

ON URBAN GOVERNANCE: THE CASE OF MUMBAI

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Abstract

*Governance in general and urban governance is the flavor of the season. In this piece we take the view that it **has to do with the strategies that deal with identification of the lacunae and to make operational (including the ability to do so from economic/ financial point of view) the policy initiatives to be undertaken given the objectives of the government.** The framework of policy regimen is constructed through principles of governance. The focus of this article is on Mumbai (MCGM). We argue that what is required is a massive capacity building exercise requiring a change in mindsets, creation of a feeling on the part of all the agents of being real stakeholders with the end-result of improved governance. Further, we argue that the governance process has to be Simple, Transparent, Accountable, Responsive, and Technology enabled. What is clearly of essence is that we must exercise the political will – whether inherently available or externally injected – to START the process of getting governance right!*

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Oh what a tangled web we weave

- Sir Walter Scott

Governance is a word that – for most – conjures up images of a magical web – albeit frustrating – through which frustratingly slow paper movement takes place, and sometimes gets caught in a loop, while one waits with angelic patience (sic) for *some* decision and outcome! The whole area of Governance poses profound questions and yet has, by and large, received perfunctory treatment. Governance is a generic term. It has been variously defined. From a rather expansive and *soulful* definition used by Lt Governor Jagmohan, that includes almost every stakeholder in the society. The context is a wide canvass provided by the concerns of the whole nation state and its spirit with the long traditions and moorings in the cultural spirit of India. Then there is the more down to earth definition employed by Arun Shourie in his interesting yet practical book, where the concern is with the involuted processes indulged in by the Indian bureaucracy. Between them one finds a whole spectrum traversed. The World Bank and UNDP define it as to do with *the manner of exercise of power* and *complex of mechanisms* respectively, trying to focus on processes rather than agents and institutions, We, for the purposes of this article take the view that it **has to do with the strategies that deal with identification of the lacunae and operationalising (including the ability to do so from economic/ financial point of view) the policy initiatives to be undertaken given the objectives of the government.** The framework of policy regimen is constructed through principles of governance. It encompasses a space that maps elements that are sometimes esoteric and at other times mundane, yet always crucial to the success of the overall agenda. The parametric environment (the economic aspect) that circumscribes the governance by a government (Local, State or Central) is defined by the macro economic ethos, which is partly the result of given circumstances (dominant international views) and partly a result of conscious decisions by the Central or national government. To some extent this

is also conditioned by the prevailing political formations at various levels within the country. In its turn, every level of government is instrumental in defining such an environment for lower structures of government. In charting its course – in the space of political economy – the government must interact with the upper and lower governmental structures. *Given the objectives* of the government, ‘good governance’ is concerned with systemic design that leads to better and efficient practices being adopted by administrative machinery – in some sense divorced from partisan political considerations – in the conduct of its policies. In a country like India, it is essential that polity, bureaucracy, private sector and civil society forge synergistic relations in order to create an environment conducive to good governance, so that transparent and accountable practices are put in place.

The focus of this article is on Mumbai (MCGM), thus what we shall do is to organize various things that we believe ought to be done within the realm of governance as core, soft core and dealing with parametric environment (things to do by entities other than MCGM perhaps by way of prerequisites) in the reverse order. Hence, our treatment hence, will be outside in.

A crucial pre-requisite for any rational/ sensible decision-making towards initiating action is the availability of authentic and complete data set for all the relevant variables. This involves not only standardization (across time and space) but also dis-aggregated data set in an economically and functionally meaningful sense. If one wants to be ambitious one could also try and get in the qualitative aspects of the underlying that current data totally ignore. There is a real need to create an autonomous agency to act as a *data collecting and monitoring urban observatory*. Thus the citizens must have at their disposal **a one-stop user-friendly data warehouse that is easily accessible.**

