

Urbanisation in China and Africa Podcast Transcript



Nicolas Lippolis

Welcome, everyone. It's a pleasure to host you today for this CSAE Research Podcast. The podcasts are a series of conversations about projects taking place at the Centre for the Study of African Economies at the University of Oxford. My name is Nicolas Lippolis. I'm a Research and Policy Officer at the CSAE, in the Department of Economics, University of Oxford.

I'm very pleased to be discussing the project 'Urbanisation in China and Africa'. The question that we asked at the beginning was whether Africa could learn from the Chinese urbanisation story. In the next 30 years Africa's cities need to make room for 500 million more citizens, so roughly tripling the current urban population. This offers new opportunities for growth and prosperity, but also significant challenges for public policy. China is the only other place in the world to have experienced a comparable urbanisation shock. To give you an example, between 1978 and 2010, China's urban areas took on approximately 700 million additional people. This project seeks to understand how the successes and limitations of China's experience could inform urbanisation challenges currently being faced in Africa and how to design policies that harness the full economic potential of cities. The project was funded by the Department for International Development (DFID China), now the FCDO, and was run in partnership between the CSAE, the International Growth Centre, based at the University of Oxford and the London School of Economics, and the Centre for International Knowledge and Development in Beijing.

Joining me today, I have the pleasure of welcoming Astrid Haas, Astrid is an independent urban economist based in Kampala, Uganda, and Sebastian Kriticos who is a transport and infrastructure economist at the EBRD (European Bank for Reconstruction and Development), formerly at the International Growth Centre. Welcome, Astrid and Seb.

So just to get started, Astrid, could you tell us a little bit more about the motivation and aims of the project?

Astrid Haas

Thanks, Nicolas, and thanks CSAE for hosting us on this podcast. So, yes, as you mentioned, Nicolas, the major opportunity is that China is the only other place in the world that has experienced the same rapid urban transition that Africa is currently undergoing, and obviously the second major opportunity is that there's no country in the world, including China, that has developed without urbanising. In fact, China's GDP growth over its urbanisation process was extremely high, as we all know, and this is something that African economies in terms of economic growth seek to emulate. However, the major difference, obviously, is that China, as well as most other developed countries today that urbanised, urbanised together with industrialisation, whereas we don't see the same trends happening across the African continent and therefore the same economic growth. And so,

the question was, can we find learnings from the Chinese urbanisation experience, particularly having urbanisation coupled with industrialisation that Africa could learn from? Now, of course, the major challenge is that China is one country, albeit a very big country, but it has one institutional structure or cultural, economic, and political history. Whereas Africa is an extremely diverse continent, with 54 countries and thousands of cities growing in number each year. So what we try to do with this research project is take that into consideration and understand that we were not going to be able to compare one for one by any means, but to see whether we could provide a framework through our research that distilled the necessary and important public policies that were undertaken in China, both the public policies that unleashed opportunities, but also the problematic public policies that shouldn't be emulated to see whether there were any sort of lessons that could be learnt. And we did this through a case study approach, I'm sure Seb will talk about that in more detail, but we chose two case studies on the African continent, two country case studies: Kenya and Ethiopia, both with rapidly growing cities, two cities in each country, and the CIPD, similarly looked at rapidly growing cities in China. We juxtapose the public policies and we looked at five areas: urban land, infrastructure and public services, municipal finance, firm growth, and investment. So that's basically the framework we attempted to put it in, but obviously always recognising that the comparison of one country to a very diverse continent, would come with its challenges.

Nicolas Lippolis

Thank you, Astrid, thank you. That's a very encompassing description. So, I'm going to pass over to Seb. This project has very broad goals and it asks very pertinent questions for the future of Africa. But how did the project meet the challenge of comparing one country with a continent, such a diverse continent as Africa? Astrid described how the empirical strategy works, but we wanted to hear from you about how the research worked in practise. I think this can also be informative for other people trying to do similar research. Can you tell us a little bit more about the practical aspects and how we went about doing the research?

