



PAPER III: SINGLE-TIER LOCAL GOVERNMENT FOR MAJOR URBAN AREAS

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CONTENTS

EXECUTIVE SUMMARY	3
SINGLE TIER LOCAL GOVERNMENT FOR MAJOR URBAN AREAS	4
1 The challenges of urbanisation	4
2 Single tier local government for urban areas	5
2.1 Metropolitan government	5
2.2 Urban Municipalities	6
3 Current legal framework for single-tier category A municipalities	8
3.1 Constitution	8
3.2 Municipal Structures Act	8
3.3 Defining the criteria of a metropolitan area	9
4 Metropolitan and urban areas	11
4.1 Urban areas	11
4.2 The four aspirant metro's	12
4.2.1 In the context of their district municipalities	12
4.2.2 In the context of existing metropolitan municipalities	13
4.2.3 Meeting section 2 criteria	14
4.2.4 Re-categorisation and redemarcation	16
4.3 Other urban areas	17
4.3.1 Major urban areas	17
4.3.2 Defining urban municipalities	18
4.3.3 Application of definition	19

EXECUTIVE SUMMARY

The majority of South Africans (56%) now live in cities and major urban areas. The process of urbanization is proceeding but at different rates in each province. The focal point of migration over the last few years has been to strong metropolitan areas and secondary cities. There is also a rapid decline in city household size, resulting in a significant increase in the number of households in the cities, with serious implications for municipal service-delivery and for the sustainability of cities.

With regard to the institutional framework for urban South Africa, one of the policy and legislative responses should be to establish single tier local government that is equipped to confront the twin challenges of urbanization – economic growth and poverty eradication. The debate about district municipalities should be turned around: it is not whether district municipalities have a useful role to play in urban areas, but rather whether the challenges of urbanization will be better met by single tier local government?

From a strategic perspective, an urban municipality, having all the local government powers, can focus better on the core business of urban settlement in South Africa. Without having to share jurisdiction with another tier of local government, an urban municipality can develop the necessary expertise to deal comprehensively with the key developmental issues that urbanization poses.

A number of legal and administrative benefits also flow from a single tier system. There is legal certainty about who does what, eliminating never-ending turf battles. It reduces the transaction cost of having to work with a second layer of local government, which often delays decisions and flows of funding. It could arguably also increase the status of the municipality – for investors there is only one level of local government to work with. From the residents' point of view, having a single service provider allows for greater accountability; the urban municipality will be closer to the communities they serve than a distant district municipality.

The policy arguments for a single tier urban municipality underpin the distinction between category A and B municipalities. In the case of metropolitan municipalities most of the objectives of district municipalities find little or no purchase, while those that do, are not sufficient to warrant two-tier local governance.

The definition proposed for an urban area is a scaled-down version of a metropolitan area. The application of this broad definition should be brought to bear on the 27 municipalities the MDB has categorised as large urban centres. Not all of them may qualify. Critical would be the development of clear policy indicators that would identify those urban areas that would do better without district governance. The recognition of further single tier urban municipalities would in most instances be a case of confirming the status quo as districts do not play much of role in these urban areas.

SINGLE-TIER LOCAL GOVERNMENT FOR MAJOR URBAN AREAS

1 The challenges of urbanisation

The growing importance of cities not only in South Africa but also around the world is succinctly captured in the 2006 Cities Network Report as follows: “[C]ities are simultaneously the most productive sites in the national economy as well as areas that accommodate the largest number of poor people, ... cities are strategically important places for meeting the government’s growth and development agenda.”¹

The majority of South Africans (56%) now live in cities and major urban areas. The process of urbanization is proceeding but at different rates in each province. The focal point of migration over the last few years has been to strong metropolitan areas and secondary cities. The highest migration was to the various municipalities in Gauteng and some in the Western Cape.² The migrants came mostly from the Eastern Cape, Limpopo and North West; there was a net out-migration in five of the seven district and metropolitan municipalities in the Eastern Cape, three of the four district municipalities in Limpopo and two of the four district municipalities in North West.³ While there may be a slow growth in the population of cities, the 2006 Cities Report points out that there is a rapid decline in city household size. This will result in a significant increase in the number of households in the cities, with “very serious implications for municipal service-delivery and for the sustainability of cities.”⁴

The creation of the nation’s wealth is located in the major urban areas. The five largest cities – Johannesburg, Cape Town, Ethekwini, Tshwane and Ekurhuleni – home of 22,5% of the country’s population, created 55,6% of the national Geographic Value Added (GVA). Add the next 18 functional urban areas, with 18,2% of the national population, the economic output totals 69,8% of the national GVA. Along with producing the wealth, nearly a quarter of the country’s persons living in poverty (below the Minimum Living Level (MLL)) are also to be found in these urban areas.