Turning to the parametric environment, let us consider decentralization. This much-banded word has been around for some time now but not quite invited in. It is only with the passage of 73rd and 74th Constitutional Amendments (CA) that serious movement has taken place. Even then, the 74th CA is almost

like an after thought and clearly does not go far enough in signaling serious intent of decentralization (this has perchance to do with our national perceptions and psyche). The local bodies (MCGM included) need to be truly empowered. This will involve *legislative powers being handed down, in particular greater autonomy in the realm of taxation. Mandatory tax shares and transfers have to be ensured in a time bound manner so that financial conditions will improve to no mean extent.* The point being made here is that whereas magnitude of devolution is important, the timing of flow and its certainty is even more so for effective planning of implementable strategies. It needs to be noted that the devolution from the state to the local bodies is not only far from significant, it is also ad-hoc in terms of magnitude and timing, with scant regards to the award of the constitutionally mandated State Finance Commission.

As an illustration of lacunae in the regulatory framework in the parametric framework, let me (advisedly) mention the question of Property Tax for Mumbai. This is far too important an issue and so much has been written about it (the unjust and unrealistic nature of ratable value, the rent control act et al.,) and the surrounding issues of slums and their clearance that trying to delve into it would be foolhardy and sure to lead us astray. The point one is trying to make is that unless one allows for a well functioning land and housing market to come into being a proper rate of property tax cannot be conceived. In the same vein, other user charges need to be rationalized. The argument that we have made elsewhere (www.mu.ac.in/departments/economics/publications) is that while it (i.e., the rationalization of user charges in general and property tax in particular) will not solve all the problems of finance for Mumbai or other ULBs, it will allow for proper assessment of efficiency. This is bound to instill accountability and help the signaling and rating process, which in its turn would allow MCGM access to Capital Market on far favorable terms. I say this fully cognizant of the arguments made in the name of the poor. The poor have been for too long used as an illegitimate shield for continuation of such ineffective practices obviously without

any real reward for the poor themselves. But we digress, so let us pick up the thread of the main argument.

The local government (MCGM) in its turn needs to set up empowered Ward Committees for a truly participative democratic federal set up to come into being. Whilst it will still be some way away from giving power to the people, as the ward committees are not exactly tiny! After all there are only about 24 ward committees in existence and this number needs to be enhanced significantly, while simultaneously keeping the consideration of administrative viability and costs in view. This process of empowerment has to be informed by clear, transparent and mandatory processes (devolution of duties and resources) from Central government to the State government onto the Local government and thence to the Ward committees. In this context, not so long ago we have suggested a set of principles (FAIR PLAN approach) that should guide the devolution by Twelfth Central Finance Commission (see Pethe and Lalvani 2004, the paper in the working paper form is also available in PDF format at www.mu.ac.in/departments/economics/publications). While it is quite impossible to go into the details here, what it urges in the main is to have an element of incentive compatibility in the devolution process. Such a move is mandated by the emerging context of party (coalitional) politics as well as the reality of different political interests at the Center, the State and Local level. As a logical corollary it follows that a similar scheme must prevail when it comes to the transfer from the State to Local Bodies (for the PEACE Approach to Devolution, see Karnik et al 2001, the paper in a working paper form is also available in PDF format at www.mu.ac.in/departments/economics/publications). *The transparent and predictable devolution clears the way for efficient governance at the level of State as well as Local Bodies.* Apart from serving the tenet of accountability this also serves the much-touted principle of decentralization (73rd and 74th Constitutional Amendments). Whilst the exact amounts involved in devolutionary processes will naturally be determined by the constraints and objectives of the government of the day the clarity and certainty will undoubtedly help in planning for the receiving

agencies. Thus, what we are arguing here is for a more meaningful and a mandated/statutory interaction between various levels of governments.

