Developing new cities for subnational IGR growth

STATES & LOCAL FINANCE

The IGR Initiative

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New Eko Atlantic City in Lagos is projected to accommodate 400,000 people, increase IGR

ACCORDING TO THE WORLD BANK, urban areas house about 57 percent of the global population and provide more than 80 percent of global economic activity and, by extension, government revenue base. As of 2022, while 75 percent of the European population and over 80 percent of North American and Latin American populations live in urban areas, only about 44 percent of the African population live in metropolitan areas. One hundred percent of the populations of Singapore, Hong Kong, Kuwait, and Monaco live in urban areas. The 2020 CIA World Factbook estimates that Nigeria's urban population is approximately 52 percent, with urbanization rates of 4.23 percent. Nigeria is the 16th fastest-urbanizing country in the world. Uganda, with a 5.7 percent urbanization rate, Burundi (5.68%) and Oman (5.25%) are the top three fastest urbanizing countries. UNCTAD has estimated that Nigeria's urban population will grow by 2.9 percent between 2021 and 2050, which is far higher than the projected growth rate of the entire population at 2.0 percent. The implication is that unless subnational governments proactively embark on the development of new cities, then most urban areas will be heavily congested while existing infrastructure will be grievously inadequate. Such situations lead to substantial revenue losses rather than the enhanced revenue opportunities exploitable through a strategic new city development approach to decongesting them.

A significant involuntary driver of widespread rural-urban migration in recent times is the pervasive insecurity in the country. The search for a job, business, education and other opportunities, access to better living conditions, and availability of health and water facilities substantially explain the massive migrations. Most subnational governments lack solid rural development programmes to slow down the exodus. Therefore, many rural communities are abandoned, with little or no government presence regarding policing, health, water and schooling facilities. The implications of this gravitation to urban areas are enormous. First, it seems to incentivize the government further to abandon rural areas and concentrate more on the cities. This neglect is quite apparent across many rural areas of the country. Second, it deepens rural poverty as more intelligent and energetic members of the population leave illiterates and the elderly, who may not be able to thrive without much help. This circumstance dramatically exacerbates poverty when coupled with the negligence of the government. Third, it accounts primarily for food inflation, as most agile youth who engage in subsistence farming abandon it for white-collar jobs. Fourth, the resulting urban population puts enormous pressure on social infrastructures such as electricity, health and educational facilities, including frustrating traffic congestion. Fifth, urbanization with high levels of unemployment incentivizes high crime rates such as Internet fraud, armed robbery, drug abuse, etc.

Regardless of the chosen step, which may be, slowing down the rural-urban migration rates or managing the resulting urban pressure and crime rates, subnational governments require substantial revenue to make the investments needed to guarantee success. At the rural level, governments need to make significant widespread infrastructural investments and create opportunities for jobs to stem the migration tide effectively. These requisites include functional rural community link roads, electricity, water, schools, credit facilities, and other agro-mechanization support. In urban areas, city infrastructure expansions become indispensable. A good example may be widening roads and establishing new residential areas to curtail traffic and human congestion. However, it is incredibly challenging to pursue these suggested routes to curtail rural-urban migration and metropolitan city congestion containment in the short and medium terms. Therefore, a shortcut would be creating new urban areas that can easily absorb rural migrations and afford tremendous opportunities for decongesting the already crowded cities. While this option is only a partial substitute for providing most of the basic infrastructure required at the rural level and in metropolitan cities, it is nevertheless a cheaper and more realizable alternative within the short and medium term. It will also bring urbanization closer to rural settings. Many states already have strategic hubs or quasi-peri-urban areas easily transformable into new cities. The 9th-mile corner in Enugu state, a strategic intersection between the middle belt and the Northern and the south-south geopolitical zones of the country, is a good example.

Many states have commercial towns and local government headquarters with similar and better prospects for easy transformation into cities. Some are already very low-hanging fruits, requiring minimal economic activity hyping to make them bloom as metropolitan areas. In the case of the 9th-mile corner, some of the earlier suggestions to transform it into an urban area perhaps comprised the addition of a campus of the State University, development of a trailer park, establishment of a mechanic village and motor spare parts market, then decongesting coal camp mechanic village in Enugu, upgrading of the currently existing market in 9th mile to international status and the development of residential estates to serve the area. But a state like Delta already enjoys this multiplicity of semi-urban cities with places like Warri, Sapele, Asaba, Agbor, Abraka and Ughelli. Each of these cities substantially enhances the revenue prospects of the state. The more urban cities within a subnational government, the better its revenue expansion conditions.

