URBANIZATION AS AN INSTRUMENT FOR POVERTY ALLEVIATION AND ECONOMIC DEVELOPMENT: A KWAZULU-NATAL PERSPECTIVE AND IMPLICATIONS FOR THE KWAZULU-NATAL PROVINCIAL BUDGET

Abstract

This paper looks at the location and distribution of the population and economic activity within the province of KwaZulu-Natal (KZN) and specifically the causes, implications and dynamic nature thereof since 1996, among others. Urbanization in terms of the flow of people (rural-urban migration) has been occurring for a number of years, as measured by the difference in population growth rates between locations within the province because of the significant disparities (including government expenditure) that exists between urban and rural KZN. This paper will endeavour to quantify these disparities so as to develop an economic rationale for the flow of people from rural KZN to urban KZN. The paper will also look at past and current provincial government expenditure patterns so as to ascertain whether or not it has contributed to the past and current levels of urbanization and concentration of economic activity in the province.

Key Words: Urbanization, Economic Concentration, Economic Development, Poverty Alleviation, Economic and Public Policy, Government Expenditure, Regional Analysis

JEL Classification number: R11, R12, R51, R58

1.   INTRODUCTION

Urbanization is not a recent phenomenon. It has been an economic reality experienced by both developed and developing countries. The rapid urbanization of the world's population over the twentieth century is described in the 2005 Revision of the UN World Urbanization Prospects report. The global proportion of urban population rose dramatically from 13% (220 million) in 1900, to 29% (732 million) in 1950, to 49% (3.2 billion) in 2005, according to the report. The same report projected that the figure is likely to rise to 60% (4.9 billion) by 2030 (United Nations, 2005).

According to the UN-HABITAT 2008 Annual Report, sometime in the middle of 2007, the majority of people worldwide will be living in towns or cities, for the first time in history; this is referred to as the arrival of the "Urban Millennium". In regard to future trends, it is estimated 93% of urban growth will occur in Asia and Africa, and to a lesser extent in Latin America and the Caribbean. By 2050 over 6 billion people, two thirds of humanity, will be living in towns and cities (United Nations, 2008:12).

Urbanization can be described as follows:

> The rapid and massive growth of, and migration to, large cities.

According to Knowledgerush, urbanization is the degree of or increase in *urban* character or nature. It may refer to a geographical area combining urban and rural parts, or to the transformation of an individual locality from less to more urban. It further states that the term can describe a condition at a specific time, namely the proportion of total population or area in urban localities or areas (cities and towns), or the increase of this proportion over time. It can thus represent a *level* of urban relative to total population or area, or the *rate* at which the urban proportion is increasing. Both can be expressed in percentage terms, the rate of change as a percentage per year, decade or period between censuses or estimates (Knowledgerush, website).

The province of KwaZulu-Natal (KZN) has been characterised by significant levels of poverty, especially rural poverty. The province has also experienced significant levels of urbanization given the spatial distribution and concentration of economic activity and income, although the majority of people still live in the more rural parts of the province.

Rural poverty alleviation therefore is a significant policy objective and one of the top priorities of the provincial government. Given the severity of the underdevelopment of the rural regions of the province and the significant spatial concentration of economic activity and income in the major urban regions it seems that urbanization can be a significant policy instrument in decreasing rural poverty levels in the

province. However, urbanization should not be seen and employed as a policy that simply relocates poverty from rural areas to urban areas but rather to decrease total poverty in the province.

It must be noted that the aim of this paper is to discuss urbanization from an economic perspective and not from a political, environmental and social perspective.

2. ECONOMIC THEORIES OF URBANIZATION

Theories of rural-urban migration are relevant to urbanization because they support a broad understanding of population movements within their wider political and economic contexts.

Ernest Ravenstein, according to Corbett (2001), is widely regarded as the earliest migration theorist. Ravenstein, an English geographer, used census data from England and Wales to develop his "Laws of Migration" (1889). Ravenstein concluded that migration was governed by a "push-pull" process; that is, unfavorable conditions in one place (oppressive laws, heavy taxation, etc.) "push" people out, and favorable conditions in an external location "pull" them out. Ravenstein's laws stated that the primary cause for migration was better external economic opportunities; the volume of migration decreases as distance increases; migration occurs in stages instead of one long move; population movements are bilateral; and migration differentials (e.g., gender, social class, age) influence a person's mobility (Corbett, 2001).

