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Pethe, Abhay and Gandhi, Sahil and Tandel, Vaidehi

Department of Economics, University of Mumbai, Department of Economics, University of Mumbai, Department of Economics, University of Mumbai

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Assessing the Mumbai Metropolitan Region: A Governance Perspective

Abhay Pethe, Sahil Gandhi and Vaidehi Tandel¹

Abstract

*The paper written from a governance perspective takes the position that a useful governance perspective must be informed by the socio-economic-cultural milieu and in the specific Indian context must sit on a tripod of 'political reality', 'state of decentralization' and 'basic economic principles'. Mumbai Metropolitan Region (MMR) is one of the most important growth engines for India as it accrues tremendous revenues to the central and the Maharashtra (State) governments. It is thus crucial to ensure that the governance system in MMR is efficient for it to continue on its growth trajectory. We assess the performance of the governance system in MMR which **resembles** a polycentric governance system- a system that has been heralded as being greatly suited to metropolitan regions by several scholars. We recognize that Metropolitan governance is a concept since in reality it comprises a loose bundle of multiple actors and organizations. For sharper focus, we study the interactions between only two (dominant) public organizations- Municipal Corporation of Greater Mumbai (an Urban Local Body of Greater Mumbai) and the Mumbai Metropolitan Region Development Authority (a parastatal of the State Government). Our assessment reveals that the institutions – rules of the game – which are essential for the efficient functioning of polycentric governance system are missing in the region. Our findings emphasize the need to bring about micro reforms in the institutional framework for polycentric governance to be successful in MMR.*

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¹ The first author is a member of the faculty and the other two authors are PhD scholars, in the Department of Economics (Autonomous), University of Mumbai. The views expressed are personal and may not necessarily conform to those of the organization to which they belong.

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1. Introduction

Forces of economic growth and globalization have ushered a transformation in developing countries. These processes have led to *further* increasing concentration of economic and commercial activity and rapid expansion of human settlements in metropolitan regions thereby calling attention to the characteristics and dynamics of such regions. This is certainly true for India which is witnessing a significant rise in the number of cities but more importantly high rates of urban densities as well as sprawl in the existing metropolitan regions. The haphazard and rapid process of urbanization has led to tremendous pressures on existing infrastructure as well as on the governance system for such metropolitan regions. It is clear that organization herein are severely lacking in planning and efficiency, hence impeding augmentation of infrastructure. The Mumbai Metropolitan Region (MMR) which is one of the largest urban agglomerations in India has been plagued with such problems and is at the same time facing formidable challenges to adapt to the changing demands of globalization. Tackling these issues would require an assessment of the efficacy of existing governance system in the region.

Governance in the metropolitan context is an umbrella term that covers all possible interactions involving governmental and nongovernmental actors. It is concerned with the institutions - that is the set of formal and informal rules - within the system that provide the incentive structure for actors in their interactions with each other. The outcome of these rule driven interactions forms the product of governance. There are several broad systems of governance but of particular interest in the situation of MMR is the polycentric governance system where several independent organizations with overlapping jurisdiction provide public goods and services that are either complementary or substitutable in nature. Polycentric governance system ideally works on the premise of mitigating any problems of coordination or promoting '*creative conflict*' or competition between these organizations which would lead to an improvement in the outcomes in terms of greater efficiency in goods and service delivery.

The governance structure in MMR is endowed with a multitude of public bodies at the local level involved in all aspects of infrastructure delivery and planning and whilst it may resemble a polycentric system whether it is polycentric in the real sense is moot. It is in this context that we identify certain conditions whose fulfillment would be essential for a

polycentric governance system to work efficiently in a metropolitan region and determine whether the governance system in MMR satisfies these conditions.

Governance is a multifaceted complex entity unravelling which usefully requires deconstruction and reconstruction severally and iteratively with wise sensibility and analytical rigor within a reasonably defined conceptual frame (Pethe, 2010). Thus a useful governance perspective must be informed by the socio-economic-cultural milieu and in the specific Indian context must sit on a tripod of 'political reality', 'state of decentralization' and 'basic economic principles'. Each of this comprises of further tripods. Political reality is to be understood by the underlying fractured polity as delineated by partisan considerations, regional parties, and coalitional politics. The state of decentralization has to be understood in terms of the well understood three Fs namely, Functions, Funds and Functionaries. The three basic economic principles that are relevant are the 'one price' or the no arbitrage principle, the intrinsic equilibrating relation between 'stocks and flows' and the 'goodness of law' further supplemented by the epsilon truthfulness.

Taking this as a backdrop, in the current paper the conditions for efficient polycentric governance in MMR are assessed by analyzing interactions between the two large public organizations in the region- Municipal Corporation of Greater Mumbai (MCGM)² –Urban local body (ULB) for Greater Mumbai - and the Mumbai Metropolitan Region Development Authority (MMRDA) –planning agency for MMR- which, although ostensibly independent, engage with each other over several issues. To study the interactions between the two organizations we rely on documentary evidence from newspaper archives as they provide comprehensive information on different kinds of issues that arise between them. Whilst the evidence is – in a sense – anecdotal, we interpret it in an analytical frame. Studying the interactions and issues between MCGM and MMRDA we assess whether the institutions in MMR facilitate efficient polycentric governance.