Many of the things mentioned above can overcome (partisan) political hurdles if there is a big push from the civil society. For this to happen there would have to be a strengthening of the NGOs both, individually and collectively. Given the complexity of modern societies, it is acknowledged that vigilance by strong civil society is an absolute must. Mumbai has many such agents of civil society and encompass the entire gamut, from those associated with slums and squatters to those associated with golf courses. The problem with civil society agencies has been that for practical reasons, it has been found that the NGOs have had to align themselves with some political outfit or other so that their presence and voice is effective. Some signs are maturity amongst the NGOs as agents of civil society are however heartwarming. From being handmaidens of particular political parties, they have started (being able to afford) moving away from partisan identity. Also rather than taking the high moral road and debunking politics and politicians as such they have started forming loose alliances amongst themselves and taking stances that are pro-political in a pragmatic way. Many such initiatives are being launched by persons who are successful in other professions and have voluntarily *chosen* to involve themselves with such efforts. Whilst we have no intention of using this article to advertise a particular NGO, Janagraha, and Bangalore First easily come to mind. The first mentioned through its VOTEMUMBAI campaign is addressing the issue of urban governance in a practical and professional way. It has set up subgroups of legal and other experts to look at the ACT(s) that currently rule MCGM. It intends to involve other NGOs and other stakeholders (including political leadership across parties) in building up a pressure group. Another NGO, CEHAT has been actively using budget and such other governmental documents for purposes of advocacy in the area of Public Health. It has also been involved in demystifying government documents and training other NGOs to make them more effective. These are illustrative but welcome signs.

The details of the Act(s) that are restrictive are too many and detailed to go into here, but the one thing that needs highlighting is the empowerment of MCGM through a change in the political process. The current post of the Mayor is clearly but ceremonial (only slightly better than that of the sheriff!). We believe that the directly elected mayor will be able to empower herself with the bureaucrats working with /under her. This will of course, we suspect, face a lot of difficulties/ resistance for economic, political and emotional reasons. Similarly the empowerment (as per realistic assessment of capabilities) of ward committees will be served if there are direct elections to such posts. The technology now makes it possible to conduct such multiple elections simultaneously with not too great a difficulty. As a slight aside, let me mention that the premium status of Mumbai has meant that everyone from central government to state government have been interested in having to do good for Mumbai. Unfortunately and partly as a consequence, this has led to *multiplicity of authorities with unclear and often overlapping jurisdiction*. This leads to serious problems for accountability, which is a crucial pillar of governance and a white paper clarifying the situation is urgently called for. Let us now jump into the core of the matter about what the MCGM on its own can and should do.

The first question that we believe a citizen is entitled to ask and get an answer to is: where does a rupee come from and what is it spent on by the MCGM? The archaic accounting codes can be charitably said to be confusing to say the least. They need to be changed pronto. The experience of Bangalore (helped greatly by the efforts of Bangalore First) has much to teach in this regard. The need for a **Transparent and Standardized Accounting System** is paramount and beyond argument. The good news is that officers of MCGM and indeed the GoM have already undertaken training sessions for implementing this and we are told that a reputed consulting firm is in the process of being awarded the contract to put such a system in place. There is also a manual prepared at the behest of the Central Government's initiative to help put the new system in

place. The Central government has done well to make this as one of the pre-requisites for sanctioning funds under the newly launched Jawaharlal Nehru Urban Renewal Mission. Carrying on in the same but an expanded vein, we think that we need to use the technology in a much greater way. We know that GIS enabled a group of only five persons to get data required for the draft plan for the MMRDA!

Information Technology is a great enabler and flattener and E-governance and On-line processes are politically acceptable hue of the season. Indian prowess in this arena of IT is also undoubted. It is essential that we harness the potential available to instill the virtues of transparency and accountability in the processes of Urban Governance and whilst MCGM can no longer be a pioneer, it can be one of the first and largest Municipal Corporation to get its act right in this regard. The hardware and software (computers) is there, waiting to be exploited. The beginnings have been made in a necessarily modular (component) way. The crucial next step of comprehensive coverage and connectivity needs to be taken. This will allow MCGM to trace the file movements and perhaps even commit to time frames for particular process completion. What is even more important – in the wake of right to information act – the stakeholders will be privy to most of it! Before one goes ballistic with euphoria, it is perhaps prudent to ponder over a sobering thought or two. One, most such solutions/systems fail not because of technical mishaps but because of the skill and mindsets of persons involved at the grass roots. *It is of essence therefore that everyone involved (from top to bottom) have to be on board and endowed with necessary motivation and skills.* It needs to be remembered that typically, the lower staff have no stake in the success of such endeavors, indeed, sometimes such transformations reduce the perceived power resident at their levels and hence their vested interests are seriously in conflict. Two, to reap the benefits of efficiency that can accrue due to e-governance or on-line processes, it is certainly not enough to merely map the legacy or existing processes in an on-line mode. A major exercise has to be undertaken to refashion the processes involved and that is quite a difficult

