



APPHOTO/DITA LANGKARA

Smoke billows from a palm oil refinery on the island of Sumatra. Every year, an area of forest the size of El Salvador is lost to logging, agriculture and development. Some provinces, like Aceh and Papua, have clamped down on illegal logging and have cut deforestation.

particularly the executive and legislative bodies. However, most regions have been dissatisfied with the current power-sharing and what they view as a fiscal imbalance which favoured Java, an island that is only one-third the size of Papua, but contains almost 65 per cent of the country's 230 million people.

"Java, which has attracted the most qualified human resources, has grown too rapidly, while many provinces outside the island have been lagging behind," said Yopie S. Batubara, a regional representative from North Sumatra province in a recent interview with the author. "Unqualified human resources have been moved to least-developed provinces under the resettlement program,"

Batubara added.

The second house of Indonesia's legislature, the Regional Representatives Council, has demanded a revision of the 1945 Constitution to give the regional council more authority. It is asking for increased power to make laws, plan state budgets and control Indonesia's executive body. These steps would increase the regions' bargaining power and implement a true bicameral parliamentary system, according to their proponents.

The chairman of the Regional Representatives Council, Ginandjar Kartasasmita, has expressed optimism that the president and political parties will support the proposed constitutional amendment following the 2009 general election. In that election, support for the proposed empowerment of the council is expected to be a key campaign issue that will probably be supported by candidates for posts of governors and regional heads.

Treated unfairly

Kartasasmita said resource-rich provinces such as Riau and East Kalimantan have demanded special autonomy because they believe they were treated unfairly by Jakarta, which gave local authorities only 15 per cent of the taxes on oil produced there.

The chairman, Kartasasmita, said most provinces and regions have supported the idea of fair distribution of the country's wealth. He said Jakarta should not monopolize the fiscal domain, but instead should transfer more funds than it has in the past to resource-rich provinces; otherwise, they will either demand federalism or seek separation.

Ikrar Nusa Bhakti, a political analyst at the Indonesian Institute of Sciences, and someone who believes in Indonesia remaining a unitary state, has warned that devolution in the country's changing political system is the equivalent of Indonesia becoming a federation.

Bhakti predicted that the increasing demands for additional authority and autonomous funding for the provinces, combined with the central government's habit of ignoring problems such as mounting levels of poverty and unemployment, would inevitably lead to the implementation of "a federal system" in Indonesia such as that of the United States and Germany.



SPECIAL SECTION CITIES AND THEIR AGENDAS

Canada's federal government reluctant to fund cities

BY ROBERT YOUNG

CANADIAN MUNICIPALITIES ARE CONTINUING to press the federal government in Ottawa for increased funding – this despite the fact that municipalities in Canada fall squarely within the jurisdiction of the provincial governments. Economic forces seem to be accentuating the importance of the larger cities, which are growing fast, while municipalities in peripheral areas struggle with decline in population. Financial stress is widespread among Canadian municipalities of all sizes. Business interests, labour and academic allies of municipalities have pushed what they call their "cities agenda" in and around Parliament Hill in Ottawa. And the federal government has responded, especially during the

Local governments chronically under-funded

IN THIS THEMATIC SECTION ON LOCAL GOVERNMENT AND METROPOLITAN regions in federal countries, our experts examine how municipalities in Brazil, Canada, India, South Africa and Spain go about delivering front-line services to their clamoring, burgeoning populations.

The common thread for these five countries is that local governments are struggling as they do not have the wherewithal to provide the costly services they are obliged to deliver and must rely on other orders of government for funds.

In Brazil, economics writer Brian Nicholson tells a fascinating tale of contrasts between the municipality of Altamira, which covers 159,700 square kilometers and Diadema, a city in the grimy industrial belt around Sao Paulo. Brazilian municipalities, depending on their size, receive funds in the form of transfers from the federal government or from states' value-added tax.

Canadian cities however are creations of provincial governments and Prof. Robert Young of University of Western Ontario

recounts how municipalities are scrambling for money, as the federal government under Prime Minister Stephen Harper disapproves of Ottawa circumventing the Constitution to help fund the cities, undoing a policy his predecessor had embarked upon.

In India, there are 60 cities with populations exceeding one million people. Journalist Rashme Sehgal notes that the mayor of Delhi, India's capital, is fuming, contending that Delhi has had its powers encroached upon by the state government. Indian cities raise the bulk of their revenues from property taxes, but require transfers from the central and state government for education, health and welfare.

South African cities are bustling with new construction as they prepare for the 2010 World Cup of Soccer. But there has been a proliferation of community protests over lack of service delivery by municipal governments, explains Annette Christmas of the University of the Western Cape.

In Spain, municipalities are also struggling with delivering services. Carlos Alba and Carmen Navarro of the Autonomous University of Madrid tell how Spaniards are counting on a general election in March to elect a government that will complete a reform meant to empower local government.



CITY OF OTTAWA/ROGER LALONDE

Ottawa City councillors march on Parliament in December 2007. Councillor Michel Bellemare, surrounded by his fellow councillors, repeats the call for Ottawa to give one cent of the federal sales tax to Canada's cities.

period of former prime minister Paul Martin's Liberal government, December 2003-January 2006. More recently, however, the pendulum has swung backward, as Stephen Harper's Conservative government, elected in 2006, has largely backtracked from bold initiatives on the municipal file. This illustrates a fundamental feature of federalism: when some pressing problem is not in the jurisdiction of a particular order of government, the constitution provides an excuse for that level of government not to address it.

Municipalities in Canada are "creatures of the provinces." Cities, towns, villages and rural municipalities fall under provincial jurisdiction. There are significant differences among the provinces as they relate to the municipalities, but there are commonalities as well. First, the country's municipalities are subject to provincial legislation concerning the environment,

Robert Young is professor of political science at the University of Western Ontario, where he holds the Canada Research Chair in Multilevel Governance.

housing, land use, police and many other matters. Second, local governments are rather dependent on provincial government financial transfers, which make up about 16 per cent of municipal revenues. Federal transfers to municipalities, on the other hand, make up only about two per cent of their revenues. Finally, Canadian municipalities are heavily dependent on property-tax revenue, which does not rise automatically with economic growth. Property taxes are also visible and politically difficult to increase.

