

Document of Sub-group on Governance
Concept Note on Governance Issues

(Mumbai Transformation Project Support Unit)

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1. Cities and towns are facing a mounting pressure to provide quality infrastructure and civic services in the face of ever increasing urban population. It is estimated that by the turn of the current decade, half of the population in the developing world will be living in cities. Unregulated and unplanned growth of the cities has left the urban centers with problems of traffic congestion, slums, inadequate water supply and sanitation, environment degradation and poverty. The Urban Local Bodies (ULBs) find these tasks extremely daunting and their role has to be reviewed and redefined, in order to meet these challenges. Considering their limited capacities, their role has to change from that of a monopoly service provider to regulator and citizen friendly enabler of services and facilitator of an environment, conducive to inclusive growth and sustainable development. The traditional bureaucratic work culture ought to undergo a paradigm shift to give way to an administration that is transparent, efficient and accountable to the civil society and is based on the tenets of inclusivity and equity. This may essentially call for both structural reorganization and reengineering of the processes involved in the regulatory and development functions alike. The need to change the mindset of those governing the cities is paramount, to forge such reforms.

2. Mumbai, the capital of Maharashtra State in Western India, is the commercial and financial capital of the country. Mumbai and its hinterland have developed at a fast pace and contributed substantially to the both national and state economy. There is however a downturn in its economy and decline in the quality of life, owing to unplanned immigration, decline of manufacturing base, shifting of business to more competing cities, and unemployment, slums and a host of environmental and health problems. Greater Mumbai holds 12 million people with urban poor comprising around 50%, while Mumbai Metropolitan Region has a population of 19 million.

3. The Government of Maharashtra and the citizens of Mumbai have shown interest and commitment to check the decline and put Mumbai back on the track of development to compete with other world class cities. The Government and the Citizens share a vision of Mumbai which aspire to increase the economic growth

and enhance the quality of life to world-class status in order to retain its pre-dominance in the country and region. The strategy expressed in the vision document is to move from incremental improvement and de-bottlenecking to making quantum jumps towards achieving world-class status in next 10-15 year timeframe. In order to achieve the transformation of the scale envisaged, it is also essential to restructure key institutions promote downward accountability, with efficient and responsive service delivery.

4. Within this context, the State Government has set up a Task Force and a Citizens' Action Group to identify, implement and pursue the reform agenda outlined in Vision document. **Vision Mumbai document** recommends a eight pronged programme which includes improvement in basic urban services and *making governance more effective, effective and responsive by corporatising key departments and streamlining important processes such as building proposals*. **First report of the Chief Minister's Task force** lists governance as a major issue in the transformation process, with an objective of forging *integrated, responsive governance having a customer focus*.

Several key issues of good urban governance stand out in this context. These are decentralization, integration of the poor and marginalized of the city with the mainstream, environmental sustainability, mobilisation of municipal finance, transparency and civic engagement, better municipal management and capacity building. These issues do not stand alone, but are inextricably linked to each other and mutually reinforce the strengths that each brings to the process of good urban governance. These linkages, however, are not automatic, and the improper structuring or management of one issue contains the potential to impact negatively on some others.

5. Since the Municipal Corporation of Greater Mumbai (MCGM) is the key service provider in the city, most of the reform measures that have been listed, fall in its purview. Time and again several recommendations have come up for discussion, some of which are mentioned below.

- It has been recommended that the MCGM *should play the role of a regulator and provide service delivery through corporate entities like the BEST. Water supply and sanitation, where user charges are directly collected from the users, have been suggested as the departments which could be reorganized in the first phase on the lines of the BEST.*
- *There is a need to improve service delivery mechanism through reorganization and Institutionalized MOU based review system for all wards and departments of the Municipal Corporation and other citizens serving agencies.*
- *The MCGM should strengthen its resource base through Property tax reforms which will render taxation more equitable across city and suburbs. .*
- *The MCGM should provide leadership through a directly elected and empowered Mayor who could be accountable to the people and could effectively coordinate with all the departments and agencies, in operation, at the city level.*

6. **The World Bank Mission in March 2005** also endorsed the above agenda and has underlined the need to *strengthen the authority and responsibility of local government, procedural and organizational changes to stream line the decision making by government agencies that are currently fragmented; establishing service standards; and devolution of most services and execution function to autonomous bodies.*

7. The consultative process initiated through the **Citizens' Action Group (CAG)** and the **Governance sub-group** have identified following key issues related to improve governance of the city and obtain a local government that is efficient, transparent and responsive to the needs and aspiration of the citizens. These issues are –

- **Democratic decentralization for excellence** in terms of devolution functions, and corresponding administrative, and financial powers to municipal wards, thereby strengthening the Ward Committees. The Wards Committee to seek participation of the citizens in planning and implementation of agendas at the ward level.
- **Professionalization of the key services** in the MCGM on the principle of the BEST to make service delivery more on professional

lines; the department suggested as most appropriate is the Water and Sanitation Department.