The Cities Report classifies the 21 functional urban areas into three categories: “core urban areas” (Johannesburg, Ekurhuleni, Tshwane, Cape Town and Ethekwini), “major urban areas” (Nelson Mandela, Buffalo City, Mangaung, Emfuleni, and Msunduzi) and the rest as “significant urban service centres”. The core urban areas are defined as having a diverse economy with more than R75 billion GVA per annum and providing a gateway to the global economy. The major urban areas also have a diverse economy of between R9 and R75 billion GVA per annum, but the areas of national economic significance are only in a few sectors and their impact typically does not extend beyond the provincial boundaries. The economy of the significant urban service centres is usually dominated by a single sector and the size ranges between R4,5 to R9 billion GVA per year.

¹ Cities Network 2006, 2-2.

² Cities Network 2006, table 2-6.

³ Cities Network 2006, 2-18, table 2-7.

⁴ Cities Network 2006, 3-7.

Given the process of urbanization and concentration of economic development and poverty, the Cities Report concludes with the following lament:

“Notwithstanding the importance of cities in South Africa and the challenges that they face, there is no dedicated legal or policy framework that speaks explicitly with cities. Rather, policy and legislation is directed towards municipalities, within the national framework for local government. There is also no ministry or government unit in the national or provincial spheres prioritizing cities.”⁵

It is argued in this paper that in regard to the institutional framework for urban South Africa, the appropriate policy and legislative response is to establish, as a minimum, single tier local government that is equipped to confront the twin challenges of urbanization – economic growth and poverty eradication. The debate about district municipalities should be turned around: it is not whether district municipalities have a useful role to play in urban areas, but rather whether the challenges of urbanization will be better met by single tier local government?

2 Single tier local government for urban areas

Because urban areas face the challenges of urbanization, which are not always pertinent to non-urban areas, there is a need for specialist, focused municipal governments. This policy underpins the distinction between category A and B municipalities. In the case of single tier metropolitan municipalities most of the objectives of district municipalities find little or no purchase, while the others are not sufficient to warrant two-tier local governance.

2.1 Metropolitan government

The first object of district governance - the co-ordination and integration of plans and developments of contiguous local municipalities in a defined geographical area – may find application also in metropolitan areas. There is usually a close relationship between the metropolitan city and its immediate hinterland, the latter providing in some of the metro’s labour and resource needs. The overall coordination of the metro and its immediate hinterland could benefit both the metro and the surrounding areas.

The second object - the provision of bulk supply of services – is of little relevance. The sheer size of the metropolitan cities ensures sufficient economies of scale to provide such services economically and sustainably.

The third object - the provision of core municipal services such as water, electricity, and health - would likewise be inappropriate; metro’s are more than capable of providing such services efficiently and cost-effectively.

⁵ Cities Network 2006, 2-28.

The fourth object – providing support to local municipalities – is clearly not applicable to metro's. The size and resource base of metro's suggest that they should be able to look after themselves. Moreover, it is even doubtful whether provinces have sufficient resources and clout to oversee metro let alone support them materially. Support of metro's is inevitably the responsibility of the national government.

The fifth object - the redistribution of resources (including through the levying and allocation of RSC levies) to poorer surrounding municipalities - would have been a sound reason for the inclusion of metro's in a district. Two thirds of the RSC levies were collected in the metro's and a slice of this considerable amount could have benefited the neighbouring local municipalities. With the repeal of the RSC levy, this object has now fallen by the wayside.

Although there may have been some benefit in terms of coordination and redistribution, the underlying argument in the White Paper on Local Government was the need for a specialist municipality that could focus on urban issues:

- (1) Distribution of resources *within* the metropolitan area to ensure equity and social justice;
- (2) Promotion of strategic land-use planning, and coordinated public investment in physical and social infrastructure; and
- (3) Developing a city-wide framework for economic and social development, thereby enhancing the competitiveness and well-being of the city.

The White Paper's view was a direct response to the legacy of the apartheid city with racially fragmented institutions and the skewed distribution of resources. Thus, despite the fact that metropolitan municipalities were the single most important source of municipal revenue (including the RSC levies), they were not expected to share such income with their immediate hinterland.⁶ Their resources and energy were to be focused on meeting the challenges of urbanization.

2.2 Urban municipalities

Similar arguments can be made for the extension of single tier local government to the next layer of urban areas. The issues can be viewed from two angles. The first focuses on the benefits of single tier local government while the second is concerned with the question whether a two-tier system adds any value to urban governance.

From a strategic perspective, an urban municipality, having all the local government powers, can focus on the core business of urban settlement in South Africa. First, it can promote economic development and combat the dualistic nature of the economy through infrastructure development and, second, reduce poverty through effective service delivery and housing provision. Without having to share jurisdiction with another level of local government, an urban municipality can develop the necessary expertise to deal with these key developmental issues.

⁶ This is set to change with the REDs; each metro will anchor a RED in terms of which cross-subsidisation of electricity to non-metropolitan areas will take place.