Any urban area with a well-thought-out and disciplined revenue expansion strategy may be able to increase its receipts by up to 100 percent in the short to medium term. State and local governments have significant revenue prospects from at least four channels in any city. These channels are groupable into licenses and service fees, fines and penalties, charges on assets, and asset monetization. Varieties of government permits such as business licenses, development permits, land registration and minimal value and short-term fee-paying services provided by the government such as parking spaces, public toilets and a range of other utilities of similar nature fall within the first category. All penalties for violating government requirements, such as erecting unapproved structures, improper disposal of wastes, violation of public health codes, breaking traffic laws, and so on, fall within the fines and penalties category. Property taxes, capital gains tax on land and other assets, advertisements and all kindred collectible charges on privately owned assets belong to the third category. The final category comprises monetary payments for the use of government assets over a relatively long period, such as its billboards, payments for running restaurant services in public parks, rents in government stalls in public markets and residential or commercial housing units.

The decision to upscale a hitherto quasi-urban area into an actual city must consider at least five fundamental factors. First, there must be a clear, well-designed, future-focused city plan. While it is possible to stimulate a faster pace of the organic growth of a peri-urban area, experience has shown that it can be chaotic in the long run. There is no substitute for a properly planned city, considering its present and future needs, potential expansion rates, well-thought-out citation of critical public assets, headroom for public infrastructure and residential area expansions to accommodate the growth. Second, it is not enough to declare that the government intends to create a new city without being adequately sure that there are enough resources to fund the development. Many emerging cities have suffered severely stunted growth on account of poor funding. Third, achieving a reasonable growth rate in new city development often requires the transfer of critical assets as activators. For instance, building an entirely new tertiary institution or a campus of the University in addition to a General Hospital will usually activate human traffic in the area. But it is not typically easy to make such asset transfers unless there is a strong political will. The fourth consideration is the capacity of the location to self-sustain. An area with a pre-existing big market and perhaps close to a considerable farm settlement usually satisfies this requirement. Governments desirous of developing new cities should ensure that the peri-urban area targeted for upgrade also meets this criterion. The fifth is the attractiveness of the location to entrepreneurs and other investors. Once there are substantial attractions for private investors, they will naturally speed up the city's development.

There are broadly four phases in the urban city strategy development process. The first phase assesses the current stage of the target peri-urban area intended for upscaling. This phase focuses on conducting an in-depth situation and SWOT analysis and creating an appropriate participatory framework for onboarding relevant stakeholders. The analysis must stand on robust survey plans and detailed maps of the existing area showing all relevant information required for such an assessment. Based on the diagnosis's inputs, the team envisions and articulates the kind of urban area to set up. The visioning process will typically establish consensus on a range of themes that define the envisioned metropolitan area. Examples include the kinds of institutions the city should have and at what stage in its evolution to introduce them, which places to map out as residential and which areas should be for commercial use. They also have to agree on the apportionment of places for new development and what should constitute the early installations to make that happen. The third phase of the city development strategy presents detailed steps for actioning the urban city development programme. It shows the roadmap to the new city. Some of the considerations at this stage are developing strategic priorities, options and detailed funding requirements to ensure this becomes a reality. At the end of phase three, the new city's master plan authentically exists. The fourth phase is implementing and monitoring the process to ensure the full realization of the objectives.

While it may not be as easy as it sounds on paper, it is nevertheless a worthwhile pursuit that state governors should give their best. Paying adequate attention and exerting significant energy in developing new cities can be the fastest route to the economic transformation of the state and the creation of solid tax and non-tax revenue bases. Lagos State government's comparatively superlative IGR performance owes a lot to the ubiquity of urban areas, albeit in small and large units. It is still growing. Each state government in Nigeria equally possesses enormous natural endowments and many other developable potentials that can facilitate the creation of new cities or the reinforcement of existing quasi-metropolitan areas. In some states, many chief executives need to promote the convergence of investors who will mainly accelerate the organic growth of such places into urban areas through their economic activities.

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