

UNDERSTANDING ISSUES RELATED TO POLYCENTRIC GOVERNANCE IN THE MUMBAI METROPOLITAN REGION

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Abstract:

Metropolitan government in India involves public organizations, networked vertically and horizontally, operating at different scales and having diverse – often overlapping – functional scopes. The interactions among these public organizations and their agents along with various private organizations, interest groups and civil society occurring within the environment of a federal set-up and fractured polity, lend a polycentric character to metropolitan governance. This paper investigates implications of the underlying institutions for the governance of metropolitan regions in India. For this, the paper analyzes

polycentric governance in Mumbai Metropolitan Region (MMR) through three cases that portray interactions among various public organizations and actors. The paper finds that the governance in MMR is only ‘ostensibly’ polycentric. This can be attributed to the institutional framework that causes destructive conflicts, absence of efficiency enhancing competition, rent seeking, political information failure, concentration of power with certain key positions, and agency problems. Enabling governance in Indian metropolitan regions to be ‘truly’ polycentric in nature would therefore require a careful deliberation and modification of the institutional framework.

INTRODUCTION

Metropolitan regions in America comprise numerous public organizations such as federal and state government agencies, counties, special districts, and others, that were once described as “crazy quilt pattern” (Aligica and Boettke 2009: 7; Ostrom, Tiebout, and Warren 1961:831). Early mainstream view was that this structure of metropolitan governance was a “pathological phenomenon” requiring reform in the form of a metropolitan government with a “single dominant center”² (Aligica and Boettke

2009:8; Ostrom, Tiebout, and Warren 1961: 831). This belief was overturned by the seminal work of Ostrom, Tiebout, and Warren, which termed the metropolitan governance as a “polycentric political system” having “many centers of decision making that are formally independent of each other”. They evaluated the metropolitan governance system with reference to competition, cooperation, and conflict resolution among the various public organizations and asserted that it was better suited to provide for metropolitan

² Also known as “Gargantua”.

³ Studies on police services (See E. Ostrom, Parks, and Whitaker 1978) in American metropolitan regions validated the virtues of polycentricity.

regions.³ Such a polycentric system, by taking a broader view of Tiebout's "voting with the feet" model (McGinnis 1999:3; McGinnis and E. Ostrom 2012:16), is a "prerequisite of self governance" by which the society can "work out a problem for themselves" (McGinnis 1999:3).

Vincent Ostrom likens federalism to a polycentric system, going beyond administrative decentralization and hierarchical ordering (Wagner 2005: 174), which should be based on the "principles of self government" (V. Ostrom 1991:15). Viewed in this manner, the federal system is a quasimarket arrangement with "no locus of control" (Eusepi and Wagner 2010). For the system of checks and balances, and self-governance that it creates, federalism is upheld as a pillar for any democratic society.

The framers of the Indian Constitution chose to imbibe federalism – albeit with modifications that suited the peculiar Indian context (see Alexandrowicz 1954). This resulted in the creation of a two-tier government at the Center and the States with clear demarcations of legislative powers between the two. It was only in 1992 that India opted for decentralization through the 73rd and 74th Constitutional Amendment Acts, which provided constitutional recognition and devolution of functions

and finances to the rural and urban local bodies respectively. Despite steps being taken to provide greater autonomy to the lower tiers of government, the Indian federal system advisedly has a centripetal bias. However, it is thought that the emergence of multiple regional political parties, amongst others⁴, has in some sense countered this bias by infusing some degree of checks and balances in the Indian political system.

This paper investigates implications of the constitutional level rules that determine the nature of the federal structure, and the current reality of fractured polity, for the governance of metropolitan regions in India. In particular, the paper analyzes the governance system of the Mumbai Metropolitan Region (MMR), which is arguably the largest conurbation in the country. In an earlier paper on governance in MMR, we note that there exist several public organizations with differing scales and scopes in the region, giving it the appearance of a polycentric system (see Pethe, Gandhi, and Tandel 2011). In that paper, we assess the interactions between two public organizations – Mumbai Metropolitan Region Development Authority (MMRDA), which is a state parastatal functioning as a planning and development authority in the metropolitan region, and Municipal Corporation of Greater Mumbai

⁴ The formation and operation of National Development Council (NDC) as a powerful body comprising of Chief Ministers (CMs) of all the States, which vets all the decisions regarding States has provided a serious

check on the Central powers. This has brought the entire question of 'getting the Indian Federal Structure right' to the fore in current political discourse.