Lee developed a "general schema into which a variety of spatial movements can be placed" (Lee, 1966). He divided the forces exerting an influence on migrant perceptions into "push" and "pull" factors. The former are "negative" factors tending to force migrants to leave origin areas, while the latter are "positive" factors attracting migrants to destination areas in the expectation of improving their conditions. Lee hypothesized that factors associated with origin area conditions would be more important than those associated with destination areas. These factors associated with the areas of origin and destination are governed by

personal factors "which affect individual thresholds and facilitate or retard migration" (Lee, 1966: 51).

The final element in Lee's model is the notion of "intervening obstacles" interposed between origin and destination. These constitute "friction" in the migration process (transport costs, migration controls etc.) and may reduce or retard migration, or even (in the case of a law) prevent it altogether. Lee's approach is reflected in a broad range of studies, particularly sociological studies dealing with migrant selectivity. It is actually not a theory but rather a conceptual framework for classifying factors in migration decisions.

The first well-known economic model of development to include as an integral element the process of rural–urban labour transfer was that of Lewis, i.e., namely the dual economy model of development and migration (1954), later extended by Fei and Ranis (1961) with the result that it is often referred to as the Lewis-Fei-Ranis or LFR model (Todaro, 1976). One version of this model considers migration as an equilibrating mechanism which, through transfer of labour from the labour-surplus to the labour-deficit sector, eventually brings about wage equality in the two sectors. The LFR model is based on the concept of a dual economy, comprising a subsistence, agricultural sector characterized by underemployment, and a modern industrial sector characterized by full employment (Cited in Ahmed, 1986).

In the subsistence sector the marginal productivity of labour is zero or very low and workers are paid wages to their cost of subsistence, so wage rates in this sector barely exceed marginal products. Because of high productivity or labour union pressures, wages in the modern urban sector are much higher. With such differences in wage rates, migration occurs from the subsistence to the industrial sector. This increases industrial production as well as the capitalists' profit. Since this profit is assumed to be reinvested in the industrial sector, it further increases the demand for labour from the subsistence sector (Cited in Ahmed, 1986).

Migration, according to Todaro and Smith (2003) therefore is a rational economic choice that is based on the following:

- Expected income and gains less migration costs
- Reduced costs of social services, etc in the urban areas plus additional public utility derived in urban areas
- Increased costs of pollution, crime, etc in the urban areas

Mathematically this can be expressed, based on a two period model with a relocation in period 1 at cost M_1, that earn U_2 in period 2 with probability P, as follows:

$$NPVM = -M1 + (1/1+r)P*U2$$

If the person stays in the rural area, earnings are:

$$NPVN = R1 + (1/1+r)R2$$

Thus migration will occurs if **NPVM – NPVN > 0** or if

$$-M1 – R1 + (1/1+r)(PU2 – R2) > 0$$

Or

$$(1/1+r)(PU2 – R2) > R1 + M1$$

(Expected future net income gain) > (lost rural income + moving costs)

The implications of the above model are:

- There exists a rationale to migrate even if employment and therefore future gains are not guaranteed.
- Factors that reduce cost of migration (transport costs, etc) will encourage migration.
- Factors that will increase the profitability of employment (social networks, etc) will encourage migration.
- Better access to public services will encourage migration.

(Todaro and Smith, 2003)

The burden of the Harris-Todaro (HT) model, according to Riadh (1998), was to explain why masses of workers moved from the countryside to the city in the face of sizeable urban pools of unemployed and underemployed. To accomplish this, the model focused attention on the present value of expected earnings rather than current wage rates.

The rate of rural-urban migration was held to be a function of the difference between the present values of expected urban earnings and expected rural earnings, with the size of the flow of expected urban earnings significantly affected by the probability of obtaining employment in the urban modern (UM) sector : Suppose that P(t) represents the probability of securing a job in the UM sector in period t; Yu and Yr represent average real income in the UM and rural sectors, respectively; C is the one-time cost of the move; and r is the migrants time preference rate of discount. So the Todaro's basic behavioural equation can be shown as : Yu and Yr

$$V(0) = \int_{t=0}^{n} \left[P(t)Y_u(t) - Y_r(t) \right] e^{-rt} dt - C(0)$$

Where V (0) is the discounted present value of the net gain from a rural-urban move, and n the planning horizon. So the individual's decision to migrate from the rural to the UM area depends on two principal variables: the real income differences between the urban and the rural areas, and the probability of obtaining an urban job (Riadh, 1998).