In addressing the twin issues of urbanization, a number of legal and administrative benefits flow from a single tier system. There is legal certainty about who does what, eliminating never-ending turf battles. It reduces the transaction cost of having to work with a second layer of local government, which often delays decisions and flows of funding. It could arguably also increase the status of the municipality – for investors there is only one level of local government to work with. From the residents’ point of view, having a single service provider allows for greater accountability. Moreover, the urban municipality would be closer to the communities they serve than a distant district municipality.

These theoretical arguments are underscored by the practice of district governance that has emerged since 2000. First, for a variety of reasons districts have, on the whole, neither provided their statutory services nor perform their functions in respect of urban municipalities. In fact, they have had hardly any presence in urban areas. Second, since the repeal of the RSC levies in 2006, their redistributive role has been eclipsed. Moreover, the appropriateness of districts being the appropriate vehicle for redistribution is questioned. That function is better and more dispassionately performed by either the provinces or the national government. Third, it has not been possible for districts to be an effective communication channel between urban municipalities and the provinces. Because of their importance, urban municipalities have been representing themselves in their interaction with the provinces.

What would be lost if urban municipalities become stand alone municipalities? The most important value would be coordination of development planning throughout the district. This reason has not prevented the creation of single tier metropolitan municipalities. As this remains a value to pursue also for metropolitan municipalities, other intergovernmental mechanisms and procedures should be developed to ensure alignment and harmony. This should be done either at an inter-municipal level or a provincial level.

There are strong views against extending the single tier local government system. For example, in a report to the MDB it was argued that even if “a district is frustrating the actions of a [strong and better capacitated] local municipality ... ‘secession’ from the district and the establishment of a new metropolitan municipality is not a wise move.”⁷ Intervention in such issues lies not with the establishment of a metro, but, the report suggests, “in (1) better clarification of powers and functions; (2) improved intergovernmental relations and (3) taking an ‘all-of-government perspective’ to dealing with problems with the focus being on ‘who in government can do what best, or most effectively, at the least cost, etc.’”⁸ The answer thus suggested, lies with better institutional design (clarifying the functions) and more effective IGR.

This argument misses the central point – do district municipalities add value to the governance of urban areas? As has been argued above, they have not in the past and, more important, are unlikely in the future to play a significant role in urban areas. It is not

⁷ MDB 2005, 52.

⁸ MDB 2005, 53.

an issue of simply clarifying the powers of functions; the question is rather whether a district should in the first place be the provider of key municipal services to end users in urban areas? It is not an issue of improving intergovernmental relations between districts and secondary cities; the question is rather whether districts can or should be the communication link between the secondary cities and the provinces. Finally, an “all-of-government perspective” is not the answer but is precisely the problem. Already any major development project in a metropolitan municipality involves the national government, the province and the metro, which by itself is a formidable task to manage effectively. The crux of the argument for single tier urban government is to reduce the complexity of the “all-of-government perspective” by removing one layer of local government – the districts.

3 Current legal framework for single-tier category A municipalities

The Constitution makes provision for both single and two-tier local governments, without prescribing any content thereto. The Municipal Structures Act, on the other hand, confined single tier government to metropolitan areas.

3.1 Constitution

Section 155(1) of the Constitution introduced three municipal categories: Category A was “a municipality that has exclusive municipal executive and legislative authority in its area”. Categories B and C referred to municipalities with shared jurisdiction over the same areas. The Constitutional Court⁹ described category A municipalities simply as “self-standing municipalities”. There is thus no constitutional imperative about the character of a self-standing municipality. That meaning was added by the Municipal Structures Act.

3.2 Municipal Structures Act

The Municipal Structures Act equated single tier municipalities with metropolitan areas. Section 2 reads as follows:

- “An area must have a single category A municipality if that area can reasonably be regarded as –
- (a) a conurbation featuring-
 - (i) areas of high population density;
 - (ii) an intensive movement of people, goods, and services;
 - (iii) extensive development; and
 - (iv) multiple business districts and industrial areas;
 - (b) a centre of economic activity with a complex and diverse economy;
 - (c) a single area for which integrated development planning is desirable; and
 - (d) having strong interdependent social and economic linkages between its constituent units.”

⁹ *In Re: Certification of the Amended Text of the Constitution of the Republic of South Africa 1996 1997* (1) BCLR 1 (CC) at para 77.

Section 3 provides further that “an area that does not comply with the criteria set out in section 2 must have municipalities of both category C and category B.” The MDB “must (a) apply the criteria set out in section 2 and determine whether an area in terms of the criteria must have a single category A or whether it must have municipalities of both category C or category B”.¹⁰

This legislative framework contains three important elements. First, the declaration of a metropolitan municipality is mandatory, provided the necessary criteria are present. If the criteria are present, the MDB has no discretion but to declare a metro. If they are not there, the MDB must declare the area a category B municipality. The discretion of the MDB comes in, however, in the interpretation and application of the criteria – what is the meaning of the various criteria and do they apply in a given case. The fact that the MDB has on a previous occasion decided that Buffalo City did not meet the section 2 criteria, does not preclude it from revisiting that decision.

