

Forum of Federations

700-325 Dalhousie Street
Ottawa, Ontario K1N 7G2 Canada
Tel.: (613) 244-3360 Fax: (613) 244-3372
www.forumfed.org
Email: forum@forumfed.org

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www.forumfed.org
Courrier électronique : forum@forumfed.org

The emerging role of metropolitan cities in federations**Professor Nico Steytler**

Community Law Centre
University of the Western Cape
City of Cape Town
Western Cape
South Africa
nsteytler@uwc.ac.za

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Summary

City-regions or large metropolitan cities are a rapidly growing phenomenon in developing countries. They are also seen as a key mechanism to the development and growth trajectories of those countries, particularly in the age of globalisation. However, metropolitan governments are often not geared towards and enabled to perform this function due to political and structural constraints. These issues are also germane to metropolitan cities located in federations. The challenge facing federations is to adapt their legal/constitutional architecture and practice of intergovernmental relations to ensure that metropolitan cities can play their developmental role. The principles and practices of federalism are uniquely suited to accommodate the emerging role of metropolitan cities.

1. METROPOLITAN CITIES IN 21st CENTURY

Large city-regions, hereinafter referred to as metropolitan cities, will be an increasing phenomenon of the 21st century. It is projected that in the next decade the majority of the world's 8 billion people will live in cities and by 2025 85% of the urban population will be in developing countries. Today there are 365 cities with a population over a million people. In 20 years' time that figure will have risen to 500. The 13 mega-cities of today (that is with a population of over 10 million) will increase in the next 15 years to 26 and of these 22 will be in developing

countries, 18 of them in Asia.¹ In this paper metropolitan cities refer to large conurbations in excess of a million people that are socially and economically integrated although not necessarily legally recognized as a single political entity.

Metropolitan cities confront the future with a Janus face; on the one side they contain the best-educated and highly skilled persons who can benefit from globalisation, while on the other they are home to the poor who are uneducated and unskilled for the future. In developing countries, the metropolitan cities increasingly consist of city centres of business activity, surrounded by vast slums of poverty, a process that has been described as the “metropolitanisation of poverty”.² Along with the developed world's cities, the urban areas are also the major contributors to environmental damage - from global warming to pollution.

Metropolitan cities as engines of development

Given the metropolitan cities' significance with regard to both the large number people they house and extent of economic activity that takes place within their areas, they are posited as the locus and mechanism where solutions to the problems of poverty in the 21st century are to be forged. James D Wolfensohn, President of the World Bank has argued that at a global level, the Bank is discovering that to deal with issues of poverty and development, there is no sense of having top-down approach. Making a decision at the federal level about what is going to happen in cities, does not work.³ To deal with urban poverty cities themselves must be the primary agents of development.

International development agencies and the donor community are increasingly advancing the position that decentralisation can be beneficial for development. Although much of the decentralisation in the past decade, the World Bank notes, has been motivated by political concerns, it may be a case "where good politics and good economics serve the same end. The political objectives of increased responsiveness and participation at the local level can coincide with the economic objective of better decisions about the use of public resources and increased willingness to pay for local services."⁴ The Bank is thus increasing its investment in cities. With regard to poverty alleviation, Wolfensohn's message is thus: "a parcelling out of funds with accountability and transparency [to local authorities] is the best way to get distributive management to the people."⁵

¹ World Bank 2001.

² Rezende 1999.

³ Wolfensohn 2000.

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<<http://www.worldbank.org/publicsector/decentralization/rationale.htm>>.

⁵ Wolfensohn 2000.