- **Ensuring transparency in governance, and ensuring direct accountability** of the service department to the people through performance benchmarking and a some kind of report card system; and
- **Introducing an institution at the city level for effective coordination with all the governmental agencies**, for forging convergence of objectives, coordination and unity of purpose and command. Giving executive authority to the Mayor's office has been a frequent suggestion.

DEMOCRATIC DECENTRALISATION

Organizational Structure of MCGM

8. The Municipal Corporation of Greater Mumbai (MCGM) is the planning and civic authority of the city, western and eastern suburbs, together called Greater Mumbai. One of the oldest civic bodies in the country, the MCGM is entrusted with the responsibility of providing water supply, sanitation, roads and drainage, primary education, public health, public markets and a host of other obligatory functions under Section 61 and discretionary functions under Section 63 of the Mumbai Municipal Corporation Act 1888 (MMC Act). It is functionally unique in the sense that it also provides secondary education, medical education, city transport service, and, distributes electricity in the island city. The MCGM is headed by a Mayor, who presides over the corporation meetings. Standing Committee of the Corporation is the statutory authority vested with all financial powers. In addition there are Education and Improvement Committees, as well as the BEST Committee which are statutory committees, and a number of special subject committees. The executive powers, under the MMC Act are vested in the Municipal Commissioner, who is assisted by the Additional and Deputy Commissioners, Heads of Departments and Ward Officers called Assistant Commissioners. The MCGM has a revenue and capital budget of over Rs.6000 Crores, without including the figures of Bombay Electric Supply and Transport undertaking.

9. The city is divided into six zones and twenty-four administrative wards. The zones are administratively headed by Zonal Deputy Commissioners. The Ward Officer/Assistant Commissioners are the administrative heads of the ward administration. There is a representative officer of most of the functional departments at the Ward level. However, the planning and implementation of most of the capital works such as construction of major roads and bridges and buildings are retained with the Central Agencies. Water supply, drainage functions with the exception of some maintenance works, estates management, octroi, market development departments are kept outside the ward purview.

10. Capital works of all the engineering departments are handled by the Concerned Heads of the Departments and their field outfits, who work independent of the ward control. All the major capital works are planned and executed by the Central Agencies under the control of the Commissioner and the Standing Committee. They report to the Commissioner through the Heads of Departments and the Deputy and the Additional Commissioners. The Assistant Commissioners of the ward have no role in the planning and prioritizing the capital works, though they are closer to the community and have better understanding of local needs and priorities. The wards being the smaller administrative units and the Assistant Commissioners being in direct interface with the people and their representatives, planning process ought to initiate at that level. While the ward level functionaries feel the pulse of the people and are accountable to them, they lack the administrative and financial competence to deliver the services accordingly.

Impact of Centralized System

11. The implications of highly centralized planning, administrative and financial regime in the MCGM manifests in an inefficient and poor quality of civic services, lack of accountability and lopsided and inadequate infrastructure development in suburbs and within the island city. Basic urban services such as sanitation, solid waste management, maintenance of roads and walkways are substandard leading to steep deterioration of quality of life in the city. Centralization at the town hall level also keeps the top management in a fire fighting mode without any time

being assigned to strategic planning process. Thus one of the most prestigious urban bodies lacks vision, direction and strategic plan for the city.

Ward Committees- a framework for decentralization

12. Decentralization of administrative functions and corresponding budget and financial powers to the wards has often been discussed, yet nothing much significant has come out. Seventh Fourth Constitutional amendment in the country mandates the decentralization of powers through a forum of Ward Committees in the cities. The ward committees are expected to take the municipal governance closer to the citizens and also facilitate their participation in the civic issues both for planning and as watchdog in implementation.

Constitution of Ward Committees in Mumbai

13. Through conformity legislation, the provision of the ward committees was incorporated in the MMC Act in the year 1994; however the ward committees were constituted for the first time only in 2000. Both state and the MCGM took time to frame rules and decide the number and the jurisdiction of the ward committees. In accordance with the rules framed by the state government and the resolution passed by the Mumbai Corporation, sixteen ward committees were formally constituted in May 2000. All the councilors within the ward committee jurisdiction became the members of the committee. Mumbai Corporation has 227 elected councilors. On an average, there are fourteen to fifteen members in each of the ward committees. The Chairperson of the ward committee is to be elected from among the councilors on the particular committee. The term of the ward committees is co-terminus with the duration of the corporation.

14. The Municipal Acts and the government guidelines in Maharashtra provide for the nomination of three representatives of the NGOs who have implemented municipal projects in the ward. In case of Kerala, there are as many ward committees as the number of councilors. Each ward committees comprises fifty members representing different occupational groups.

15. Financial Powers of the Ward Committees -

Though Section 50 TT (7) (c) provide powers of granting administrative approval to works not more than Rs. five Lakhs which is subject to the budget provision passed by the Corporation. There are similar corresponding provisions in the

other municipal acts. The dependence on the budgetary allocation by the corporation becomes a major limitation in the functioning and efficacy of the ward committees.