The paper is divided into 7 sections including the introduction. Section 2 elaborates the different meanings of governance in an urban context, introduces the idea of a polycentric governance system and the set of necessary conditions that have to be met for it to be efficient. Section 3 studies the governance in MMR and the problems therein are touched upon. Section 4 introduces the two key players in the governance and civic administration of MMR- the MCGM and the MMRDA and highlights the nature of their interaction. Section 5 evaluates the performance of the polycentric governance system in MMR against the

² The MCGM is also known as Brihanmumbai Municipal Corporation (BMC).

benchmark conditions. Section 6 articulates the need for changing institutions and the policies that would need to be undertaken for facilitating efficient polycentric governance in MMR. In the last section we conclude.

2. Governance in an Urban context

Governance is the most crucial factor determining liveability and competitiveness of metropolitan regions. This belief has found universal consonance and hence governance reform finds a place in any sensible policy for metropolitan regions. With a view to examine governance and set an agenda for reform, policymakers and the academia have published a large amount of literature on governance³ and have undertaken several empirical studies focusing on governance systems adopted by cities and metropolitan regions.⁴

It is now well recognized that governance goes beyond public actors to include *all* stakeholders that are co producers of and affected by the outcomes of governance. Stoker (1998: 17) opines that anything concerning itself with creating conditions for ordered rule and collective action would fall under the umbrella term of governance. Thus '*Governance is the totality of interactions, in which government, other public bodies, private sector and the civil society participate, aiming at solving societal problems or creating social opportunities*' (Meuleman, 2008: 11).

The incidence of individual collective action problem is rather high in metropolitan areas due the vastness and diversity of the population living in these regions. The failure of collectives of individuals and markets in ensuring socially optimal outcomes validates the existence of governing organizations whose *raison d'être* is to deal with civic and other metropolitan issues. The principal agent framework as applied to democratic governance systems posits that the citizens are principal whereas those within public organizations- so long as they are appointed by and serve the demands of the citizens- are the agents of the citizen (Batley, 2004: 38). The control of the principal over the agent depends upon the information advantage with the latter (ibid.). This asymmetry of information and the resultant loss of control provide the rationale for appointing supervisors (Tirole, 1986: 182) whose role is to monitor the agent on behalf of the principal. Governance is a product of the interactions

³ Some works expounding different types of governance include E. Ostrom (1990), Rhodes (1996), Williamson (1996), Jessop (1998), McGinnis (1999a; 1999b; 2000), Dixit (2004), Carlsson and Sandström (2008), Meuleman (2008), Chhotray and Stoker (2009).

⁴ Lefèvre (1998), Le Galès (1998), Heinelt and Kübler (2005) among others have undertaken such studies.

between these different entities- i.e. the principal, supervisor(s) and the agent(s) - who act in accordance with the incentives that are determined by the institutions that are in place.⁵ As a result governance becomes a function of institutional factors. The set of institutions includes both **formal** as well as **informal** institutions. **Formal institutions provide scaffolding for the governance structure and for these institutions to be successful in ensuring efficient governance, there is a need to embed within them informal institutions that drive *inter* as well as *intra* organizational interactions.** There can be different forms of governance structures that could be set up in order to deal with multifarious issues that arise in the public realm. *Whilst metropolitan governance- in some sense only an **emergent** entity- can be conceptualized in a unified manner it is in effect a resultant of several institutions and organizations (peopled by several agents) interacting in multiple ways.* The issues that arise, it is well to remember, are thus not just of agents but the **origin** as well as the **juxtaposition** of agencies.

Initially, the two forms of governance that were recognized by policy makers were Hierarchical governance – which came about from Weber’s ideal type of bureaucratic organization (Meuleman, 2008: 21-26) - and Market governance. In the context of a metropolitan region, a monocentric government or ‘Gargantua’ might not lead to efficient service delivery (V. Ostrom *et al.*, 1961: 837) as it would be difficult for such a government to cater to the heterogeneous demands of the citizens. This is in sharp contradistinction to the earlier commonly held view that single ‘ownership’ realized through a monolith could sort the issues of large metropolitan governments. Indeed, this idea of ‘single ownership’ finds a prominent place in the famous Vision Mumbai document, which talks of coordination via a single CEO, an idea or position that this paper strongly contends.

As a reaction to the hierarchical system, the system of market driven governance- New Public Management (NPM) took centre stage in policies.⁶ NPM when applied to urban governance, involves (among other things) appointing city managers (Schedler and Proeller, 2002: 165). However, NPM as a style of governance has been criticised for laying stress on

⁵ The use of the term institutions in this paper refers to the rules of the game as defined by North (1990). According to Dixit (2004: 5-6) these institutions govern interactions among individuals in organizations. However, while North’s definition is functionally useful, it is important to realize that feedbacks between institutions and organizations make the distinction between the two fuzzy (*ibid.*).