The World Bank also depicts cities as the engines of growth and thus key to the well-being of their countries. They are increasingly seen to be playing a leadership role not only in local economic development but also in their national economies. They create the door through which investors come to see whether they are going to invest in that country.⁶

The age of rapid globalisation has not undercut the role of cities. Contrary to predictions, globalisation has not led to the dispersal of resources and economic activity through the new telecommunication networks that make territorial space irrelevant. Metropolitan areas have remained the nodal points of economic growth. While national borders matter less and less in the rapid movement of investment capital, the urban locations for the new information-based economy are increasingly important. Cities are selected that allow commercial firms and markets to maximise the benefits of its telecommunications networks through the expertise and social connectivity that such cities provide.⁷ This phenomenon Sassen aptly describes as "transnational space anchored in cities".⁸ The result has been the concentration of financial resources in a few cities – called world cities - at the expense of others. In the United States New York City is the home of all the leading investment banks with Chicago the only other major international financial centre.⁹ In Germany Frankfurt's share of the financial market has increased in relation to other cities and in Switzerland Zurich has outstripped Basel and Geneva. In Australia Sydney has become the financial centre at the expense of Melbourne. The same occurred in Canada where Toronto has eclipsed Montreal. In the developing countries the same trend is discernable. Sao Paulo is the financial centre at the expense of Rio de Janeiro and in India Mumbai has done the same to New Delhi and Calcutta.

Structural constraints

Despite their growing significance, metropolitan cities are often not geared or equipped to play a leadership role in poverty alleviation and economic development. They often lack the necessary structure, powers and resources. Few metropolitan cities are organised as such; the political boundaries of local authorities are usually not coterminous with the functional and economic structure of a metropolitan area.¹⁰ The metropolitan areas of Sao Paulo and Rio de Janeiro are

⁶ Wolfensohn 2000.

⁷ Sassen 2000, 193.

⁸ Sassen 2000, 195.

⁹ Sassen 2000, 191.

¹⁰ Cameron 1998, 19.

cases in point. The metropolitan area of Rio de Janeiro comprises of 17 municipalities, while the Sao Paulo conurbation is cut into 38 local authorities.¹¹ Such divisions prove to be artificial. Although the poor live on the periphery of the central municipality that includes the central business district, they demand jobs and services in the centre. The municipalities housing the poor lack the financial means to provide the necessary services, and the central municipality is reluctant to compensate for their poor neighbours' deficiencies.

The need for the proper integration and coordination of any large metropolitan area is obvious. In the City of Toronto's recent report, *Toronto at the Cross Roads*, this view is expressed as follows: "The Greater Toronto Area is one large social and economic region. The fate of the city and the fate of the region are interdependent. The advantages that benefit one, benefit the other. The problems that beset one, beset the other. The Toronto Plan must be smart. It must be a cornerstone of a smart strategy for the entire Greater Toronto area."¹²

Insufficient powers, particularly taxing powers, hamstrung metropolitan governments for the task at hand. They are usually treated no different from any other municipality, regardless of their size or the function that they must perform.¹³

Perhaps the biggest constraint on metropolitan cities is that national and state governments do not yet share the view that these cities are key to national development and prosperity. This is not surprising seeing that the World Bank itself is only a recent convert to the view that cities matter. Wolfensohn confesses that five years ago he did not visit city councils and mayors. Now he does. At the World Congress on Competitive Cities he thus urged city politicians "to convince centralised government that a responsible city management can be a key to national development."¹⁴

2. DYNAMICS OF METROPOLITAN CITIES IN FEDERATIONS

Where metropolitan cities are located in federations, the federal dimension - the dispersal of state powers between different levels of government - generates its own dynamics. Because of their

¹¹ Rezende 1999.

¹² Toronto Plan 2000.

¹³ Rezende 1999.

¹⁴ Wolfensohn 2000.

size metropolitan cities inevitably compete with state or provincial governments for resources and power and have extensive linkages with their national governments. In the age of globalisation, the cities have also become actors in their own right in the global economy.