Limitation of ward committee system

16. As discussed earlier, the ward committees were expected to provide a legal framework of decentralized municipal governance and community participation. In reality they have fallen short of aspirations on both the counts. The Constitution while generally providing for the ward committees has remained silent about the extent of their functions and administrative and financial powers. Leaving these details to the discretion of the state government has not helped the cause of decentralization. While the 12th schedule of the constitution prescribes a comprehensive list of the municipal functions, the state statutes limit the functions of the ward committees to grievance redressal, suggesting ward level works and granting administrative approvals to small works.

Secondly the administrative organization parallel to the ward committees is itself very weak and financially incompetent to translate ward committees plans into reality. Thus reorganization of the administrative machinery has to be considered along the political structure of the ward committee which is a constitutional mandate.

Thirdly, there is no division of financial resources between the city council and the ward committees nor committed allocation of budget in proportion to the ward population or area. Rather than leaving this to the courtesy of the administrative and political leadership, it would be desirable to allocate certain portion of the budget to the ward committees. The allocation can be based on a set of parameters like population, slum population, area, backlog of infrastructure and services etc.

Devolution of Functions

17. Activities like Waste Management, maintenance of the storm water drains, roads could be transferred to the ward committee with corresponding budget. The committees could then prioritize the works in the wards within the ceiling of Rs. five lakhs per work (the ceiling limit also needs revision though). As regards the major capital works, the wards committees can be involved in the planning

and deliberation prior to the budgetary stage. In fact the spirit of decentralization demands the planning process to initiate at the grass roots. The infrastructure and service needs of the ward can best be understood at the level of the ward committees in consultation with the civil society.

18. The participatory character of the ward committees is itself debatable. The ward committees in most of the cities are dominated by the elected councilors. The NGOs appointed by these committees are too few in number to make any significant impact in terms of decision making. In Mumbai, the committees operate on the political lines leaving little scope for professionalism in the planning process. The West Bengal and Kerala models could be closely examined in this context.

Reform Agenda

19. From the above analysis it is evident that there is a need to devolve the administrative and financial powers to the administrative wards and simultaneously to decentralize the political decision making process to the Ward committees within the frame work provided by 74th Constitutional amendment. The issue remains as regards the principle of decentralization of function and powers. The functions that can be carried out in the Ward on a stand alone basis such as: solid Waste Management [collection] slum sanitation, maintenance of roads, parks and gardens, regulatory function like licensing can be handed over completely to the Ward committees and administrative wards. The ward committees must also be empowered to plan priorities of such activities and accordingly, make budgetary provisions in the Ward budgets. On the other hand, the activities which are required to be carried out through a citywide net work, such as water supply, Waste water management storm water drains, disposal of solid waste, Octroi management transport etc. can be retained with the municipal head office. Secondly, there is a need of providing complete autonomy to both central agencies and the ward and to retain the strategic planning with the Mayor, Municipal Commissioner and senior official and non-officials.

20. The need to devolve the administrative & financial powers to the wards along with decentralization of the political decision making process to the ward committees within the constitutional framework having been established, it is

logical to think of the options with due regard to various factors including the viability of the unit at the micro level and its workability without any additional cost or inconvenience.

21. Kerala model where there are as many ward committees as there are elected councilors (who are chairing those ward committees) with area sabhas (for each polling booth) electing their representative as a member of the ward committee, has been strongly advocated by "LOKSATTA" an NGO on the ground that it really takes municipal administration to the grass root level in the real sense and deliberations at that level really reflects the voice of the common man.

22. On the other extreme, the limit of 25 ward committees in Maharashtra-irrespective of the size & population within the jurisdiction of the area of Municipal Corporation seems to be very arbitrary. Even with 24 administrative wards and population of 12 million (in 2001) having only 16 ward committees and the elected councilors as the members (and 3 nominated members) with very limited Role neither will reflect the voice of the common citizen, nor effectively achieve the goal of Power to the People.

23. Considering the density of the population, viability of the functioning unit at the micro level and complexity of the civic services in Mumbai, following alternative is thought to be better, workable and meet requirements. Instead of election boothwise area sabhas and councillorwise ward committees only there will be one more tier at the Administrative ward level devolved with administrative and financial powers. Thus there will be 24 effectively functioning committees (1 for each administrative ward) empowered for effective execution & consisting of elected councilors. At the level of the committee chaired by elected councilor and consisting of elected representatives from area sabhas, the process of deliberation & discussions on civil service requirements at that micro level (including required staff and budget provision) is expected to be completed and represented by the elected councilor in the committee at the level of the Administrative Ward.

24. "LOKSTTA" the NGO and members of the subgroup on Governance is reviewing the situation in this context and working out the draft amendment Bill to the MMC Act, 1988 which will form the basis for discussions in the

workshops/ Group discussions/ Seminar of all the concerned. (Govt. elected Councillors, experts, NGOs etc). It is expected that this will activate the citizens to air their views on this important issues of "Democratic Decentralization leading to participatory Democracy". Further with the deliberations at the area sabha and committee (chaired by each councilor) level there will be more and more awareness on environmental issues, civic services, cost & cost recovery and civic DOS & DON'TS on the part of the common citizens.

