

## Executive summary

Urbanisation is a dominant trend worldwide, affecting economies, societies, cultures and the environment. More than half the world's population now lives in cities, and as much as two-thirds is expected to do so by 2050. The coming together of people, business and other activities in cities is a key process in the development and maturing of economies and societies. How urban systems function is crucial to future economic prosperity and a better quality of life for more than three billion people, and counting.

Nevertheless, urban development is still poorly monitored, and statistically robust comparisons of urban areas across countries are lacking. But even when there is a commitment to measure policies in cities, researchers are hindered by a lack of international agreement on what exactly it is we are measuring. What is “urban”? What comprises a city's labour market? Such questions must have clear responses if we are to design better policies for metropolitan areas. An internationally recognised definition of urban areas as functional economic units can better guide the way city governments plan infrastructure, transportation, housing and schools, space for culture and recreation.

This report is published at a time when maximising the economic performance of urban areas and their delivery of social and environmental goals is at the top of the policy agenda in many OECD countries and emerging economies. At the same time, researchers are actively debating the role of economic agglomeration in fostering growth, and regional policies in maximising and re-balancing national economic performance. This report contributes to the policy debate by specifically addressing:

- The growing consensus that public policies should be concerned not only with the scale of urbanisation, but also with its geographic shape. The functioning and efficiency of linkages between cities, and those between urban and rural areas, can lead to important changes in how and where economic production takes place.
- The role of large metropolitan areas in the global economy and their capacity to realise the benefits of economic agglomeration, industrial clustering and innovation.

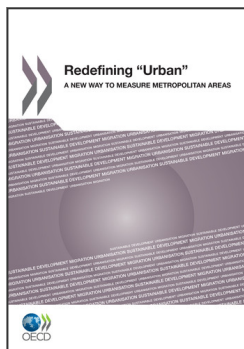
- The potential of medium-sized cities to drive more sustainable urban development, without the costs and inefficiencies associated with mega-cities.

This report not only engages with policy, but offers concrete tools for countries to better track and benchmarks their urban areas. It begins with a new definition of urban areas based on their economic function rather than their administrative boundaries that enhances existing analytical tools and allows for better comparison of the economic and social performance across countries. It then describes work, led by the OECD, to promote a new agreed definition of “functional urban areas” as relevant units for territorial policy and spatial planning.

It then applies this methodology to 28 OECD countries and (re)classifies more than 1 100 urban areas into groups by broadly similar scale, thus enabling comparisons of “like with like”: large metropolitan areas, metropolitan areas, medium-sized urban areas, and small urban areas. Two case studies are highlighted to demonstrate the potential to extend this work beyond the OECD, identifying the key issues for applying this methodology in China and South Africa; a third case study highlights broader economic linkages among urban areas in the United Kingdom, and adds insight on economic performance and sustainability of different functional geographies for further extensions of this methodology.

Key findings from this report:

- Monitoring urbanisation and comparing the performance of urban areas require new definitions based on economic function rather than administrative boundaries.
- Analysis of competitiveness of large metropolitan areas to guide regional development policy would benefit from a clear measure of the functional economy of these areas.
- The emergence of medium-sized cities as a measurable urban category offers an opportunity to compare their respective performance in achieving sustainable development, and benchmark them against larger metropolitan areas.
- National and City governments need an improved evidence base on the shape of and linkages among cities for better strategic planning.
- A common global framework for collecting social, economic, environmental and governance data in urban areas would help to better evaluate policies and improve conditions of citizens around the world.



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