The HT model can also be mathematically expressed as follows

$$W_A = (L_M/L_{US})(W_M)$$

Where W_A is agricultural income, L_M is employment in manufacturing, L_{US} is total urban labor pool and W_M is the urban minimum wage which is constant. The model suggests that expected urban income is proportional to the likelihood of urban employment.

The basic characteristics/implications of the model include the following:

- Migration is stimulated primarily by rational economic considerations of relative benefits and costs, mostly financial but also psychological.

- The decision to migrate depends on expected rather than actual urban-rural real wage differential. Expected urban-rural real wage differential depends not only on the actual differential, but also on the probability to find jobs in the urban sector.

- The probability of obtaining an urban job is directly related to the urban employment rate and inversely related to the urban unemployment rate.

- Migration rates in excess of urban job opportunity growth rates are not only possible but also rational.

- Probability of an urban job is related to the urban unemployment rate

The human capital approach to migration, according to Park (2005) treats migration as an investment increasing the productivity of human resources. Investment constitutes a sacrifice of current consumption in exchange for (presumably higher) future consumption. Investment activity thus entails both costs and returns, and in principle the desirability of the activity can be measured by the rate of return to resources allocated to the investment, or the present value of the stream of net returns.

DaVanzo's equation (Park, 2005:6) nicely represents the basic microeconomic model of migration decision making:

$$PV_{ij} = \text{"SUM" (from } t=1 \text{ to } T) \left[(U_{jt} - U_{it} - C_{ijt}) / (1+r)^{\exp t} \right].$$

PV_{ij} equals the present value of the net gain of moving from place i to place j; U_{jt} equals the expected utility or real income at place j in period t; U_{it} equals the expected utility or real income at place i in period t; C_{ijt} equals the cost incurred in period t of moving from i to j; r equals the discount rate $(0 <= r <= 1$; according to

DaVanzo r is normally between .05 and .15); and T equals the expected length of remaining lifetime (Park, 2005).

This approach assumes that both objective and subjective variables can be translated into utility terms. Further, note that Uit effectively represents the opportunity cost of migrating. Given an individual's current place of residence (i), migration will occur if there is some destination (j) for which PVij > 0. If there is more than one such destination, migration will be to the location (j) that has the highest value of PVij (Park, 2005).

Ujt - Uit represents the gain in utility in period t from moving. This gain can be broken down into two components: a portion attributable to the change in the migrant's real earnings or real income stream, (Yjt/Pjt) - (Yit/Pit), where Y/P represents money income relative to prices or real income; and a portion representing the change in utility due to the difference in locational preferences between the origin and the destination, Ujtlp – Uitlp (Park, 2005).

Likewise, the cost in period t of migration from i to j, Cijt, may be viewed as representing three elements: the direct money cost of moving, the opportunity cost of moving (forgone earnings), and the psychic cost of moving (loss of utility from leaving behind friends and family). As DaVanzo notes, empirical work typically treats costs as occurring at the time of the move; later costs, such as subsequent forgone earnings, are treated as negative benefits (Park, 2005).

The neoclassical view of migration has been challenged by a "new economics of migration" which posits that migration is less determined by isolated individuals than by other social units, especially families and households, but also potentially larger social aggregates such as communities, lineages etc. where social norms regarding migration behaviour may be deeply embedded. This approach has been pioneered by Oded Stark in a large quantity of writings. According to Stark (cited in Fan and Stark, 2008) migration must often be seen as a family or group decision which seeks to minimize risks and diversify resources rather than to maximize cash income alone. This strategy, akin to a "portfolio investment" of the labour of the various members of the family in various "niches" in the origin

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region and elsewhere (abroad, or a town or city in the home country), involves widening the focus of the investigation away from the single, individual migrant. The emphasis is on channelling investment and consumption goods back to the home village rather than (as in the neoclassical model) on the economic progress of the migrant in the destination (Fan and Stark, 2008).

The above theoretical models and a brief literature review that includes the following studies:

- Weeks, J., (1994) Economic aspects of rural-urban migration
- Siddiqi, M. W., (2004) Rural-Urban Migration: A Case Study Of Lahore District, Pakistan Research Repository, University Of The Punjab
- Gounder, N., (2005) Rural Urban Migration in Fiji: Causes and Consequences
- Ho, J., The Causes of Chinese Temporary Rural-Urban Migration and Its Policy Implications, http://www.tcnj.edu/~ho5/Paper.htm
- Hamilton, W.L., (1970) The Causes of Rural to Urban Migration among the Poor. Final Report
- Industrialization in urban regions
- Nwosu, A.C. and Igben, M.S., (1986) Stemming the Tide of Rural-Urban Migration in Nigeria: Social versus Economic Considerations