Municipalities flex their muscles in Ottawa

Municipalities do have political power when they are united and determined. This is true in provinces dominated by cities. Rural inhabitants may resent this weight, but the City of Winnipeg's population makes up 60 per cent of that of the Province of Manitoba, while the three biggest Canadian cities – Toronto, Montreal and Vancouver – loom large in the provinces of Ontario, Quebec and British Columbia, where they account for 41 per cent, 47 per cent and 51 per cent of the respective

populations.

The federal government must also respond to urban voters. The three largest cities alone elect 85 of the 308 Members of Parliament, and most federal programs and expenditures are delivered in cities and towns. However, direct contact between Ottawa and the municipalities has waxed and waned over time. Until recently, the high point of engagement with municipalities was in the 1970s, through the short-lived federal Ministry of State for Urban Affairs. But the pendulum swung decisively towards more federal involvement when former prime minister Paul Martin's Liberal government took power in Ottawa.

Pushing the 'Cities Agenda'

Pressure for change in the federal government's stance grew from the mid-1990s on. Continued urbanization created problems of growth in the larger centres, because foreign immigrants are attracted mainly to the largest cities. In Western Canada there was also a trend of Aboriginal people moving from reserves into cities. Meanwhile, peripheral municipalities struggled to continue providing services to declining or stagnant numbers of residents.

In some provinces, transfers to municipalities were reduced, arguably because of cuts to federal-provincial transfers after 1995. But the major issue was municipal infrastructure – the roads, sewers, bridges and water supply systems – both in the rapidly growing cities and in smaller towns and villages. The Federation of Canadian Municipalities (FCM), an increasingly expert and effective lobby in Ottawa, estimated the “infrastructure deficit” at some C\$60 billion, a sum clearly beyond the capacity of municipalities to handle alone. Consequently, pressure grew on the federal government to become more involved in solving municipal problems.

Federal involvement in 2004

When the Martin government was formed in December 2003, the federal government did move. Mr. Martin had promised a “New Deal” for cities, even though this would mean surmounting the “reefs of entrenched ways and attitudes.” He quickly set up a Cities Secretariat within the Privy Council Office, the elite research and secretarial department of the Canadian government. By July 2004, there was a Minister of State responsible for the new portfolio of Infrastructure and Communities. In the first budget, municipalities were granted a 100 per cent rebate on their federal sales tax payments, a benefit estimated at C\$7 billion over 10 years, and C\$4 billion was allocated for cleaning up contaminated sites. The next budget delivered C\$5 billion in transfers to municipalities over the following five years, nominally from the federal share of the tax on gasoline, and another C\$300 million was added to the Green Municipal Funds which are administered through the Federation of Canadian Municipalities.

Beyond this, while the government awaited a report from an external advisory committee, Ottawa renewed urban development agreements with the cities of Vancouver and Winnipeg. These were tripartite, cost-shared pacts signed by the city, the province and the federal government, and they involved tightly co-ordinated programs and spending. New agreements were signed in 2005 with the cities of Regina and Saskatoon and the provincial government of Saskatchewan, and further negotia-

tions were being undertaken with other cities. While the negotiations with Toronto were taking place, the Martin government was defeated on a vote of confidence and, after winning the subsequent election, Stephen Harper and his Conservatives took power.

The Cities Agenda meets 'Open Federalism'

To explain the current government's approach to municipalities – or, more precisely, its retrenchment and withdrawal from the daring initiatives of its predecessor – one needs to understand the broader framework of Mr. Harper's approach to federalism. Mr. Harper calls his approach “Open Federalism.” Significant principles of his approach include:

- There should be rectitude and order in federal-provincial relations, with principled agreements instead of improvised deals and last-minute compromises.
- Provinces are legitimate actors that occupy important areas of jurisdiction for which they are responsible.
- The constitutional division of powers should be respected, with the federal government focusing on its core functions such as defence, foreign affairs and the economic union (though Ottawa must continue its involvement in health, higher education and infrastructure, in a respectful and cooperative fashion).
- Quebec is a province with special responsibility for its culture and institutions, and it is of great importance that Quebecers perceive that federalism can work for them.

The implications of the Conservative approach to the municipal file are obvious. Municipalities fall within provincial jurisdiction. Determination to maintain provincial control has been strongest within Quebec governments. Municipalities might require more secure and stable revenues, but the provinces are the principal actors for municipal governments. Ottawa may devise policies to attack particular urban problems, such as crime and immigrant settlement, but continuous tripartite relations are not congruent with the doctrine of Open Federalism.

Pulling back and re-engaging

Very quickly Harper's government folded the Department of Infrastructure and Communities into the much larger and older Department of Transport. Officially this resulted in a new “Transport, Infrastructure and Communities Portfolio,” but the separate position of deputy minister of Infrastructure and Communities did not survive long, and the communities branch has largely disappeared from official websites.

The Conservative government did extend the gasoline-tax transfers from the federal government to the municipalities until 2014, and it remains committed to infrastructure programs, where allocations have increased steadily. There are even signs of a new national urban transit policy.

But a clear signal about the Harper government's withdrawal from the ambitious agenda of its predecessor was delivered when the Prime Minister addressed the Federation of Canadian Municipalities in 2006.

[CONTINUED ON PAGE 22]

Brazil: a tale of two cities

Districts have same powers, but face radically different challenges



REUTERS/CAETANO BARRERA

A slum fronts on the Hilton Hotel in Sao Paulo. Brazil's cities generate wealth, but not enough revenue to meet the needs of their residents.