(although by no means insurmountable) task. Thus a major task subsumed here is that of *Departmental Functional Review and Process Re-Engineering*. This is something that seems to have taken off vis-à-vis several departments in the GoM. This is a great idea meant to look at organization, operation and effectiveness of the governmental machinery. This review is meant to look at things like overlap of functions and reduction of time taken at each stage and generally simplify and bring about consistency and coordination within and between different departments. These re-engineered processes must thence be passed by the various authorities and this itself is enough to challenge all but the most lion-hearted. At one end, it is involved with the fundamental act that governs the MCGM that we hinted at earlier. It is zero based in approach in that it is to provide fresh perspective to identify process elements that are needed, or that can be outsourced or indeed may be scrapped altogether. This is expected to have serious financial and efficiency implications. MCGM, given its huge size and status, is a fit case to initiate such a process and lead the way for better urban governance elsewhere in India.

Making the budget of MCGM simple (transparent) and participatory would perhaps form a part of the 'on-line/ e-governance' initiative and is particularly called for, as the budget size of MCGM is larger than many of the Indian states. The ward committees currently participate only in a negligible way and giving a greater say these committees will be one way of empowering them. One of the well-known paradoxes/ironies, that is common knowledge amongst economists, is that the Budgets get successively more complicated as one travels down to the lower levels of governments. Thus, the Union budget is the easiest to fathom and the local body budgets are so much more difficult to understand. MCGM is a case in point where the obfuscation is to an extent that makes one believe that it is a part of a planned strategy! The documents have to be simplified (underlying processes and additional/ meaningful explanatory notes) to a huge extent so that they are easily understandable to an intelligent citizen. This at the minimum involves standard reporting practice across A, B, G, E budgets; it also involves

internal consistency through linkages (soft/ data sheet form) so that tables in the statement by the Municipal Commissioner are easily derivable from the other parts of the budget and the fund-section is linked to the other parts of the budget papers. Again, over the next few years it is essential that the budget of MCGM be accompanied by Performance and Outcome budget. This is an acknowledged 'best practice'. This (performance budget) has to do with not confining to financial data but actual delivery in terms of proposed tangibles; the outcome budget on the other hand has to do with thinking about processes along with time lines that are put out – as self binding commitments – while making budgetary provision. This practice, in the formal sense, already has been put into effect at the Central level, but the effectiveness and quality leaves much to be desired. Clearly doing this will take some doing, but given that there is no dearth of competent officers at the higher echelons of MCGM, it is doable! As an aside – albeit important – one may mention that whilst discussing the finances of the local bodies, it is imperative that they be given what is due to them in the first place. The examples of sales tax and professional tax proceeds not being fully passed on, by the State government to the ULBs may be cited for purposes of illustration. Also, the case of property tax being avoided by the central and state government properties within the jurisdiction of (say) the MCGM is clearly unacceptable. Whilst decentralization is accepted by everyone in principle, it seems to be applicable only above themselves, there has to be a mandatory halt to this!