⁶ For further information on NPM interested readers may look at Hood (1991), Ferlie *et al.* (1996), Batley and Larbi (2004).

principles of market efficiency while losing focus of the fact governance is supposed to uphold public interest (Denhardt and Denhardt, 2007: 24).⁷

Realizing the shortcomings of these two dominant governance systems, policymakers began to acknowledge that alternative forms of governance like polycentric governance systems would be better suited for metropolitan regions. A polycentric system of governance- wherein multiple organizations interact with each other concurrently over various issues to influence outcomes- has been endorsed by scholars such as V. Ostrom *et al.* (1961), McGinnis (1999a; 1999b; 2000), Andersson and E. Ostrom (2008), E. Ostrom (2010) and others. According to V. Ostrom *et al.* (1961: 831), '*polycentric connotes many centres of decision that are formally independent of each other.*' but which are interdependent in their functioning. As an aside we may note that whilst polycentricity has a vertical as well horizontal spatial dimension, in this paper we consider only the horizontal aspect (i.e. ignore State and Central governments as players in a direct sense).

Polycentric governance thus implies the existence of independent bodies with overlapping jurisdictions performing similar functions. V. Ostrom (1999: 53) lays down three conditions for a polycentric governance system to be efficient: (a) the existence of different units of governments corresponding to the scale of effects for diverse public goods, (b) the development of cooperative arrangements among government units to undertake joint activities of mutual benefits and (c) availability of other decision making arrangements for processing and resolving conflicts among units of governments. To these conditions as put forth by V. Ostrom, we add three more: (d) the extent to which the system enables creative conflict or competition (when the scopes of different public organizations are similar or overlapping), (e) the absence of any hierarchy or in other words equal bargaining power between two or more organizations operating at the same level, and (f) participation by citizens.

Services that may be similar in nature need not have the same production functions (E. Ostrom, 2010: 109-110). Some services may enjoy benefits of scale economies while some others would best be provided on a smaller scale to ensure customized provision to heterogeneous sets of population. Hence a polycentric system of governance may be best suited for metropolitan regions which require delivery of a range public goods and services at different scales. When goods and services are complimentary in nature, polycentric

⁷ Weikart (2001) elucidates the limitations of the NPM when applied to city management citing the case of New York City.

governance would require the different organizations that provide them to coordinate with each other. This requires cooperative arrangements (V. Ostrom, 1999) thereby validating the need for a system of network governance⁸ to be in place. According to Jones *et al.* (1997: 914) network governance is when independent constituents coordinate with each other via implicit (or social) contracts in order to adapt to environmental and systemic uncertainties. Hence, in metropolitan regions having polycentric system of governance, it is crucial that the various public bodies recognize the need to frame such implicit contracts in order to bring about effective coordination and increase flexibility so as to make the system resilient. Absence of such mechanisms could lead to institutional collective action problems⁹ which would have to be mitigated through alternative decision making arrangements.

An additional advantage of polycentric governance is that it brings about *separation of powers creating a system of checks and balances* (Laffont, 2000 ch.3-4)¹⁰ thereby assuring that no single organization gains unfettered control over the governance of a city. One can imagine that plurality of organizations could lead to competition and would open up a space for greater representation of varied interests.¹¹ Polycentric governance would lead to a quasi market situation where several organizations compete to provide a public good or service and meets consumers' desires through wider range of choice (V. Ostrom *et al.*, 1961: 838). This would only be possible if all externalities that arise from the functioning of these organizations can be completely internalized (*ibid.*) and there is no explicit (or implicit) hierarchy (in terms of control) between these organizations. Internalizing externalities simply means that the organizations should include all the groups of actors that would be affected by its actions in its jurisdiction. A critical factor enabling the polycentric governance to function effectively is that the cross section of organizations operating within a metropolitan region should have an equal say over various issues; if a single organization is in a position to impose its decisions and actions on others without a check on it the system would well be a hierarchical one. Greater citizen participation is especially important as it would allow provision of goods and services at the local level to become customized to the needs of the groups of citizens enhancing efficiency of the polycentric system. *Participation in the form of*

⁸ Network governance has been extensively dealt with in the works of Powell (1990), Podolny and Page (1998), and Sørensen and Torfing (2005), Meuleman (2008).

⁹ The phenomenon of Institutional Collective Action dilemmas and their resolution is discussed in detail in Feiock and Scholz (2010).

¹⁰ Laffont (2000) also illustrates possibilities of collusion amongst agents under certain conditions.

¹¹ See for example Sanyal and Mukhija (2001).

civil society groups, Community Based Organizations and Non Government Organizations is about bringing the principal within the fold of decision making.