BY BRIAN NICHOLSON

DEEP IN THE AMAZON JUNGLE, THERE'S ALTAMIRA, A SPARSELY populated municipality, bigger than most U.S. states, covered with rainforest and Indian reservations. Nearly 2,000 kilometres away sits Diadema; a densely packed, low-rent sprawl in the grimy industrial belt around São Paulo, the largest metropolitan area in the southern hemisphere. Uniting them both is the challenge facing Brazil's local leaders, how to improve living standards in a decentralized, three-tier federal system in which the balance between resources and obligations can often seem lopsided.

Altamira, which covers 159,700 square kilometres, cuts a swath through the south-east Amazon in the state of Pará. It is by far the largest of Brazil's 5,560 municipal districts – local officials like to claim the world record – although the population of 100,000 is dwarfed by 14 Brazilian municipalities with one million or more people. Although Altamira is mainly rural, its population is heavily concentrated in the municipal seat, where jobs are scarce.

"Our biggest challenge is the lack of work," Deputy Mayor Silveiro Albano Fernandes said in an interview. The scarcity of

employment is caused by a primitive, undeveloped economy that has a low tax base, generating insufficient revenues to spend on a better infrastructure and education, which could help attract investment and generate jobs. "We do what we can, but there's simply not enough to go around; if we build one school, we can't repair another," Fernandes said.

Municipal transport by plane

The daunting size of the municipality of Altamira compounds the problem. Mayor Odileida Sampaio was away visiting an outlying district, Fernandes said in the interview, and would be gone for several days. Parts of her turf lie three hours away by single-engine plane, with the flights mostly skimming virgin forest. The alternative is a circuitous, 1,400-kilometre expedition along mainly earth roads wending through eight neighbouring municipalities.

"A municipality is easier and cheaper to administer if it's smaller with a higher concentration of people, rather than various remote rural communities," Fernandes said. "If we need to build a health centre, for example, we have to provide one for a community of maybe 1,000 people or less. But it could serve 5,000."

The federal constitution determines that Brazil's local governments can raise taxes themselves, mainly on property and services, but they also receive shares of a host of other revenues from the federal and state spheres. Economists José Roberto

Brian Nicholson of São Paulo is a British economic journalist who has lived in Brazil for 30 years.

Afonso and Erika Amorim Araujo wrote in the World Bank's 2006 book *Local Governance in Developing Countries* that Brazilian municipalities raised 5.5 per cent of all taxes in the country, but ended up spending 17.1 per cent, thanks to transfers. In 2005, local governments raised US\$17.1 billion and spent US\$52.8 billion – an average of US\$9.5 million per mayor. Current dollar values are probably 40 to 50 per cent higher because of economic growth, increased tax revenue and, mainly, a stronger local currency.

Altamira, with a budget of about US\$32 million this year, more than 90 per cent of it from federal and state governments, is ahead of the pack. The lion's share of transfers is related to population size, and Altamira has three times the national average. But the huge distances create problems that are only partly compensated for by the smaller adjustments made to some transfers to help compensate for the vast land area. Overall, Fernandes said, it's a bad business being big.

Ban on dividing municipalities

The obvious solution is to split up into several smaller municipalities, initially probably three or four. Local officials have been planning such a move for some time. But in 1997, the Federal Congress placed a 10-year freeze on all municipal subdivision moves.

Until 1988, municipalities were created by, and in many ways subordinated to, state governments, which now number 26, plus the Federal District. In 1988, a new federal constitution, introduced after the end of the military dictatorship, gave municipalities independent status and made their creation a matter for local plebiscites. Their number rose dramatically, increasing by 24 per cent since 1990. In many cases, the new administrative units lacked viable size and reflected more a desire by local political leaders to expand their power bases. The net result was a diversion of public resources into legislative and administrative structures, "at the expense of more productive spending on, for instance, social programs and urban infrastructure," according to a World Bank report. The moratorium prevents Altamira from resolving part of its problem, but the deputy mayor said its leaders hope to move ahead with subdivision by 2009.

Another source of constant irritation is land use. Fernandes estimates about two-thirds of the municipality is taken up with various kinds of reserves, including Indian reservations, national forests and environmental reserves. Most come under federal jurisdiction while others are state-controlled. Either way, it's municipal territory over which the local authority has no control.

"Two or three years ago, the state government produced an economic and ecological zoning plan for the whole state, telling us what could happen in each area; for example arable agriculture, pasture, preservation and so on. But we were hardly consulted. Things like that tend to come down from top to bottom, in final form," Fernandes said.

Compounding the problem is that many rural properties have unreliable title deeds. "Some people have been occupying an area for 15 or 20 years, and still can't get good documents," he said. Often the solution lies in state or federal hands, depending on where the contested land might be. But as long as such questions are unresolved, the loss is municipal, because without proper title deeds, the land owner cannot get authorization for development projects. For example, sustainable exploitation of timber could create jobs and boost the local economy.

From forests to factories

More than 2,000 kilometres to the south, Mayor José de Filippi Jr. has basically the same constitutional and legal instruments to handle what is in many ways a different situation. Just 50 years ago, Diadema was a quiet town of 8,000 people about 16 kilometres southwest of the city of São Paulo. But Diadema missed out on the huge post-war investments that brought General Motors, Ford and Volkswagen to better-located areas nearby, and consequently failed to form a prosperous middle class. Today, its 390,000 mainly poor inhabitants are packed into 30.7 square kilometres of urban sprawl within the seemingly endless industrial hinterland of Greater São Paulo.

When Brazil opened its economy to foreign competition in 1990, this sparked a large exodus of traditional industry from the São Paulo metropolitan region to lower-cost locations

[CONTINUED ON PAGE 21]

Brazil: another view of the two cities

BY FERNANDO REZENDE

It may seem at first glance that Altamira – in the Amazon basin – has a bad deal in comparison to urban Diadema, but the actual situation is not quite as simple as that.

The economic problems that Altamira faces – environmental barriers that keep it from exploiting its natural resources and a lack of jobs – are beyond the scope of the local administrators' responsibilities. Altamira's problems will not be solved by lifting the ban on dividing large rural municipalities.

On the other hand, Diadema benefited from the dispersion of

the manufacturing industry around different parts of the São Paulo Metropolitan area. Getting a share of industrial plants helped to boost its finances and therefore to improve living conditions in the city.

The finances of large rural municipalities and small metropolitan ones respond to very different factors. Rural municipalities depend heavily on federal transfers and small cities depend on their share of their states' value added tax.

Would Altamira be better off if its urban core could secede from the vast rural hinterland? In my opinion, no.

The suggestion by Altamira administrators that "the obvious solution is to split into several smaller municipalities" simply exports Altamira's problem from the city centre to rural areas, which could end up worse off than before.

What Altamira really needs is a better coordination of federal, state and local policies to increase its prospects for development.

Fernando Rezende is a Professor at the Brazilian School of Public Administration of the Getulio Vargas Foundation.

Local governments claim their space in the Spanish system

Spain's municipalities are the last order of government to modernize



APPHOTO/MANU FERNANDEZ

In Barcelona, commuters were jammed into buses for two months during repairs and reconstruction of the city's rail lines in October and November 2007. The government of Catalonia provides funds for urban infrastructure renewal, but other parts of Spain are not so fortunate.

BY CARLOS ALBA AND CARMEN NAVARRO

CITIES AND MUNICIPALITIES MAY BE THE LAST GOVERNMENTS to regain their full powers in Spain's return to democracy after dictator Francisco Franco's death in 1975. The country's 8,100 cities, towns and villages are still struggling for what they see as their fair share of taxes and municipal powers to carry out their responsibilities.

Over the past three decades Spain has seen territorial devolution, the creation of a solid welfare state, integration into the European Union and significant economic and social development. Yet in terms of revenue and urban development, local governments lag behind both the central government in Madrid and the governments of the 17 "autonomous communities" that make up Spain.

Local government is scarcely mentioned in the constitution, in contrast to the autonomous communities. The constitutional charter limited its treatment to the formal recognition of local government autonomy and the principle of financial self-sustainability. Yet more than two decades later, neither of these traits can be found in Spain's municipalities. Local authorities occupy a poorly-defined political space.

Powers denied

The autonomous communities, who had the power to improve things for the municipalities, showed no interest in granting them the powers and resources that the communities had only recently acquired for themselves. In a way, they were reproducing the old centralism except that, in this case, the centre-regional conflict was being played out on the regional-local stage.

Carlos Alba is a professor of political science at the Autonomous University of Madrid. **Carmen Navarro** is an associate professor of political science at the Autonomous University of Madrid.

When the Spanish Local Government Act was enacted by the national Parliament in 1985, it helped to clarify local competences and responsibilities. The act also gave support to the policies and actions that municipalities had developed – in a legal vacuum – for nearly two terms of active democratic government. In the late 1990s, further reforms were implemented and local governments saw the lifting of former restrictions. Today the end of that process is in sight. To prepare for full local government, all political parties have joined in drafting a reform to the 1985 Local Government Act, the last of a number of such revisions, and the text has been submitted to the parliament for its approval. If enacted, it will mean that local municipalities will finally receive clearly defined powers and responsibilities, as well as the economic resources to carry them out. Local governments would then be given a defined and precise list of areas of competence.

Approval postponed

Until now, the list of local powers was quite imprecise and it meant that other levels of government could interfere in a number of local areas. Also, city councils did not get the resources to implement policies in those areas. With the passage of this act, necessary transfer payments would come from other tiers of government to allow municipalities to develop their well-defined powers. But the draft reached parliament extremely late in the national government's term – only a few months before the March 2008 general elections. Thus the process has been interrupted by confrontation among the political parties. Ratification will have to wait for the new government.

Today, local governments have only 15 per cent of the total public-budget expenditure, and they want an increase to 25 per cent. A representative of a group of Spanish mayors recently declared: "We have to aspire to complete autonomy ... which saves us from being poor administrations. To do that we need to work on the basis of a financial system that allows us to meet

the demands of citizens, who come to us (for services) because we are the closest administration to them.”

The challenge for local government is to improve performance, which requires autonomy and financial self-sustainability. However, local governments have to act as vehicles of democracy, providing services in response to local needs. Local governments must also reinforce the legitimacy of their actions, achieving their goals without wasting available resources. Bureaucratic effectiveness and efficiency are clearly factors here.


In general terms, Spain has levels of voter turnout similar to other developed countries. Although local elections traditionally have lower turnouts than national elections, they achieve rates close to the national level. Local turnout varies between 61 per cent and 70 per cent. These elections usually indicate what will happen in the national elections.

Confronting local challenges

In addition to holding free and fair elections, an important way to strengthen local legitimacy is to have transparency and participation in the governing process. Through participatory democracy, citizens must be able to express their preferences in designing and implementing specific policies. Election-campaign slogans and poorly debated party platforms are a one-way means of communication: governments must also seek the specific views of residents. A more intense civic engagement is needed; participatory tools such as neighbourhood councils, public consultations and district boards are only now beginning to be used in municipalities. Spanish local authorities have been implementing such policies over the past decade, more rapidly in the last four years. Some municipalities,

such as Alcobendas, a suburb of Madrid, have neighbourhood councils, public hearings, improved access by citizens to city councillors, and other participatory avenues for citizen involvement. Still, a view of Spain's entire local political landscape reveals mediocre success in involving citizens in public life.

To reinforce political legitimacy through results, municipalities must confront the task of delivering services effectively and efficiently. This is complicated for several reasons. First, Spain's network of 8,100 local municipalities, with their corresponding government structures and powers, is diverse and fragmented. About 85 per cent of them have populations of less than 5,000 inhabitants. Asking for efficiency in such small localities is not realistic. The only way of producing good outputs is for the municipalities to come together to provide at least part of their services in common, particularly for the very small communities. Second, municipalities also have to increase their efficiency and cost-effectiveness. The “New Public Management” instruments for government such as outsourcing, privatization, budgeting techniques and public-private partnerships have been introduced in many countries to modernize bureaucratic administrative machinery. They have been much less intensely adopted in Spanish municipalities than in other European countries or in the town halls of the United States. Local governments have to reinforce their levels of good organization and their capacity to provide quick and effective responses to real problems.

After almost 30 years of democratic local government, Spain's achievements are many but so are the tasks that lie ahead. The country is witnessing the longest period of peace and political stability in its history yet the edifice of strong local democracy is still a work in progress. 

How democracy returned to Spain

Free and competitive elections took place in Spain for the first time in 1979 and democratic local governments started to introduce policies and reforms that dramatically transformed the underdeveloped cities and towns of the 1970s. At that time, mayors had clear agendas for building infrastructure and introducing basic public services. Today, while the basic needs are fulfilled, the remaining challenges are not so straightforward. On the one hand, local governments must strengthen their position in relation to other levels of government, and find their rightful place in the Spanish political system. On the other hand, local authorities are confronted with the difficulty of improving performance in a world in which problems are complex, resources scarce and solutions can come only from the joint effort of public and private actors.

Modern Spain emerged out of the late dictator Francisco Franco's highly centralized political regime. In the 1979 constitution, autonomous communities were not labelled as “states” and the system was not defined as “federal” for several reasons. First, the word “federalism” was carefully avoided throughout the transition due to that term's association with separatism, political instability and past pro-independence movements. Second, the system is not a traditional federal one because the Spanish model is not an

agreement among political representatives of its constituent units, and Spain is far from assigning a standard set of governmental functions to all the federal units. In practice, there are similarities to Belgium, Mexico and South Africa – three centralized countries that have devolved to the point where many political scientists describe them as federal.

Until recently, there was an important distinction in practice between autonomous communities that are simply “regions” and those that are “nationalities,” such as the Basque Country, Catalonia and Galicia, which have a background of autonomy and self-government as well as a distinct language and culture. Strong political entities, these communities have their own legislatures, executives and judiciaries. They enact laws that have the same force as those of the Spanish state and their administrations are not subordinate to central control. Their jurisdiction over critical policy areas such as education or health, makes them at least as powerful, if not more so, than any other subnational government in Europe. Since 1996, however, recent political and constitutional developments have given all the regions in Spain the status of autonomous communities with similar levels of autonomy and powers. Despite this change, attempts to describe all regions of Spain as equal in status is always criticized by those regions that consider themselves “nations” and believe that they should be treated differently.

South African cities tackle new challenges

Urban centres, the economy's powerhouses, could take on more powers



Street vendors, once banned under apartheid, sell maize in front of the largest corporate headquarters in Johannesburg, South Africa.

BY ANNETTE CHRISTMAS

LOCAL GOVERNMENTS IN SOUTH AFRICA FACE IMMENSE challenges to meet the needs for housing, transport, clean water and electricity of rapidly growing populations. These problems appear even larger when compared to the successes of the national government since the end of apartheid. Since 1994, while creating a multi-racial democracy, South Africa has succeeded in improving the standard of living, doubling exports and creating a robust economy.

To measure local successes – and failures – the Minister for Provincial and Local Government, Sydney Mufamadi, launched a national review of provincial and local government. The minister has called on everyone to participate, from civil servants to the private sector, higher education institutions and, most importantly, ordinary South African citizens.

When South Africa launched its successful bid to host the 2010 FIFA Soccer World Cup, the bid's detractors cited the difficulty that local governments would face in trying to meet this challenge. Yet municipalities have demonstrated creativity and resolve in their preparations for 2010. On the coast of the Indian Ocean, the Municipality of eThekweni – formerly Durban – was

Annette Christmas is a researcher with the Local Government Project of the Community Law Centre, at the University of the Western Cape, in Cape Town.

lauded for its innovations. The municipality used its newly developed port infrastructure and soccer stadiums to develop impoverished areas surrounding these existing facilities, even creating new transport hubs to service them. Mayor Obed Mlaba stated that the municipality viewed the 2010 World Cup as an opportunity not only to grow the local economy but “to transform the city into an effective service-delivery mechanism.”

The landscape of local government

Local government in South Africa is made up of 283 municipalities, which range in population, size and resources from severely under-resourced rural municipalities to first-class metropolitan giants called “metros.” The constitution recognizes two types of local government. First are the metros, which have exclusive municipal authority in their jurisdiction. Second are local governments outside of the metros, made up of district municipalities that include smaller local municipalities. In this second category, district and local municipalities share powers and functions in a two-tier level of local governance.

The six metros in South Africa are home to one-third of its population. The smallest, Nelson Mandela Bay, has 1.1 million residents, while the City of Johannesburg is home to 3.2 million. The metros, which produce 59 per cent of the GDP, are South Africa's economic powerhouses.

Nonetheless, South Africa remains one of the most unequal societies in the world when measured by the gap between rich

and poor. With rapid urbanization in the metros and cities, unprecedented wealth coexists alongside abject poverty. The metros have a difficult task. They must balance their constitutional mandate of basic service delivery and improving the lives of citizens, with the more immediately realizable incentives that come from encouraging investment and economic development. Johannesburg was recently ordered to reach a settlement agreement with poor inner-city dwellers whom they had evicted as part of a regeneration project to attract investors.

Constitutional guarantees

The autonomy of local municipalities, as part of their own order of government, is entrenched in the constitution. Prior to 1994, local governments were creatures of the national and provincial governments. Their powers, functions and resources entrenched the apartheid governance model of poor or non-existent service delivery in non-white areas. Since 1996, local government has a much broader goal of promoting social and economic development, creating safe and healthy environments and involving communities in local government, thus deepening democracy.

To fulfil this mandate, the constitution grants local government a list of powers and functions. To match these powers, it has the right to raise its own revenues through property taxes and surcharges on service charges for the delivery of water, sanitation and electricity. These account for 83 per cent of local government revenue, with the balance made up of transfer payments from the national government. At first glance, these taxing powers seem to confer a generous revenue base on municipalities. However, there is a vast difference between the revenue of cities and urban centres, which have stable and substantial homes, offices and businesses, and the revenue of smaller municipalities where there is not much to tax.

District municipalities were originally created to integrate and co-ordinate local municipal services within single areas. The plan was to use economies of scale at the district level, so that the district municipality would act as the supplier of bulk services. The districts were also given the task of supplying and assisting impoverished municipalities. However, practice has revealed that they play a very different role from the original plan. District municipalities are, more often than not, direct-service providers to local communities, creating uncertainty about the functions and powers of the local municipalities. This

results in duplication of administrative and political centres and creates potential for conflict. In July 2006, tax levies on businesses were abolished, ending an important source of revenue and severely diminishing the capacity of districts to redistribute services to local communities.

All of these factors have raised the question of whether there is a need for the two-tier system of local government outside the metros. Local municipalities with strong emerging urban centres, such as Bloemfontein, do not benefit from the hierarchical parameters of the district system of government. It has been suggested that local municipalities with strong urban centres be given metropolitan status, while the two-tier system of district and local government should be collapsed into one system.

Stumbling blocks

In the past 18 months, various parts of South Africa have been affected by a growing number of community protests. Most of the protests have been over the lack of service delivery by municipalities. Reports in the media have highlighted communities' concern about the slow or non-existent delivery of housing and basic services.

Part of the problem is the lack of a clear and simple delineation of powers and functions between local and provincial governments. The constitution provides that where a national or provincial function can be more effectively

administered by local government, that function must be assigned to municipalities, provided that they have the capacity to fulfil it. While water, electricity and sanitation are firmly in municipal hands, housing remains a provincial function. The mayor of Cape Town, Helen Zille, cited "red tape delays with the municipality's own projects, especially when it comes to housing" as a key impediment to delivery. The Western Cape Province has not granted the metro's application to take on housing, prompting the metro to declare an intergovernmental dispute with the province. Even the smallest metro, Nelson Mandela Bay, has categorically stated that it is "more than capable and is in fact already fulfilling this function." Despite this, housing remains a provincial function, and local government often has to bear the brunt of community dissatisfaction with failure to deliver.

Another critical obstacle facing local government is a lack of capacity and the skills to deliver services to its citizens. In the restructuring of local municipalities in 2000, much of the institutional memory of local government was lost when older civil



Striking construction workers in Cape Town demonstrate outside the site of the city's 2010 Soccer World Cup stadium in September 2007.

REUTERS/MIKE HUTCHINGS

A medical self-help group in Kanipur was inspired by the recent election of a significant number of women to the village council.



REUTERS/PARTH SANVAL

The ideal of village democracy is one thing: implementing it is another

Cities and villages in India push for greater powers

BY RASHME SEHGAL

MUMBAI, INDIA'S LARGEST URBAN AND FINANCIAL CENTRE with a population of more than 14 million, ground to a halt during the rainy season on July 26, 2005. In the city formerly known as Bombay, unprecedented flooding surged through several of its most densely populated districts. Even Mumbai International Airport was forced to shut down for the next two days.

Mumbai is not alone in having to cope with such problems. Indian cities have experienced exponential growth, and today there are more than 60 cities with populations greater than one million people. Such rapid expansion has meant growth of unplanned neighbourhoods with a high concentration of the poor. Shelter is the major problem of the urban poor and most municipal corporations are trying to address this issue, especially as the majority of residents are younger than 18. Council members complain of a lack of adequate financing and a corrupt bureaucracy in a number of cities. When councillors try to take action in some areas, they find themselves in conflict with the state or central governments, which share certain powers in municipal areas under the Indian constitution.

The floods in Mumbai, which left 600 dead and millions of rupees worth of property destroyed, came from the Mithi River that empties into the Arabian Sea. The floods were triggered by massive construction projects on both sides of the river, that shrank its flood plain and forced rain water to flow onto city streets.

Rashme Sehgal is a journalist based in Delhi who specializes in investigative reporting. During the past two decades, she has written for the *Times of India* and *The Independent*.

forumfed.org

With India's federal system, to prevent or even reduce the damage from future floods, the Mumbai administration first needed to win support from the state of Maharashtra. In many cases, the central government in New Delhi also gets involved in municipal affairs. Municipalities receive funding directly and indirectly from both the state and central government. To carry out a plan to reduce flooding, Mumbai needed infrastructure projects that were beyond the city's resources. To fund the plan, Mumbai asked for financing from two federal ministries: the Ministry of Water Resources and the Ministry of Urban Development.

Floods continued to inundate the city in 2006 and 2007. Mumbai Mayor Shubha Raul has had to persuade all city council members to agree to several long-term measures to halt the flooding of the river.

One way to do this, Raul said, is to remove major obstructions that are blocking the natural flow of the river. Slum-dwellers on both sides of the river are being dissuaded from dumping sewage and garbage into the water, she said. One easy first step is to make the city plastic-free.

"I have launched a huge drive to stop the use of plastic bags in the city," Raul said. "The Mithi River is (full of) plastic waste. I am also keen to upgrade the slum rehabilitation program so that we can make Mumbai slum-free by 2020."

This, she concedes, is easier said than done, considering that more than 6 million Mumbai residents live in slums. "We are working towards this objective ... we can certainly accomplish our objectives if we have the requisite political will," Raul said.

The Maharashtra state government has created a slum rehabilitation program for Mumbai with a target of providing new housing for every slum dweller in the city. The plan offers private companies the rights to develop part of the land in return for building new housing units for slum dwellers.