The second element is that all the criteria must be present before a declaration can be made. All the criteria are linked by the conjunctive “and”. If one is not present, then the MDB cannot declare an area a metro.

The third element is the definitions of the criteria. They are, in general, broad and open-ended. While they may be given a broad interpretation, the provisions may not be stretched beyond a reasonable use of the terms.

3.3 Defining the criteria of a metropolitan area

The section 2 criteria are not concepts with definite and established meanings. A purposeful interpretation would draw on both dictionary meanings as well as the demands of practice.

(a) Conurbation

A conurbation is defined in the Concise Oxford Dictionary as an aggregation of urban districts. It implies that there are more than one urban area, which is not necessarily contiguous. The Act defines a conurbation as having the following features:

- “*areas of high population density*”

There are probably three elements present. First, there should be at least more than one “area” involved, although not necessarily contiguously located. The presence of more than one area reinforces the idea that an integrated development plan is required for the proper management of the area as a whole. Second, there should be a large number of people present, without having to meet a predetermined number. Third, the areas must have “high population density”. There is no definite benchmark of persons per square kilometer, but a clear distinction should be drawn between rural and urban households.

¹⁰ S 4(1) Structures Act.

- *“an intensive movement of people, goods, and services”*

The movement of people suggests that there are different areas between which the intensive movement takes place. The movement relates to people – this includes movement with regard to traveling to work, shop and socialise. The movement of goods refers to trading within a particular area. The movement of services refers to the ease with which services are provided in the different areas. The bottom line is that the areas are functionally integrated and cohesive.

- *“extensive development”*

The meaning of this feature is not immediately apparent. Development is not defined but presumably refers to business and industrial areas. The object is likely that the area should be a hub of economic activity.

- *“multiple business districts and industrial areas”*

Separate from the requirement of “areas of high population density”, the focus is on the nature of economic activity – there should be more than one business and industrial area. Again, the rationale of this requirement is that multiple centres of economic activities cry out to be managed collectively.

- (b) *“a centre of economic activity with a complex and diverse economy”*

Reinforcing (or reiterating) the criterion of “extensive development”, is the criterion of being a centre of economic activity. It is further qualified by the requirement that the centre should have a complex and diverse economy. Defined negatively, the economic basis of the centre should not be a single sector. The rationale of this qualification is not clear. Presumably, any large conurbation would by necessity involve a complex and diverse economy by the mere fact of its population size. The rationale presumably is that because the economy is complex and diverse, coordination (and integrated planning) is required.

- (c) *“a single area for which integrated development planning is desirable”*

Integrated development planning is the most obvious reason for a single tier municipality, yet is also the least helpful criterion. A functionally integrated area requires coordination with regard to its development. Yet, this criterion applies to the demarcation of both local and district municipalities. Indeed one of the objects of districts is to prepare a district-wide integrated development plan.

- (d) *“having strong interdependent social and economic linkages between its constituent units”*

This criterion reinforces the previous ones. First, there must be a number of constituent units (areas, multiple business districts and industrial areas). Second, there must be linkages between them (intense movement of people, goods and services). Third, the linkages, signifying interdependence, must be both of social and economic nature.

The overall rationale for a metropolitan area appears to be that, because of the functional integration of distinct areas (both residential and economic), the effective management of the complex special arrangements requires the concentration of all local government powers in a single tier municipal structure.

4 Metropolitan and urban areas

The first demarcation process in terms of the Local Government Transition Act of 1993 saw the demarcation of three metropolitan areas only – Johannesburg, Durban and Cape Town.¹¹ The 2000 demarcation, now in terms of the Structures Act, increased the number to six with the addition of Tshwane, Ekurhuleni and Nelson Mandela Bay.

In applying the criteria, the Municipal Demarcation Board also applied other policy considerations. The sheer size of the metropolitan area on the Reef necessitated that it be broken into different metropolitan municipalities. There is little functional separation between Johannesburg and Ekurhuleni given the intense movement of people, goods and services, yet it would have been too a large area for a single municipal entity. To a lesser extent the same could be said of the linkages between Johannesburg and Pretoria; any person trapped on the road between Pretoria and Johannesburg will testify about the “intense movement of people and goods”.

Could any additional areas qualify as metropolitan areas? This question is obviously answered with reference to the legal requirement of section 2 of the Structures Act. The secondary question may be whether or not the urban areas under consideration would be better off outside the two-tier district framework.

4.1 Urban areas

Various state institutions have identified certain local municipalities as functional urban areas. As noted above, the Cities Network uses three categories of urban areas – core urban areas, major urban areas, and significant urban areas. The principal criteria for inclusion the latter group is the size of their contribution to the national economy measured in GVA. The National Treasury identified 21 local municipalities as secondary cities, using a number of criteria, including, population size, percentage of urban formal houses, percentage of households with adequate water, own revenue per household per month and household income profile.¹² The MDB Capacity Assessment Report, using the classification developed by the National Treasury and the DPLG, grouped 31 local municipalities as “type 4 municipalities” consisting of large urban areas.