Sebastian Kriticos

Thanks for the invitation, I'm very glad to be here with you. So, in terms of the practical aspects of how we went about the research, as Astrid kicked off by describing, the project really had two quite distinct phases. First, which took place in 2019, which was the preparation of a background paper and a framework to really characterise the different urbanisation processes in China and across the sub-Saharan Africa region. And that was very much a process of desk based, qualitative research and quantitative research and sort of a synthesis of the literature in urban economics because we had counterparts in China who hadn't really interacted with the academic literature on this idea of urbanisation without industrialisation that we've seen on the sub-Saharan African continent. For them it was very much considered two sides of the same coin. So, unpacking the academic literature and distilling it into a relatively simplified but broad framework of key policy areas where there are differences between the two regions was sort of a critical start. And that involved various

desk-based research exercises, but a lot of stakeholder engagement in forums with academics, which took place at London School of Economics (LSE) and in Beijing.

What we wanted to do in the next stage, which took place in 2020, was focus on broad themes of differences in land policy, differences in infrastructure and in governance, institutional setup, differences in the industrialisation process, and apply them to quite specific and ongoing policy contexts and debates in the sub-Saharan African context. When we started off, what was good about the programme was that we weren't shy or concerned about having quite broad conversations and probing very simple and broad questions to the academics or policymakers that we interviewed and did research with, just to understand the differences between how land markets played out, how infrastructure decisions were made and implemented. But what was also useful for us was, because this was a consultancy style contract that had intermediary deadlines for our clients in terms of delivering biweekly updates, we had plans for how we would scope the work implementation, plans that kept us quite disciplined as researchers in terms of how we iterated on our ideas, how we narrowed down on applying our research to Ethiopia and Kenya, due to the economic ties that these two countries had with China and their place in the debates and potential application of their work that could be applied to the rest of sub-Saharan Africa. And we also placed criteria to look at the capital cities. And important secondary cities, which ended up bringing us to working on Nairobi, Mombasa, Addis Ababa and Hawassa. And I think in terms of myself and yourself, Nicolas, deciding on the context almost helped to decide the research also. Nicolas, you have a strong specialism in Ethiopia, on themes of industrialisation, special economic zones, political economy. I myself came from more of a transport, urban economics and infrastructural background, and that applied quite well to quite important infrastructure reforms, transport reforms that had taken place in Kenya and also applied quite well to the ongoing decentralisation process in Kenya, which affected the Mombasa case study quite closely.

Nicolas Lippolis

Thanks. I think it's very helpful to go through the detail of the set-up of the projects for other researchers who are thinking about doing similar projects in the future. Given this high-level description you've given about the entire setup for our empirical research, I think it will be interesting to go over some of the results that we found during our research and how we obtained these results. Let's start off by discussing the Nairobi case. What was that about? How did we conduct the research and what were some of the findings? And then we can discuss how these relate to the findings from the other cities.

Sebastian Kriticos

Well, our framing paper helped to trace the origins of African urbanisation and Chinese urbanisation. When we went to look at applying the themes that were coming out of that framework paper of land, infrastructure, governance, industrialisation, to specific countries, to a case study on Nairobi, weeks of desk research led us to the conclusion that studying the connectivity challenge would be a very interesting thing to do in the context of Nairobi. The country

has undergone quite important transport sector reforms in the last 20 years. Nairobi, as a city, has received quite a lot of large-scale transport infrastructure and particularly road infrastructure investment projects from China over the last 15 years, making it quite an interesting context to study and think about the differences between China and Kenya in terms of road infrastructure quality and delivery. There was a quite substantial difference in terms of the stock and quality of road infrastructure in the two countries at early stages of their economic or institutional transition, if you compare how Kenya was in the 1960s following independence to how China was in the late 1970s after the Mao era, the quality of road structure was already much better in China. But I think what was interesting about this case study was looking at how the differences in institutions and differences in institutional reforms played out and the impact that had on the delivery of road infrastructure and the evolution of transport infrastructure.

