



**mdb**  
municipal demarcation board

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**MUNICIPAL DEMARCATION BOARD SEMINAR REPORT:  
CATEGORISATION OF MUNICIPALITIES INTO METROPOLITAN  
(METROS) MUNICIPALITIES**

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## 1. BACKGROUND

This report details the outcomes from the Municipal Demarcation Board (MDB) seminar on “Categorisation of Municipalities into Metropolitan (Metros) Municipalities”, conducted in partnership with the Human Sciences Research Council (HSRC) and South African Cities Network (SACN) at Human Sciences Research Council’s Office, Pretoria on 17 October 2017.

The key issues addressed during the seminar covered aspects of the process of Categorisation of Metropolitan municipalities. This is one of the core functions of the MDB. Recent experience indicates that the MDB is now saddled with requests for the establishment of additional metropolitan municipalities. This has resulted in criticisms levelled against the MDB that the MDB is categorising metropolitan areas with large rural component in contrast with provisions of the Municipal Structures Act’s (MSA) section 2 criteria and completely different from what policy makers envisaged early in the White Paper on local government. Added to this, has been ongoing calls and debates for a differentiated approach to the categorisation process.

Furthermore, the MDB strategic research goal is to activate the implementation of advisory service functions and to establish a research and knowledge management capability to improve the service delivery capacity of the institution. Thus, hosting of the research seminars has been identified as one of the platforms towards the realisation of this goal. As a result, this was a first seminar planned for 2017/2018 Financial Year. The second one is planned for March 2018 on a different subject. These seminars are to be used as follow up sessions to the 2016 MDB conference, to provide further knowledge on the topical issues related to municipal demarcation processes as well as opportunity for further deliberations on these issues.

The seminar was attended by 15 representatives from the MDB, eight from HSRC, one from SACN, two from Cooperative Governance and Traditional Affairs (COGTA), two from South African Local Government Association (SALGA), one from Urban-Econ, Development Economist, one from Financial

and Fiscal Commission (FFC), one from National Department of Social Development (NDSD), one from Gauteng City Region Observatory (GCRO), two from Statistics South Africa (StatsSA), one from Department of Women, one from North West University (NWU) Vaal Campus and one from South African Police Service (SAPS). Also attending were Service Providers in the MDB space that is one from City Insight and one from BC Geldenhuys & Associates (Refer to **Appendix A**).

## **2. OBJECTIVES OF THE SEMINAR**

- 2.1. To share information and knowledge on categorisation and demarcation processes.
- 2.2. To bring together the practitioners, think tanks, academics and policy makers on categorisation of municipalities.
- 2.3. To pave way for new thinking around categorisation and demarcation processes.
- 2.4. To allow dialogues with individuals from different professional or research backgrounds around demarcation processes.
- 2.5. To create sound networks for future research work on demarcations.
- 2.6. To provide the MDB reflections on the previous categorisation to stakeholders.

## **3. SEMINAR PROCEEDINGS**

The seminar took place in one day, which is from 12h30 – 15h30 and had only one session chaired by Professor M. Kanyane, Director of Democracy, Governance and Service Delivery (DGSD) Research Programme at HSRC. The session involved a mix of presentations, plenary discussion, and concluded with questions and discussions from the participants to consolidate the key aspects of Categorisation of Metros as outlined in the introduction. More information on the advert of the seminar can be seen from the Seminar Poster attached as **Appendix B** and the Seminar Programme as **Appendix C**.



Delegates of the seminar included eminent experts

More specifically, the focus of the session in more detail was as follows:

- Setting the scene for seminal discussion on the MDB processes with reference to categorisation of municipalities into metropolitan municipalities, and afterwards the following three presentations were made:
  - a) The first presentation was made via the skype by Ms S. Wiggins, Board Member, on “Reflection on the outputs from the MDB Conference 2016: Categorisation of Metropolitan”. This presentation evolved around Theme 5 of the MDB 2016 Conference, which dealt with the Metropolitan system of governance and the issues and challenges around that system. The key emerging issues from the presentation were the role that metros play in the national economy, the powers and functions with respect to capable metros and co-operative governance as well as softer issues, such as, co-operative governance, social cohesion, job creation and improvement of urban conditions which needs to be recognised and supported when considering metros. These were the issues which came from the two presentations that

were made during the 2016 MDB conference, that is, the first one by Andrew Boraine, CEO of Western Cape Economic Development on “Inclusive city growth: Why governance and collaborative leadership matter”, and the second one by Prof Ivan Turok of HSRC on “Getting Cities to Work”. Further information on this presentation is given on **Appendix D**.

