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Locus for Effective State Intervention: Central, Regional, Local?

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Introduction

By placing a question mark at the end of the topic for this session of the conference, the organizers seem to have made an assumption that it is an 'either/ or' situation. This is clearly not the case today in most countries around the world.

Interventions take place through all tiers or spheres of government. The key issue therefore is not whether it should be central, regional *or* local government, but the relationship *between* the different levels of government.

For effective delivery to take place, intergovernmental relationships need to be understood and made explicit in the following ways:

1. Allocation of powers and functions between different tiers/ spheres, in order to determine how authority is distributed and where accountability lies;
2. Allocation of direct and indirect sources of revenue to match the allocation of powers and functions;
3. Coordination of intergovernmental and intersectoral functions.

This conference is not the occasion to try and present a lecture on legal, constitutional and financial theory, or on different systems of intergovernmental relations.

Rather, it may be of more use and interest to discuss the topic for this session in terms of a recent initiative of the South African Government to establish a South African Cities Support and Learning Network ('Cities Network').

This process explicitly deals with the broader themes of the conference, namely, 'Global Lessons, Local Solutions', and the triangulation between economic growth, good governance and social equity.

GLOBAL TRENDS

Urbanisation

The world's population is rapidly urbanizing, especially in developing countries. In 1950, only 30% of the world's population was urbanized. By 2030, 60% of people will live in cities.

Much of the urbanization is taking place in large cities. The number of megacities (10m+), large cities (5-10m) and medium cities (1-5m) is increasing rapidly, especially in the developing world. In 2015, it is predicated that there will be 26 megacities, 38 large cities and 463 medium cities, mainly in the developing world. Developed country cities are disappearing from the list of the world's largest cities. Secondary cities (under 500 000) still play an important role.

Africa, with an annual growth rate of 5% per annum, will experience the fastest urban growth in the world, although Africa will still be the least urbanised region (49%) by 2020. Lagos will have 26m people and become the third largest city on earth (twice the size of the population of all large cities in South Africa combined!). Cairo and Kinshasa will also be large megacities.

In terms of urbanisation, South Africa is slightly ahead of the world average, with 55% of the population currently living in urban areas. Urbanisation will reach 70% by 2030. South African is perhaps fortunate that urbanization is taking place within a diverse number and range of cities and towns, rather than in one mega or capital city, a trend that is found in Latin America and Central Europe.

The most important cause of urbanization in South Africa is natural population increase, rather than in-migration from rural areas. Rural areas will tend not to have smaller populations, but will have a smaller percentage of the overall population.

The actual size of the South African population will be greatly affected by the HIV/AIDS epidemic. According to a June 2000 report commissioned by the Department of Finance, the South African population, which, in 2015, should be 53m, will in fact be 44m.

Globalisation

The current pattern of globalisation is characterized by innovations in commerce, communications and transport and the liberalization of finance and trade. The world is faster, closer and more complex than ever before.

Globalisation has led to a blurring of national boundaries. Trade, finance and investment are no longer just state-to-state, but also city to city. In particular, the information revolution brings cities together in a complex global system of interaction and interdependence.

Increasingly, cities are the focal points of international finance and labour markets, and cities are the key nodes in a global economy. Capital and labour are attracted to cities that

are well managed and that perform well. The economic viability of cities is critical for national economic performance

The costs and benefits of globalisation are *unevenly distributed*, both within and between countries and cities. According to the United Nations, the income gap ratio between the 20% of the world's population in the richest countries, and the 20% in the poorest countries grew from 30:1 in 1960 to 60:1 in 1990 to 74:1 in 1995. The world's poorest 20% account for only 1% of total global GDP. Many sectors of the urban poor have become more marginalised, with 27.7% of the developing world's urban population living below official poverty lines.

Many cities, particularly in sub-Saharan Africa, remain non-industrialised and still heavily dependent on the informal sector, and 41.6% of Africa's urban population lives below poverty lines.