What we studied in Kenya was various reforms that had taken place since 2007 that had really looked to take away the responsibilities for infrastructure delivery from central powers and to set up independent and autonomous agencies to deliver road infrastructure. These processes of decentralisation, empowering and improving local authorities, in efforts to separate the policy decision making process and the actual execution of infrastructure delivery worked in quite a similar way to how infrastructure was delivered in China. In fact, in China, most infrastructure is planned, financed, and delivered at a local level. So, Kenya instituted reforms that moved towards the Chinese institutional setup in terms of trying to empower local governments to deliver. We also wanted to probe the question why are we not seeing the same kind of improvements in actual infrastructure delivery? And what we found is that whilst there had been efforts to decentralise the institutional system in Kenya, the role of local governments and infrastructure delivery had been constrained by the decentralisation not being robust enough in practise. Not getting the incentives right to actually allow for the handover of infrastructure delivery and responsibilities to local governments. There continues to be a lot of confusion about how road assets and transport assets should be assigned by the authorities working at a more centralised level to those at a more local level, and a lot of issues with respect to garnering the resources and funding to fund development. In China, the institutional set-up almost cut local governments off from central government finances and therefore incentivised local governments to be much more entrepreneurial and innovative and driven in how they deliver results.

A final interesting finding here was that while the institutional setup permitted fast growth and fast infrastructure delivery in China, there have also been aspects where it led to bad incentives. Examples could be prioritising the fast delivery of infrastructure over focusing on targets for sustainability, or perhaps not considering the most optimal location or structures for infrastructure delivery. And this has led to some classic problems that many people know about China, such as ghost cities, last mile challenges with respect to transport infrastructure, and overemphasis on private militarisation. So that's very much what this project has always been about, identifying with the policy successes that are transferrable as well as identifying, as Astrid said, those challenges that retrospectively we want to avoid happening on the African continent.

Nicolas Lippolis

Thanks, this is very interesting, I think in the comparison of the policy planning systems in the African countries and in China, you flag very clearly the similarities, the attempt to move towards what some would say are best practises in infrastructure planning, but also some of the challenges that are still found in the African context as well as in China.

I just want to come in here to compliment what you said and perhaps interpret the issue from a systemic perspective. When we're analysing the Chinese context, it's important to keep in mind the underlying institutional environment in which these various reforms to urban planning took place. And it's important to flag that in China, the basis of the urban planning system is this idea of a land grab regime. Due to some of the reforms that Seb discussed, local governments in China largely financed themselves through the sale of land rights. And that, in combination with some of the other reforms that have been put in place in China over the years, has led them to internalise the economic benefits of urban development, as Astrid and Seb said in the introduction. Urbanisation and industrialisation, in the most successful development experience go hand in hand, and in China, the land revenue system allows local governments to internalise the benefits from economic expansion. That, together with some of the other institutional reforms that were mentioned, leads to a more efficient planning process. In China, we can see the manifestations of the limitations of the institutional environment along the areas of infrastructure planning, decentralisation or industrialisation, and land management. From this we can see that the institutional environment is not well regulated. There's a series of overlapping land tenure regimes. A lot of the institutional systems, such as land canisters, for example, are not very well developed. And that means that when urban planning and infrastructure planning takes place, authorities cannot really rely on the systems function. And one thing that we realised over the course of the project is that in these situations, often if governments want to deliver on their campaign or their programmatic promises, they actually have to bypass the planning system. And that is something that we saw very clearly in one of the case studies in the Hawassa Industrial Park in Ethiopia. But we also see examples of this in the condominium housing that was built in the outskirts of Addis Ababa in Ethiopia and in road projects in Kenya. Across these different kinds of infrastructure projects, often with governments that want to deliver, given the weaknesses of their underlying institutional environments, they actually have to bypass these environments. And when this takes place, external factors such as Chinese financiers and contractors, but also from Western countries, and Japan, for example, are brought in to help. And what ends up happening is that while projects can be delivered with more success, the infrastructure, the underlying systems for infrastructure governance get progressively weakened. And that is something that we've seen across the different case studies and that I think it is very important to keep in mind, and it's bound to shape the future of urban planning and infrastructure development in Africa.