Competing with states or provinces

The emergence of metropolitan cities impacts on the position and status of the state or province in which they are located. As Gibbens notes: "many if not most states and provinces pale into economic, social and cultural power beside such cities as Sydney, Los Angeles, New York and Toronto."¹⁵ This is well illustrated by the last three Olympics: the world knew about Barcelona, but not that it was in Catalonia; of Atlanta, but not of Georgia, of Sydney, but not of New South Wales. These cities projected themselves as vibrant entities, places where things happen, places where people should be, not only for watching sport, but to do business and to invest in.

The urban agglomerations in many federations are massive and are increasing at a rapid rate in developing countries, be they India, South Africa, Nigeria, Argentina, Brazil, or Mexico. With large concentrations of people and economic activity the metropolitan areas inevitably compete with the provincial or state governments for resources and power. For example, in Brazil, the city-regions of Rio de Janeiro generates 85% of the state of Rio de Janeiro's economic output and with a population 13,2 million people is home to 76% of the state's population. The Sao Paulo area accounts for 53% of the state's economy and with its 16,5 million people has 49% of the state's population. The same scenario is to be found in South Africa where, for example, the new city of Cape Town contains 75% of the province of the Western Cape's four million inhabitants. Moreover, the city's budget rivals that of the province and, more importantly, whereas the Western Cape gets the bulk of its funding from intergovernmental transfers, the city raises most of its own resources. The stage is thus set for a contest between the mayor and the provincial premier over resources, influence and power.

Increased linkages with national government

The importance of metropolitan cities is also evidenced in their increased linkages with their national government, a relationship that subverts the standard federal model that places local government under the control of state and provincial governments to the exclusion of the national government. These linkages, mostly financial, are born out of necessity. With metropolitan areas home to growing concentrations of poverty, national developmental projects and social services must per force focus on these areas and national programme implementation is often channelled through metropolitan governments by means of block grants, subsidies or delegated powers.¹⁶ While this has been the case in Australia and the United States, direct national allocation to municipalities is rare in Canada.¹⁷

¹⁵ Gibbens 1999.

¹⁶ Gibbens 1999.

¹⁷ Gibbens 1999.

Because of the magnitude of the problems metropolitan cities face, financial assistance with infrastructural projects will often be beyond the capacity of provincial or state budgets. National governments and international financial institutions are the only institutions that can provide assistance. In South Africa, for example, the province of Gauteng owes the city of Johannesburg a constitutional duty of support. However, when the city required a major grant for its restructuring process, it had to approach the national treasury because the province could simply not entertain a request of that magnitude.

The net result is extensive intergovernmental fiscal relations between the national government and local authorities, leaving the provinces and states out of the picture. Through the flow of money, close linkages are thus forged between the two levels of government, usually outside any legal or constitutional framework.

Participants in the global economy

It has been argued that with the stiff competition for the highly mobile international investment capital, world cities are "marketing themselves with less and less reference to the national or state provincial locations."¹⁸ This suggests that cities have become less dependent on their national governments for reaping the benefits of a global economy. Likewise, there is a realisation that national governments will not necessarily be able to mediate the adverse effects of globalisation notably increased inequality and poverty. The result is that cities are engaging actively with these issues; they shape their domestic policy to cope with the dangers of growing poverty, inequality and marginalisation as well as to utilize the opportunities that globalisation may hold.

While cities in the developed countries have travelled far down the road of becoming globally competitive, cities in the developing world are slowly coming to the realisation that they, too, should grapple with the issue of globalisation.¹⁹ The metropolitan council of Cape Town, for example, adopted a strategy, as a title of its policy document suggests, *Going Global, Working Local: A Strategy for [Cape Metropolitan Area] Co-operation to Reduce Poverty and Build Global Competitiveness in the 21st Century*.²⁰ The city's dilemma is familiar to many developing countries: in the era of globalisation a knowledge-based economy is seen as the primary engine of economic growth, but it also increases inequality between the skilled and the unskilled. The challenge for the metropolitan council is thus to make Cape Town a globally competitive city and, at the same time, reduce levels of poverty. This policy is premised on the realisation that the future of the country depends on South African cities becoming globally competitive. In order to fulfil this role, the city would have to move beyond the current emphasis on service provision, to one of facilitating development and providing civic leadership in the race to become globally competitive and to reduce poverty.