(MCGM), an Urban Local Body (ULB). We find the governance system in MMR to be only ostensibly polycentric⁵, with several institutional deficiencies.⁶

This paper builds on the aforementioned earlier work by Pethe, Gandhi, and Tandel by discussing three diverse cases that provide an understanding of the nature of polycentric governance in MMR. The first case examines the impact of coalitional politics at the state level on infrastructure delivery by state parastatals having similar functional scopes in MMR. The second case focuses on informal arrangements between public actors belonging to local, state and central levels to exploit discretionary spaces and ambiguity of information. The third case presents interactions between public

organizations having a substantial degree of jurisdictional overlap – a prominent state government parastatal and the largest ULB in MMR.

The paper is divided into 7 sections including the introduction. Section 2 presents a brief overview of the theoretical literature on polycentric metropolitan governance. Section 3 provides an understanding of the federal system and fractured polity in India. Section 4 discusses the governance structure of MMR. Section 5 provides three cases highlighting different intergovernmental interactions. Section 6 by analyzing the three cases draws broader conclusions about the nature of governance in MMR. Section 7 concludes.

POLYCENTRIC GOVERNANCE IN METROPOLITAN REGIONS

Early discourse on metropolitan governance in America focused on reforms in the metropolitan governance that largely pertained to creating a monocentric decision-making body to overturn the “crazy quilt pattern” that characterized metropolitan regions (Aligica and Boettke 2009). In contradiction to this mainstream view, Tiebout (1956), in his seminal

paper “A Pure Theory of Local Expenditures”, expounded the merits of decentralization within metropolitan regions. In an extension of Tiebout’s hypothesis regarding local government competition, Ostrom, Tiebout, and Warren (1961) likened the governance system in American metropolitan regions to a “polycentric political system” with “many centers of decision-

⁵ By ‘ostensibly polycentric’, we mean a system that has multiple public organisations but does not achieve the welfare enhancing outcomes a (truly) polycentric system promises. This could be due to the absence of efficiency inducing competition and cooperation between the organisations, and an effective conflict resolution mechanism.

⁶ Roberts’ (1969) work on the Soviet Economy also highlights its dysfunctional polycentric nature.

making that are formally independent of each other". In 1973, Vincent Ostrom in order to further clarify the concept of polycentricity, introduced a new term "highly federalized political system" (McGinnis and E Ostrom 2012: 22). By a highly federalized system he meant a political system with multiple overlapping jurisdictions that were autonomous, democratic, and subject to an enforceable system of constitutional law (V. Ostrom 1973; McGinnis and E. Ostrom 2012).

A polycentric system includes multiple public organizations at different scales and having overlapping jurisdictions as well as "private corporations, voluntary associations and community-based organizations" (McGinnis and E. Ostrom 2012). The main arguments advanced by Ostrom, Tiebout, and Warren for having such polycentric systems were based on the ground that it would induce cooperation, competition and conflict-resolution among the different public organizations in metropolitan regions. The view that a polycentric arrangement of public organizations in metropolitan regions was better suited for the delivery of public goods and services was endorsed by many eminent scholars and resulted in the generation of a plethora of literature that contributed to the discourse on polycentric governance system.

The absence of complete information or 'knowledge' that is essential for a centralized or monocentric system for delivering public goods and services validates the need for polycentric governance system with its market like arrangement and dispersed knowledge among public organizations. This polycentric system in metropolitan regions enables different public organizations, especially the different local governments, to compete for citizens and hence, tax revenues (Boettke, Coyne and Leeson 2011). Such competition enables citizens to "sort themselves into differing tax and public goods/service packages" customized to their specific needs (ibid.). Competition for consumer-voters among local governments having fragmented jurisdictions enhances efficiency (Tiebout 1956, Brennan and Buchanan 2000: 215). Oates and Schwab (1988) show that interjurisdictional competition for capital given certain assumptions, also leads to efficient outcomes. Moreover, Schneider (1986, 1989) finds that inter-municipal competition in metropolitan government has an additional advantage of enabling citizens to constrain the budget-maximizing tendencies of bureaucrats and thus limiting the size of the local government.⁷ Hence competition, in so far as it leads to better provision of local goods and services and ultimately,

⁷ Wagner and Weber (1975) contend that goods and service provision by local governments in metropolitan regions is more appropriately described by monopolistic behavior as opposed to competitive behavior. However, they caution that their findings are tentative and that they do not oppose the "Tiebout Hypothesis" that an increase in number of

competing and overlapping governments will lead the public economy more closely to perform as a competitive industry" (p. 684).

higher tax revenues, serves to boost the growth of the metropolitan region. Wagner (2007:158) contends that having subdivided and overlapping government units “potentially injects competition into the organization of enterprises on the public square”. Such competition can yield potential gains by taking into account different preferences of the people as well as by “generation of knowledge through experimentation” (ibid.).