So, these are some of the conclusions. We can go into greater depth if people are interested, and we invite listeners to read our publications and blog posts. But now let's give some conclusions on what has been learnt from these case studies, Astrid, based on the background papers and the workshops that we've organised, what do you think Africa can learn from the Chinese urbanisation stories? What would be some of the conclusions that you would draw from our project?

Astrid Haas

So, I think, as much as I cautioned at the beginning against making the comparisons, I do think there are four broad lessons that are worth trying out. The first is it's really important to plan for urban settlement before people settle. And this includes building it and financing the necessary large-scale infrastructure. And China has done this extremely well. But one of the pitfalls in the Chinese experience, particularly as we're learning today, is that they're experiencing a lot of environmental pollution as a result of their strategy. And so, I think that the learning is how can we do this planning, building and financing of large-scale infrastructure before people settle, but do it in that kind of smart way. The second area is very much about financing this infrastructure and there's both learnings on how to do it, but also what the limitations are from China's land value capture experience. But I think more broadly, rather than copying China, which has a very specific land tenure system, across African countries, in particular African cities where there are multiple complex land tenure systems. I think the learning is how can we locally adapt the value capture mechanisms? And I think there's a lot more to be learnt in the African context there. But the Chinese context shows that if you can do it well and you can adapt it to your local land tenure system, then there's a lot of finance that can be raised in this way. I think the third area is around not only taking the successes of experiences, but also learning from what didn't work and trying to do that better. I think one particular area is around the special economic zone, I think this has often been hailed as a silver bullet solution, particularly when looking at places like Shenzhen, but there are also a lot of special economic zones that didn't perform nearly as well, and in fact, some would argue that perhaps failed in the Chinese experience. So what can we learn, particularly as this is now a policy that that many African governments are pursuing? What can we learn not only from the successes, but also the failures? The final piece, and I think Seb alluded to this a lot when talking about the Kenyan case study, is about how we really empower local governments and how we do this by encouraging and incentivising policy experimentation rather than policy mimicry. Urbanisation is very much a local phenomenon that's going to require locally tailored solutions. So how do we experiment at the local level? But then also, how do we take successful experiments to scale? And I think this is something that was done extremely well in many cases in China. So, I would say that these are sort of full broad learnings that I would take, but I would encourage, as you said, Nicolas, people to have a look at the papers as well as the case studies, which are very rich in detail.

Nicolas Lippolis

Thanks, Astrid. That is very, very interesting. I think highlighting some of the failures of the Chinese experience is also very important. We've seen in contemporary discussions on the issues about local government that their system was very efficient and very powerful in spurring some aspects of urban development, but there are questions as to whether it is sustainable. And, for bringing out some of the more governance aspects that continue to be a challenge in Africa, there could also be some learnings from China there, as you mentioned.

Perhaps it makes sense, given these lingering questions about African urbanisation and China and the policy lessons, to centre on what the future of research in this area could look like? Let me

briefly ask you, Seb, what do you think are some of the interesting areas that we could move in in the future to understand the learnings from China and Africa and the comparative learnings from the two regions?

Sebastian Kriticos

I think the framing paper that we developed did well to unlock things that could really unlock a very wide range of different research topics, and we almost felt spoilt for choice and struggled to narrow down what we would choose. I think that one of the areas that really interested me, and I would have liked to unpack more, is themes around land, land markets, land auctions, land sales and land financing, and really unpacking what is somewhat a black box in terms of the Chinese case of how these auctions worked, how much revenue they were able to raise, and the pros and pitfalls of the system. I think, as Astrid rightly mentioned, it's important to recognise the diversity in the different systems across many African countries and not to replicate a one size fits all attempt, which happened in China, because there have been significant challenges with that. Understanding that system better could provide incentives for African governments to really work on generating more clarity around land tenure systems, understanding the power of land as a revenue raising mechanism and by its very nature, a tool that is that is local and empowering of local governments. I think that was a really interesting area of the research.