Having touched upon the meaning of governance and discussed at length the necessary conditions for efficient performance of polycentric governance, the step forward would be to scrutinize the dynamics and performance of polycentric governance- especially with respect to the six conditions of efficiency- as it unfolds in metropolitan regions in developing countries. This is done by looking at the system of governance in MMR.

3. Governance system in MMR: Structure and Issues

The MMR is one of the largest urban agglomerations in the world extending over an area of 4355 sq.km.in which there is 1273 sq. km of urban area and of which Greater Mumbai covers 468 sq.km. The other corporations and councils cover 805 sq. km. whereas rural area of MMR covers 2614 sq. km. Total population of MMR was approximately 18.9 million in the year 2001; for the year 2008-09 it is estimated to be 25 million. MMR accounted for 36.27% of Net State Domestic Product of Maharashtra and 4.67% of Net National Domestic Product in the year 2008-09.

MMR consists of 8 Municipal Corporations and 9 Municipal Councils¹² which oversee the general civic affairs of the different cities and towns in the region as well as several parastatals set up by the State and Central governments for specific purposes such as affordable housing, planning for infrastructure and so on. Metropolitan government is only an idea rather than a neat single entity and hence metropolitan governance is a resultant of the actions of the multiple entities of various forms operating in the region. The overlapping jurisdictions and multiplicity of functioning of a number of different organizations in the delivery of public goods and service gives the perception that governance in MMR is polycentric in nature. However the rest of this section shows that this system suffers from serious flaws.

The creation of Municipal Corporations and Councils was mandated by the 74th Constitutional Amendment Act passed in 1992. It was heralded as a hallmark step towards decentralization which would eventually empower urban local governments to function rendering their duties effectively without undue interference from the state government. However the strong perception of hierarchy where the local government continues to be

¹² As of November, 2010.

viewed by the State government as *its creature* (despite constitutional amendment validating its existence as the tier of government) has been difficult to change. Thus we see an active participation – indeed overbearing interference – by the Government of Maharashtra in the governance of MMR via the parastatals established by it under different departments. For instance MMRDA was set up as a planning agency for MMR under the Urban Development Department. The Maharashtra Housing and Area Development Authority (MHADA) and the Slum Rehabilitation Authority are bodies created under the Housing Department to provide for affordable housing and slum rehabilitation. Maharashtra State Road Development Corporation under the Public Works Department is in charge of developing roads, bridges and flyovers in MMR as well as the rest of Maharashtra. The presence of public agencies of the Central Government makes the picture even messier. The Port Trusts, Airport Authority of India, National Highway Authority of India, Mumbai Railway Vikas Corporation all operate in certain jurisdictions in MMR which are completely outside the control of the concerned ULBs. Not only do they lie beyond the jurisdiction of ULBs but their individual masters comprise of different ministries and indeed different governments.

These organizations have intersecting jurisdictions and often undertake infrastructure projects spanning the jurisdictions of several ULBs without proper coordination leading to faulty and costly execution of such projects. Moreover, the different arms of the State and Central government refuse to pay property taxes to the MCGM (Indian Express; 1998). The local governments are not blameless- they fail to provide the requisite assistance to parastatals. Several housing colonies developed by MHADA are facing severe water shortage because the MCGM has not been able to provide them with adequate water facilities (Mumbai Mirror, 2009; Hindustan Times, 2010b).

In order to mitigate problems of coordination Article 243ZE of the 74th Constitutional Amendment Act recommended the creation of a Metropolitan Planning Committee (MPC) an overarching authority for preparing a development plan at the level of the metropolitan region and it was to be comprised of elected representatives from all the local bodies in the metropolitan region. The implication of this is that the establishment of MPCs may lead to a top down approach in planning given that the local bodies do not possess the requisite planning capacities (Joardar, 2008: 77-8). However, there is a credible threat that such an MPC might undermine the authority of the local governments and hence subvert the entire exercise of decentralization. The State legislature of Maharashtra has recently constituted an MPC for MMR as a response to a Public Interest Litigation. *The State Government has been*

reluctant in ensuring that the MPC becomes completely operational as it would dilute its control over MMR.

Apart from an absence of coordination among various bodies, there is also a discernable absence of competition between them. To a certain extent, there is competition among the different urban local bodies in trying to out do one another in attracting investment and vying to become an economic and commercial hub.¹³ However what is missing is competition among organizations with overlapping jurisdictions that perform similar functions.

This situation is changing due to a slightly proactive role essayed by supervisors such as the media, judiciary and civil society. The media has (albeit with a touch of sensationalism) brought to light the several conflicts of interests, problems of coordination and collusions among the public agencies¹⁴ and the courts have been prompt in responding to Public Interest Litigations and on several occasions have directed public agencies to fulfil their obligations (Times of India, 2005; 2006b; Hindustan Times, 2010a). However the efforts of these supervisors are piecemeal and do not bring about any sustained systemic changes.