IMPROVING SERVICE DELIVERY MECHANISM - PROFESSIONALISATION OF CIVIC SERVICES

25. High staff cost, lack of accountability of the municipal services in Mumbai have been one of the underlying factors of decline in the quality of life in Mumbai There is a need to enhance the professional efficiency of the basic urban services like transport, water supply and sanitation on an urgent basis. There is an excellent corporate example of Brihan Mumbai Electric Supply and Transport Undertaking (BEST) which is an organ of the MCGM. Thus, reorganization of central agencies along these lines is also an imperative, as much as the devolution of the functions and powers to the ward machinery.

26. Suggestions for remodeling the departments within BMC was initiated by the members after understanding the case of BEST. It was unanimously agreed that the Water supply, Sanitation and Sewerage department could be right one to start the experiment of working on more professional lines. It was the most eligible because: (i) it began as Bombay Water Works Company in 1863 and was acquired by the BMC subsequently (ii) it has good amount of technical expertise and strong work force (iii) it already has its budgeting done separately under the G-Budget (iv) it also had the clause of having a decision making period of 15 days for the Standing Committee to either approve or reject the proposals of the department, which, otherwise is deemed to have been accepted (v) it also has partial financial autonomy certain proportion of as its capital expenditure was to come from internal provision of the same budget 'G'(vi) Also, during the period of Mayor in Council a water supply and Sanitation committee had been set up and there had been efforts for improving the efficiency of the department.

27. Governance reforms can be structured on the following lines:

- *Commodity like public goods and services (e.g., water supply and sanitation where user charges are levied and recovered):* efficiency improvement and professionalism.
- *Developmental services (e.g., health and education services):* improvements in municipal services (like report card) and incentives.
- *Regulatory services (e.g., licenses, permission and planning):* structural changes and use of information technology-e-governance has been initiated in many states with good outcomes.

28. Even though the level of satisfaction of the citizens in respect of water supply service was rated high than that of other services due to relatively better quality and the assured quantity of water supply (result of various schemes executed with the assistance of IDA/ World Bank during the past 3 decades) much needs to be done by having more and more professionalism aiming at 24 hrs. Water supply (as against present intermittent water supply) this feeling of "better service" is as compared to the service obtained in other cities in the State and India. Similarly the backlog on the sewerage service is due to delayed projects and more efforts and concentration needed to expedite the scheme of sewerage and slum sanitation on the war footing.

29. Corporatisation of water supply and sewerage services will not only be acceptable to the citizens at large and politically, but also against the principle of the single unitary authority for all the civic services and for coordinating with other utility organizations. However following issues need to be examined critically and professionally to further improve the services in Water Supply & Sewerage Sector.

- a) Efforts to bring down percentage of the unaccounted for water (water loss) through various measures including leak detection & waste prevention and perfection in distribution zonewise accounting.
- b) Expediting the process of Universal Metering along with bringing down the percentage of non working/ non-functioning meters which is substantially high. This is an area where some options like outsourcing, contracting for the purpose of providing & maintenance of the meters

or leaving it to the consumers (who themselves can appoint the agencies).

- c) Insuring more equitable distribution by strengthening the distribution zone system and also by way of price mechanism.
- d) Conserving the water supply through price mechanism discouraging excess consumption by introducing telescopic rates and encouraging the reuse of waste water by giving incentive /rebate in sewerage charges.

Since long Water Supply & Sewerage services itself being self supporting unit (financially) may develop the complacency and that is the reason why there is an urgent need to bring professionalism.

Many actions in this respect have already been initiated and it is expected that during the year 2006-07 enough data will be generated for introducing the telescopic rate and Water & Sewerage charges Rules modified before 31.12.2006. Programme of Leak detection & waste prevention in much advanced stage by April 2006.

For compulsory metering for old properties which are still unmetred the provisions in the Act are required to be amended.

30. While taking a real comprehensive view for Mumbai, at this stage one cannot overlook the Metropolitan area which really can and is accommodating major part of the continued influx of population. Though MCGM is capable of playing the effective Role in planning and executions, MMRDA has its own role to play for regional planning and for execution in the areas outside the jurisdiction of MCGM to a certain extent. There are many issues where the coordination amongst other Govt. agencies is needed on the continued basis.

TRANSPARENCY AND ACCOUNTABILITY-CUSTOMER FOCUSED GOVERNANCE

31. In order to create a world class city, the governance systems have to be improved significantly focusing on improved service delivery, transparency and accountability. Whatever the model the Government finally chooses for macro management, it is strongly felt that will have to be run Efficiently, with

Transparency, and be Accountable to the people of this city. Already, there is a citizens' charter adopted by the MCGM, which lays down the norms for service delivery. However, implementation failures arise from the wrong or mis-interpretation of the rules/guidelines, which, as recent events have illustrated, the city cannot afford. The complex and massive needs of a city like Mumbai can only be fulfilled by using cutting edge technology and progressive management techniques. The new mantra for any model of governance should be based on ETA and it should use all its resources to implement this.