Identifies the following possible causes of migration:

- Large gap in income between urban and rural areas
- Mounting rural demographic pressure wrt employment, public services, housing availability, etc
- Declining rural economic opportunities
- Scarcity of services and other social amenities in rural regions
- "Better" employment and opportunities in urban regions
- Higher incidence of poverty in rural regions
- Agricultural displacement
- Quality of Life considerations
- Poor access to finance in rural regions
- Disparity in road and transport access

3.   URBANIZATION IN KWAZULU-NATAL

The provincial economy consists of 52 demarcated municipal regions with each municipal region consisting of at least one dominant location or settlement, be it a city or town.   Each municipal region thus consists of a central and dominant settlement, i.e., city or town with a significant hinterland, mostly agriculture land, which surrounds the central and dominant settlement.   Each demarcated municipal region conforms to a large degree to the typical polycentric city model as developed by Fujita and Ogawa in Mori (2006).

This paper defines urbanization as the movement, flow and concentration of people and economic activity to and within the five largest urban settlements of the province. These five urban settlements, Durban, Pietermaritzburg, Richards Bay/Empangeni, Port Shepstone and Newcastle are the five main nodes within the provincial economy as identified in the KZN Spatial Economic Development Strategy (2006) and will constitute urban KZN whereas the other 47 demarcated municipal regions will constitute rural KZN.

3.1   Urbanization (Rural-Urban Migration) of the Population

The total population of the province increased from 8 417 021 (Stats SA data[1]) or 8 847 061 (Global Insight data[2]) in 1996 to 9 584 129 or 9 559 759 in 2001 to 10 259 230 or 10 085 846 in 2007 (table 1).   This represents a cumulative increase of about 22 per cent based on Stats SA data and 14 per cent based on Global Insight data. The urban population as a percentage of the total population increased from 46.2 per cent (Stats SA data, own calculations) or 45.86 per cent (Global Insight data, own calculations) in 1996 to 46.78 per cent or 47.19 per cent in 2001 to 48.43 per cent or 48.23 per cent in 2007 (table 2).   The provincial urbanization rate thus increased by 1.51 per cent or 2.37 per cent, respectively, but is still less that the 50 per cent level.

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1 Statistics South Africa (Stats SA) 1996 and 2001 Census publication and data and 2007 Community Survey publication and data

[2] Global Insight Regional eXplorer (ReX) Provincial and Municipal Database

Table 1, amongst others indicates the distribution of the provincial population between the five urban settlements. Durban has the largest population size and Port Shepstone the smallest population size among the five urban settlements. The table also suggests that the total population of each of the five urban settlements increased at higher rates than the total provincial population, suggesting some level of urbanization.

Table 1:   Provincial Population Dynamics, 1996 to 2007 based on Stats SA and Global Insight data

(Stats SA and Global Insight data, own calculations)

Table 2 indicates the following:

- Urban and rural population increased by 13.52 per cent and 14.17 per cent respectively from 1996 to 2001 based on Stats SA data
- Urban and rural population increased by 11.19 per cent and 5.40 per cent respectively from 1996 to 2001 based on Global Insight data
- Urban and rural population increased by 10.83 per cent and 3.72 per cent respectively from 2001 to 2007 based on Stats SA data
- Urban and rural population increased by 7.82 per cent and 3.43 per cent respectively from 12001 to 2007 based on Global Insight data

These statistics also suggest that urbanization occurred in the province, especially during the 2001 to 2007 period compared to the 1996 to 2001 period. This can be because of the differences in the general economic conditions that were prevalent during the two periods.

Table 2:   Urban vs. Rural Population Dynamics, 1996 to 2007 based on Stats SA and Global Insight data

(Stats SA and Global Insight data, own calculations)

The following table, table 3, suggests that the provincial economy has indeed experienced rural flight and urban growth over the 2001 to 2007 period. Table 3 indicates the population age comparison between rural KZN and urban KZN, illustrating the flight of young adults (age cohorts in yellow) to urban centres in urban KZN.

Table 3:   Urban vs. Rural Population by Age Cohort, 2001 to 2007 based on Stats SA data

(Stats SA data, own calculations)

The urbanization related statistics supplied in table 4 suggest that 1) urbanization has indeed occurred in the province and that 2) the urbanization rate in the province has increased since 2001.