Given the dismal state of governance in MMR it would be pertinent to understand how institutions govern actions of the organizations -and the agents therein- in MMR and lead to a divergence between actual and 'ideal' outcomes. Since governance is a fairly broad concept, understanding its workings would require us to narrow our scope of analysis. Given the sheer number of public bodies in MMR and the immense complexity in their interactions, we confine our analysis to the examination of interactions between two of the largest organizations in MMR in terms of scope and size- the Mumbai Metropolitan Region Development Authority (MMRDA) and the Municipal Corporation of Greater Mumbai (MCGM). The rationale for choosing MMRDA is that it is carrying out the maximum number of infrastructure projects in MMR and MCGM is chosen because its jurisdiction that is Greater Mumbai occupies 10.7% of the total land area of MMR while accommodating 67% of the total population in the region. Also, MCGM's has an enormous share in revenue and capital expenditure by all municipal corporations and councils in the region amounting to 74% and 57% respectively for the year 2004-05 (Pethe and Lalvani 2007). Hence any

¹³ For example the satellite city of Navi Mumbai has been consciously implementing policies that would augment growth so that it would outperform other cities in MMR.

¹⁴ The recent Adarsh Society scam in Mumbai was exposed and pursued thanks to the media and civic activists.

conflicts between the two organizations would have implications on the majority of the population in the region which could result in considerable social strife. Given the towering, indeed, overwhelming (in terms of magnitude) stature of these *two players* in MMR they self select themselves as ideal organizations to study (in a prototype sense) polycentric nature of governance or lack thereof.

4. MCGM and MMRDA: An Overview

4.1 Characteristics

The MCGM is in charge of administration of civic affairs in Greater Mumbai i.e. Mumbai city and suburbs. MCGM was constituted under the Mumbai Municipal Corporation Act, 1888. MCGM is an ULB having legitimate recognition as a third tier local government as per the 74th Constitutional Amendment Act, 1992. It is a general purpose body implying that it is involved with all aspects of urban governance mentioned in the Twelfth Schedule of the Constitution of India. This includes physical, economic and social planning, provision of infrastructure services, environment and public health. The organizational structure of the MCGM is bifurcated into the administrative wing and the deliberative wing. The administrative wing is responsible for executing the various functions of MCGM and comprises of bureaucrats who run different departments and is headed by the Municipal Commissioner who is a state appointed officer and is the chief administrator for Greater Mumbai region. When there are different parties in power at the state and the local level it would be in the interest of the state level party to have a bureaucrat at the MCGM who is loyal (which is ensured ‘politically’ by leveraging his career ambitions) to them. The deliberative wing consists of elected councillors from different wards and is headed by the Mayor who is indirectly elected by the councillors. This wing operates through various committees, the most important of which is the Standing Committee. In such an organizational set up, one does witness differences arising between the bureaucrats and the politicians, however the final authority rests with the Municipal Commissioner.

MMRDA is a planning and development body for MMR. There is an original contradiction – a flaw in its design – in that it is also a player in the development process. This leads to a situation of conflict of interest in its very make up. It was set up under the Mumbai Metropolitan Region Development Authority Act, 1974. MMRDA is a parastatal created by the Government of Maharashtra and is under the complete control of the State

Government. It encompasses MMR which includes 8 Municipal Corporations- including the MCGM - and 9 Municipal Councils. MMRDA is a task specific body whose functions are specified in Section 12 of the MMRDA Act and pertain to reviewing, planning, executing and financing projects and schemes for the development of MMR. The organizational structure of MMRDA is comprised of three bodies- the Authority, Executive Committee and Office of the Metropolitan Commissioner. The Authority is at the apex of the structure and has control over all activities of MMRDA. It is made up of 17 members including ministers from the State Government, Municipal Commissioner of Mumbai, councillors from MCGM, MLAs and its chairman is the Minister for Urban Development, Government of Maharashtra. The Executive Committee is in charge of providing technical guidance and supervising activities of MMRDA and consists of members from Government of Maharashtra, experts in urban planning and development and has the Chief Secretary to the Government of Maharashtra as its chairman. The Metropolitan Commissioner is a bureaucrat appointed by the Government of Maharashtra to head the office of MMRDA which comprises of different divisions such as Planning Division, Town and Country Division, Engineering Division and others.

Taking a comparative look at the finances of the bodies, we find that MCGM has a bigger budget of the two. This is evidenced from the fact that the size of MCGM's budget for the year 2008-09 was Rs. 16831.5 crores (for the year 2011-12 it is pegged at around Rs. 21,000 crores) while MMRDA's budget for the same year was Rs. 6643 crores. One would indeed expect this to be the case since MCGM is a constitutionally mandated government with a wide scope of responsibilities whereas MMRDA is has a narrower focus; i.e. planning for development and strengthening of infrastructure. On the other hand, MMRDA, in spite of having a smaller budget of the two, is greatly involved in augmenting infrastructure in MMR, especially Greater Mumbai. This is supposed to be done through a greater leveraging role that MMRDA plays. For instance, it has initiated some major projects such as the Metro Rail Project, skywalk project, rental housing project and others in the last few years which are likely to change the face of MMR.¹⁵ It thus has its importance power derived from its capacity to leverage its resources in a focussed manner.