b) The second presentation was on “The Development of a Revised Methodology on Categorisation of Metropolitan Municipalities” by Mr L. Calitz of Urban-Econ, Development Economist<sup>1</sup>. The Urban-Econ, Development Economist is a consulting company that was hired by the MDB to develop a new approach on categorisation of metros. Several issues emerged out of the presentation, which were firstly the concept of Metropolitan, that is, *what really constitutes a Metropolitan?* However, it became apparent from the presentation that a Metropolitan is “...large urban settlements with high population densities, complex and diversified economies, and a high degree of functional integration across a larger geographic area than the normal jurisdiction of a municipality”. Secondly, the focus was also on Legislative Framework upon which the work of the MDB on categorisation of municipalities resides. In this regard, specific reference was made to:

- i. Section 155 of the Constitution of South Africa (1996) on the establishment three categories of municipalities, that is, Category A, B and C;
- ii. Section 2 of the Municipal Structures Act of 1998;
- iii. Section 24 and 25 of the Municipal Demarcation Act of 1998.

Thirdly, the other issue covered in the presentation was on indicators to consider when categorising the municipalities into Category A, such as good governance, capacity to deliver basic services and institutional capacity; and finally results showing how financial and governance indicators, spatial indicators, economic indicators and socio-demographic

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<sup>1</sup> The report had no official status as the MDB had not considered nor adopted it. Therefore, the contents of the presentation was for discussion purposes only and did not constitute a product of the MDB.

indicators have been applied to South African cities to demonstrate whether or not they met the criteria of being categorised as metros. The report indicated that a model was developed to show on how the indicators can be applied during the categorisation process. In order to test the veracity of the proposed model Urban-Econ applied the model on the existing metropolitan municipalities and several other municipalities in the country. Further information on this presentation is given on **Appendix E**.

- c) The third and final presentation by Ms J. Thupana, Chairperson of the Board, was on “MDB’s reflection on Mergers and consolidations as a solution to municipal viability”. The key issues in her presentation were:
- i. Universal objectives behind mergers.
  - ii. Assumptions often made about mergers and consolidations.
  - iii. A selection of international case studies on mergers and consolidations, namely, Japan, Sweden, Norway, Germany, Canada, Denmark, Israel, Netherlands and India.
  - iv. Process challenges globally of mergers and consolidations.
  - v. Political transactional costs associated with mergers and consolidations.
  - vi. A selection of metro cases in South Africa since 1994, that is, City of Tshwane, Mangaung and Buffalo City; and consolidations vs democratic governance.

Some of the key issues raised in conclusion of the presentation were that municipal mergers and consolidations are inevitable, but not always a solution for viability and sustainability. Mergers should be informed by goals other than financial viability. Mergers require prior advocacy by government and support by those directly affected. Benefits of mergers are case specific, and that there is a need for other constitutionally designed vehicles to be utilised to make municipalities viable. Additional information on other key issues mentioned in this presentation is given in **Appendix F** of this report.



Delegates participating in discussion

#### **4. KEY EMERGING ISSUES**

As discussed above, the key aspects of Categorisation of Metros were addressed during the seminar, and during the deliberations the following were the key emerging issues:

- a) The metros play a very important role in national economy, thus cities should be seen as drivers of economy of local government.
- b) Responsiveness of frameworks and budgets to socio-economic growth and sustainability is critical when categorising the metros.
- c) Private and public partnerships and coalitions are required for cities to be competitive and successful.
- d) Municipal powers and functions need to be reviewed on a periodic basis.
- e) Metropolitan systems of governance vis-a-vis secondary cities require rethinking.
- f) Categorisation must be supported by rational thinking and research.



- g) Some mergers are not yielding the desired results, thus swallowed municipalities sometimes become burdensome to the absorbing municipalities.
- h) Mergers of cities should be done for socio-economic reasons.
- i) There is over reliance on finance or financial viability as a determining factor for categorisation.
- j) Not every city has a potential to be categorised as a metro.