¹¹ See Cameron 1999.

¹² National Treasury 2004.

For purposes of assessing the application of the section 2 criteria, a useful starting point is the four local municipalities the 2006 Cities Report groups together as the largest after the metropolitan municipalities, namely Buffalo City, Mangaung, Msunduzi and Emfuleni.

4.2 The four aspirant metro's

The three secondary cities most often mentioned in the context of urban governance are the local municipalities of Buffalo City, Mangaung and Msunduzi. They are also the only local municipalities included in the Cities Network alongside the six metropolitan municipalities. The Cities Report has now included Emfuleni in the list as a major urban area alongside the other three secondary cities and Nelson Mandela Bay. The size and significance of these municipalities can best be assessed in the context of both their district municipalities and the current metropolitan municipalities.

4.2.1 In the context of their district municipalities

Buffalo City

After Nelson Mandela Bay Metropolitan Municipality (NMMM), Buffalo City is the second largest urban-based municipality in the Eastern Cape. It comprises of the urban centres of East London, Mdantsane, Bisho and King Williams Town. With a population of 701 890 it is comparable with the nearly 1 million population of Nelson Mandela Bay. When compared with the Amathole District Municipality in which it falls, the dominance of Buffalo City is apparent. It has 42% of the district population and is home to 77% of the urban households in that district. The difference is also reflected in the respective budgets – Buffalo City's operating budget of R1,6 billion in 2006/07 is three times that of the district. Similarly, the local's R475 million capital expenditure budget is nearly three times that of the district's R185 million. Personnel wise, Buffalo City has 4 449 employees compared to Amathole's 377. In financing their budgets, Buffalo City derives only 22,4% of its income from grants, while that figure is 78,5% for the district.

The budget and personnel size is not surprising given the fact that the City performs most of the functions listed in Schedules 4B and 5B. These include the functions allocated to the district municipalities in terms of section 84(1) of the Structures Act. The four key service functions of electricity, potable water, sanitation and health are performed by the City. Despite the fact that the City has not formally been given the authority to provide the health function it does so with a personnel of 36, while Amathole services the rest of the district with its complement of 14 staff. In the services that are shared, such as firefighting, local tourism, cemeteries, refuse and roads, the City performs both the local and the district functions. Overall, there is hardly any impact that the district has on the City.

Mangaung

Mangaung is one of the three local municipalities constituting the Motheo District Municipality. With Bloemfontein and Botshabelo as the main urban areas, the population of 645 441 is mainly urban (95%). Mangaung's operating budget is R1,6 billion compared to Motheo's R141 million in 2006/07. At R270 000 Motheo has hardly a capital budget compared to Mangaung's R451 million. As far as staffing is concerned Mangaung has 4 090 employees compared to Motheo's 106. Transfers are the main source of funding for Motheo (65.9%) while for Mangaung they constitute only 13,4% of its revenue.

Mangaung performs most of the functions listed in Schedules 4B and 5B, including the four key district functions of electricity, potable water, sanitation and health. In addition, Mangaung also performs the district's share of the shared functions. Overall, the district is hardly a presence in Mangaung.

The Msunduzi Local Municipality

The Msunduzi Local Municipality is one of seven local municipalities in the UMgungundlovu District Municipality in the KwaZulu-Natal Midlands. It is a largely urban municipality (55% urban households), located at Pietermaritzburg. Its population of 553 223 is nearly 60% of the district's. Its operational budget of R1,5 billion for 2006/07 is 10 times that of the district, while its capital budget of R176 million exceed that of the district's by R50 million. While all the district's income is derived from transfers, that revenue sources constitutes only 8,6% of Msunduzi's income. Msunduzi has 3 004 employees compared to the district's 216. As with Buffalo City and Mangaung, Msunduzi performs most of the functions listed in Schedules 4B and 5B, including the four key district service functions of electricity, potable water, sanitation and health as well as the district's share of the shared functions. Overall, the district has little presence in Msunduzi.

Emfuleni Local Municipality

Emfuleni Local Municipality is one of three local municipalities in the Sedibeng District Municipality in Gauteng. It is 99% urban, spread over a number of locations (Vereniging, Sharpeville, Sebokeng, Evaton and Vanderbijl Park) but without a central city. Its population of 658 421 is 82% of the district's. Its operating budget of R1,49 billion for 2006/07 is nearly 8 times that of the district, while its capital budget of R125 million is more than three times that of the district's. While nearly all the district's income is derived from transfers, that revenue source constitutes only 21% of Emfuleni's income. Emfuleni has 3 449 employees compared to the district's 593. Unlike the other three aspirant metro's, the Sedibeng District Municipality perform limited section 84(1) functions in Emfuleni, including firefighting. The key services of water, sanitation and electricity are performed by Emfuleni.