¹⁸ Gibbens 1999.

¹⁹ See Steytler 2000.

²⁰ Cape Metropolitan Council 1999.

3. ACCOMMODATION OF METROPOLITAN CITIES IN FEDERATIONS

The dynamics that metropolitan cities generate in federal systems have emphasized the lack of fit between their emerging role and the constitutional and legal space in which they are expected to operate. While these cities are recognised globally, they are often neglected domestically. Commensurate to their importance, they are neither adequately accommodated in the legal framework nor included in the system of intergovernmental relations. As globalisation will enhance the pivotal role of cities also in federal states,²¹ the difficulties flowing from this lack of fit will be exacerbated.

The importance of metropolitan cities in the well-being of the nation, is usually not reflected in the legal framework within which they must operate. This situation flows from the subservient place and status of local government in federal systems.

The recognition of local government in federal constitutions vary considerably. In the old federations of the United States, Canada and Australia, local government was granted no entrenched powers; they fall under the competence of state or provincial government. As there was no mention of local government in the US Constitution, this level government fell within the residual powers of the states. The Canadian Constitution of 1867 merely mentioned local government as a competence of the provinces. In the Australian Constitution of 1901 there was also no reference to local government and it thus fell under the jurisdiction of the states.

²¹ Gibbens 1999.

In more recent federal constitutions greater recognition of local government is to be found. The Germany Constitution of 1949 guaranteed municipalities "the right to manage all the affairs of the local community on their own responsibility within the limits set by law."²² A similar status is also given to local government in some Lander constitutions.²³ In India the 73rd and 74th amendment acts to the Constitution, adopted in 1992 and 1993 respectively, have given constitutional recognition to a third level of government. State governments are now required to constitute local government (panchayats) with certain entrenched powers.²⁴ The South African Constitution of 1996 established local government as a sphere of government along side the national and provincial governments and gave it certain limited but entrenched competences. The Swiss constitution of 1999 has also given specific recognition to municipalities.

In the majority of federations local government still falls under the jurisdiction of the states or provinces. As creatures of state and provincial statutes there is often inadequate recognition of the differences between metropolitan cities and other municipalities. In a uniform structure either smaller municipalities cannot cope with the responsibilities given to all municipalities, or the metropolitan cities are hamstrung by the limitations pertaining to all. The lack of appropriate powers for metropolitan cities is probably influenced by the reluctance of state and provincial legislature to create strong (and thus competing) political structures.

Flowing from the lack of accommodation of local government in formal constitutional structures, is their absence in national decision making processes; they are seldom represented in intergovernmental structures both at the legislative and executive levels. There are a few exceptions. In South Africa, organised local government is allowed to participate but not vote in the National Council of Provinces, the second chamber of Parliament comprising of provincial delegations. In Australia, local government have been formally included in 1992 in the Council of Australian Governments to improve collaboration on economic development policies.²⁵

Although world cities are becoming actors in their own right in the global economy, they are still located in their national foreign policy frameworks. However, they are not usually part of the national deliberations on foreign economic policy. But as the national framework impinges on their activities and potentialities, they have an increasing interest in the formulation and implementation of that policy. For example, commitments made by a national government to the World Trade Organisation (WTO) could adversely affect the economy of a metropolitan city. For example, in South Africa the automotive and garment industries are concentrated in three metropolitan areas. Sudden and drastic trade liberalization in these areas could have a devastating effect on those industries as well as the social and economic well-being of the metropolitan areas in which they are located. Metropolitan governments have therefore a direct

²² Article 28(2).