## 5. WORKSHOP OUTCOMES

As discussed above, the key aspects of Categorisation of Metros were addressed during the seminar.

5.1. The **major outcomes** of the seminar are as follows:

- a) The categorisation of municipalities should not just be a rushed process.
- b) The purpose/intent of differentiating/demarcating or categorising metros as well as the rationale should be clear and the criteria should also be transparent, meaningful and realistic about the size of South African cities.
- c) It is critical to de-emphasise the financial viability of local government as the key factor in categorisation, but rather to consider social viability and development of metros and of those factors outside the metro space.
- d) Planning for the future requires the need to manage the space well, thus, when determining the fiscal system the plan should be to support secondary cities in order to get them into the 'league of Metros', because they have a particular role to play in the economy.

- e) To ensure that categorisation of municipalities meets its constitutional obligations.
- f) When talking about categorisation of metros in South Africa, there is a need to address real issues, such as, civil protests and limited resources within South African local government system by focusing on building capabilities, such as financial and governance geared towards addressing unemployment, infrastructure failures, rising poverty and inequalities.
- g) In order to strengthen the functions and capabilities of municipalities, there is a need to address dysfunctions between three spheres of South African governments. For example, it was envisioned that the South African local government system can function effectively only if the relations between the three spheres of governments are improved.
- h) To interpret the legislation, that is, the MDA correctly when categorising municipalities.
- i) The MDB should learn from the best international practices when categorising municipalities. For example, the Board should adopt deductive thinking that structural frameworks would solve functional problems, such as, transportation problems.
- j) There is a need to re-define the terminology used in urban development space in South Africa because the ambiguity affects the categorisation of process, e.g., Metropolitan, secondary city, urban, rural etc.
- k) One of the questions that emerged during the debates is *“How do we take forward the work by Urban-Econ, Development Economist?”* It emerged from the discussion that work of Urban-Econ, Development Economist on the development of a *“Revised Methodology on Categorisation of Metropolitan Municipalities”* is good, but the

question that remains is so what? This was a major concern since lots of debate during the seminar emanated from questions of functionality within the metros.

- (i) With regard to ***effective use of the outcomes from seminar***, the following points were made:
- a) Categorisation of metros should be about bettering the life of South African people, hence capability is the way to go.
  - b) Building confidence and trust in the Local Government by dealing with poor governance system and poor financial system is critical.
  - c) Developing a vision for the state both structurally, spatially and functionally is critical. But, how to take this to the public as well as how the legislation on categorisation of metros is used remains to be a challenge. For example, how are other spaces, such as, former homelands addressed?
  - d) There is a need to grapple with the challenges surrounding the categorisation of metros. But, the holistic and integrated approach looking at various socio-economic factors should always be applied when doing this.
  - e) Two other concerns that emerged are '*Why do we stick to international standards when looking at issues which are functional?*' and '*How does the Revised Methodology on Categorisation of Metros deal with dynamics of change?*'
  - f) The fact of understanding terminology used in categorisation of metros was emphasised. For example, a Metropolitan is a functional region, while Category A Municipality and a Metropolitan mean two different things.
  - g) Another concern that emerged is '*How do we change the structure of South African cities to benefit the people?*', and
  - h) The challenge facing the Board highlighted is that of working without a clear framework.

## 6. RECOMMENDATIONS FOR THE MDB

- a) The categorisation of municipalities should not just be a rushed process.
- b) The MDB should start to re-define the terms/terminology in the context of the MDB work, e.g. metropolitan, secondary city, urban, rural, viability, financial sustainability and capacity or capability, because the ambiguity affects the categorisation of process. The Board can achieve this by designing the manual or a booklet on the definitions of terminology applied to its core activities.
- c) The MDB's methodology on categorisation of metros should be practical, realistic and relevant to the South African local government system. This methodology or approach should be well informed by goals other than financial viability, for example, Local Economic Development (LED), historical imperatives and national spatial transformation agenda articulated in the National Development Plan.
- d) In demarcation or categorisation emphasis also be on socio-economic factors, such as, the need to address civil protests and limited resources, and not only on the financial viability or over reliance on financial viability as a determining factor. In turn, this will assist on building capabilities, such as financial and governance geared towards addressing unemployment, infrastructure failures, rising poverty and inequalities.
- e) The MDB must ensure that criteria for categorisation do not compromise political representation, participatory governance and therefore democracy at local level.
- f) In order to strengthen the functions and capabilities of municipalities, there is a need to address dysfunctions between three spheres of South African governments. For example, it was envisioned that the South African local government system can function effectively only if the relations between the three spheres of governments are improved.