4.2.2 In the context of existing metropolitan municipalities

While the four municipalities is in a different league from their host districts, they somewhat pale in significance when compared to the big five metro's, as illustrated in table 1.

Table 1: Population, budgets and personnel of nine cities¹³

Urban area	Area sq km 2005	Population 2005 est.	Population density persons/km sq 2005	Population growth 1996-2005	Operating Budget (04/05)	Capital budget (04/05)	Personnel 2005
Johannesburg	1644	3 295 088	2 003	24,86%	R11 935m	1972m	11 744
eThekweni	2 291	3 161 844	1 379	14,93%	R7 279m	2292m	14 958
Cape Town	2 460	2 969 458	1 207	15,83%	R11 325m	R1 515m	23 049
Ekurhuleni	1 923	2 528 303	1 313	24,74%	R7 279m	R1 079m	14 958
Tshwane	2174	2 040 517	938	21,26	R6 757m	R1 224m	14 002
Nelson Mandela Bay	1 958	1 100 320	561	13,46%	R3133m	R556m	6 480
Buffalo City	2 527	765 343	302	12,17%	R1 335m	R326m	4 256
Mangaung	6 283	705 156	112	16,80%	R1 414m	R242m	4 116
Msunduzi	633	565 196	891	8,32%	R1 191m	R187m	3 332
Emfuleni		658 421	-	-	R1 491m	R125m	2 449

At one level it is difficult to place Msunduzi in the same class as Johannesburg. The operating budget of the latter is nearly ten times of that of the former. Much closer to the secondary cities is Nelson Mandela Bay. Indeed the City Report places Nelson Mandela Bay in the same group as Mangaung, Buffalo City, Emfuleni and Msunduzi – all being major urban areas as opposed to the core urban regions comprising of the big five.

4.2.3 Meeting section 2 criteria

Although there are significant differences between the existing six metro's and the secondary cities, the question remains whether the latter group meets the legal requirements of section 2. Moreover, would their declaration as metropolitan areas, meet the strategic objectives of urban government? In assessing their compatibility with the section 2 criteria, the municipalities should be judged on their own merit, not necessarily in comparison with the existing metro's. In table 2 a superficial application of the section 2 criteria to the four municipalities is presented.

Table 2: Section 2 criteria for metropolitan municipalities

	Buffalo City	Mangaung	Msunduzi	Emfuleni
(a) conurbation				
(i) areas of high	Consists of at least	Consists of two	Consists largely of	Consists of four

¹³ Based on statistics provided in *State of Cities Report 2006*.

population density	three distinct areas with high population density: East London, Mdantsane, Bisho / King Williams Town	distinct areas with high population density: Bloemfontein and Botshabelo	one area of population density in Pietermaritzburg. There are outlying areas such as Edendale.	areas of high population density – Evaton, Sebokeng, Vanderbijlpark, Vereniging
(ii) intensive movement of people, goods and services	There is extensive movement people, goods and services between the three areas	A product of apartheid planning, Botshabelo remains a labour reserve for Bloemfontein, resulting in intensive movement of persons to work	As there are no distinct centres, the movement of people and goods take place within the Pietermaritzburg area.	There are two main industrial areas (Vereniging and Vanderbijlpark) with extensive movement of people between residential areas and industrial areas. Probably more movement to Johannesburg and Ekurhuleni to the north
(iii) extensive development	East London has a well established infrastructure, national airport, Bisho is the provincial capital	Bloemfontein has a well established infrastructure, national airport, provincial capital, financial services	Provincial capital with well developed economic infrastructure and educational facilities	Industrial and business areas.
(iv) multiple business districts and industrial areas	At least three business districts – EL, Mdantsane and Bisho	At two industrial areas – Bloemfontein and Botshabelo	Industry and business scattered round the city, from the north to the south and the east.	At two locations – Vereniging and Vanderbijlpark
(b) centre of economic activity with complex and diverse economy	After Nelson Mandela metro, second economic hub of EC, automotive industry with strong public sector	As the provincial political, economic and social capital of the Free State, Bloemfontein has a diverse economy	In addition to being the provincial capital of KZN, it has manufacturing and retail sectors	The two centers of economic activity, provide some diversity in economic activity
(c) single area for which integrated development planning is desirable	Demarcation as a local municipality indicative of need for single IDP	Demarcation as a local municipality indicative of need for single IDP	Demarcation as a local municipality indicative of need for single IDP	Demarcation as a local municipality indicative of need for single IDP
(d) strong interdependent social and economic linkages between its constituent units	Product of previous requirements	Product of previous requirements	Product of previous requirements	Product of previous requirements
Meeting criteria	All	All	Most	Most

It is arguable that the four municipalities could qualify for metropolitan status. They are all well in excess of half a million people with municipal budgets in excess of R1,5 billion. Buffalo City and Mangaung are the strongest cases with regard to multiple economic centres. While Msunduzi is constituted principally of the city of Pietermaritzburg (a different demarcation could easily have included Howick in the municipality), Emfuleni lacks a central city (but so does Ekurhuleni).

