JOBS AND CITIES
CITIES FOR MORE AND BETTER JOBS

November 8, 2019
WHY CITIES ARE IMPORTANT?

- 80% of global economic activity generated in cities
- 2 billion new residents in cities between 2000-2030
- 72% of the new private sector jobs are in 750 larger cities
- 1 billion live in slums today
URBANIZATION GOES HAND IN HAND WITH ECONOMIC DEVELOPMENT

Figure 1: Urbanization is positively correlated with per capita GDP.

Figure 2: Earnings are higher in urban areas.

Mean hourly earnings by sector in non-high-income (low-, lower-middle-, and upper-middle-income).

Source: World Bank Group, International Income Distribution Data Set (I2D2) for 84 countries over the years 1999-2016.
CITIES need JOBS and opportunities for their citizens and the means to generate tax revenues to fund projects.

The 750 cities studied created 87.7 million private sector jobs, accounting for: 58% all new private sector jobs in their 140 countries.

Top 10% of cities in which GDP per capita grew fastest from 2005 to 2012, tradable sector employment growth outstripped nontradable sector employment growth by an average of 2.5pp annually.

If all cities could perform to the level of the top quartile within their regions, 19 million more jobs could be created every year!

WHY CITIES ARE IMPORTANT FOR JOBS?
Match making ability of cities - linking firms to workers; giving workers access to a larger pool of opportunities

Well managed cities can allow densities to flourish — land use management policies can allow clustering of economic activity and people, allowing density of demand — specialization

In the long term, urban policies and investments can allow efficient allocation of resources (capital and labor) – including facilitating labor market integration of newcomers (e.g. with housing and transport investments and policies)
Market and coordination failures give rise to negative externalities and congestion effects

Benefits and challenges of urbanization

- Congestion
- Pollution
- Crowded infrastructure

- Economic concentration
- Spillover of ideas and information
- Spillover of technology
- Services and economic opportunities
How to facilitate jobs in cities?

Examples of WB support
A territorial development approach to facilitate job creation in cities

- Spatial development strategies
- Connectivity and corridors
- Municipal Finance
- Local economic development
A scalable new model for regional dev’t in Egypt to address coordination failures in infrastructure/service delivery and improve the business env’t

### Scope

A scalable new model for regional dev’t in Egypt to address coordination failures in infrastructure/service delivery and improve the business env’t

**$1bn Program financed by $500mn PforR financing** for integrated development in 2 lagging governorates in Egypt

### Sub Program to Improve Governorate Provision of Basic Infrastructure and Services

- Based on key constraints to better performance of subnational administration in enabling growth and improving quality of life through enhancement of infrastructure and services at the local level

### Sub Program to Improve the Business Environment and Competitiveness

- Enhance the business climate and competitiveness by:
  - Improving government to business services;
  - Improving competitiveness of economic sectors;
  - Improving IZs management and services.
Spatial development strategies

Connectivity and corridors

Municipal Finances

Local economic development
Better connections are expected to make everyone better off—but the reality is often more complicated.
Complementary policies are key for connectivity investments to have a high impact and facilitate job creation.

In Argentina we used a spatial equilibrium model to simulate the aggregate potential and regional effects of investments in transport infrastructure (e.g. investments in Route 34) and public goods in different cities in Argentina.

Welfare gains from improvements in connective infrastructure in Jujuy and Salta can increase by 38% if accompanied by complementary investments.

<table>
<thead>
<tr>
<th>Case</th>
<th>(a) $G_n^i$</th>
<th>(b) Tni</th>
<th>(c) $G_n^i$, Tni</th>
<th>Ratio $(c)/(a)+(b)$</th>
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Welfare changes when multiple types of investment take place (only one type of government spending is changing).

<table>
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<th>Case</th>
<th>(a) $G_n^i$, $G_n^x$</th>
<th>(b) Tni</th>
<th>(c) $G_n^i$, $G_n^x$, Tni</th>
<th>Ratio $(c)/(a)+(b)$</th>
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<td>Northern Cities</td>
<td>0.32</td>
<td>0.14</td>
<td>0.43</td>
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</tbody>
</table>

Table 2.1: Welfare changes when multiple types of investment take place

Table 2.2: Welfare changes (multiple types of government spending are changing)

Source: Fajgelbaum and Van Patten, Forthcoming.
Kampala is the cornerstone of the Ugandan economy - but limited links with rural areas limit the potential positive spillovers from the economic powerhouse of Uganda.

Economic activity focused in Greater Kampala

- 31.2% of national GDP
- 9.5% of national employment

Economic growth calculated using night light imagery (DMSP-OLS)
Greater Kampala’s informal sector is largely concentrated in non-tradeable services and is largely made up of micro-firms who are below the minimum threshold for small business income tax.

Breakdown of informal sector activities

- Trading and services: 56%
- Hotels, Bars and Restaurants: 26%
- Manufacturing: 13%
- Agriculture: 4%

Informal sector annual turnover

- Trading and services: 69%
- Hotels, Bars and Restaurants: 31%
Competitiveness Diagnostics - key challenges for job creation in Kampala

1. **Urban-rural linkages** - investment in Kampala will have positive spill over affects for rural and urban areas outside of Kampala

2. **Informality** - Prioritise investments in infrastructure for the informal sector through close consultation with informal sector reps

3. **Subnational coordination** - further encourage coordination by creating a common financing mechanism for greater Kampala.
Municipal Finance

Spatial development strategies

Connectivity and corridors

Local economic development
Increasing Livability and Competitiveness in Karachi through Improved Access to Finance and Better Local Capacity

**Funding:** $225-250 million over 5 years

**Component 1:** Performance-linked block grants for KMC and 6 DMCs
- **Formula-based grants** for small-scale infrastructure within mandate of DMCs and KMC (140-160 m)
- Supply side **capacity building and implementation support for KMC and DMCs** (20m)
- Tentative funding: $160-180 million

**Component 2:** Capacity building & Support for Urban Property Tax
- Support implementation of devolution of UIPT administration to DMCs
- Tentative funding: $40 million

**Component 3:** Support for economic competitiveness of Karachi
- Support to improve capacity to attract **private investment** and implement PPPs (5m)
- Support to improve **business environment** in Karachi (15m)
- Tentative funding: 20 million

**Component 4:** Technical assistance and institutional strengthening for SWM
- A set of **technical assistance and institutional capacity building** for SWMB
- Tentative funding: $8 million

**Institutional Development/service delivery**

**Local Government Dept**

**Tentatively Excise and Taxation Dept**

**Local Government Dept and Sindh Investment Dept**

**SWMB thru Local Government Department**
What works best? Interventions that help cities play their critical role of enabling private sector led job creation

1. Match making ability of cities - linking firms to workers; giving workers access to a larger pool of opportunities

2. Well managed cities can allow densities to flourish — land use management policies can allow clustering of economic activity and people, allowing density of demand — specialization

3. In the long term, urban policies and investments can allow efficient allocation of resources (capital and labor) – including facilitating labor market integration of newcomers (e.g. with housing and transport investments and policies)
ADDITIONAL RESOURCES
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Territorial Development GSG
https://worldbankgroup.sharepoint.com/sites/gsg/TSD/Pages/Home.aspx

City Management, Governance, and Finance GSG
https://worldbankgroup.sharepoint.com/sites/gsg/CMGF/Pages/Home.aspx

Competitive Cities KSB