In order to increase transparency and accountability, the following aspects need to be considered.

A] Establishing service standards and performance review mechanism for services

A review system was established through a public survey, but this had not succeeded in benchmarking standards for service delivery or efficiency of the MCGM since it was based merely on people's perception. Hence a system of performance audit of the department based on their internal records need to be established. The complaint registration system has gained good response from the citizens; however, this system does not incorporate tracking of complaint redressal. A system to measure efficiency and performance credits based on it could be devised for all the departments of the MCGM, which would considerably help to improve service delivery and performance review within the MCGM as well as for the citizens.

B] Making the citizens aware of such service standards

It was extremely necessary to make the citizens aware of service standards or benchmarks which they should expect from the MCGM or any other service provider. This would help to give better results from surveys based on people's perception. Also the statistics on complaint registration and the number of complaints redressed should be made public. It will establish MCGM's trust amongst the citizens as well as it will inform the citizens about the performance of the MCGM. Creation of awareness about the working of the MCGM and other service providers was necessary to keep a check on their performance and increase their efficiency.

C] Bringing accountability and transparency in working of MCGM.

It was general opinion that organizational restructuring and institutional reforms were necessary to bring accountability and transparency in working of MCGM. In this context, it is observed that that intra-departmental and inter-departmental coordination was lacking and revamping of accounting system of MCGM was necessary. The current accounting system to be changed to accrual based accounting which is more transparent and easy to understand. At national level, the Ministry of Urban Development & Poverty Alleviation had already issued the guidelines/National Municipal Accounting Manual. It is expected that the Accounting System in MCGM will be modified on the basis of that Manual in a short time.

32. The recent Right to Information Act passed by the Government of India is perhaps the most important piece of legislation in recent times, which has direct bearing on empowering the citizens. Apart from legislative provisions that enable monitoring of administrative functioning by citizens, there are several market/consumer research tools available, to find out how the Citizens feel about the services that it provides. Some of the commonly used ones are:

- **Performance Surveys**
- **Performance Audits**
- **Report Cards**
- **Complaint Audits**
- **User feed back**
- **Mystery shopping**

The proper and effective use of such tools will go a long way in making the government more efficient and sensitive to the needs of the citizens. It is important that the government allocates a small part of the budget to get a feed back on the services it is offering and whether it has been effective by meeting the goals it had set.

MUNICIPAL FINANCE - an instrument to improve accountability

33. Time and again it has been indicated that in respect of Municipal Services, the work culture needs to undergo a paradigm shift to give way to an administration

that is transparent, efficient and accountable to the civil society and is based on the tenets of inclusivity and equity. Structural reorganization and reengineering of the processes involved in the civic functioning are some of the prerequisites.

34. No doubt the change is warranted and in fact improvement being a continuous process, there is also a need to take a periodical review for further modifications in the systems/processes, organizational set up/institutional reforms in the context of the circumstances/situations then prevailing (like technology advancements, demographic patterns and changes, economy of the city/Region, civic needs/ expectations and so on). Such type of efforts were done in the past occasionally in isolated ways to deal with the issues then raised but not in the comprehensive manner to have the total impact on the civil services as felt by the citizens. On the contrary the general view is that the level of civic services had gone down over a period. It is also indicated that there are various contributory factors outside the organization. At the same time, the Municipal Corporation cannot get away with that excuse as has been evident due to many short causing.

35. After all the gap between the perceptions of the common citizen and that of the civic officer (Administrator) instead of getting narrowed down gets widened day by day due to various reasons. Prejudice (against the establishment), the feeling of discrimination, judgment on the basis of individual (expectation and fulfillment) rather than as a part of the society, ignorance and indifferent attitude may be some of the common features so far citizens are concerned. While lack of accountability, complacency and even ignorance of the subject may be some of the common features with the bureaucracy/ machinery particularly at the level at which it comes directly in contact with the common citizen.

36. The common citizen is more concerned with the enhanced efficiency in service delivery as is felt by him, and on the other hand the representative of the administrative machinery should be in a position to convince him with facts and figures instantly. The common citizen is hardly concerned with the restructuring, intricacies of the procedures and internal rules & regulations but wants results. Many times the machinery is involved more in the rituals and concentrates on that rather than on results. What is the common parameter for judging, the

correctness/reality of these two perceptions? The important objectives of the Good Governance are

- i) Enhancing efficiency in Service Delivery
- ii) Strengthen the Resource base
- iii) Prioritization of allocation of such Resources/funds judiciously
 - (a) Area wise
 - (b) function/civic service wise with the due regard to its Nature –obligatory and discretionary.
- iv) Identify the development backlog on the basis of development indicators which should be evolved scientifically.
- v) Judging the performance/evaluating on the basis of performance indicators (again developed on certain scientific & accepted principles) and reviewing the decisions.
- vi) Ensuring transparency accountability and simplicity.