Global connectivity is also very imbalanced. According to a 'Globalisation Index Ranking' published by the journal *Foreign Policy*, the five most globalised countries in the world are Singapore, Netherlands, Sweden, Switzerland and Finland. The UK is number 8 and the USA number 12. South Africa is ranked 27. The 20 least globalised countries are all in Africa.

Decentralisation

During the past two decades, many national governments have embarked on a process of decentralisation of powers, duties and functions to municipalities in an attempt to improve service delivery programmes and public sector effectiveness, and as part of a worldwide trend towards greater levels of democratisation.

South Africa has been at the forefront of promoting decentralisation. The South African Constitution, which has established 'spheres' rather than 'tiers' of government, and which has entrenched the powers and functions of local government, is internationally regarded as a model for decentralisation. The South African local government transition process, underway since 1993, has consolidated the number of municipalities from 1100 to 263.

All municipalities, including metropolitan and aspirant metropolitan municipalities, are currently undertaking a further round of restructuring, as envisioned by the Local Government Transition Act (209/1993), and in line with the Municipal Demarcation Act (27/1998), the Municipal Structures Act (117/1998) and the Municipal Systems Act (32/2000).

This is a complex exercise involving, in the case of the six metropolitan regions, a shift from two-tier to single tier metropolitan structures. In non-metropolitan areas, a two-tier system of District and Local Councils has been established.

IMPLICATIONS FOR LOCAL, REGIONAL AND NATIONAL GOVERNMENT

The urban transition presents opportunities for economic growth and social development. It also presents challenges of poverty, homelessness and marginalisation.

The process of urbanisation can be beneficial. The agglomeration of economic activities can contribute to growth by raising productivity of output and employment, mobilizing and channelling savings, increasing the contribution of cities to tax revenues, and developing interdependencies between cities and their rural hinterland.

However, in South Africa, the urban/ rural debate is sometimes still characterized as an 'either/ or' approach to development. Some argue that because our cities are comparatively wealthy, and generate most of their own revenues, they should not get further resources. There is a perception that poverty is confined mainly to rural areas, and that urbanization can, and should be restricted.

This position tends to ignore actual population and demographic trends in South Africa, and the urgent need to plan infrastructure investments for where the bulk of the population is going to be. It also ignores the worldwide trend towards the urbanisation of poverty, which is becoming more apparent in South Africa. The existence of clear economic, financial and social linkages between urban and rural areas, particularly in South Africa with the history of migrant labour and displaced urbanisation, means that urban and rural development needs to be viewed as an integrated process.

For many municipalities in urban areas, the problem is generally not urban growth per se, but the inability of city administrations to adequately manage the growth. Rapid growth of urban population means that many municipalities are struggling to keep up with the provision of basic services and infrastructure.

Internationally, municipal finances in urban areas are generally not increasing proportionally with the growth in urban population and increasing contribution by cities to the GDP. This, combined with the phenomenon of urbanisation of poverty, is placing stress on the ability of municipalities to fund the provision of basic infrastructure. In South Africa, the trend with regard to the distribution of the allocation of central government revenues to local government is still away from the metropolitan areas towards small towns and rural areas.

Another consequence of decentralisation is the problem of unfunded mandates, where national governments divest themselves of responsibility for certain services without ensuring the reallocation of the necessary financial resources. This is potentially a problem in South Africa, particularly with regard to municipal policing, the district health system and the provision of low-income housing.

The growth in the size and number of cities, as well as the role of cities in the global economy, has meant an increased emphasis on the importance of city governance and city management, as well as monitoring and measuring of city performance and development.

Large cities are effectively 'inter-governmental' cities, facing multi-jurisdictional and inter-sectoral issues that go beyond the powers and functions of municipalities. Close cooperation between levels or spheres of government is an essential component of global competitiveness and effective implementation of government delivery programmes.

In South Africa, there needs to be a more systematic review of the way in which our system of intergovernmental relations is coordinated, as well as the vertical split of revenues allocated nationally.

SOUTH AFRICA'S METROPOLITAN AREAS

South Africa's metropolitan areas, together with the aspirant metropolitan areas, are home to approximately 13m people. Municipalities in these areas have a combined operating and capital budget of R40bn per annum, two-thirds of all municipal income. They contribute over 75% of South Africa's gross domestic product.