The second one, I would say, is the institutional histories of the two regions and how this led to strong differences in how policy was approached and again, led to local government empowerment. I think it's important just to add to what Astrid was saying about policy experimentation. China in 1978 was coming out of a fairly disastrous policy record following the Great Leap Forward and the Cultural Revolution, and what Deng Xiaoping recognised in many of the reforms that he took forward was that the country was vast, the implications of getting policy wrong were vast, and diversity and a need to be flexible in their policy approach was important. He implemented a policy environment in which governments could experiment and could scale up what worked and discover for themselves what works and what doesn't. This approach is epitomised by the common phrase of Deng Xiaoping's of 'crossing the river by feeling the stones', I think this is an important mantra for any governments and certainly for the African continent.

Nicolas Lippolis

Thanks, Seb. So, on one hand, we need to do more research on the very technical aspects of land auctions and land management, but also some of the more high-level issues around the philosophy of government. So, it's a very interesting mix there.

Astrid, you mentioned four broad areas where we can draw conclusions from comparing China and Africa, and in each of these four areas, there are a lot of promising research avenues. But let me be a little bit mean here and ask you which one do you think is the most important policy area for future research on African urbanisation?

Astrid Haas

Thanks, Nicolas. I'm actually going to take your question and add a fifth because I think there's one that we didn't mention, and I think it's very important. You mentioned that we were looking at comparative learnings, but one of the drawbacks to our own work and I would be the first to admit it, is that we very much focused on the one way learning of what Africa can draw from China's experience. There's not very much research, but a lot to learn from what can be done the other way. So, what can China learn from Africa's experience? China is still urbanising very rapidly, it's now hit the brakes in many ways, in areas that it was doing very successfully, both in land financing and debt, and I think Seb mentioned the ghost cities and ghost towns. But for example, another very important thing is that China has not implemented the property tax and is only now considering that and there are many, many experiences in African cities where property tax reform happened quite successfully. So, I think there are a lot of areas where we can do the learning the other way. So, what can China learn from Africa's experience? I would love to see a lot more work done around that.

Nicolas Lippolis

Thanks, Astrid. That's just brilliant, it's good to caution against this idea of one-sided learning and remember that learning goes both ways and that's very, very important to flag and that's something we should mention more often. Thank you very much.

Just to conclude, maybe I'll pitch in what I think are interesting areas based on some of the conclusions that we reached earlier. As was discussed in this podcast, the institutional environments in Africa are plagued by a lot of flaws, a lot of problems that don't allow the benefits of urbanisation to be maximised, to be harnessed to their fullest. The interaction between local authorities and external actors might be a relevant factor for explaining the perpetuation of a situation. So perhaps going forward, the influence of external actors (especially China) on the institutional environment for policymaking in African countries, in African cities, is a very important area for research. How does the entry of the Chinese actors as construction companies or private firms and so forth, affect the institutional environment and the governance of African cities? That's one aspect. And paralleling Seb's allusion to the more technical aspects of policymaking. How does contracting work in the China-Africa infrastructure nexus? How are these countries collaborated? I know Astrid is in Uganda, where there was recently a lot of controversy about some of the Chinese contracts. What is the process through which these contracts are drafted and what considerations do they respond to? I think this is also very important and it ties into the institutional environment, as I mentioned earlier. So, there are a lot of promising areas for research, a lot of learnings, we think the Chinese and African comparisons are useful, also when considering the context of the non-Western that might have developed along different paths. This project was very successful and we should encourage similar projects to take place in the future.

I'd like to thank Astrid and Sebastian for joining us for this interesting discussion. Thanks to the audience for listening to this CSAE Research Podcast, and we really do hope you'll join us again next time.

Sebastian Kriticos

Thanks for having us, Nicolas.