Table 4:   Provincial Urbanization Summary Statistics, 2001 to 2007

(Own calculations)

Table 5 seems to support the urbanization related evidence thus far in that the density levels in the urban regions, as indicated in table 5, are much higher in the rural areas. The table also indicates that the density levels in the urban regions increased at a much faster pace than in the rural regions, especially during the 2001 to 2007 period.

Table 5:   Urban vs. Rural Population Density, 1996 to 2007

(Own calculations)

3.2   Urbanization of Economic Activity

The urbanization of economic activity suggests or implies that the production of goods in services in the province is increasingly becoming concentrated in the urban locations. To support (or not) the above notion of the urbanization of economic activity, this study will make use of data obtained in the building plans reported as completed publication by Statistics South Africa. Stats SA publish on an annual basis the mentioned publication that reports the number of building permits, square meters and rand value of building plans reported as completed per municipality. The categories of building plans completed include amongst others dwellings more than 80m², office & banking space, shopping space and industrial & warehouse space. Therefore, it becomes possible to spatially profile the province in terms of the locations that are expanding or not in terms of the addition of total and per category of space.

The data obtained (2001 to 2006) from the mentioned publication was used to calculate various location and space related statistics.   The statistics derived indicates, amongst others, the following:

- Urban KZN received 74 per cent of the total square meters of building plans completed, i.e., 74 per cent of total provincial space expansion.
- An additional 9 per cent of the total square meters of building plans completed occurred in municipalities that are adjacent to the urban municipalities.
- 38 of the total number of municipalities in the province (75 per cent) received only 11 per cent of the total square meters of building plans completed.

The above findings suggest significant levels of concentration of economic activity in the province and are supported by the following table, i.e., table 6. Table 6 indicates that, except for dwellings less than 80m², urban KZN received the bulk of the total square meters of building plans completed for the indicated categories of building plans completed for the period, for example urban KZN received 95 per cent of the total office and banking square meters of building plans completed, etc

Table 6:   Total Space Additions, 1996 to 2007

(Stats SA data, own calculations)

Tables 7 and 8 attempt to determine whether or not concentration levels in the province in terms of the total square meters of building plans completed have increased or not. Table 7 focuses on the urban locations whereas table 8 focuses on the rural locations. The first step was to split the total period into two equal periods, i.e., 2001 to 2003 and 2004 to 2006 for both urban and rural locations. Secondly, the total square metres of building plans completed was calculated for each period and thirdly, the total square metres of building plans completed for each sub period was then expressed as a percentage of the total square metres of building plans completed for both urban and rural locations.

Table 7:   Total Urban Space Additions, 1996 to 2007

(Stats SA data, own calculations)

Table 8:   Total Rural Space Additions, 1996 to 2007

(Stats SA data, own calculations)

Tables 7 and 8 indicate the following:

- Concentration levels in most cases have stayed fairly constant, although the total square metres of building plans completed in rural locations increased marginally relative to urban areas.
- The total square metres of building plans completed that includes public facilities and infrastructure increased in urban locations relative to rural locations.
- The total square metres of building plans completed for industrial and warehouse space seems to have shifted from urban KZN to rural KZN

However, some explanations of the above findings are needed to put the perceived decrease in urban concentration levels into perspective. Firstly, the data only extends to 2006 and thus excludes 2007 and 2008 and it can be argued that urban KZN received significant space additions over this period because these urban locations experienced significant economic growth compared to the majority of rural locations over the mentioned period and secondly, a significant amount of the total rural 2004 to 2006 square metres of building plans completed for industrial and warehouse space, for example, occurred in the Ezinqoleni municipality which borders the Hibiscus Coast municipality which is one of the major urban locations in the province. Thus, it would appear that the overall concentration levels in economic activity in the province have not actually decreased, but rather have increased especially if the adjacent municipalities are defined as urban KZN.

4.   URBAN AND RURAL INEQUALITY AND DISPARITY IN THE PROVINCE

Given the statistical evidence thus far it seems that the province has indeed experienced significant levels of urbanization and concentration of population and economic activity and that these levels have increased since 2001. The theory and literature suggest a number of reasons for this that is based to a large degree on the existence of significant urban rural inequality and disparities and therefore the identified levels of urbanization and concentration in the province indeed suggest significant levels of inequality and disparities between urban and rural KZN.

Table 9 and table 10 seem to support this argument of significant levels of urban rural inequality and disparity in the province. Table 9 indicates that urban KZN has a higher level of human development than rural KZN. The number of people in poverty in urban KZN is not only about half of the number of people in poverty in rural KZN, but has also decreased over the period compared to an increase in the number of people in poverty in rural KZN.   The number of people unemployed in rural KZN is also much higher than the number of unemployed people in urban KZN.