37. **Municipal Finance** - Budget (Targets), Accounts (Performance), Audit (critical evaluation) coupled with appropriate reporting system could really be a handy instrument to achieve these objectives. Recently enacted Right to Information Act further strengthened the position of the citizen who normally was only a silent spectator of the working of the Municipal Administration/Governance. Municipal Corporation now ought to be proactive and provide valuable and meaningful information on various municipal services across areas and wards. Documents related to Municipal Finance (Budget, Accounts, Audit & Reporting) if presented in a simplified and concise version (apart from the statutory requirement) at the Macro & Micro levels (Entire MCGM area & the ward wise) will go a long way in meeting the requirements of the civil society.

38. Today the Budget documents for Budget A (Main/General Budget), Budget B (Improvement/Slums), Budget C (for BES&T Undertaking) Budget G (Water supply & Sewerage) which are the statutory budgets are prepared in an exhaustive manner to meet the requirements and for detail study of the elected representatives who are expected to deliberate at the level of the committees and the Corporation. In Budget 'A' also, budget related to Health and Medical aspects is separately shown as Budget 'H'. Documents running over 400 pages (though

needed for administrative & Budgetary control) loses its value for the common man and in fact if at all may remain of an interest to academic scholars of the subject. Outline of civic finance and the statement of the Municipal Commissioner while submitting these budget proposals are however meaningful from the view point of not only budget figures at a glance but also other information. (Though with lot of scope for further improvement).

39. The moot question is how one can bring more professionalism in this financial documentation (which can also be a starting point or base for professionalism in the working of the organization) and information system. BES&T on account of its nature of services has brought out such type of information in a professional way indicating areas of concern and areas needing improvements. Budget 'G' for water supply & sewerage services also is presented in a simplified manner, but more could be done with advance technology in computerization.

40. A detailed National Accounts Manual for local bodies – Municipal bodies prescribed by the Central Govt's Ministry of UD&P.A. had already set the ball rolling, but MCGM will have to go much beyond that to ensure decentralized working supported by decentralized budgeting and accounting, introducing elements of cost Accounting & inflation aspect for meaningful comparison of performance (inter & intra departmental, inter organizational, as well as amongst various periods).

41. As already indicated earlier, the performance indicators and development indicators for important municipal services will bring in sharp focus the glaring disparities in allocation of funds as well as in utilization of funds apart from the achievements in physical terms in different areas. It may initiate the process of debate & dialogue at the micro level like ward committees resulting ultimately into corrective actions. The system will also throw light on the resources generated at the micro level units and this will be one more dimension for the allocation of funds.

42. The Accounting system with the advance technology in computerization really will be comprehensive to cover all areas not only in terms of money but in terms of physical assets like land at the micro level and water as the scarce commodity by introducing water Audit. Responsibility code wise Accounting

introduced in Budget G since inception if further improved and introduced for all the budgets may ensure the principle of accountability.

43. The total financial control system (or the comprehensive Budget/Account/Audit) aims at highest possible efficiency which is achieved at the situation when all the resources (man power, machinery material, money etc.) are utilized at the maximum possible level. This is known only with introduction & implementation of appropriate accounting & reporting system. It will enable the administration to take managerial decisions for say reallocating the resources. This should reduce the cost per unit of service in real terms (discounting the inflation factor).

44. Mobilization of Resources and tapping the unexploited potentiality has always remained the question mark due to the political dimension of the issue. But this is also due to the fact that the data base has not been generated to the micro level details which can form the basis for meaningful debate and dialogue. Income from Octroi had shown such a buoyancy that the question of equitable & progressive taxation or changing the bases of taxation could conveniently be kept on shelf, but that cannot be postponed any further

45. Accounting is not merely the recording the transactions but it covers apart from recording, collecting/ compiling, analyzing & interpreting in such a way that it provides a relevant & logical base for decision making. Besides, now it will also meet the requirement of the citizen (not as an individual interested in a particular case or so, but as a member/part of the civil society) seeking the information on municipal services for the city/ward/Hospital etc.

46. In short, Municipal Finance (Budget, Accounts & Audit & Management Information based on physical & financial parameters/ indicators) is the first and the most important instrument to improve the Accountability and Governance in the Municipal Administration also contributing for the fulfillment of the purposes of 74th Amendment to the Constitution and Right to Information Act. The first step will therefore be to suitably modify the present system/ pro-formas of Budgets and Accounts broadly consistent with the National Accounts Manual and develop suitable parameters/ indicators for major civic services and also development indicators.