4.2.4 Re-categorisation and redemarcation

It is the task of the MDB to determine the category of municipality that a particular area must have as well as its outer boundaries. The MDB should thus seriously consider redetermining the category of the four aspirant metro's. Any changes should be effected as from the next municipal election held in 2011.

The criteria set for the outer boundaries for both local and metropolitan municipalities are the same. Section 25 of the Municipal Demarcation Act of 1998 lists the factors to consider including "the need for cohesive, integrated and unfragmented areas, including metropolitan areas".¹⁴ In demarcating the aspirant metro's the integration and functionality of the community have already been taken into account. A change of category would thus not require a change to the outer boundaries of the affected municipalities.

The declaration of new metropolitan municipalities would inevitably lead to the reconfiguration of the district municipalities of which they are current a constituent part. In the case of Buffalo City and Msunduzi, the remaining local municipalities would be sufficient to continue as viable districts. However, the removal of Mangaung and Emfuleni would reduce their district municipalities to merely two local municipalities. The disestablishment of Motheo and Sedibeng and the incorporation of the remaining local municipalities would have to be considered.

An objection to removing these local municipalities from the districts would be the loss of district-wide planning. While the removal of, say, Mangaung from Motheo District municipality could jeopardize coordinated development in the district, the same problem is perhaps even equally acute when the relationship between the metro's and their immediate hinterland is considered. For example, Nelson Mandela Bay-Cacadu relations are critical to the development of that part of the Eastern Cape. Likewise, in the Western Cape, the Cape Town development plans affect the neighbouring municipalities of Stellenbosch, Drakenstein and Swartland. However, to effect such coordination does not necessarily require an overarching district municipality. At a formal level, coordination could be done through inter-municipal forums or the Premier's Intergovernmental Forum. A similar approach should apply to the secondary cities. In Mangaung, for example, it would be as important to have co-operative intergovernmental relations with neighbouring municipalities to the north and south of Bloemfontein in addition to the local municipalities located to the west.

¹⁴ S 24(b) Demarcation Act.

4.3 Other urban areas

Given the fact four secondary cities may only scrape through the tough test of meeting the metropolitan criteria, it is doubtful whether any other local municipalities will make the grade. The urban municipalities that are next in line are qualitative much smaller in population and budgets and do not have a complex and diverse economy spread over multiple centres. The remaining 27 of the type 4 municipalities according to the MDB's classification, are, however, very distinct from the other local municipalities. Type 4 municipalities, characterized as major urban areas, have on average operating budgets in excess of R500 million. They dwarf "type 1" municipalities (mostly in traditional authority areas with no established towns, with an average R51 million budget), "type 2" municipalities (mostly in the old TBVC states with one or more towns, an average budget of R71 million) and "type 3" municipalities (located outside the old TBVC states with one or more towns, an average budget of R89 million).¹⁵ More important perhaps is the fact that the large urban areas collect the larger part of their income while types 1 and 2 municipalities are almost entirely dependent on transfers.¹⁶ The type 4 municipalities also perform most (90%) of the most important functions (so-called priority 1 functions). In addition they mostly perform the district functions as well: 84% the municipal health function and 78% the water and sanitation functions.¹⁷

4.3.1 Major urban areas

In table 3 the next group of nine large urban local municipalities is compared with the four secondary cities. They include municipalities with populations in excess of 250 000, such as Polokwane, Mbombela (Nelspruit), Rustenburg, and Mogale City (Krugersdorp). Smaller but economic vibrant centres such as Umhlathuze (Richards Bay), Steve Tshwete (Middelburg) and George are also included. The MDB list of type 4 municipalities includes 31 urban centres.¹⁸

Table 3: Selected urban areas and key indicators

Municipality	Area sq km	Population	% pop. urban	GVA	Operating Budget 2006/07	Capital budget ('000 000)	Personnel 2006	% own income	Providing priority
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¹⁵ MDB 2007: 26 table 9.

¹⁶ MDB 2007: 27.

¹⁷ MDB 2007: 78, table 65.