Table 10 also indicates the significant inequality and disparity that exists between urban and rural KZN for the period. Urban KZN accounts for about 80 per cent of the provincial gross domestic product and its contribution to the provincial gross domestic product has increased over the period relative to rural KZN. Annual total personal income per capita is also more than double in urban KZN relative to rural KZN.

Table 9:   Urban Rural Social Inequality – 1996 to 2007

(Stats SA and Global Insight data, own calculations)

Table 10:   Urban Rural Economic Inequality – 1996 to 2007

The statistics indicated in the above two tables in conjunction with the theory and literature on urbanization and the rural-urban flow of people supply an economic rationale for the past and continual rural-urban migration of people in the province. It thus seems that the urbanization of people in the province will continue specifically because the levels of inequality between urban and rural KZN has increased since 1996.

Given that it seems that the urbanization of people in the province will continue it is also possible to argue that the urbanization of economic activity in the province will continue. In fact these two types of urbanization are not mutually exclusive but rather they have a cause and effect relationship. To support the argument of the continual urbanization of economic activity in the province Coetzee (2009) conducted a study to this effect.

Coetzee (unpublished working paper, 2009) suggests that is possible to develop a hypothetical economic structure for a city to optimize industry and city growth in that particular city. The study focused on the province of KwaZulu-Natal and is based on the theories of Marshall-Arrow-Romer (MAR), Jacobs and Porter as cited in Glaeser et all (1992).

The findings of the study suggest that a city should consist of a diversity of industry types, i.e., the city should have a well diversified economic structure, and each industry type should be fairly well represented in that city (optimal level and not maximum level). The occurrence of diversity will support greater competition whereas the occurrence of concentration will support imperfect competition, thus the combination of the two perceived opposing forces will most probably be supporting a monopolistic competitive market structure, to a greater or lesser degree, within the city.

Comparing the above hypothetical economic structure with the actual economic structure of urban KZN and rural KZN it seems that the hypothetical economic structure and the actual economic structure of urban KZN is a much closer fit than

the fit between the hypothetical economic structure and actual economic structure of rural KZN. For example, the study found that the majority of cities/towns in the province are not well diversified contributing to the weak growth performance of the city-industries located within such cities, referring in general to rural KZN. Industries and businesses will thus continue to locate to and into urban KZN. Rural KZN will on the other hand continue to struggle to retain and to attract industrial and business investment and expansion. Economic activity will therefore continue to locate to and in urban KZN.

5.   PROVINCIAL AND LOCAL GOVERNMENT URBAN VS RURAL EXPENDITURE

Todaro and Smith (2003) states that better access to public services will encourage rural-urban migration. Public goods and services in the province are supplied predominantly by Provincial and Local Government (municipality). National Government in some cases does supply public goods and services directly in the province, but will not be included in this study because of the lack of data and statistics relevant to the spatial nature of the expenditure of national government departments.   Therefore, only provincial and local government expenditure is included in this study.

Tables 11 to 14 attempt to spatially quantify the expenditure of provincial and local government within the province. The data and statistics supplied in the tables indicate and suggest the following:

- Total provincial government expenditure, total urban municipal expenditure and total rural municipal expenditure in the province for the 2008/09 were about R54.7bn, R28.6bn and R9.7bn, respectively.
- Total urban municipal expenditure per capita was about 3 times more than the total rural municipal expenditure per capita.
- Total provincial government expenditure in rural KZN accounted for only about 34 per cent of total provincial government expenditure.

- Only the Community Safety Provincial Government department (except the Royal Household) seems to have spent more than 50% of its total budget in rural KZN.
- The Education and Health departments have spent only about 39 per cent and 33 per cent of their total budgets in rural KZN, respectively.
- Table 13 indicates that total provincial and municipal expenditure in urban KZN and rural KZN were R 61,182,118,081 and R 27,100,481,800 for the 2008/09 financial year, respectively.
- Table 13 also indicates that the per capita provincial and municipal expenditure in urban KZN was about two times more than in rural KZN.
- Table 14 indicates that urban KZN received about 65.72 per cent of the total provincial and municipal expenditure in the province.