Although ostensibly MCGM and MMRDA are two separate autonomous bodies, in reality the degree of interdependency among the two is quite high thereby implying that these two players cannot disregard each other in their decision making process. For instance, with

¹⁵ These are carried out through PPPs, various other funds provided by the State and Center earmarked for the same.

the Municipal Commissioner being a member of the Authority of MMRDA, MCGM's interests would presumably be taken into consideration by the MMRDA. Also the MMRDA requires the cooperation of the MCGM in order to successfully implement its projects in the Greater Mumbai region.¹⁶ On the flip side, the MMRDA has established the Mumbai Urban Development Project- Revolving Fund and the Reserve Fund in order to provide financial assistance in the form of short term and long term loans to various local governments. In order to be able to access these funds, MCGM would have to be mindful of MMRDA's interests while deciding its own agenda. Also, despite the fact that they are two separate autonomous bodies, *the executive heads in both the cases are nominated by the Chief Minister of the State*. This leads to doubts about their ability to function as **two** players in a game theoretic sense. They in a deeper – political economy sense – are two ‘persons’ representing a single player. Given this situation one would expect that both the bodies recognize their interdependencies and therefore at most cooperate while working towards providing public goods and services in the city and suburbs. Personal egos of officers heading the organizations apart, it would be foolhardy to expect ‘creative conflict’ with each organization competitively pursuing its own interest in efficiently achieving outcomes as per their defined domains of functionality.

4.2 Issues

Instances of cooperation between MCGM and MMRDA are however rare. More often than not, at one level, the two are at loggerheads over various issues due to implicit (assumed) hierarchy, lack of coordination, differences in ruling political parties as well as considerable ambiguity regarding their respective roles and responsibilities. MMRDA being well aware that it is immune from actions taken by the MCGM against it (as it continues to be treated as a creature of the state government) has not paid dues of damages caused to roads and water pipelines in the course of its development to the MCGM (Indian Express, 2009). Then there have been conflicts caused over MMRDA billing MCGM for rehabilitation of Project Affected Persons and land acquisition under Mumbai Urban Transport Project implemented by MMRDA (DNA, 2007). MMRDA time and again abruptly hands over infrastructure projects that it undertakes in the city to the MCGM for completion thereby

¹⁶ For instance, the MMRDA's Metro Rail Project would require the MCGM to provide it necessary civic amenities such as water and would also require the latter to pass the proposals pertaining to the project. (Mumbai Mirror: March 4, 2010b).

completely absolving itself from any responsibility (Hindustan Times, 2010e). The problem of lack of coordination is seen in the case where the MMRDA failed to attend the annual pre monsoon coordination meeting traditionally held by MCGM, MMRDA and the Railways citing the reason that it was not informed about the same (Express India, 2007). The failure to come upon a proper understanding led to an abrupt handover of an important arterial road that had been taken over by the MMRDA for maintenance to MCGM without the simultaneous handover of the actual contract and bank guarantees given by contractors resulting in considerable confusion in the recent months and major traffic congestion (Times of India, 2010). The MCGM has been very vocal in criticizing many of MMRDA's plans and actions and has been quick to blame the organization for any problems in infrastructure delivery (Express India, 2009).

A dominant cause of conflict between the MCGM and MMRDA has been the rivalry that exists among the political parties at the local and the state government level and hence in a transferred sense and hardly creative. For instance, the councillors of MCGM belonging to the Shiv Sena- a regional political party- resent any positive publicity that MMRDA –which is (implicitly) under the Congress ruled state government - receives for its work in Greater Mumbai claiming that the latter is trying to undermine the MCGM by taking over the development of the city and suburbs (Times of India, 2006a; Express India. 2006). Various committees of the MCGM comprising of elected councillors from the Shiv Sena often threaten to withdraw cooperation that MMRDA requires in order to successfully implement its projects if their demands are not met. For instance, the Improvements Committee of MCGM threatened to withhold permission to MMRDA to use the space around the upcoming Metro Rail for commercial purposes unless it was given 50 percent of the profits made by MMRDA from such enterprises (Mumbai Mirror, 2010a). In another case, MCGM's Standing Committee demanded a share of profits made by MMRDA in its land deals citing the reason that the development work carried out by MMRDA puts a strain on MCGM (DNA, 2010). As a corollary, one observes that such squabbles were absent when the same party- the Shiv Sena- was ruling at the local and state level that is between the period 1995-1999. In fact, this was a period that saw great cooperation between the MCGM and MMRDA, with the latter providing the former with considerable financial assistance for executing projects (Indian Express 1997; 1999).