Like most towns and cities in South Africa, the metropolitan areas are confronted with the legacy of the 'inside-out' city, where, as a matter of government policy, the urban poor were located furthest away from economic opportunities and urban infrastructure. The consequences of this legacy include spatial fragmentation and displaced urbanisation; racial and social division; heavy reliance on subsidies (particularly public transport); partially functioning land and housing markets; urban sprawl and poor land use management; and, environmental degradation.

These *structural* flaws in South African cities mean higher life costs for the urban poor, particularly in terms of time and travel distances to work, to buy goods or to recreate. Because of this, the urban poor remain particularly vulnerable to the potential destructive impact of globalisation, such as the shocks of trade liberalisation and the shedding of 'old economy' jobs.

The structural flaws also limit the ability of South African cities to compete in the global economy. Given South Africa's geography, the isolation of the apartheid era, and the continued incorporation into a world economic hierarchy via a world city such as London, South African cities are, with the exception of Johannesburg, very poorly connected to the world economy. The Globalisation and World Cities Network (GaWC), based at the University of Loughborough, UK, has constructed a global index of city 'connectivity' or 'world city-ness'. Johannesburg, the only African city mentioned, is ranked 29th out of 55 cities. Cape Town, in the same category of cities such as Adelaide, Antwerp, Glasgow, Hanoi, St Petersburg, Turin and Wellington, is listed as showing 'minimal evidence' of world city formation. Other South African cities are not mentioned at all.

South African Cities Support and Learning Network

The world, especially the global economy, has changed fundamentally in the past three decades. It is essential that all spheres of government understand global trends and

formulate strategic responses accordingly. There is a need to constantly modernise our public sector, and integrate our governance and intergovernmental arrangements, to adapt to changing conditions.

One such recent response by the South African government has been to initiate the establishment of a South African Cities Support and Learning Network. Within the context of an overall support and capacity-building programme for local government, the Cities Network a specialized support programme with the following aims:

- To assess, disseminate and apply the experience of large city government in a South African context;
- To analyse strategic challenges facing South Africa cities, particularly in the context of globalisation; and,
- To create a partnership between different spheres of government to support the governance of cities in South Africa.

To achieve these goals, the Network will provide a number of services utilising a range of methodologies, for example:

- Sharing of information between cities, and between cities and other spheres of government, in order to broaden knowledge and promote joint learning;
- Promoting better inter-sectoral and intergovernmental coordination and integration;
- Focusing on city performance by benchmarking according to international standards;
- Mobilising support for good governance and urban management in the cities;
- International networking with other cities and city development programmes;
- Joint research; and,
- City leadership development.

Currently, the nine largest cities in South Africa are part of the Network, and are working together to implement a number of common programmes:

- A joint metropolitan economic development and job creation strategy;
- Benchmarking city development performance;
- A city programme for effective responses to HIV/AIDS;
- Integrated metropolitan transportation planning, financing and management;
- Evaluation of the provision of free basic services and current urban renewal strategies;
- Good governance and urban management innovations and best practices in a South African context;
- A peer review of the City of Johannesburg Egoli 2002 restructuring process;
- Networking with African cities as part of the New Programme for African Development (including linkages with OECD's Municipal Development Programme, UNDP's Urban Management Programme, the bi-annual Africities

summit and the African Mayor's Initiative for Community Action on AIDS at Local Level – AMICAALL).

These activities and programmes represent a good example of local solutions in response to global trends and lessons. They also can be categorised very clearly in terms of the three themes of this conference, namely, economic growth, good governance and social equity.

It is hoped that they will be able to provide a locus for more effective state intervention by integrating the activities of all three spheres of government in the metropolitan areas of South Africa, by providing better information and knowledge about what is happening on the ground to policy makers, and by building the capacity of institutions responsible for delivery.

Further information on the South African Cities Support and Learning Network can be obtained from Andrew Borraine at andrewborraine@icon.co.za