Whilst technology and regulatory framework are terribly important, equally if not more vitally important issue is generally denoted by the umbrella term of *capacity building*. This term has several connotations. The change in the macroeconomic ethos has implied that at the local level, policy design and implementation have to be carried out now in a significantly different manner. The best management practices need to be borrowed from private sector and the inculcated by the state government machinery in the highest echelons. Shifting from an administered regime to a market friendly one requires the rigors of economic calculus need to be learnt afresh. Implementation here at times will be

seriously impinging on the vested interests of groups in the society and will require tact and political will to see such a transformation through. It may also require no small amount of political persuasion and this endeavor is certainly not bereft of political risk. Vested interests apart, considerable skill is required to know / work out the details of what specifically is to be done. Indeed for this to be technically feasible, architecture of data structures – that we have earlier referred to – will have to be created and/ or redesigned. Capacity needs to be built in this arena with the instrumentality of State Government Administrative Institutes like YASHADA at Pune. Similar capacity needs to be built accessing capital markets or taking bank exposure or indeed designing the enabling regulatory framework thereof. This requires considerable economic skills, something that many a public servant will need to work at building the capacity for. Design of specific courses – with the active engagement of educational institutions, including University – for government employees is a task that requires urgent attention.

At a higher level of governance (perhaps even at the political level) serious attention has to be paid to creating *incentive compatible contracts* in government service from top to bottom. In service training and recognition of achievement through monetary and other compensation needs to be institutionalized. Thus, the public servants must perceive themselves as stakeholders in the process of governance. Thus service conditions have to be adjusted to be in tune with the changing times. This is clearly recognized but nothing concrete has yet emerged.

Allied considerations have to be given to the question of political interference. In particular, transfers have to be rational and transparent, so that they sub-serve the goal of enhancing systemic efficiency rather than being an instrument of petty political vendetta. Maharashtra has taken some steps in this regard. The administrative reforms commission headed by Shri. Sukhtankar, and the Godbole committee report have taken pains to focus on this very aspect (of non-transparency and arbitrary transfer process). The reports that are

comprehensive have been accepted and much appreciated but nothing really has moved on the ground. The trick here – the crucial next step – is to have in place a mandatory requirement on part of whichever government is in place to follow certain procedures that would stop ‘politicization’ and consequent emasculation of bureaucracy.

It is often forgotten that like many other things that governance is not so much about grandiose vision but rather about small meticulous details/processes that are involved in the functioning of the government. Many of the small things that need to be done require some spadework comprising of logistical details, apart from devising small and specific training modules. For this it is essential to have a dedicated research cell. Since it entails detachment as well as an academic mindset, this has to be outside of the government structure. This could be achieved through identifying university department(s) or YASHADA like administrative institutes who could then outsource the consultancy work (of course along with providing conceptual inputs). Some progress has been made in this regard but much remains to be done.

Perhaps the time has come to have a fresh look at the role of the state in the present circumstances and redefine it. Apart from recognizing the difference between the traditional role of government to the more modern delimited and well-defined multi-level hierarchical structure with obvious technology application in terms of e-governance, it must be recognized that the older regime has been carrying considerable extra baggage for too long. The time has come to trim down the responsibilities of the state to *cater* (does not necessarily mean produce or provide but may be only facilitate or enable or incentivise) to bare socially essential services. This will serve two purposes, one, the financial provisioning will come down and two, the quality of services to be provided will be focused so that it will become altogether more possible to monitor the quality of service delivery in an accountable way. Thus, what we are stressing here is the need build a conducive and enabling environment that will accept changes in

the institutional settings. There is an obvious scope for considerable capacity building here. The initiative here has to come from the 'political process' perhaps with help from civil society, because the perception of both the politicians as well as the bureaucracy will be that they will lose the domain of influence both in extent and magnitude.

Thus, and in conclusion, issues of governance emerge at various levels and should be dealt with as such. These involve training of staff in specific skills apart from procedures and protocols, the changes in service conditions so that incentive compatible system is in place. There are changes required at the level at policy and regulation to keep in step with the changing environment. Finally, there is need to bring about a change in the institutional substructures and their interaction modes. All this requires a massive capacity building exercise requiring a change in mindsets, creation of a feeling on the part of all the agents of being real stakeholders with the end result of improved governance. The governance has to be Simple, *Transparent*, *Accountable*, *Responsive*, and *Technology* enabled. What is clearly of essence is that we must exercise the political will – whether inherently available or externally injected – to *START* the process of getting governance right!