²³ Eg, Schleswig-Holstein art 46 (Communal self-administration); Mecklenburg-Vorpommern art 72 (Local self-administration).

²⁴ See Pervez 2001; Basu 1994, 1323.

²⁵ Watts 1999, 70.

interest to be included in the national decision making processes when they deal with foreign relations impacting on local interests.

The lack of fit between the reality of metropolitan cities and the legal and political structure in which they must operate could impact adversely on the functioning of federal systems. Gibbens argues that "[t]he continued neglect of this reality in the institutional design of federal states threatens the normative appeal of federalism as a system of government, the legitimacy and relevance of federal institutions and the efficiency of federal public policy practice."²⁶ How, then, should the new reality of metropolitan cities be incorporated in federal structures?

4. TOWARDS MULTI-LEVEL FEDERATIONS

Metropolitan cities have established themselves as an important level government and must be recognised as such. This calls, first, for the appropriate constitutional/legal architecture to accommodate this level of government. The architecture should deal at least with the following aspects:

- The metropolitan city must be defined as such – a single organism that requires a unified approach to coordination and planning. Very often, large agglomerations of people are divided in numerous small municipalities, strung around a central business district. Such arrangements often result in disjointed efforts to tackle common problems. Individual municipalities do not always have the capacity to deal with urban problems of poverty in a meaningful way. This is not to say that there should be a single political authority and one massive bureaucracy for every metropolitan area. The delegation of powers to subunits could be important device to bridge the distance between the metropolitan authority and the electorate. However, there will always be a tension between accessible democratic structures and effective management.²⁷ But the functional integrity of a metropolitan city should be recognized and catered for.
- The legal regime dealing with municipalities cannot be uniform for all types of municipalities; the regime must be appropriate for metropolitan cities that enables them to discharge their developmental role.
- As engines of growth and prosperity for the nation, metropolitan cities should have the requisite powers to be globally competitive. At the same time there should be adequate supervisory machinery to ensure that cities through mismanagement do not prejudice the national economy.
- The constitutional status of local government in general and cities in particular should

²⁶ Gibbens 1999.

²⁷ Cameron 1998.

preferably be recognized. As competition between cities and provinces and states is inevitable, their respective functions should carefully be delineated.

Second, in the shadow of the constitutional/legal regime, metropolitan cities should also be accorded an appropriate place in the system of intergovernmental relations. Where cities become vital players in international trade, environmental protection and social policy implementation, they should be part of the national deliberations on these matters.

Third, metropolitan cities' engagement with the international community should be both fostered and regulated. Since neither the national nor state/provincial governments can fully mediate the effects of globalisation, metropolitan cities must be enabled to participate in their own right in the global economy. While there is increasing evidence of cities directly entering the international arena, the co-ordination of national policy remains an important imperative. The appropriate parameters for their international participation should thus be defined.

5. CONCLUSION

In the era where metropolitan cities matter in the life nations as engines of economic growth and development, they need to be accommodated in state structures and be enabled for the task at hand. Countries with federal dispensations, it is argued, may be well placed to effect this new configuration.

First, the very essence of federal states is the dispersal of powers between multi-level governments, combining shared ruled with self-rule. A new level of government - the municipality – should be grafted onto the old and state power further dispersed. Within this third level of government, the special place of metropolitan cities must be recognized falling between ordinary municipalities and state and provincial governments.

Second, the practice of federalism is the accommodation and coordination of diverse interests through dynamic processes of intergovernmental relations. An inclusive approach to intergovernmental relations would readily encompass metropolitan cities and the interests they articulate.

Despite the enabling philosophy and practice that federalism provides, the recognition and accommodation of local government and metropolitan cities in particular may, nevertheless, meet resistance from provinces and states fearing competition from a new rival. However, federal systems will have to reflect the reality of the new set of power relations that metropolitan cities are constructing. The failure to do so may undermine the vibrancy and capacity of federal systems to meet the challenges of the 21st century.

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