

THE RISE OF MEGACITIES AND MULTILEVEL GOVERNANCE

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The 21st century has witnessed a rise in the number of cities that are home to more than 10 million people, commonly known as megacities. Currently, 12 percent of the world's urban population lives in megacities – places such as Buenos Aires, Los Angeles, Mexico City, and Mumbai. Megacities are a reasonably recent phenomenon in the history of cities, however: in 1950, there were only two megacities – New York and Tokyo. By 1990, there were 10. In 2018, there were 33 and the number is expected to increase to 43 by 2030. Of the 33 megacities around the world today, fifteen are located in nine federal countries.

This paper examines a series of questions about megacities in federal systems. What are the opportunities and challenges faced by megacities in a multi-level governance system? How are they governed? Where do they fit in the multi-level governance system – do federal and provincial/state governments embrace megacities or do they feel threatened by them? What do megacities need to succeed?

Megacities: Opportunities and Challenges

Megacities are urban agglomerations with more than 10 million people (United Nations 2019). They are the same as metropolitan areas, which are urban agglomerations with a dense urban core and surrounding towns and villages that are dependent on it; their primary distinction with respect to other metropolitan areas is their size. [1] Table 1 shows the population of the 15 megacities in federal countries along with the percentage of the state and country population. Buenos Aires stands out among these megacities because its population accounts for over one third of the population of Argentina and almost three quarters of

the population of the state of Buenos Aires. Mexico City and São Paulo account for over 17 percent and 10 percent of their country's population, respectively, and a much larger proportion of the state population. Others, such as some of the megacities in India, have a very large population but account for a smaller share of the total population of the country.

Megacities are important generators of wealth, employment, and productivity growth and they are often the major engines of growth in their countries. For example, the GDP for Buenos Aires accounts for almost 38 percent of the GDP of Argentina, Mexico City for almost 19 percent of the GDP of Mexico, Moscow for almost 15 percent of the GDP of Russia, and São Paulo for over 13 percent of the GDP of Brazil.[2] Most innovation occurs in very large cities and metropolitan areas where people can reap the benefits of close proximity, often referred to as agglomeration economies. Megacities often serve as regional hubs for people from nearby communities who come to work, shop, and use public services that are not available in their own communities.

[1] Megacities and metropolitan areas are both defined on the basis of functional urban regions rather than institutional boundaries. See UCLG (2016) for more about the definitions.

[2] Source of megacity GDP: <https://www.brookings.edu/research/global-metro-monitor/>; source of country GDP: <https://stats.oecd.org/index.aspx?queryid=60702#>.

Table 1: Megacities in Federal Countries by Population, 2018

Megacity	Province/State(s)	Country	Megacity Population (2018) in thousands	Percentage of State Population	Percentage of Country Population 2018
Delhi	National Capital Territory/Haryana/Uttar Pradesh/Rajasthan	India	28,514	9.2	2.1
São Paulo	State of São Paulo	Brazil	21,650	47.1	10.3
Mexico City	Ciudad de Mexico/Mexico State/Hidalgo	Mexico	21,581	76.9	17.1
Mumbai	Maharashtra	India	19,980	17.8	1.5
New York-Newark	New York/New Jersey	USA	18,819	66.2	5.8
Karachi	Sindh	Pakistan	15,400	32.2	7.3
Buenos Aires	Ciudad de Buenos Aires/Buenos Aires Province	Argentina	14,967	73.9	33.7
Kolkata	West Bengal	India	14,681	16.1	1.1
Lagos	Lagos State	Nigeria	13,463	54.7	6.9
Rio de Janeiro	Rio de Janeiro State	Brazil	13,293	77.0	6.3
Los Angeles-Long Beach-Santa Ana	California	USA	12,458	31.6	3.8
Moscow	Central Federal District	Russia	12,410	32.3	8.5
Lahore	Punjab	Pakistan	11,738	10.7	5.5
Bangalore	Karnataka	India	11,440	18.7	0.8
Chennai	Tamil Nadu	India	11,440	11,440	11,440

Note: The UN measures megacities as city proper, urban agglomeration, or metropolitan area. Some city/metro populations span multiple states and territories, e.g. Delhi, Mexico City, New York-Newark, and Buenos Aires. State population reflects all the states that cover the city/urban/metro area. Where possible, estimates are for 2018 but, in some cases, earlier years are used.

Source: United Nations (2019) for megacity and country population; census data for individual countries for state population.

Although more and more people are attracted to megacities because of the economic and social opportunities they offer, these very large cities face enormous and growing problems: transportation gridlock, inadequate affordable housing, widening income disparities, increased air and water pollution, the impact of climate change and, more recently, pandemics. These problems need to be addressed on a metropolitan-wide basis.