47. The Municipal Corporation of Greater Mumbai has already invited quotations from the reputed consultants in the field of Finance & Accounts for developing new budget, Accounting and Auditing system consistent with the guide lines laid down in the National Accounts Manual for the local bodies and further developing in the context of principles of democratic decentralization, enhancing efficiency, establishing accountability and transparency Quotations due on 30.11.2005 is likely to be finalized within next 2 months. The budget and accounts for all budgets for the year 2006-07 will be converted in the new form under the guidance of the consultants with opening & closing balance sheet (i.e. as on 11/4/2006 and 31/3/2007)

CREATION OF A SINGLE COORDINATING AUTHORITY

48. There are numerous agencies concerning with the city development (e.g., MMRDA, MCGM, MSRDC, MIDC, MHADA, SRA Police etc.) working independently without any coordination, and sometimes in conflict with each other, leading to lopsided development and poor service delivery. The need to have a single coordinating authority is felt particularly during crisis such as flooding or other forms of natural or man made disasters. Considering the mandate of the Constitution 74th amendment, there is a need to establish of metropolitan regional level, a Metropolitan Planning Committee which will have representation of all the local bodies in the region and Key Governmental agencies. Down below at the city level, all the planning and urban services delivery should be with the Urban Local Bodies.

The issue debated is whether the existing Commissionerate System of Chief Executive has been able to provide a coordinated leadership at the city level or one needs to look at other options such as a Mayoral System in which a directly elected and empowered Mayor plays the role of the Chief Executive of the ULB.

49. Other models include Mayor in Council system or the system of having an appointed city manager who delivers his management services for a contract period. There is a need to study various models. The objective behind adopting

any model is to improve governance quality of services, effective coordination within a system of checks and balance.

50. The Model Municipal law has proposed indirect election of Mayor and the President (Municipal Council). It has not favoured the provision of direct election of Mayors as practiced in Andhra Pradesh, Madhya Pradesh, Uttar Pradesh and Tamil Nadu. The issue could be argued in both ways as each system has its own merits and demerits. The experiment of Mayor in council (where the Mayor was indirectly elected) in Mumbai was put to an end/ decision reversed even though the party in power was the same at the State level and also in Mumbai Municipal Corporation.

51. It is felt that the current method of election of Mayor is making him more of a figure head and less of executive. The real executive authority is vested with the Municipal Commissioner. A direct election of Mayor will give an opportunity for citizens to choose the one who can deliver and provide incentive for the Mayor to perform, as it was the case in New York or London. Although it was also felt that power politics may not allow it and the MCGM act was to be amended, this could be attempted at least in the floor of MCGM and the State Legislature.

52. Considering the pros and cons of various models, the Mayor with executive powers [as Chief Executive as is the case in Kolkata] is considered at present as a strong Mayor system and probably appropriate for Mumbai, as he/she is not merely a figure-head.

Thus, in instituting reforms at the top level, the following options can be considered:

A] Status Quo

B] Mayor-in Council [Kolkata pattern]

C] Directly elected Mayor with Mayor-in-Council

D] Directly elected Mayor but executing through the Municipal Commissioner & his deputies [on the lines of President operating through the chief officers in Maharashtra].

A) The status quo where the Municipal Commissioner (a senior civil servant) is the Executive Chief, is appointed by the State Government (in fact by the Chief

Minister in the real sense) with Mayor as the chief of the deliberative wing with no executive powers and therefore mere as Figurehead is considered as the colonial legacy & contrary to the principles of democracy. Even with checks & balances in the system the legitimate expectations of the elected representatives cannot be set aside logically. This is particularly so in the context of the working of the State & Central Governments as well as the executive powers enjoyed by the Presidents of the Municipal Councils in Maharashtra. Similarly the principle of Accountability gets diluted or distorted in this system. Sooner or later one will have to go for other alternatives, though many may still prefer to continue with the status quo.

B) Mayor-in-Council (Kolkata pattern) has been in operation for more than 2 decades in West Bengal. Here the Mayor is elected from amongst the elected Councilors and he selects the council from amongst the councilors. Here the Mayor is normally chosen by the political party or parties in alliance, and hence he cannot ignore the party agenda or pressure though the city agenda at times may be conflicting. This experiment was tried in Mumbai in 1998-99.

C) Directly elected Mayor with Mayor-in- Council - Here all the citizens of the city will elect him. Hence he will represent a city and not a particular constituency. Similarly though supported by the political party or parties, will be relatively free from pressure.

Similarly there is a probability that the political party or parties will sponsor a candidate of Stature and repute when it comes to direct election. Such a Mayor will be in a position to coordinate with other agencies more effectively than the Commissioner or the indirectly elected Mayor considering the size and problems of the city, it will be appropriate that he is ably assisted by his chosen colleagues – members in the council. He is then not much involved in the day today administration of various departments but can concentrate on strategic planning, policies and healthy and constructive interaction at the Govt. MMRDA etc. level. It is from this point of view that this option is preferable to that of (D) i.e. directly elected Mayor without Mayor-in-Council. Similarly there will not be absolute powers even at the top level.

Decentralization of powers by empowering the Ward Committee's set up, creating the Municipal Accounts Committee on the lines of Public Accounts Committee, creating the Institution of Ombudsman on the lines of Lok Ayukta etc. will further strengthen the system of checks and balances.