Table 11:   Total Provincial and Total Urban and Rural Municipal Expenditure

(KZN Provincial 2009/10 Budget Statements, own calculations)

Table 12:   Total Provincial Expenditure in Urban and Rural KZN

(KZN Provincial 2009/10 Budget Statements, own calculations)

Table 13:   Total Provincial and Municipal Expenditure in Urban and Rural KZN

(KZN Provincial 2009/10 Budget Statements, own calculations)

Table 14:   Total Provincial and Municipal Expenditure in Urban and Rural KZN

The above tables clearly indicate that the majority of government resources and services are directed to and delivered in urban KZN. This by itself can be seen as a major pull factor and thus provincial and municipal government expenditures are directly supporting the urbanization and concentration of people and economic activity in the province.

Table 15 indicates that it would cost about R38bn to equalize total provincial and municipal urban and rural expenditure per capita. Equalizing per capita total provincial and municipal urban and rural expenditure is seen as minimum criteria to normalize the urbanization rate of people and economic activity in the province. This by no means implies a reversal of urbanization, but rather only a decrease in the rate of urbanization. The table further indicates that the R38bn cost accounts for about 70% of the 2008/09 total provincial government budget, therefore the provincial government budget will have to increase by 70% and the increase will have to be directed in total to rural KZN in order to equalize provincial and municipal urban and rural expenditure per capita.

The cost to increase rural provincial and municipal expenditure per capita to a level 10 per cent and 20 percent above urban provincial and municipal expenditure per capita will amount to about R42bn and R46bn, respectively. The provincial government budget therefore will have to increase by 76 per cent and 83 per cent respectively in order to attempt to halt or reverse the urbanization of people and economic activity in the province.

Table 15:   Cost to the Provincial Government to Equalize and Better Total Rural Expenditure

6. URBANIZATION, POVERTY ALLEVIATION AND ECONOMIC DEVELOPMENT

It seems clear from the analysis and findings presented in headings three and four that the urbanization and concentration of people and economic activity in the province is not a myth but in fact reality and that the urbanization trend will continue because of the significant urban rural inequalities and disparities that exist in the province as indicated in heading five. Poverty levels are lower in urban KZN than in rural KZN, for example.

It also seems that provincial and local government expenditure, i.e., the provision of public goods and services, within the province are biased towards urban KZN rather than rural KZN (heading six). This phenomenon by itself acts as a significant support mechanism for the continued urbanization of people and economic activity in the province. Given the relative inflexibility of the structure and format of the provincial and local government budgets and expenditure patterns and the scarcity of additional fiscal resources it is highly unlikely that any significant spatial provincial and local government expenditure changes will occur, therefore it is highly likely that the current patterns and trends in the provincial and local government spatial expenditure will continue.

It therefore seems evident that the past and current trend in the urbanization of people and economic activity in the province will continue. The implications of this continued level of urbanization on the provincial poverty and economic development level however, are not that certain or unambiguous.

Sen (1999) defines poverty as the deprivation of basic capabilities that provide a person with the freedom to choose the life he or she has reason to value. These capabilities include good health, education, social networks, command over economic resources, and influence on decision-making that affects one's life. Income is important because money allows a person to develop his or her capabilities, but it is only a means to live a valuable life. From this perspective Sen argues that poverty

is a condition with many interdependent and closely related dimensions which can be summarized in three broad categories:

- Lack of regular income and employment, productive assets (such as land and housing), access to social safety nets;
- Lack of access to services such as education, health care, information, credit, water supply and sanitation;
- Lack of political power, participation, dignity and respect.

Provincial Economic Development aims to improve the economic well-being and quality of life of the people of the province, i.e., to decrease poverty levels in the province in other words. Husain (2007) suggest that there is by now a rich literature full of empirical evidence that documents the successes, failures, reversals and slippages of economic development and its impact on poverty alleviation in the developing countries. Some of the lessons include:

- Rapid rates of growth over a sustained period of time are necessary, though not sufficient, for poverty reduction.
- Combating poverty also requires targeted interventions in the areas of social and human development such as basic education, health services and enhancing capabilities, particularly for women and children, empowering citizens, men and women.
- Good governance and well functioning institutions are essential for the transmission of policies to the poor.

It thus seems evident that poverty and economic development are strongly correlated and interrelated, i.e., they have a cause and effect relationship. Thus, economic development is a prerequisite for poverty alleviation and poverty alleviation will support economic development in the long-run. The "building plans completed" statistics indicate and suggest that urban KZN has been and will continue to be the primary beneficiary of economic space expansions and additions, therefore economic development will mainly occur in urban KZN and also at higher levels than in rural KZN.