- g) The MDB needs to keep on re-viewing the categorisation methodology to remain relevant in terms of emerging research and knowledge. The role of provinces in categorisation, for example, is something that needs to be looked at in future. Also, the issue of how to engage relevant legislations in developing a vision for the state both structurally, spatially and functionally is something to be explored in future. The other area that may require further research given the seminar discussions is how does the Revised Methodology on Categorisation developed by the Urban-Econ, Economist Development deals with dynamics of change.

## **7. CONCLUSION**

The seminar agreed that whilst progress has been made in the Categorisation of Municipalities into Metros in South Africa, the South African case studies whereby categorisation has been done indicate that much work is still to be done.

The research seminar allowed for information and knowledge sharing on categorisation and demarcation processes. It became apparent from the seminar that to-date there is no common understanding of some of the concepts which are applied in categorisation of Municipalities into Metros in South Africa or in the urban development space, for example, the concept metropolitan and capacity, to name the few. This gives a clear indication that the concepts used in categorisation of municipalities must first be clearly defined so that whoever is involved in this process should have a common understanding of what these terminology refer to. The other issue that emerged from the seminar is that the criteria for the categorisation of municipalities into metros in South Africa is still problematic. The challenge that still remains is that the South African municipalities vary in terms of their sizes and physical environments. As such, developing the standard criteria for categorisation of municipalities into metros would be a daunting task.

Regardless of the challenge alluded to in the previous paragraph regarding the categorisation of Municipalities into Metros in South Africa, the seminar met the

expectations in terms of providing the MDB reflections on the previous categorisation to stakeholders which attended the seminar. Bringing together the practitioners, think tanks, academics and policy makers assisted the MDB in paving the way for new thinking around categorisation and demarcation processes. One of the seminar resolutions was that an innovative way should be designed through which the work of the MDB should be made known to the South African public, that is, both the success stories as well as the challenges faced by the MDB. The publication of papers and/or articles and the hosting of seminars or colloquia on the work of the MDB were proposed as the possible ways towards making the work of the MDB known to the South African public.

Fruitful dialogues with individuals from different professional or research backgrounds around demarcation processes will assist in plotting the roadmap for future research. As a result, one of the proposals from the seminar was that the process of categorisation should not be rushed, because:

- Consultation with all stakeholders must be properly done; and
- Sound policies must be developed and implemented as well as monitoring and evaluation.

It is worth noting that educational events, such as workshops, conferences and seminars cannot just happen without some challenges being encountered. Similarly, the following are the challenges encountered during this seminar:

- a) Technology was a bit of a challenge with reference to Presentation 1 made by S. Wiggins, because it was presented via the skype.
- b) Technology was also an issue with regard to the video presentation made by L. J. Calitz, because it was not loaded in time. As a result, the participants in HSRC Cape Town Office did not have the opportunity to see both presentations, that is, presentation 1 and 2.
- c) The seminar was too long without a biological break in between. Perhaps, this was due to many presentations.

- d) Participants were given little time to engage and the Programme Director highlighted that he did not have much time to have more than one rounds of taking questions from the audience.
- e) After all, the seminar was engaging although not all the questions were answered.

Finally, this seminar report would be tabled to the Knowledge Management and ICT Committee to consider and approve for it to be tabled to the Board for approval.

## **APPENDICES** (Attachments)

**Appendix A:** Attendance register of the participants

**Appendix B:** Seminar Poster

**Appendix C:** Seminar Programme

**Appendix D:** Presentation 1: Reflection on the outputs from the MDB Conference 2016: Categorisation of Metropolitan by Ms S. Wiggings (Municipal Demarcation Board Member).

**Appendix E:** Presentation 2: The development of a Revised Methodology on Categorisation of Metropolitan Municipalities by Mr L. J. Calitz (Urban-Econ, Development Economist).

**Appendix F:** Presentation 3: 'MDB's reflection on Mergers and consolidations as a solution to municipal viability' by Ms M. J. J. Thupana (Chairperson of the Municipal Demarcation Board).