Yet, the governance of megacities is highly fragmented, and more so than for other cities, because of the large number of people and jurisdictions within their boundaries. Institutional fragmentation hampers the ability of megacities to coordinate services such as transportation and land use planning or economic development across multiple jurisdictions (Kübler and Lefèvre 2018). Fragmentation also complicates policy coordination across the region, impedes revenue generation, and hampers the ability to redistribute income (Kübler 2012).

Examples of fragmented governance in megacities in federal countries abound. The United States has a strong tradition of local autonomy and very fragmented metropolitan areas. Los Angeles, for example, is governed by 200 city governments and five county governments. In Brazil, the São Paulo Metropolitan Region comprises 39 municipalities, including the City of São Paulo. In Argentina, the responsibility for services in the Buenos Aires Metropolitan Area is shared among the City of Buenos Aires, the Buenos Aires provincial government, 19 municipal governments in the province, and the federal government. In India, the Mumbai Metropolitan Region (MMR) comprises the Municipal Corporation of Greater Mumbai (MCGM), seven municipal corporations, 13 municipal councils, parts of two districts, over 900 villages, plus state agencies (known as parastatals), and central government authorities. And, there is little coordination among all of these overlapping jurisdictions and agencies (Pethe, Gandhi, and Tandel 2017).

As a result of this fragmentation and the scale of the challenges megacities face, everything that megacities do requires intergovernmental coordination and cooperation: megacity problems require multi-level solutions. Megacities need new governance models that cover the whole functional urban area (horizontal coordination) but they also need national and state governments to ensure they have the powers and resources to operate effectively (vertical coordination). The size and economic importance of megacities means that they cannot be ignored by other levels of government but, at the same time, they create tensions with other levels because of their potential political power.

Horizontal Coordination: Metropolitan Governance

The literature on governance, which largely addresses the governance of metropolitan areas generally rather than megacities specifically, describes a number of models – one-tier fragmented, one-tier consolidated (through annexation or amalgamation), two-tier (metropolitan tier plus several lower tiers), city-states (having the powers and resources of city and state governments), and voluntary cooperation (also known as new regionalism) (Slack and Chattopadhyay 2013). Which of these models works in megacities?

Choosing an appropriate governance structure for a megacity with many local governments depends upon how one weighs conflicting considerations—efficiency, access, and accountability point to smaller local government units whereas economies of scale, externalities, and equity suggest larger governments (Slack 2019). For many services that spill over municipal boundaries (such as transportation, land use planning, waste management, and economic development), there is the need to deliver them on a regional basis. At the same time, some services are very local (such as parks and recreation) and benefit from more local provision and local responsiveness.

Consolidated cities, which cover the entire economic region (found in smaller cities such as Auckland or Cape Town) are not prevalent in megacities. Indeed, consolidation in a megacity seems to be “a rather hopeless endeavour” because of the difficulty in consolidating a large number of jurisdictions (Kübler 2012). Moreover, state governments feel a loss of control when municipal institutions grow very large. Nor do we see any two-tier systems (such as in Barcelona) where there is a metropolitan tier that takes care of metropolitan-wide issues and lower tiers that address local problems. City-states (such as in Berlin, Hamburg,

and Bremen) are not generally found in megacities either, with a couple of exceptions – Buenos Aires and Mexico City. In 2016, the federal district in Mexico City was dissolved and Mexico City became the 32nd state of the country (Reyes 2020).

There have been some bottom up initiatives of voluntary cooperation to coordinate service delivery across municipal boundaries. One of the most often cited examples is the ABC region in São Paulo. Under the Brazilian Constitution, state governments have the right to create metropolitan governance structures but the constitution also established municipalities as full members of the federation with the same autonomy and sovereignty as state governments (Wetzel 2013). In practical terms, this means that municipalities have to agree to any actions undertaken by the metropolitan agency. The absence of a metropolitan structure in São Paulo in the 1990s led to bottom-up experimentation among seven municipalities and the development of an inter-municipal consortium, known as the “the ABC region.” The ABC region gained momentum mobilizing different stakeholders, including the state government of São Paulo, to address strategic planning in the region (Subarits 2017; Klink 2017).

Why does good governance matter? How well a megacity or metropolitan area is governed will determine the efficiency with which services are delivered and coordinated across municipal boundaries and how fairly costs are shared throughout the area. It will also have an impact on productivity and economic growth. A study of metropolitan areas in five OECD countries—Germany, Mexico, Spain, the United Kingdom, and the United States—found that cities with fragmented governance structures (measured by the number of municipalities in the metropolitan area) tend to have lower productivity (measured by wage premiums) (Ahrend et al., 2014).