In the recent past, MCGM and MMRDA have attempted to clear misunderstandings and facilitate cooperation through talks (Mumbai Mirror, 2010b; Hindustan Times, 2010c).

However, such meetings ended on a disappointing note as the bodies could not reach amicable solutions to many contentious issues (Hindustan Times, 2010d). When conflicts cannot be resolved through mutual understanding, the conflicting bodies have to take recourse to a higher authority (V. Ostrom and E. Ostrom, 1999: 96-7). This can be clearly seen in MMR when the Chief Minister of Maharashtra intervenes to resolve problems between MCGM and MMRDA (Express India 2005; Times of India 2009).

Apart from the Chief Minister, the judiciary too intervenes *suo moto* or as a response to Public Interest Litigations by issuing directives to the two authorities to work together in meeting deadlines for public works (Times of India 2005; 2006b).

4.3 Analysis

The numerous anecdotes cited in the earlier section demonstrate that the interaction between MCGM and MMRDA which is a product of decisions taken by self motivated agents (as distinct from *agencies*) results in considerable social losses. We see that MCGM and MMRDA, where they are expected to cooperate fail to do so. Given the extent of interdependencies one would expect the two organizations to coordinate their functioning for the benefit of the citizens. Instead, political rivalries between the ruling parties at the State and local level play out and pose a hindrance to cooperation. We arrive at this conclusion by examining the relations between the state and local government during the period 1995-2010. Throughout this period, the Shiv Sena enjoyed an uninterrupted stint in MCGM. The period between 1999 and 2010 during which the Congress was in power at the State Government and its rival the Shiv Sena was in power in MCGM saw conflicts between MCGM and MMRDA. On the other hand, the brief period between 1995 and 1999 when the Shiv Sena was in power in the State government as well, was marked by cooperation between the two organizations. Elected councillors within the Shiv Sena dominated MCGM resent the presence of MMRDA- a creature of the Congress ruled state government- within their jurisdiction and are reluctant to cooperate with it. In contrast, the administrative wing of MCGM rarely has any differences with MMRDA. The absence of disagreements could be attributed to cooperation that occurs between the chief bureaucrats of the two organizations who are both appointees of the State government.

MCGM and MMRDA undertake some functions that are similar in nature such as construction of roads. Competition in the provision of these services would allow citizens to choose between the two on the basis of quality, cost, preferences and other factors. The desire

to perform better ought to spur the two to vie for infrastructure projects in the city. However, such efficiency enhancing competition between MCGM and MMRDA is non-existent. Instead, these organizations use the duplicity of functions as an excuse to shirk responsibility and create confusion.

This is exactly what the MMRDA is doing when it abruptly hands over projects taken by it to MCGM knowing full well that since it is not an elected body the citizens cannot penalize it for such an action. Moreover, MMRDA is also not concerned about retaliation from MCGM as there is no mechanism which allows MCGM to take concrete action against it. Our conjecture is that MMRDA- being a creature of the state government without the characteristics of participatory democracy or elected representation - believes itself to be immune from actions of citizens and local governments. It displays its highhandedness by defying the MCGM by non-payment of taxes and dues. Thus the existence of this implicit hierarchy within the system enables MMRDA to enjoy greater bargaining power.

Interactions between MCGM and MMRDA are riddled with conflicts that fester due to the absence of arrangements for conflict resolutions. Intervention by the Chief Minister is limited to summoning the top bureaucrats of the two organizations, which may be futile since it is the elected councillors within MCGM rather than the bureaucrats who are not forthcoming in cooperating with MMRDA. Moreover, arbitration that takes place by a higher authority or an independent body like the judiciary usually occurs after considerable social loss. As regards the grievances caused to the citizens due to the conflicts between the two organizations, there is little that they can do besides filing Public Interest Litigations and leaving the matter in the hands of the heavily burdened judiciary.

5. Salient features of existing governance system in MMR

What is true for these two organizations can be safely assumed to be true for other local governments and state and central level parastatals and departments that directly operate in MMR. If we consider all possible permutations and combinations of pairings of different organizations working within MMR the repercussions of inter-organizational conflicts on goods and service delivery would be grave.

Polycentric systems are ideally about separation of powers which enable checks and balances in the system. However, merely a presence of multiple public organizations in MMR cannot guarantee this and indeed may create superficial albeit loss-inducing conflicts. This as we have mentioned is due to the **nomination protocol which dictates that these**

organizations be headed by officials appointed by a single authority. Checks and balances would also be ensured through efficiency enhancing competition when the scopes of different organizations overlap. This rarely occurs as agents within these organizations have no incentives to compete and instead exploit the overlap in scope and absence of accountability by laying the blame on rival organizations for any inefficiency in goods and service delivery.