Where it is possible to separate production and provision of public goods and services, a polycentric system allows for contracting out production to other *public* organizations or private organizations (Ostrom, Tiebout, and Warren 1961:834). Possibilities of contracting would enable the metropolitan region to benefit from economies of scale in production – where applicable – as governments at lower levels can either contract with those at higher levels of jurisdictions (Boettke, Coyne and Leeson 2011) or with other local governments for joint production. Moreover, contracting among local governments is also essential for coordinated provision of goods and services that create spillovers, so as to internalize them. Such interdependencies require local organizations to produce and provide goods and services through cooperative arrangements and would augment the growth of metropolitan regions as a whole (c.f. Parks and Oakerson 1993). Kwon and Feiock (2010) propose

that local governments can enjoy the gains that accrue from cooperation by following a two-stage process. In the first stage, local governments, after considering costs, potential efficiencies, and other factors, determine whether they need to cooperate in their service provision. In the second stage, if the local governments perceive benefits from cooperation, they seek to create institutional mechanisms in order to implement service cooperation.⁸ When public organizations fail to cooperate, it could result in a situation of a deadlock that would have severe negative externalities or losses in potential gains. In such cases, one requires an institutional arrangement to resolve such destructive conflicts.

One of the key merits of polycentric governance is the space that it creates for the participation of citizens in the decision-making processes. Vincent Ostrom viewed polycentric governance as being synonymous with democratic administration (McGinnis and E. Ostrom 2012:21). The democratic character of a polycentric governance becomes evident when we consider the following arguments: it is an ideal arrangement to respond to the demands of heterogeneous metropolitan citizens (Boettke, Coyne and Leeson 2011); it allows for a great deal of flexibility and hence is most adaptive to changing preferences and demands of citizens; it is a system of checks and balances that prevents the concentration of power with a single authority. The successful

functioning of polycentric governance systems in American metropolitan regions as portrayed in academic literature can largely be attributed to the nature of its constitutional level rules that enable separation of powers and a federalist ordering among governments. Evaluating the performance of polycentric governance in metropolitan regions of developing countries would therefore require taking cognizance of

the institutional framework underpinning the horizontal and vertical organization of governments. This argument necessitates dwelling upon the salient features of the Indian political system – in particular, the nature of its federal set-up and fractured polity – as it would aid in providing a better understanding of the issues in polycentric governance in Indian metropolitan regions.

FEDERALISM AND FRACTURED POLITY IN INDIA

The federal set-up in India differs considerably from the conventional idea of dividing sovereign power between the center and member states such that the two are independent of each other (Alexandrowicz 1954). Contrary to the American federalism, there is a greater degree of control with the Central Government (ibid.).⁹ This is evident in provisions within the Constitution that provide the Central government overriding powers over the States (Gangal 1962, Alexandrowicz 1954). The division of revenue sources between the Centre and States are such that the more productive sources like the income tax, corporation tax as well as the residual powers of taxation lie with the Centre (Dandekar 1987:

1866). The asymmetry of powers between the two tiers of government, and the recognition that the States may not be able to raise adequate revenues to undertake their mandated functions, prompted provisions to be made to devolve funds¹⁰ to the States. This is done through the Finance Commission that is set up every five years to provide recommendations regarding tax-revenue sharing between the Center and the States (ibid.). Despite clear demarcations in terms of revenue sources and legislative powers as provided in the seventh Schedule of the Constitution of India, there have been many ways such as the Centrally Sponsored Schemes (McCarten 2003) or the Planning

⁹ This relative centralization was desired due to the unrests and secessionist tendencies that were perceived to threaten the sovereignty and integrity of the nation at the time of the framing of the Indian Constitution.

¹⁰ This in the main is a formulaic and untied fund flow from the Centre to the States as determined by the Finance Commission.

¹¹ The Planning Commission is not a constitutionally recognized body that was nevertheless setup during India's experimentation with Socialism, in order to frame five year plans and goals for the nation. The Planning Commission, which is set up every five years, continues to essay an important role in shaping national policies.

Commission¹¹ (Dandekar 1987), by which the Center tries to encroach on the States' prerogatives.

The concentration of power with the Central government was largely uncontested in the early years because of the monopoly of a single political party – the Indian National Congress – at both the Centre and the State governments (Alexandrowicz 1954)¹². However, especially since the 1970s there has been a transformation of the Indian polity into a multiparty framework. The rise of coalitional politics, the defeat of the Congress in many states, and the burgeoning of regional political parties lead to a rise in bargaining between the Center and States (McCarten 2003) that checked – to a certain extent - the intervention of the Central government into the domain of the State governments.

It was in this environment that, in early nineties, India formally adopted the principle of decentralization and the third tier of government was given constitutional recognition through the 73rd and 74th Constitutional Amendment Acts (for rural and urban local bodies respectively). The Acts assign functions and tax handles to the local bodies. They are also expected to receive devolutions from the State governments through the State Finance Commissions' awards.

The 74th Constitutional Amendment Act categorizes ULBs as Municipal Corporations and Municipal Councils based on the population criterion. There is unwillingness by the State governments to recognize – in the *de facto* sense – the autonomy of the third tier as they see it as involving erosion of their powers. As a result, proper tax handles are not given to the ULBs leading to a mismatch between functions and revenues of the ULBs. This has led the ULBs – especially the smaller ones – to become more reliant on grants and devolutions.

The overall experience has been that significant autonomy was not given to the local bodies, although there are inter-state variations in the performance of decentralization. Our conjecture is that states that have seen the emergence of local political parties (normally cadre based) would be more successful in decentralizing. This is because these political parties reflect the aspirations of the local citizens and thus would be more assertive in demanding autonomy at the local level. Hence, a fractured polity, with different political parties in power at different levels could be effective in ensuring “genuine federalism” (Eusepi and Wagner 2010).

¹² This came to be known as the Congress System or Congress Raj, which characterized a particular mode of governance and went beyond

the narrow interpretation of Congress as a political party.

The sections that follow attempt to understand the implications of the nature of the federal structure and fractured polity – which form the parametric

environment - for the governance of Indian metropolitan regions in the particular case of MMR.

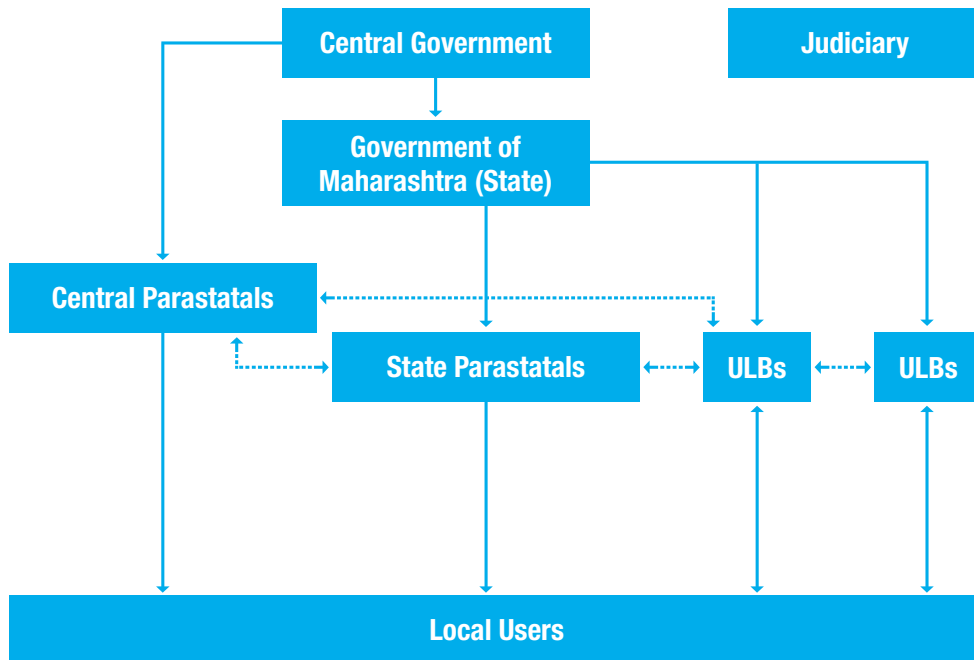
GOVERNANCE STRUCTURE OF MUMBAI METROPOLITAN REGION (MMR)

The state of Maharashtra located in western India has historically been one of the most progressive states in the country in terms of economic well-being as well as urbanization. Mumbai, Maharashtra's capital city located on its western coast, has played a starring role in the state's economic success. It is also India's financial and commercial capital. With time, the significance of the entire MMR has grown owing to the rapid urban sprawl and phenomenal growth of the urban areas surrounding Mumbai. The MMR covers 4355 sq.km. having an urban area of 1242 sq.km. The economic importance of MMR is evident from the fact that it contributes substantially to the state and country's incomes; for instance, in 2008-09, MMR accounted for 33.24 per-cent of Maharashtra's Gross State Domestic Product (GSDP) and 4.34 percent of India's GDP (Pethe 2012). In addition, taxes accrued to the Centre and State governments are also substantially high (See Prud'homme 2007). The importance of MMR to the state and the centre has created considerable stakes for the central and state governments in the region.

The delivery of public goods and services in the region, (although the primary responsibility of the various ULBs), has seen considerable participation of the state and central governments through their parastatals, as well as an increasing participation by the private sectors and local users. The main actors involved in the governance of MMR have been portrayed in Figure-1. The eight Municipal Corporations and nine Municipal Councils in MMR are mandated under the 74th CAA to provide certain local public goods and services to the region's urban areas. These ULBs are general-purpose local governments with jurisdictions that are fragmented but contiguous. Apart from the ULBs, there exist several parastatals set up by the Government of Maharashtra and the Central Government to undertake specific tasks. These parastatals have overlapping jurisdictions and work at a higher scale – such as at the metropolitan or state wide level. Some prominent parastatals functioning in MMR are the MMRDA, the Maharashtra State Road Development Corporation (MSRDC) set up under the Government

of Maharashtra to develop roads and bridges, the Bombay Port Trust under the Central Government, among others.

Figure 1: Actors in the Governance system of MMR
 Adapted from: Pethe et al. (2012); Andersson and Ostrom (2008)



There are instances of a functional overlap between the different public organizations. For instance, both the MMRDA and MSRDC are involved in constructing roads in MMR – albeit of different types. In all there are around 21 parastatals under the GoM and approximately 13 parastatals under the Central Government. The bureaucrats heading the State parastatals are appointees of the Chief Minister and

those heading the Central parastatals are appointed by the respective ministries at the Central level. The 74th CAA also recommends the setting up of a Metropolitan Planning Committee – which is supposed to carry out a coordinated spatial planning and induce collective action among different ULBs in the metropolitan region. Figure 1 excludes the Metropolitan Planning Committee as it has been completely

marginalized by the Government of Maharashtra since it would erode powers currently enjoyed by the MMRDA, which is its own creation (see Sivaramakrishnan 2011).

Besides multiplicity in public organizations, there is also a multiplicity of political representation in the MMR. No political party enjoys a clear majority in Maharashtra. At present, the State government is headed by a coalition of the Indian National Congress and Nationalist Congress Party (NCP); this coalition is also in power at the Center. These parties are the political masters of the State and Central level parastatals. On the other hand, there are different political parties in different ULBs. Some of the most important ULBs, including the MCGM, are headed by the Shiv Sena - Bharatiya Janata Party (BJP) coalition. The Shiv Sena is a party whose sphere of influence is limited to Maharashtra while the BJP is a national level party. The Shiv Sena-BJP coalition forms a strong opposition at the State level and the BJP is the main opposition party at the Centre.

The participation of private agencies in providing goods and services traditionally provided by the public sector in the region has been on the rise. Much of this participation has been in collaboration with the public sector to provide infrastructure in MMR

through a Public Private Partnership (PPP) mode. Among private actors, the influence of the strong real estate interest group comprising the various builder-developer lobbies in key decision-making needs to be stressed.

The ultimate beneficiaries of the public goods and services – the local users – participate in the governance process by primarily electing their representatives at the local level.¹³ There has been active participation of civil society in the form of Non Government Organizations (NGOs) and Community Based Organizations (CBOs) as liaisons between the local users and various public organizations (See Baud and Nainan 2008, Patel and Arputham 2008, Zérah 2009). The civil society, which in itself essays a supervisory role, also actively engages with other supervisors such as the media and the judiciary, in order to uphold the interests of different sections of society.

The presence of several public organizations in the region having fragmented as well as overlapping jurisdictions and providing public goods and services at different scales and scopes along with participation from the citizens and private sectors, prima facie, gives the governance structure of MMR a polycentric appearance. Whether this governance system is, in fact, truly polycentric would

¹³ Users also elect representatives at the State and Central level. However, locally elected politicians have greater accountability towards

the users in providing most public goods and services at the local level.

depend upon the existing institutional framework, which shapes incentives of actors and thus, determines the nature of intergovernmental interactions. This institutional framework comprises the constitutional level of rules that formally divide powers among different levels of governments as well as

informal institutions, which are the norms and practices among political parties and public actors. We use three separate cases to understand intergovernmental interactions and the resultant outcomes in MMR given the institutional framework.

CASES

The cases considered are of the Mumbai Trans Harbour Link (MTHL), the Adarsh Land Scam, and interactions between a development authority and a ULB. The rationale for taking these cases is to highlight the type of interactions that occur between different state parastatals, between the three tiers of the government, and between state parastatals and ULBs respectively.

a. *Mumbai Trans Harbour Link (MTHL)*: The MTHL is an ambitious project involving the construction of a 22km sea bridge that connects the island of Mumbai to Navi Mumbai—a thriving city in the MMR on the Indian mainland. The project would 1) increase connectivity between the two cities, 2) increase the land supply around the Central Business District and 3) provide easier access to an upcoming airport in Navi Mumbai (Indian Express 2010, DNA 2012). The project was slated to be undertaken in the PPP mode for which the MSRDC was appointed as the nodal agency by the State Government. The total cost of the project was estimated to be INR 60

billion (Economic Times 2004, Indian Express 2008b). After being granted environmental clearance in 2004 (Economic Times 2004), the bidding process for the project commenced. Initially a renowned private corporation had qualified for bidding for the tender (Indian Express 2010). However in 2008, the bid by the corporation was rejected by MSRDC on the grounds that it was 'unrealistic' (Indian Express 2008a, 2010). The failure of finding a suitable private organization to take up the project prompted the government to opt for state government funding through the MSRDC instead of PPP (Indian Express 2008a). The government also directed the MMRDA to jointly work with MSRDC to undertake the project and complete it within 5 years (DNA, 2008). In 2010, there began a tussle between the MMRDA and MSRDC for gaining complete control over the project (DNA 2010a, Economic Times 2010a, Times of India, 2011a). The MMRDA and MSRDC are under different departments of the State Government. While the MMRDA

is under the Urban Development Department, headed by the Chief Minister of Maharashtra who belongs to the Congress Party, the MSRDC is under the Public Works Department, which is controlled by its political ally in the coalition government - Nationalist Congress Party (Indian Express 2010). *The conflict between the two parastatals over the project was attributed to a rivalry between the two political parties **which are coalitional partners**; the two parties have had similar altercations over several big infrastructure projects in the city* (Economic Times 2010b). The project was ultimately handed over to the MMRDA for execution in 2011 (Mint 2011, Indian Express 2011a, DNA 2011a, Times of India 2011b). As a result, the time and finances invested by the MSRDC for the project were futile. The cost of this project is now estimated to be about INR 80 billion (DNA 2012, Indian Express 2011d, Mint 2011). The MMRDA will be using the PPP mode to finance the project, and it has commenced the tendering process (Indian Express 2011c). The MMRDA is still to acquire land as well as clearances from several other parastatals in the MMR such as the Mumbai Port Trust, Jawaharlal Nehru Port Trust, City Industrial and Development Corporation, among others (Indian Express 2011b, DNA 2011b). *Thus despite the already heavy delays and cost escalations, there are likely to be further delays owing to the coordination required among these parastatals.*

b. *Adarsh Housing Society Scam:* Land owned by public organizations in Mumbai has been embroiled in many issues pertaining to its use and management (Pethe et. al. 2012). This has resulted in public actors exploiting the situation to make personal gains. In 2010, the media brought to public attention the Adarsh housing society scam, which was earlier exposed by some civic activists and which revealed the extent, and manner of collusion among different public actors for rent seeking.

The Adarsh Housing Society was built on high valued land close to a defense establishment in South Mumbai. It was supposedly meant for defense servicemen and widows of soldiers killed in the Kargil war but it was found that a significant number of apartments in the society were owned by civilians, many of whom were relatives of prominent politicians and bureaucrats (NDTV 2010). Inquiries revealed that several among these public officials were involved in granting various clearances and exemptions to the society throughout the ten year period of its construction. Three consecutive chief ministers of Maharashtra, along with other ministers and senior bureaucrats were responsible for crucial decisions such as granting additional FSI to the building (Indian Express 2011e), providing environmental clearances despite the society violating Coastal Zone regulations (Hindustan Times 2010a, Hindu 2010), and ensuring

the conversion of an adjacent plot reserved for a bus depot to residential use (Free Press Journal 2011). A former Municipal Commissioner of Mumbai, who also owns an apartment in the society, exercised discretion by granting permission for additional floors to the society. Although its proximity to the defense area made it a potential threat to security, there was no inquiry or objection from the defense pointing to the complicit involvement of the defense personnel. *Perhaps the most interesting fact, that could have facilitated the malfeasance by public officials, is the absence of a clear title regarding the ownership of the land on which the building stands* (see Hindustan Times 2011, Times of India 2011c).

c. *Development Authority and Urban Local Body:* The MMRDA is a state parastatal that is a development and planning authority for the MMR while the MCGM is the elected local body for Mumbai city, which comprises nearly 70 percent of the total population of MMR. While the MCGM prepares the development and land use plan for Mumbai city, the MMRDA prepares a regional plan for the entire MMR. Thus there is a substantial degree of jurisdictional overlap between the two organizations.

There have been many conflicts between the MMRDA and MCGM over various issues in the city. Some conflicts arise due to the high handed behavior of the MMRDA in its interactions with the

MCGM. For instance, the MMRDA has often abruptly transferred infrastructure projects that it had undertaken to the MCGM for completion (Hindustan Times 2010b). In the past, it did not pay property taxes for the property it owned in Mumbai to the MCGM (Indian Express 1998), it did not compensate the MCGM for damages it had caused to the city's roads and water pipelines in the course of its infrastructure works (Indian Express 2009). In another incident, the MMRDA, while implementing the World Bank funded Mumbai Urban Transport Project in the city, had asked the MCGM to pay for the land acquisition, resettlement of people affected by the project and road related studies without any prior consultations (DNA 2007).

Many conflicts between the two organizations are the result of the rivalry between the political parties that control these organizations. While the MMRDA is a creature of the State Government, which is a coalition government led by the Congress party, the party in power at MCGM is its rival Shiv Sena - BJP coalition. The conspicuous presence of MMRDA in the city is resented by the councilors of MCGM belonging to the Shiv-Sena (Times of India 2006, Express India 2006). Many Shiv-Sena councilors also pressurize the MMRDA to meet the demands of MCGM in return for cooperating with the development body. These demands include shares in the profits made by the MMRDA in its transactions and land deals (Mumbai

Mirror 2010, DNA 2010b). Political rivalry often results in politicians in one organization blaming the other for problems such as frequent water logging in the city (DNA 2011c, Indian Express 2009). During election season, it prompts politicians to claim that organizations that they control suffer additional cost burdens due to actions of the organizations controlled by their opponents (Indian Express 2012).

There are no institutional mechanisms that address these conflicts between the public organizations. Conflict resolution and attempts at establishing cooperation between the two organizations is often undertaken in an ad hoc manner by the Chief Minister, who is the higher authority, or by the judiciary (Pethe et. al. 2011).

ANALYSIS

Each of the cases discussed in the previous section reveals certain features of the existing governance system in MMR. The MTHL case study illustrates the workings of coalitional politics at the state level and the impact of *intra coalitional conflict* on the delivery of infrastructure in the region. Whether MMRDA or MSRDC could undertake the MTHL did not depend on which organization was more competent to do the project, but on which political party in the coalition had greater bargaining power. The destructive conflict resulted in losses in terms of time delays and consequent cost escalations.

The Adarsh society scam is *emblematic of the public malfeasance and grand collusion between different public actors* that is ubiquitous in many developing countries. Ambiguity regarding the ownership of the land due to improper maintenance of

records of publicly owned land, and lack of transparency in processes of development and building were exploited by public actors to collude for personal gains. Such ambiguity points to a “political information failure” (cf. Boettke, Coyne and Lesson 2011) that impedes accountability. Clearances provided to the Society despite violations in environmental and security norms brought to light the abuse of discretionary powers vested with certain positions. The fact that the collusive arrangements spanned among public actors across the Municipal, State and Central levels calls into questioning the efficacy of the Indian federal set-up as a system of checks and balances. Collusions as seen in the Adarsh scam are being increasingly brought to light through the instrument of Right To Information¹⁴ and increased vigilance by the civil society.

¹⁴ The Right To Information Act 2005, gives citizens the right to get timely access to any government information.

Interactions between the MCGM and MMRDA are often the result of their positions with respect to each other as well as the actions of self-motivated agents. The MMRDA is not directly accountable to the local users since it is not an elected organization. Moreover, since the MMRDA is under the state government, it is a 'projection' of the upper tier within the metropolitan region. As a result and given the hierarchical nature of the federal set-up with weak de facto decentralization, the MMRDA enjoys an implicit hierarchy and is seldom affected by actions of the local governments. There are no institutional mechanisms – enforce accountability – by which MMRDA (and indeed, other parastatals) can be penalized for not cooperating or failing to perform its expected functions. Such political immunity and implicit hierarchy bestows upon the MMRDA greater bargaining power that lead to the organization often behaving in a high handed manner while interacting with the MCGM. The chief bureaucrats of both the MCGM and MMRDA are handpicked nominees of the Chief Minister of the Government of Maharashtra. Since the Municipal Commissioner of MCGM enjoys the patronage of the Chief Minister, it is likely that she would prioritize maintaining a favourable equation with the Chief Minister over carrying out the mandated functions as the administrative head of the organization. This could undermine

the ability of the administrative wing of MCGM¹⁵ to maintain checks against the state government trying to erode its powers and further weaken decentralization. The fact that the Government of Maharashtra and MCGM are led by oppositional political parties could likely restore checks and balance in the system. However, given the limited power of elected representatives in the decentralized framework and the nature of fractured polity, having a strong opposition serves no productive purpose. Instead, it only poses a significant factor in impeding cooperation among the two organizations that is vital given the cooperative and competitive interdependencies between them.

From the cases discussed, there are certain generalizations that can be made regarding the nature of polycentric governance in MMR. A stark observation is that the existence of myriad public organizations providing goods and services in MMR is leading to pathological outcomes for the region. These include destructive conflicts, absence of efficiency enhancing competition, rent seeking, political information failure, concentration of power with certain key positions, and agency problems. The outcomes arise out of the nature of the federal set-up and fractured polity in India. The Indian federal set-up has been unable

¹⁵ The MCGM comprises of an administrative wing and a deliberative wing. The administrative wing is headed by the Municipal Commissioner – who is appointed by the Chief Minister of Maharashtra - and is the

bureaucratic arm of the local body while the deliberative wing is made up of elected councilors.

to create true separation of powers and has succeeded in providing only limited autonomy to the local governments. It was hoped that the emergence of local politics would create a system of checks and balances. However, the tussle between political parties for establishing supremacy by causing disruptions or opposing actions undertaken by others has rendered the fractured polity ineffective. The governance system in MMR, therefore, is only 'ostensibly polycentric'.

The existing situation may be attributed to the institutional framework underlying the governance system. The constitutional level rules that determine the division of powers between the State and local governments give the former overriding powers over the latter that in effect subverts decentralization and makes the federal structure hierarchical in nature. The protocol that all bureaucrats heading the different public organizations be nominated by a single authority – the Chief Minister of the state government – makes them answerable to him thus interfering with the functional autonomy of these officials and thwarting efficiency enhancing competition.¹⁶ In other words, *"If a boss is able to acquire control over centers of governmental decision making, then effective patterns of polycentricity can be foreclosed"* (V. Ostrom 1972 in McGinnis 1999: 67).

Absence of institutional mechanisms for conflict resolution hampers the potential for public organizations to come up with long term mutually beneficial solutions and the reliance on ad hoc interventions by the Chief Minister, results in vesting too much power with a single authority. Absence – by definition – of democratically elected representatives in the State and central parastatals functioning in MMR, absence of rules for mandatory disclosure of use of discretions or for sharing information between different governments as well as with the public makes the process of governance less transparent, diminishes accountability and thus undermines democracy. Thus the extant formal institutions that guide interactions between the public organizations are at best not incentive compatible, and, at worst, conspicuously absent. This results in the spawning of various informal arrangements by which public officials are able to serve their own interests. Thus the framework of underlying institutions creates perverse incentives that subvert true polycentricity instead of enabling it.

¹⁶ Eusepi and Wagner (2010) term such an arrangement that has a locus of control "Spurious Federalism".

CONCLUSION

The case for a polycentric ordering of public organizations in metropolitan regions in America is a compelling one. Conditions of dispersed knowledge, heterogeneous populations with varied preferences, scale differences in production and provision of goods and service preclude the existence of an efficiently functioning consolidated metropolitan government. In contrast, a polycentric governance system is better suited for such metropolitan regions as it is amenable to competition, cooperation, and conflict resolution among different public organizations. However, there are possibilities of pathologies in a polycentric governance system (Boettke and Coyne 2005: 153). Ostrom opines that rule making and rule enforcing are key determinants in the success of polycentric governance system (V. Ostrom 1972 in McGinnis 1999: 58). Hence, it becomes necessary to focus on *“the general system of rules applicable to the conduct of governmental units in metropolitan regions and...institutional facilities to enforce such rules of law...”* (ibid.).

The paper has investigated the nature of polycentric governance systems in Indian metropolitan regions and the institutional framework that affect governmental interactions. The context

is one of weak federal ordering among different governments and an *immature*¹⁷ fractured polity. The case considered is that of the Mumbai Metropolitan Region, which with its multiple public organizations, private actors, and heterogeneous population, resembles a polycentric system of public goods and service delivery. The analysis of interactions between various public organizations illustrated through diverse cases reveals pathologies in the governance system of MMR. These unfavourable outcomes can be attributed to the institutional framework that causes destructive conflicts, absence of efficiency enhancing competition, rent seeking, political information failure, concentration of power with certain key positions, and agency problems. Thus resultant governance system is only ostensibly polycentric in nature.

The rhetoric on polycentric governance presents incontrovertible arguments that it is much better suited for the organization of public goods and service delivery in metropolitan regions than a consolidated, hierarchical arrangement. To reconcile this rhetoric to the reality of metropolitan governance in developing countries like India would require overcoming the “centralized mindset” (Resnick

¹⁷ Fractured polity, whilst having different foci, comprises various parties that do not differ essentially and substantively in ideological or policy matters. This implies that there is a turf war on along the partisan lines

with little scope for statesmanlike bipartisanship. This results in paralytic and inefficient framework from a governance point of view. This has further implication of rent seeking through political dispensation.

1994) by a careful deliberation and modification of the general system of rules (institutional framework) that

would enable the governance system to be truly polycentric.

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