¹⁸ These are Buffalo city municipality, King Sabata Dalindyebo Municipality, Mangaung Municipality, Matjhabeng Municipality, Maluti a Phofung Municipality, Moqhaka Municipality, Mestimaholo municipality, Emfuleni Municipality, Mogale City Municipality, The Msunduzi Municipality, Emnambithi-Ladysmith Municipality, Newcastle Municipality, uMhlathuze Municipality, The KwaDukuza Municipality, Polokwane Municipality, Highveld East Municipality, Emalahleni Municipality, Middelburg Municipality, Mbombela Municipality, Sol Plaatje Municipality, Municipality of Madibeng, Rustenburg Municipality, Mafikeng Municipality, Potchefstroom Municipality, City Council of Klerksdorp, Merafong city Municipality, Drakenstein Municipality, Stellenbosch Municipality, George Municipality, Plettenberg Bay Municipality, Knysna Municipality

					(‘000 000)				function s
Buffalo City	25727	765 343	??	R14 bn	R1 600 m	R475 m	4449	77,6%	All
Mangaung	6283	705 156	95%	R26 bn	R1 600 m	R451 m	4090	86,6%	All
Msunduzi	633	565 196	55%	R 9 bn	R1 500 m	R176 m	3004	91,4%	All
Emfuleni		658 421	???	R15 bn	R1 500 m	R125 m	3449	79%	All
Mbombela	3411	474 806	31%	R 6 bn	R 587 m	R144 m	1339	76%	All
Polokwane	3765	508 277	37%	-	R 815 m	R375 m	1385	67%	All
Rustenburg	3423	395 540	46%	R 8 bn	R 983 m	R322 m	1442	90%	All
Mogale City	1099	289 724	84%	R 6 bn	R 682 m	R 82 m	1778	85%	All
Umthaluze (Richards Bay)	793.1	289 190	38%	R 6 bn	R 772 m	R448 m	1672	72%	All
Emalahleni (Witbank)	2677	276 413	90%	R 6 bn	R 673 m	R127 m	1264	78%	All
Sol Plaatjie (Kimberly)	1877	201 464	98%	R 4 bn	R 547 m	R 31 m	1565	90%	All
Steve Tshwete (Middleburg)	3976	142 772	78%	R 7 bn	R 349 m	R 144 m	1008	89%	All
George	1071	135 409	92%	-	R 510 m	R 229 m	937	91%	All

Source: MDB *Capacity Assessment District Reports 2006/07*

Since the legal definition of a “metropolitan area” would exclude most if not all of these secondary cities, it is not possible to create new metropolitan municipalities beyond the four likely candidates. The question remains whether they should continue to be nominally part of districts or be transformed as single tier municipalities. It is contended that they, like metro’s, should be stand-alone urban municipalities, unencumbered by the complexities of the two-tier district system to meet the challenges of urbanisation. This begs two questions: (a) what criteria are to be applied; and (b) should a distinction then be drawn between metropolitan and urban municipalities?

4.3.2 Defining urban municipalities

The definition proposed for an urban area is a scaled-down version of a metropolitan area. The difference is that references to multiple areas - be they industrial, business or residential – and the intense interaction between them that make up a metropolitan area, are omitted. A possible legal definition could read as follows:

- “An area must may have a single category A municipality if that area can reasonably be regarded as –
- (a) an urban area featuring:
 - (i) A high population density;
 - (ii) Extensive development; and
 - (iii) Significant business and industrial areas;
 - (b) a centre of economic activity; and
 - (c) a single area for which integrated development planning is desirable for the management of urbanisation.”

The key elements are, first, high population density which has two components – the absolute size of the population and the level of urban households. No figures should be set down but a rule of thumb could be urban settlements in excess of 250 000 inhabitants. The second element of “extensive development” may require closer circumscription to refer to a hub of social, educational and financial activities. The third and fourth elements reflect the economic basis for the urban settlement. This is a critical element as it usually signifies whether there is a sizeable tax base. The final element is a qualitative one; the very object of a single tier urban municipality is the planning for and implementation of an urbanization policy.

Given this broad definition of an urban area, any metropolitan area would per definition fall within its ambit. Should, however, a distinction be maintained between the secondary cities and the large metro’s? Are there any policy grounds for making the distinction? It is apparent from the comparisons in tables 1 and 3 that there are substantial differences between the current metro’s and other major urban areas with regard to population size, budgets, personnel and overall capacity. The metro’s operate at an entirely different level than the secondary cities. Johannesburg’s budget is about twenty times the average of the type 4 local municipalities. Size becomes relevant if further devolution of powers to single tier municipalities is considered. Metro’s would have the capacity to take on more responsibilities from provincial and national government and raise funding for large projects. Because of the importance of the metro’s to the economic wellbeing of the nation, their participation in national intergovernmental fora may also be advisable. It is thus suggested that the current nomenclature of “metropolitan areas” be retained alongside the new category A institution of an urban municipality.

4.3.3 Application of definition

The broad definition, underscored by the policy object of managing urbanization effectively, should be brought to bear on the 27 municipalities the MDB has categorised as large urban centres. Not all of them may qualify. Critical would be the development of clear policy indicators that can identify those urban areas that would do better without district governance. In the end the call is whether single tier governance would be better for the discharging of the developmental mandate of local government in urban areas. Should the preferred choice be a single tier municipality, it would in most instances simply be a case of confirming the status quo as in most instances, districts do not play much of role in these urban areas.

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