On the flip side, the extent of interdependencies between these organizations would lead one to expect them to develop informal contracts or inter organizational networks which would prevent conflicts from occurring. This would hold when public organizations are striving to maximize citizens' welfare. However, social objectives of organizations are marred by political affiliations and motivations of agents within these organizations leading to conflicts when there are political rivalries at different tiers of government. Also as the state and central governments are *above* (in perception as well as in actual fact) the local governments in the hierarchical federal structure, the agents in the arms of these governments perceive themselves to be superior to the ULBs and are reluctant to cooperate with them.

Thus the incentives of the agents in the organizations lead to a divergence between the actual outcome and the normative objectives of governance. *This divergence can be attributed to the poor political institutions underlying the governance system that are inimical to citizen participation in decision making or creation of mechanisms to penalize agents for undue delays and inefficiencies in goods and service delivery.* Weak institutions also preclude the possibility of emergence of alternative decision making arrangements involving all stakeholders who are affected by the actions of the organizations. Such weak institutions make citizens dummy players- even though they have a stake in the outcome of governance they have no means to influence decisions in MMR. As a result, *the apparently polycentric governance system in MMR ends up benefiting the agents in these organizations (rather than the citizens) who are able to exploit the absence of punitive mechanisms to their advantage.* In other words, the macro outcome- which is the social welfare- is affected by micro-motives of the agents who exploit the chinks and weaknesses in the system (and its enforcement arm) abusing it in the 'shadow of law'.¹⁷

6. Further Implications

The inefficiencies in the functioning of the current governance system in MMR can be rectified either by ensuring that the MPC becomes an effective as a single coordinating

¹⁷ For a rigorous explanation of the mechanism of shadow of law please refer to Dixit (2004: ch. - 2).

organization or by enabling the existing polycentric governance system to become efficient. The former would shift the dynamics of political power in favour of the MPC and hence it will always remain subverted by the agents at the local and state level. Bringing about such a change therefore will turn out to be a costly process. Policies therefore ought to be aimed at improving the extant governance system by strengthening the underlying institutions. Making polycentricity work in MMR in the true spirit would require that the institutions in the organizational and systemic structure of MMR are reformed so that the necessary conditions for an efficient polycentric system laid down in section 2 are satisfied. Reforms at a macro level would be difficult to implement thereby requiring policymakers to undertake a combination of micro reforms which would enable efficient polycentric governance in MMR. Such reforms should aim at mitigating institutional collective action dilemmas as well as inducing competition among public organizations so that heterogeneous groups of citizens with contesting preferences have their demands recognized. Such ideal situations would be realized when incentives of the agents within the public organizations are aligned to the outcomes that are most desired by the public. This would only be possible when citizens themselves are able to participate –directly or indirectly- in the decision making processes of the public organization so that the system adapts itself to enhance social welfare. Such a self organizing system would require the creation of a space and channels for communication and feedbacks between not only those who are agents within the said organizations but also with the citizens who are the ultimate beneficiaries of any improvements in the system. Citizen involvement in a governance system can be realized by strengthening supervisors- civil society as well as media and judiciary- who would effectively ensure that the public organizations are working in the interest of the citizens.

Reforms would also be required in creating incentives (or disincentives) that counter the impact of political affiliations on the actions of agents. These could be a combination of monetary rewards as well as rankings based on performance indexes that are made publicly available; this would increase accountability and induce organizations to strive to improve public good delivery. More significantly, such incentives would encourage competition.

Prior to undertaking any reforms, it would be useful to understand how institutions actually affect the working of polycentric governance. One way to go about this would be using a game theoretic framework by assigning strategies and respective payoffs to the public bodies showing that the resulting outcome - a function of the quality of institutions in place -

may be socially optimal or suboptimal. This is a rather involved matter and would perchance be taken up by us in a subsequent paper.

7. Conclusion

Metropolitan regions in India typically have governance systems that are not well thought out but are an emergent result of the constitutional amendments, mandates of the centre or policies of the state government. These changes take place at different times and as a reaction to ‘fix’ different contingencies without – we believe – an eye on the overall scheme of things. For Mumbai Metropolitan Region, the resultant system resembles the polycentric governance system endorsed by several eminent scholars. Ideally, polycentric governance system is characterized by different bodies providing goods and services at different scales, cooperation among organizations for joint provision of goods and services, competition when they are providing similar goods, existence of decision making arrangements to resolve conflicts, equal bargaining power to organizations functioning in a given jurisdiction and community participation. Keeping these conditions in mind, we analyze polycentric governance system in MMR, we specifically study the interactions between two largest public organizations- the MCGM and MMRDA. Our examination reveals that the necessary conditions for polycentric governance to function efficiently are absent in MMR.

This situation is primarily attributed to the existence of poor institutions that do not facilitate citizen participation and create perverse incentives for agents in these organizations to engage in conflicts driven by political considerations. Our arguments have strong implications for governance policy in MMR; we postulate that instead of grand, populist policies, the approach should be one of pragmatism in terms of *tweaking the micro rules that take into consideration the informal institutional mechanisms involved in governance*. Investing in creating and changing rules that would facilitate ‘true’ polycentric governance MMR would yield rich dividends for the region.

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