There is not one model of metropolitan governance that stands above the rest. The appropriate model for any particular megacity would depend on the legal context, roles and responsibilities of local governments, sources of revenue, intergovernmental context, political strength of local leaders, capacity of the civil service, and other factors (Slack 2019). Nevertheless, some form of regional structure that covers the entire megacity area is needed to address problems such as fiscal disparities among municipalities and problems associated with externalities in service provision.

Vertical Coordination: Role of National and State Governments

The increasingly fragmented governance of megacities requires coordination among local governments within the megacity region but also vertical coordination between the megacity and state and federal governments (Graizbrod 2008; UCLG 2016). Even in a bottom up process of creating a governance model for a megacity, the central government needs to be involved because it can give legitimacy to the process and the outcomes (Lefèvre, 2008). Rarely have metropolitan governance reforms derived from purely local initiatives (OECD, 2006).

Beyond governance, national and state governments have a critical role to play when it comes to megacities. The larger megacities become, the more important they are to the country in which they are located. For that reason, the governance of megacities should be a matter of national importance: “to run a country means to run its megacities” (Kübler 2012:10). National governments provide the overall enabling environment for cities through the constitution and laws relating to property rights, labour markets, etc. (Birch 2017). They also provide resources through transfers.

State governments play a leading role in urban policymaking in megacities in federal systems by setting the rules of the game and enacting laws that establish the institutional organization and financial resources (Kübler and Lefèvre 2018). For example, the state government of Maharashtra appoints the municipal commissioner of the Mumbai Corporation of Greater Mumbai. In Lagos, the central government has essentially taken no role in the decision-making of the megacity, leaving most of it, along with city financing and the development of a long-term strategy, to Lagos State (Olokesusi and Wapwerea 2017). State governments are also major financial contributors to cities.

Another way that federal and state governments intervene in the governance of megacities is through public enterprises or agencies in the areas of transport, planning, housing, etc. Indeed, as Kübler (2012) notes, the involvement of national agencies in urban policymaking is stronger in megacities than in other cities. National and state agencies are particularly prominent in transportation. For example, the Port Authority of New York and New Jersey controls the transport network of the New York City

region including airports, public transit, bridges, tunnels, and ports. The Mumbai Regional Development Authority, controlled by the state government, is the most important agency in charge of regional development. In São Paulo, public transit is run by agencies under the control of the state government.

Vertical coordination is more difficult when national and state governments feel threatened and they are more likely to feel threatened by megacities than smaller cities or metropolitan areas. National and state governments often view large metropolitan authorities as potential competitors (UCLG 2016) and they are unlikely to hand over authority gracefully (Ahrend, Lembke, and Schumann 2016). In India, for example, there is reluctance on the part of state governments and parastatals (state agencies) to devolve powers or transfer funds to the municipal governments (Kundu 2017).

Megacities, which make greater expenditures than smaller cities and have greater ability to pay, should have more fiscal autonomy than other areas in the sense of being more responsible for delivering local services and for levying and collecting the revenues to pay for these services (Bird and Slack 2013). The ability to self-finance is a critical factor in determining which metropolitan institutions succeed.

In reality, however, local governments are assigned a vast array of expenditure responsibilities but the broad based and redistributive taxes are assigned to the higher orders of government. As a result, cities rely, to varying degrees, on intergovernmental transfers that usually come with strings attached and are rarely stable and predictable. In Buenos Aires, for example, it has been argued that one of the reasons that governance is weakest at the municipal level because municipalities in Buenos Aires province are heavily dependent on provincial transfers (Rojas 2017). In Mumbai, urban bodies rely on state and central government transfers and lack the borrowing capacity to finance infrastructure (Kundu 2017). National and state governments are often unwilling to give up taxing authority to megacities even if they have greater fiscal capacity than other cities.

What do megacities need to succeed?

The success of megacities has an impact on the economy of their states and countries, and thus, national and state governments would be wise to collaborate with them (UCLG 2016). To succeed, megacities need adequate powers and resources to deliver services and infrastructure, powers and revenue sources that are granted by the higher orders of government.

They also need governance structures that allow them to balance a regional vision and the ability to coordinate and deliver services across the metropolitan area while maintaining local autonomy. Finally, urban challenges around transportation, affordable housing, and inequality, for example, are multi-level in scope. For this reason, there needs to be dialogue and cooperation among all levels of government – federal, state, and local – on decisions that affect megacities.

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