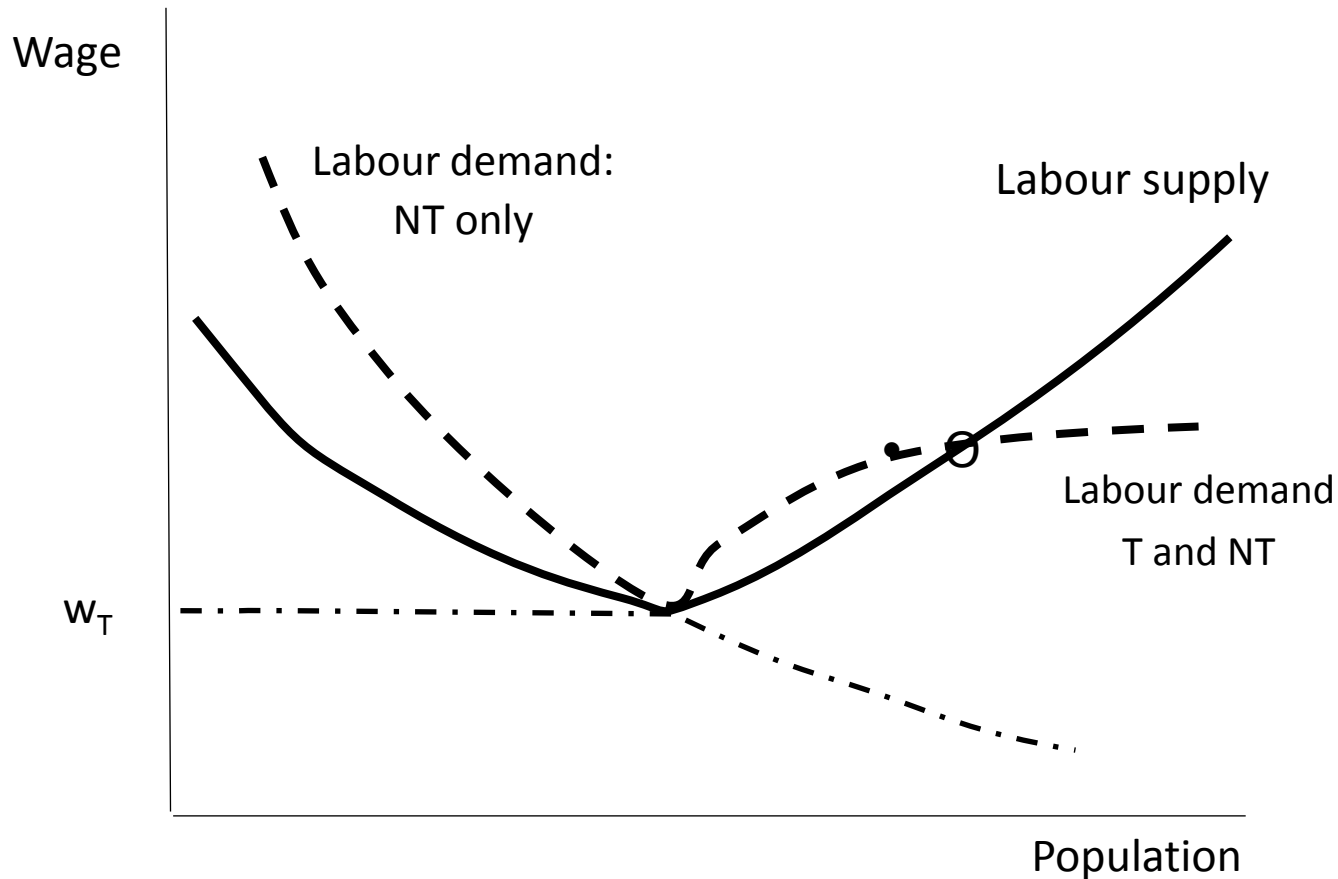
Simplest model:

- Labour demand:
 - Non-traded sector:
 - Demand from city + hinterland + resource rents (?)
 - VMPL diminishes with city size as price is endogenous
 - Traded sector
 - Increasing returns: enters only if $w \leq w_T$
- Labour supply and population:
 - Open city model and migration: Fixed real wage with urban costs

Standard single sector monocentric model



Tradable (T) and non-tradable (NT) sectors



Labour demand:

Non-tradable:

- Labour demand slopes down as price p_N falls

Tradable:

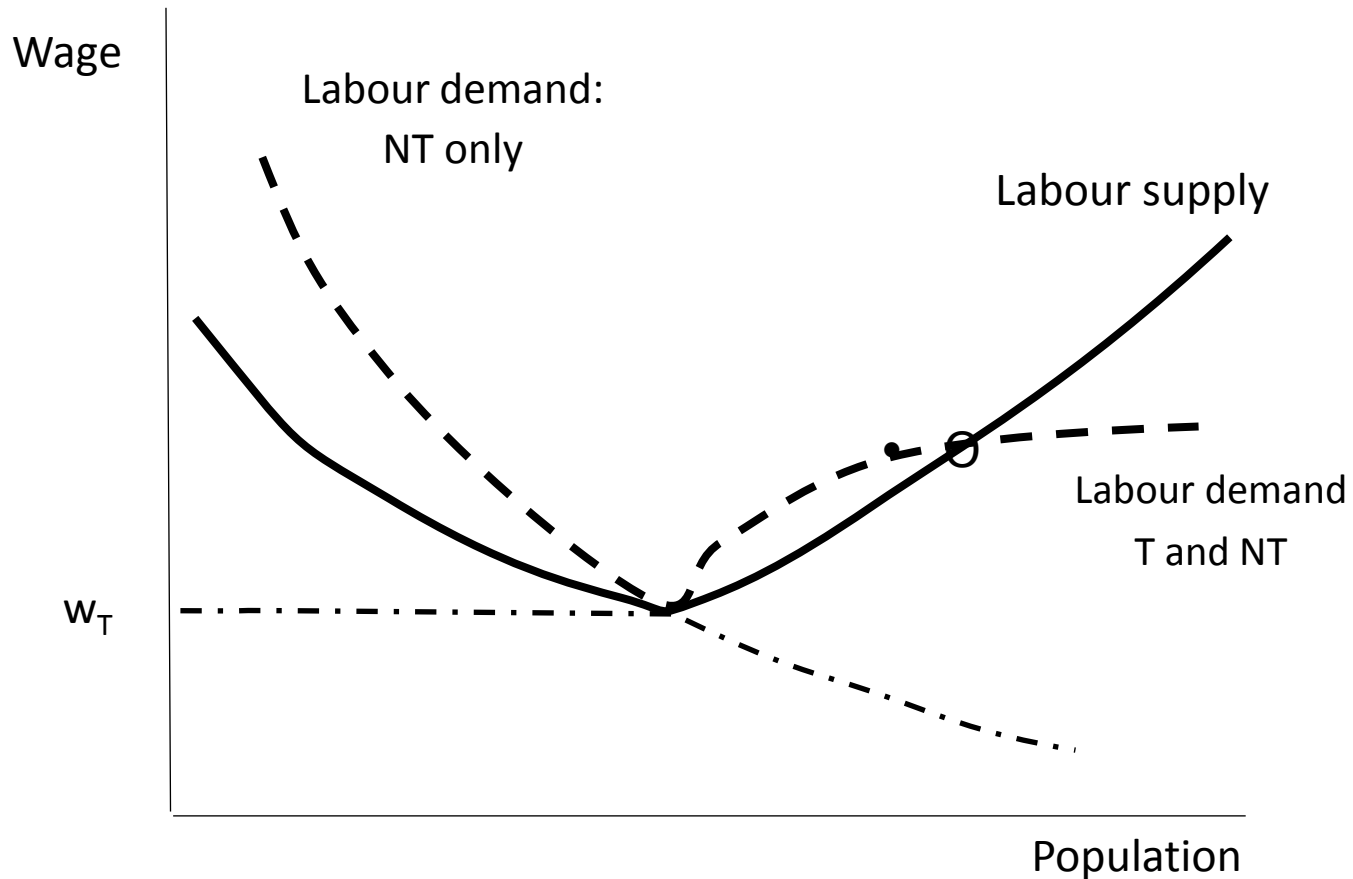
- w_T : wage at which attract T, then increasing returns

Labour supply:

- Increasing urban costs
- But if all labour in NT, $p_N \rightarrow$ cost of living falls
- If labour in NT & T, labour supply slopes up

Equilibrium:

Tradable (T) and non-tradable (NT) sectors



High demand for non-tradables?

- Shift up non-tradable only curves (like lower w_T)
- Eqm. with non-tradables only.

Reduce urban costs

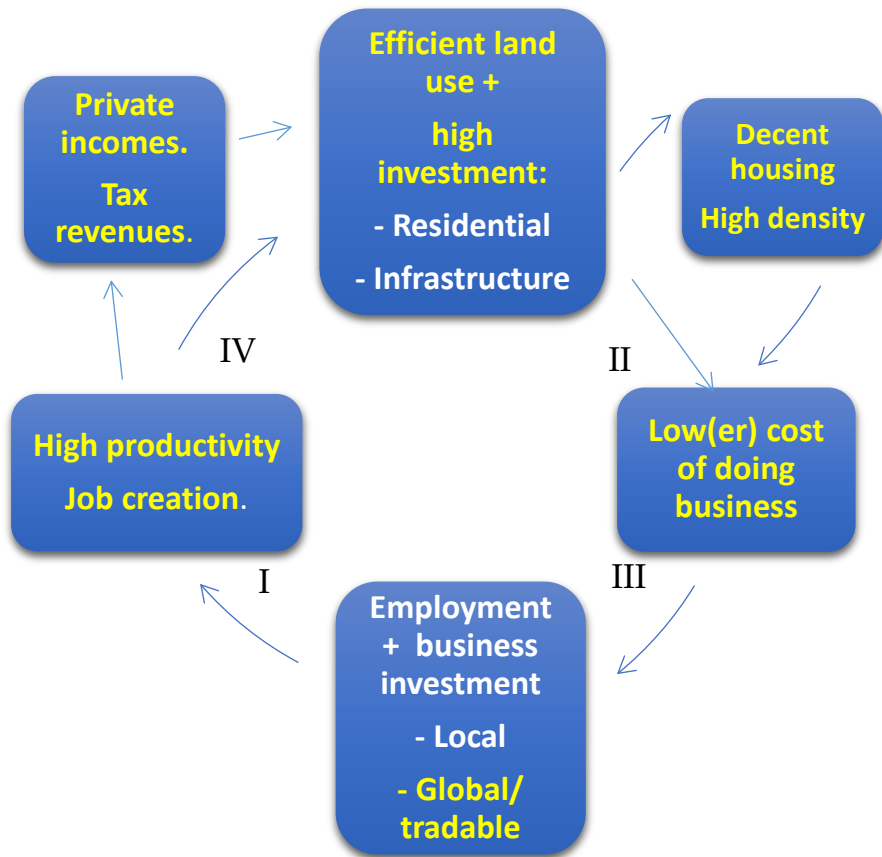
- What does it take to initiate tradable production?
- Low-level trap?

Two period model with sunk building quality

- Eqm expecting NT only → NT only in both periods
- Eqm expecting T in 2nd period: build taller, denser population and lower urban cost → T and NT in second period

A Tale of.....

Virtuous circle:



Vicious circle:

