



Governance and finance of two South African metropolitan areas

Nico Steytler

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COMMUNITY LAW CENTRE



UWC

Section 1: Introduction

- Management of metropolitan areas contextualized within broader transformation of local government
- Transformation of local government directed at deracialising, government, eliminating spatial apartheid, and redistributing of resources
- Constitutional status of LG is counterweight to provinces, no longer subject to their direct control or direction.
- Extensive executive and legislative powers - symmetrical
- Taxing powers - property taxes and surcharges on services fees.
- 3 categories:
 - ❑ Metros 6
 - ❑ local municipalities 232
 - ❑ district municipality 46

Metros

- Object: establish integrated cities where benefits of central tax base could be redistributed equitably particularly to previously disadvantaged areas.
- 1995/6 two tier metropolitan system with a weak centre and strong substructures .
- In practice system led to costly and unintelligible division of functions and powers.
- Did not redistribute resources from the wealthier substructures to the poorer areas effectively
- White Paper on LG: form of urban government “a critical factor in determining the future economic prosperity and social stability of the nation.”

Metros: White Paper LG 1998

■ 3 objectives

- ❑ equitable redistribution of resources and services across metropolitan area.
- ❑ to promote strategic land-use planning and to coordinate public investment in physical and social infrastructure.
- ❑ strong metro government necessary to develop a city-wide framework for economic and social development - enhance economic competitiveness

Large institutions

■ 2 forms of connecting with residents given large size of metros

- ❑ ward committees comprising of 10 community members with delegated powers;
- ❑ metropolitan sub-councils with delegated powers

Demarcation of metros

- Municipal Demarcation Board
 - ❑ Constitutional institution independent
- Proclaimed in 2000 6 metros
 - ❑ using commuting patterns as a means of dealing with the special distortions of apartheid in order to create “truly bounded” boundaries - work and reside in same municipality

Metro	Pop. 2001	Pop. 2007	Pop. growth %	Geo. area km ²	Pop.density Person/km ²	Nat. gross value added (% of RSA)
Johannesburg (Gauteng)	3.22 m	3.88 m	17.0	1 645	2,363.7	18.4
Cape Town (Western Cape)	2.89 m	3.49 m	17.3	2 454	1,424.7	11.4
eThekweni (KwaZulu-Natal)	3.09 m	3.46 m	10.9	2 291	1,513.0	10.2
Ekurhuleni (Gauteng)	2.47 m	2.72 m	9.0	1 924	1,415.6	10.2
Tshwane (Gauteng)	1.98 m	2.34 m	15.5	2 174	1 078.8	7.2
Nelson Mandela Bay (Eastern Cape)	1.00 m	1.05	4.3	1 958	536.5	3.0
Average	2.44	2.82	12.0	2 031	1 388	

Metros: finances

- Combined 2008/09 operating budgets of US\$10 bn represent 61% of all municipal budgets
- Compared with budgets of 9 provinces: Johannesburg is larger than 4 smallest provinces.
- Metros large degree of self-financing - overall transfers to -
 - ❑ non-metros constitute 31.9% operating revenue
 - ❑ metros 17.4 % operating revenue
- Contrast to provinces - 3.3% own revenue
- 6 powerful metros rivaling provinces in resources and influence

Section 2: overview of selected metropolitan areas

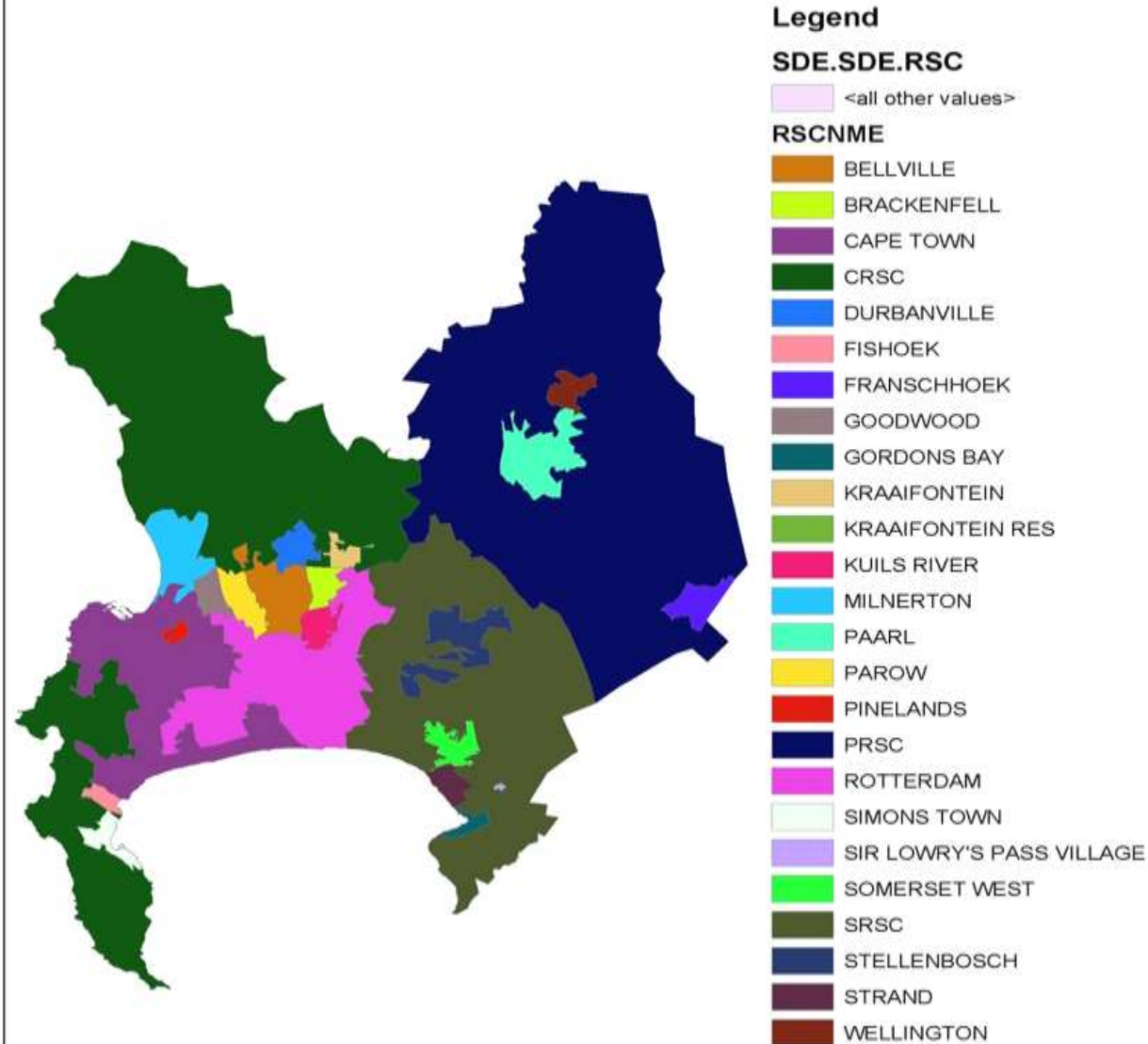
- Cape Town: one-tier consolidated model
- Gauteng metropolitan area: one-tier fractured metropolitan area comprising 3 contiguous metros:
 - Johannesburg
 - Ekurhuleni
 - Tshwane
 - 2 local municipalities

Cape Town

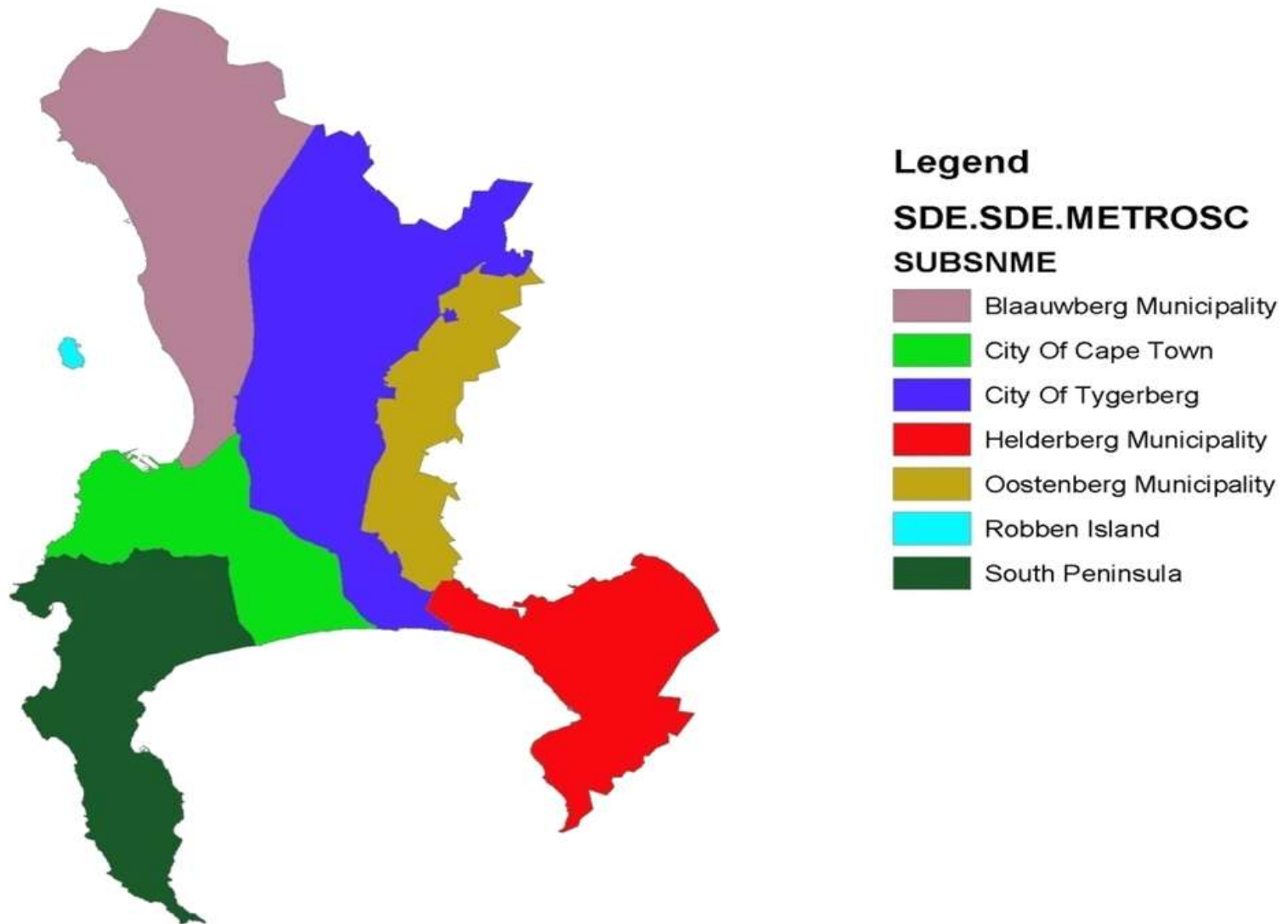
■ Development

- ❑ Fractured pre-1996
- ❑ Two tier 1996-2000
- ❑ One tier consolidated 2000

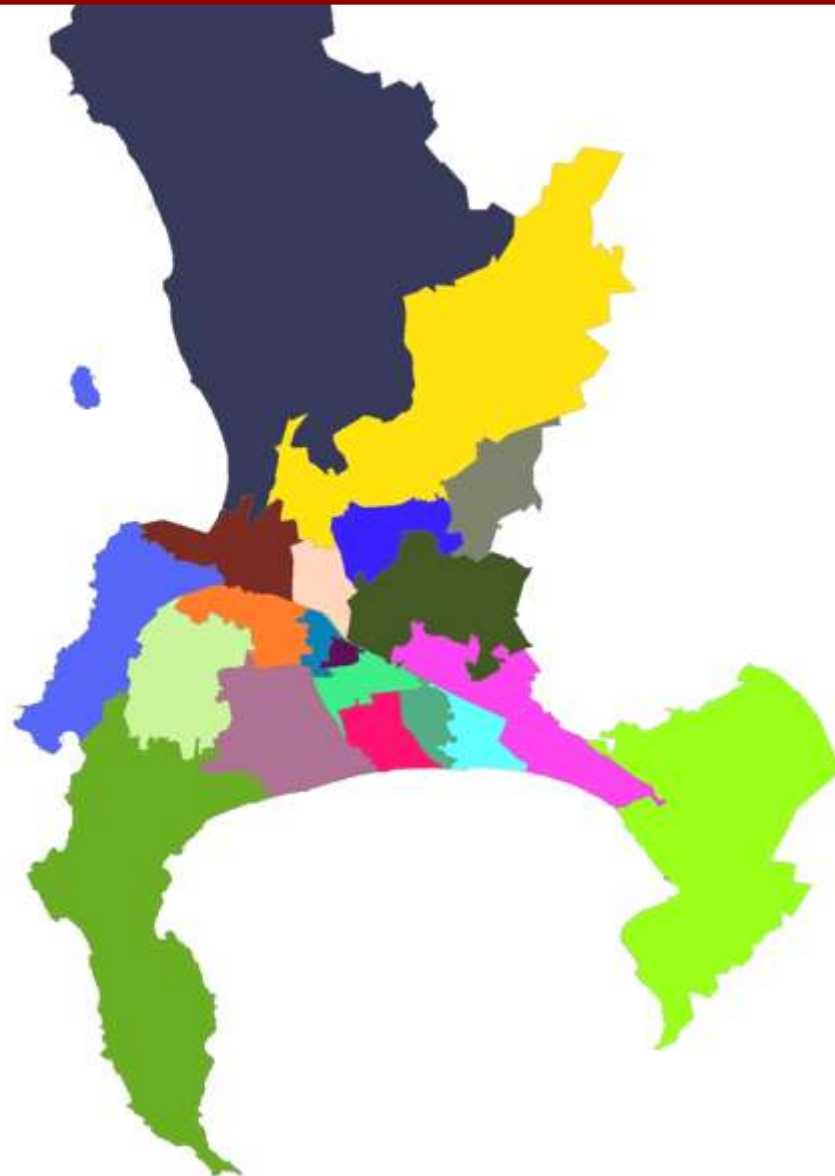
Pre-1996 multiple municipal authorities - 60



1996-Two-tier System



2000 one tier consolidated city with 23 subcouncils



Cape Town

- Population:
 - ▣ Western Cape 4.6 m
 - ▣ Cape Town 3.49 m (70%)
- 95% of persons who work in the Cape Town area also reside within its jurisdiction - “truly-bounded” metro
- City’s overall expenditure of US\$2.4 bn in 2008/09 compares with Western Cape’s budget of US\$3.7 bn
- Revenue: 87% own revenue for opex

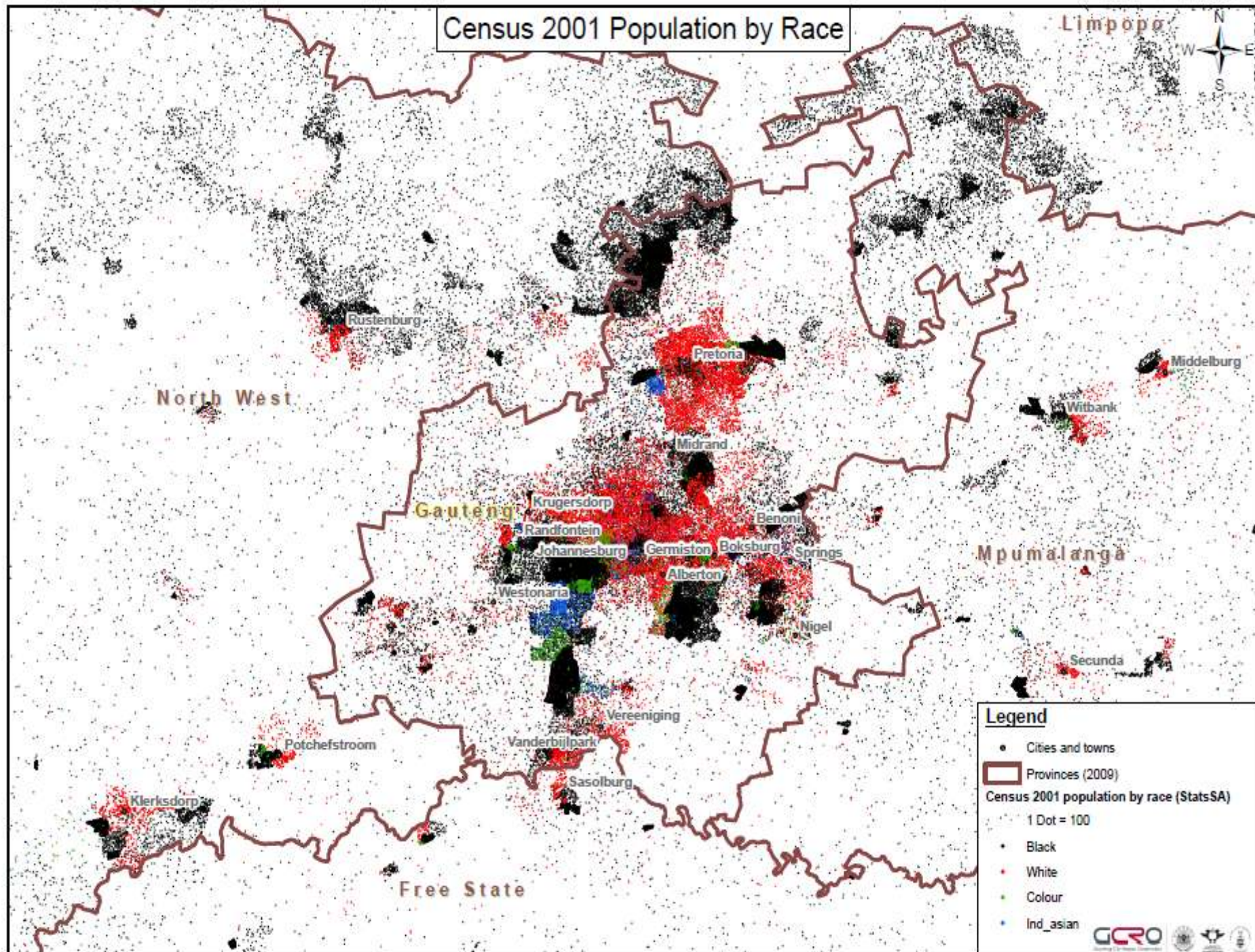
Gauteng metropolitan area

- Gauteng - artificial province - mining, financial and industrial heartland
- 1993 provincial boundaries reflected apartheid South Africa by separating black and white towns that formed a functional unit. Establishment of cross-boundary municipalities 2000.
 - ❑ Greater Pretoria became a cross-boundary municipality (abolished in 2006)
- Three contiguous metros: Johannesburg, Tshwane (Pretoria), Ekurhuleni (East Rand)
- Population: Gauteng = 10.6 m (2007), 3 metros = 8.9 m (2007)
- Bounded metros:
 - ❑ Johannesburg 64 % people work and reside
 - ❑ Tshwane 84%
 - ❑ Ekurhuleni 87%

Gauteng metros: finances

- Collective expenditure of 3 metros of US\$7.9 bn for 2008/09 exceeds province's US\$6.8 budget
- GVA:
 - ▣ Gauteng province = 36,5% of national GVA
 - ▣ 3 metros = 35.8%

Census 2001 Population by Race



The GCR: Gauteng and adjacent Local Municipalities



Section 3: Role of national government

- 4 main national players relating to metros:
 - ❑ Absence of a national policy, No national departments dealing with cities or urbanisation (but since 2009 Dept of Rural Development). Policy harmonisation between nat.depts is minimum; urbanisation policy never fully articulated, political contested
 - ❑ Dept of Cooperative Governance plays limited role in respect of cities - regulating: uniform system of local government
 - ❑ Sector departments, such as Human Settlements, Water Affairs, Transport (roads network of Gauteng), direct relationship with metros
 - ❑ National Treasury: monitoring role, Municipal Infrastructure Grant; from 2009 Metro Infrastructure Grant
- National political interest in metros - centrally deployed mayors

Section 4: Provincial relations with metros

- Problematic - contestation for power and resources represent (metro's own revenue 75%, provincial own revenue 3%)
- No provincial department with specific focus on metro's
- No specific desk within provincial dept of local government
- Size of metro have placed them beyond the reach of provincial support or supervision; bail out by National Treasury
- Politically: ANC marginalised metro mayors; DA leader of opposition was mayor of CT (may return)
- Gauteng Global City Region - provincial attempt to coordinate 3 metros, no concrete steps

Section 5: Governance structure of metropolitan areas

- All inclusive metropolitan area of Cape Town - unified governance structure - large council with executive mayor with delegated powers - move towards parliamentary system
- Gauteng city region, 3 contiguous metro municipalities - indirect provincial coordination: Premier' Intergovernmental Forum (all metro mayors and district mayors)
- Cape Town - no dedicated structure for relations between City and Province; indirectly, through Premier's Coordinated Forum - premier, metro and district mayors

Governance of urban Gauteng

- Key areas of transport, water, waste management, planning
- Limited provincial governance of metro areas: Gautrain - rapid transport between 3 metros
- Inter-municipal cooperation unstructured and limited - crisis or needs driven: roads; transport (Johannesburg buses in Ekurhuleni), fire fighting cooperation across boundaries, corridor economic development, solid waste dumping
- Provincially driven cooperation - attempted through Global City Region concept; lack of enthusiastic cooperation; province lacks capacity to coordinate

Section 6: Roles, responsibilities and revenues

- Constitutional division of powers LG: water reticulation; electricity distribution, roads, waste; municipal planning
- 6 metros' expenditure 61% of local government expenditure
- Considerably more per capita expenditure than non-metro municipalities
 - ❑ Cape Town US\$1,249
 - ❑ Johannesburg UD\$1,041
 - ❑ Tshwane US\$1,086
 - ❑ Ekurhuleni US\$1,172

Operating expenditure of metros by main service for 2009/10 (US\$ '000)

	Cape Town		Johannesburg		Tshwane		Ekurhuleni	
	Expenditure	% of total	Expenditure	% of total	Expenditure	% of total	Expenditure	% of total
Electricity	736,104	22%	928,071	30%	619,121	33%	826,798	41%
Water	394,196	12%	529,715	17%	214,360	11%	318,457	16%
Waste Water	204,879	6%	0	0%	128,714	7%	7,168	0%
Solid waste	228,937	7%	141,627	5%	0	0%	98,116	5%
Total	3,301,344		3,093,993		1,882,266		2,018,641	

Operational and capital expenditure of Cape Town 2008/09 by service

Function	Percentage
General government	17.0
Transport (roads, transit	5.1
Protection (fire, police)	7.8
Environment	0.9
Water	13.9
Sewers	6.6
Solid waste	7.1
Electricity	25.1
Health	2.3
Housing	4.7
Parks, sport	4.6
Social dev.	2.1
Planning	2.3
Other	0.3
Total	

	Cape Town			Jo'burg		Ekurhuleni		Tshwane	
Property taxes	462,521	19%		475,857	16%	269,387	16%	328,518	20%
User Fees	1,008,203	41%		1,407,492	48%	881,366	53%	806,812	49%
Electricity	603,268	60%		784,458	56%	574,581	65%	523,801	59%
Water	183,040	18%		321,959	23%	168,401	19%	1Te89,332	21%
Sanitation	106,328	11%		190,511	14%	65,451	7%	48,250	5%
Waste removal	70,071	7%		97,970	7%	65,982	7%	45,429	5%
Other	45,495	5%		12,594	1%	6,951	1%	-	0%
Others	237,928	10%		371,057	13%	107,535	6%	202,332	12%
Transfers: oper.	324,850	13%		539,138	18%	356,424	21%	232,103	14%
National	308,377	95%		448,171	83%	344,920	97%	213,145	60%
Provincial	16,473	5%		90,966	17%	11,503	3%	18,958	5%
Transfers: Capital	414,412	17%		167,065	6%	43,421	3%	92,949	6%
Total	2,447,914			2,960,609		1,658,132		1,662,714	

Financing metros

- Minimal role in effecting transfers to municipalities
- Increase of LG dependency on transfers, in part due to national government's free basic services policy
- Increased from 5.4 % in 2003/04 to 9.1 % 2005, then doubled in 2006 to 18.5% because payroll tax abolished (replaced by grant)
- Metros sharing fuel levy
- 2009 mun infrastructure grant for cities for metros and 21 largest cities.

Section 7: Lessons

- Large consolidated metros inevitable to deal with apartheid's spatial geography - one city one tax base
- Effective resource redistributive mechanism
- No explicit opposition from public to concept of large consolidated metros
- Municipal Demarcation Board proclaimed to 2 more metros (Buffalo City (East London), Mangaung (Bloemfontein); expansion of Tshwane and Ekurhuleni by inclusion of 2 local municipalities
- Method of internal governance has become key question:
 - ❑ Internal administrative districts
 - ❑ Internal political structures - subcouncils in Cape Town (23 - too many, political purpose)

Challenges

Metros most effective structure to deal with external challenges

- Rapid in-migration to metros places metros at centre of government efforts to deal with urbanisation - addressing poverty and promoting economic development - control built environment, including housing and transport.
- As locus of industry and human settlement, metros' relationship with the external environment

Internal challenges:

- financial environment more severe after 2008 global financial crisis. Increases in remuneration and bulk charges; devolution of more responsibilities, autonomy eroded through increases government transfers
- constructive IGR among metros in Gauteng and between metros and provincial government

Future of metros

- Current review of provinces may enhance the role of metros.
- ANC summit, December 2010, presidential commission report future of provinces and district municipalities.
- ANC discussion document: future of the metros, called city regions, is pertinently raised - “one-size-fit-all” approach to local government is not benefitting cities
- City regions should be lifted out of the current legal framework and governed by a charter
- Likely powers of provinces diminished, metros stand to gain further functions