The urban rural inequality statistics also support the above argument that economic development will concentrate in and towards urban KZN rather than rural KZN because, despite the past levels of urbanization, poverty levels in urban KZN are still lower than poverty levels in rural KZN. Urban unemployment is also much lower than rural unemployment and urban income levels are much higher than rural income levels, where the majority of people are dependent on agriculture related activities.

It also seems more plausible, i.e., greater probability, that the three main categories of poverty, as identified by Sen, will be much easier addressed in urban KZN than in rural KZN. For example, it has been very clearly indicated that the majority of provincial and local government expenditure and service delivery occurs in urban KZN and therefore people living in poverty have greater access to quality and affordable public services in urban KZN than in rural KZN.

The analysis and statistics indicate that economic development will to a great extend be associated with and occur in urban KZN and not rural KZN, although some economic development, but only on a very limited scale, will occur in rural KZN. Given that poverty alleviation is significantly dependent on economic development it becomes desirable for the migration of rural poverty to urban economic development. Thus, poverty alleviation through the urbanization of people and economic activity and supported by the spatial concentration of provincial and local government expenditure and service delivery. This view is supported by the United Nations Population Fund that states that "urbanization offers significant opportunities to reduce poverty and gender inequality, as well as to promote sustainable development", however urbanization must be supported by the spatial concentration of provincial and local government expenditure and service delivery. The World Urbanization Prospects Report (The 2005 Revision, 2006) clearly indicates that there exists a positive relationship between the Human Development Index and the proportion of people living in urban areas, supporting the concept or idea of poverty alleviation and economic development trough the urbanization and concentration of people and economic activity.

The state of the World Population 2007 Report as published by the United Nations (2007) support the above relationship citing the important advantages that cities have. These advantages are:

- Although urban concentration increases the visibility and political volatility of poverty, it has definite advantages over dispersion. These advantages are economic, social and environmental as well as demographic.
- Economic competition is increasingly globalized; cities are better able to take advantage of globalization's opportunities and to generate jobs and income for a larger number of people.
- Cities are in a better position to provide education and health care—as well as other services and amenities—simply because of their advantages of scale and proximity. Poor governance, and decisions prompted by a negative attitude to urbanization and urban growth, explain why these advantages do not always materialize.
- Urbanization helps to hold back environmental degradation by offering an outlet for rural population growth that would otherwise encroach upon natural habitats and areas of biodiversity. Cities are worse polluters than rural areas, simply because they generate most of a country's economic growth and concentrate its most affluent consumers. But many environmental problems could be minimized with better urban management.
- From a demographic standpoint, urbanization accelerates the decline of fertility by facilitating the exercise of reproductive health rights. In urban areas, new social aspirations, the empowerment of women, changes in gender relations, the improvement of social conditions, higher-quality reproductive health services and better access to them, all favour rapid fertility reduction.

(United Nations, 2007)

The urbanization and concentration of people and economic activity therefore seems to offer significant opportunities to reduce poverty alleviation and economic development. However, it will have to be accompanied by effective approaches, strategies and government support.

7.   CONCLUSIONS

It seems evident that the KwaZulu-Natal economy experienced significant levels of urbanization and concentration of people and economic activity since 2001. This is mainly because of the significant levels of social and economic inequality and disparity that exists between urban KZN and rural KZN. It is these inequalities and disparities that act as the economic rational for the increased levels of urbanization and concentration of people and economic activity within the province as suggested by the majority of the relevant economic theories.

The paper also suggests that the current levels of urbanization and concentration of people and economic activity in the province will continue because of the widening of the inequalities and disparities that exists between urban KZN and rural KZN. Urban KZN is also much better placed than rural KZN to attract future private investment and expansion and therefore will continue to be the major beneficiary of future economic activity. Total provincial and municipal expenditure is, also, significantly bias towards Urban KZN supporting not only current levels but also future levels of urbanization and concentration of people and economic activity in the province. It is thus very difficult to image or suggest a reverse of the past urbanization and concentrations levels and trends.

Urbanization and concentration does not have to be feared as policy makers indeed do, but rather be supported because these trends can be used as policy instruments towards poverty alleviation and economic development within the province. The province of KZN therefore needs to prepare itself for an urban future. Policy makers should therefore not try to prevent urban growth, because these attempts will ultimately be futile, counter productive and very costly. Rather urban KZN needs a longer-term and broader vision of the use of urban space to reduce poverty and promote sustainability. This includes an explicit concern with the land needs of the rural migrants and urban poor, i.e., the supply of public services. This is in particular where provincial government can support urban KZN.

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