Political support does not come easily. In this case, there are different political parties or coalitions in power in the municipal, state and central governments. As well, municipal corporations operate directly under the jurisdiction of state governments, which have the power to overrule decisions. Mumbai and Delhi, each with 14 million residents, have state governments that are run by different political parties from those of the city councils. In addition, there are 19 towns in the National Capital Territory of Delhi plus suburbs which extend into the states of Haryana and Uttar Pradesh. The city councils of many of these municipalities are also controlled by different political parties.

The mayors of both these key metropolitan areas are women. The 73rd and 74th amendments to the Indian Constitution required that one-third of the seats on city and village councils be reserved for women elected to the councils – a revolutionary step. The two amendments also devolved greater powers to the local bodies.

Defanging the mayor

However, in Delhi, Mayor Aarti Mehra accuses the state government of having steadily encroached upon the powers of the municipality. “They want to leave us a toothless body. The 74th amendment ensures that municipal corporations be vested with absolute power, but that does not happen (in reality),” Mehra said.

“The Delhi state administration has very mischievously taken away some of our key portfolios,” she added, in describing how the maintenance of key roads has been placed under the Federal Ministry of Urban Development.

Heading the Municipal Corporation of Delhi is similar to administering a small nation that extends over 1,453 square kilometres and has 150,000 employees working for it, with an annual budget of 35,000 million rupees (about US\$880 million). The municipal corporation is responsible for the repair and maintenance of roads, the supply of water, sanitation and sewage disposal services, as well as the rural outskirts of the city. Ms. Mehra’s council is the largest of three within the National Capital Territory, the other two being the New Delhi Municipal Council and the Delhi Cantonment Board.

The job of mayor should make Mehra a powerful woman, but she has her problems. The other municipalities are under the control of the federal government and are administered

either by federal bureaucrats (in the New Delhi Municipal Corporation) or army officers (in the Delhi Cantonment Board.)

The development of roads and highways is crucial for Delhi, which is an industrial and commercial hub surrounded by satellite towns like Gurgaon and Faridabad, located in neighbouring Haryana state, and Noida and Ghaziabad, which belong to the state of Uttar Pradesh. People commute daily between Delhi and these satellite towns which provide both employment and housing. Traffic management becomes a critical issue with roads frequently choked during peak hours. In the greater Delhi region, mayors often feel as if they are walking a tightrope between their own municipality and the federal government.

Rotating mayors

In many municipal councils, the practice of rotating the mayor’s chair each year often leaves little time for individual mayors to implement new programs.

A city of more than 200,000 can have its own municipality. In most cities in India, after the election of city council members, the councillors gather to elect one of their number as mayor during their first meeting. Every municipality enjoys a five-year term for its councillors, but in some municipalities the mayoral duties are rotated each year. In Delhi, it was decided to elect a female mayor for one year, a candidate from the “untouchables” category for the next year and then for the remaining three years to elect two different candidates from the general category, either male or female.

“One year is just too short a period to initiate any kind of meaningful reform. During the first eight months of my mayoralship, I initiated payment of housing taxes online to stop needless paperwork. I have also taken steps to make the city greener. But by next March, I will have to step down,” said Mehra.

In India, municipalities are responsible for maintaining roads, collecting local property taxes, maintaining parks, collecting garbage, and managing water supply and sewage disposal. They share responsibility with the state and central governments in the areas of health, education and welfare.

The largest part of municipal revenues comes from property taxes. This is not sufficient to pay for all city services and staff, so the cities also receive transfer payments from the central and



REUTERS/PUNIT PARANJPE

Monsoon rains in Mumbai flooded homes, submerged rail lines and forced hundreds of thousands of people onto the streets in June 2005.

state governments. These two orders of government both contribute to paying for education, health and welfare facilities in municipalities. The central government, with matching funds from the states, recently launched the huge Nehru Urban Renewal Program to provide funds for infrastructure development in cities.

Seats reserved for women

The situation is equally difficult for municipalities at the village level. When one-third of all village council seats were reserved for women a decade ago, more than one million women were elected to village councils, called *panchayats*. Separate quotas were also established at that time for socially marginalized groups, including those castes and tribes that are granted special status under the Indian Constitution.


India's *panchayats* go back centuries, if not millennia. The culture of these councils is quite different from that of large cities. The central government in New Delhi even has a "Minister of Panchayati Raj," who is concerned solely with village affairs.

In the village of Chuttumail Doks on the India-Pakistan border, the government primary school was not operating and the dropout rate for children studying up to grade seven was so high that the school-age population was down to 17. A 40-member Village Education Committee made up of panchayat members and parents decided to take matters into their own hands. Every villager was asked to pay 10 rupees per month to build up a small fund to be used to hire additional teachers and purchase computers for the school. The result was a dramatic rise in school enrolment, which rose to 85 children. Neighbouring districts now want similar education committees to be set up in their villages.

Digging wells

Political parties dominate both village *panchayat* and municipal corporation elections. Candidates are selected according to their political affiliations, with huge amounts of money spent on these elections. Yet despite the diversion of politics, there were significant non-partisan efforts, in many cases spearheaded by the women, transforming the landscape of their villages by digging wells and installing hand pumps, building roads and public toilets, and also facilitating the building of schools and community centres.

Mayors and city council members are demanding greater autonomy. At present, they complain that they are facing increasing pressure from not being able to carry out projects that would help their cities. *Panchayat* experts believe that, except for Kerala, most state governments have not devolved power to the *panchayats*, the majority of whom are now working only in poverty alleviation programs, and not in other key areas that should have been given to them following the passage of the Panchayati Raj Amendment.

India's experiments with grassroots democracy and local self governance are coming of age. Slowly but surely, ordinary citizens in big cities and small villages are learning to wield political power, and use it effectively and responsibly to improve their own lives as well as the lives of those in the communities around them. 

BRAZIL - [FROM PAGE 14]


within the state, or out of it. Diadema, the "ugly duckling" of the industrial south side, perhaps had less to lose, but it also had less to fight with. At the same time, starting in the mid-1990s, mayors faced severe budgetary constraints under a public-sector squeeze imposed by the federal government to end hyperinflation that had plagued Brazil since the mid-1980s.

"Cities faced new challenges, partly because of the new reality of the Brazilian economy, but also because of the new world economic order," the mayor said. "We had to start fighting for economic development within the context of globalization that was more and more hostile, more and more competitive." That meant working more efficiently, reducing costs and creating attractive conditions for new investment.

Escaping urban decay

Using a special team of policy advisers, Filippi – mayor in 1993-96 and again in 2001-08 – has managed to escape the low-revenue, low-investment trap, boosting tax revenue and spending the new funds in ways that attract further investment. Industrial output rose seven per cent in 2006 and another four per cent in 2007, after falling for eight straight years. The municipal budget is up 70 per cent in real terms from 2001, to a projected 2008 level of about US\$270 million. His key measures include:

- Urban violence: In 1999, the municipality had the highest murder rate of the São Paulo metro region, at 109 per 100,000 population. The murder rate fell 59 per cent, thanks to a 2002 decree forcing all bars to close at 11 p.m. – a measure that sparked widespread interest in other cities.
- Urban development: Diadema built three large flood control reservoirs to catch water from heavy rains. This allowed development of low-lying areas, one of which attracted a major industrial investor who is now the city's largest single taxpayer.
- Urban renewal: New sidewalks, public lighting, street repair, litter bins, park benches and flower beds help create a more pleasant environment, which in turn becomes a safer environment, including for investors. "We make small revolutions – three years ago, one neighbourhood had 40 small commercial establishments, now it has 250. That's a lot of investment in small business, shops and services, and consequently a bigger tax base. This is a direct consequence of urban renewal," the mayor said.
- Creative incentives: Diadema shunned simple tax breaks, but offered reduced land taxes for investors who increased payments of other taxes.
- Social spending: Infant mortality declined to 12.9 per 1,000 births in 2006 from 85 in 1983 – improving from double the state average to slightly better than average.

"The best investment any mayor can make is in social programs," Filippi said. In Diadema, innovation by municipal leaders has made real improvements. For rural municipalities like Altamira to make comparable gains, a stronger role for local municipalities in joint planning with the state and federal governments could allow such local innovations to begin. 

SOUTH AFRICA [FROM PAGE 18]

servants were let go. A major concern is that appointment of municipal staff is often made on the basis of political patronage and not skills and expertise. However, through Project Consolidate, the central government has begun to deploy skilled workers to particularly weak municipalities to assist in capacity building. There are still concerns that this initiative is not enough and that scarce skills may have to be imported from overseas.

Looking forward

Despite these many challenges, there are municipalities that have found new and innovative ways to balance development with service delivery. The Nelson Mandela Bay metro has embarked on an extensive program to find efficient alternate energy sources to reduce emissions and attract investment to the city. In tandem with the renewable energy projects directed at industrial centres, the metro has established pilot projects to supply solar-heated water to low-income areas. Installation and maintenance costs are minimal. While still in the prelimi-

nary stages, these projects could bring hot water to many low-income homes. The director of electricity and energy for the city, George Ferreira, said that without the “buy-in of the political leadership of the municipality, this project, which explores uncharted terrain, would not have seen the light of day”.

Creating integrated sustainable cities in which the marginalized in South African society would share the benefits of development in local government is an immense project. The metros – the success stories of local government in South Africa – could easily be the drivers of development, with limited provincial and national government interference. Many South Africans are asking that wherever local government capacity is lacking it should be developed as a priority.

The review process on government raises critical questions as to whether the current configuration of provincial and local government has improved the delivery of basic social services and deepened democracy in South Africa. The answers to these questions could fundamentally change local government and improve the lives of all South African citizens. 

CANADA [FROM PAGE 12]

He complimented local governments, but referred several times to the “levels of government” in Canada, rather than the egalitarian designation of “orders of government” long coveted by the FCM. He maintained that “for decades - and especially in recent years - Ottawa has stuck its nose into provincial and local matters,” and insisted that Ottawa would confine new program spending to “jurisdictional areas that are clearly federal.” Significantly, he pointed to Quebec, which “zealously guards its constitutional responsibilities, including those for municipal affairs,” noting that the Quebec government had substantially increased its own transfers to municipalities.

The pendulum swings


To explain Ottawa’s swing back, it is difficult to appeal to constitutional jurisdiction as such, because the federal government has long been active in areas of provincial responsibility by virtue of the “federal spending power.” This power is invoked by the federal government when it makes certain direct transfers to people or when it offers transfers to provinces conditional on them delivering on their particular programs.

The reason for Ottawa’s pullback, one might argue, is that it

was possible. The division of jurisdiction in Canadian federalism, as elsewhere, provides a rationale for Ottawa not to act in

some policy areas. In a unitary state, in contrast, one government is responsible for the entire scope of public policy, and public demands about some pressing local problem inevitably become a problem of the central government. An essential feature of a federation, in contrast, is that governments do not have responsibility for certain policy fields, and this absolves them from acting to solve such problems.

It is true that once involvement has become deep, as in the Canadian health care system, retreat is politically unthinkable. But on the cities and communities agenda, the Harper government can invoke the constitution to step back from new initiatives. And there are reasons for doing so. Such big undertakings raise expectations across the country and these are difficult to meet. The needs of Canadian communities are enormous, and there is a fear that municipal governments could become a bottomless pit for spending. For a federal government that is ambitious to act boldly in its areas of responsibility, such as defence, and

eager to cut taxes as well, there needs to be an excuse not to act in other areas. Insofar as Canadian municipalities are concerned, the constitution provides such a rationale. And so the pendulum has swung. 



Rebuilding an overpass that collapsed in Laval, Quebec, in 2006 took money as well as muscle. Canada’s cities face shortages of funds for replacing major parts of their aging infrastructure.