In short, even though man/woman (both provider and receiver) are at the centre point and the systems are meant for them, proper/ appropriate institutional and organizational structure supported by other improvements in the systems, procedures, rules and regulations tuned to adjust new scenario and growing expectations will motivate , awaken and help the citizens in realizing that they too are the partners and hence definitely are conscious about their rights but also duty bound for appropriate response.

It is in this context that the burning issue of governance of this premium city Mumbai is examined in a comprehensive manner with holistic approach.

Property tax reforms

53. Local self government in a true sense cannot really attain the position of self governance unless it is financially self-supporting. Mumbai enjoyed that position for more than a century as it had a sound financial base. It is undoubtedly obligatory on the part of the corporation [by provisions of the Act], to have a surplus or balancing budget; while framing the annual budget this ritual is mechanically adhered to. At the same time, the principles of public finance-adjusting income to the required [reasonably] expenditure-is not followed. Weak tax base, inadequate taxing and poor recovery has remained the salient feature of the local bodies and Mumbai is no exception. The balancing of the budget was always at the cost of required municipal service.

54. Property Tax, which was the main identified source of income in local bodies had lost its first position long back and gave way to the Octroi, which has always remained a debatable issue by certain pressure group and lobbies. The base of the property tax has remained the Rateable value of property which is linked up to the rent, which in turn is dependant on the Rent Control Act. The ill-effects of the Act [which was introduced some six decades ago to protect the interests of the poor tenants] have been experienced. Subsequently, in 1974, the State Municipal Finance Commission [Patel Commission] suggested its modification.

Despite periodic modifications in the Act, there was not much relief to MCGM from the point of view of revenue mobilization. This being a common problem of all local bodies, there had been discussions on the issue of delinking the base of property tax from the rateable value of property and find out a suitable base. There was also increasing grouse that this base gives rise to inequitable taxation; especially on part of suburban citizens, that they are required to pay much higher municipal taxes than their counterparts in the island city, while enjoying better civic services.

55. The two alternative bases indicated were [i] Area base & [ii] Capital value base. Cities like Ahmedabad, Lucknow, Hyderabad, etc. followed the area base method and developed the system. The authorities in Mumbai however, decided to go in for Capital Value Base. The proposal however could not be favoured by the elected representatives due to political reasons, and the decision is till pending. It is to be noted that the buoyancy of the income source [e.g. octroi] is a must for meeting the ever increasing expenditure involving in catering to the administrative needs of the city. Therefore, while shifting to a new base of taxation, it is to be kept in mind that the model adopted must be buoyant in nature and not one that stagnates the income source.

56. The principle of User's charges has been followed in respect of city transport services and electricity distribution by BES&T Undertaking due to nature of the services. Similarly this has been done in respect of Water Supply Sewerage services to a great extent. This however is possible also in respect of Road service. Today the Road Tax (identifiable with the civic services related to development/maintenance of Municipal Roads) is based on the rateable value of the property and has no relation with the class of users actually availing of these services. The road tax at present is charged at the rate of 15% (maximum statutory limit) of the Rateable value of the property where the revenue is of the order of Rs.150crores per annum, much less than the expenditure (not even 50%) on the services.

If this tax is replaced by applying the principle of "User charges" like say introducing onetime tax / increasing the tax at the time of Registration which is based on the price of the vehicle (collected by the State Govt.) substantially say up to 15% of the price and diverting minimum 10% of the price of the vehicle to the

Municipal Corporation will go a long way in not only increasing the revenue needed for repairs maintenance and development of the road services but also from the view point of encouraging mass transport services and discouraging the use of private vehicles to the extent possible. These measures could be further supplemented by earmarking the parking lots (on payment basis) in all the areas on a scientific basis on the one hand and imposing annual user charge @ 1\5 of the price of the vehicle besides the initial one time tax. Substantial concessions may be given to the vehicles used for public transport (Buses, Taxis etc). Regulation of parking (on payment) on the spaces earmarked may be contracted out /outsourced.

Strict enforcement of this will help in resource mobilization, utilization of the source (land/space) gainfully, ultimately restricting the number of private cars in the city (Greater Mumbai) and still less on the roads. Such measures be taken for the entire Mumbai Metropolitan Area initially and then throughout the State.

The effect of these measures can be seen over a period of 2 to 3 years.

57. As already indicated in the paragraph relating to the property tax- as distinct from the concept of user charges, the capital value base has been favoured by the authorities on the following counts.

- a) This is more equitable base than the present base of Ratable value and rules out the discrimination.
- b) Since the value adopted by the Govt. for imposing the stamp duty will be considered for Municipal taxation also, there is consistency and no arbitrary valuation.
- c) Progressive taxation can be adopted to exploit the paying capacity of the elite and the commercial/industrial sector.
- d) Adequate provisions will have to be made to give relief to the weaker sections.

Since the proposal for modification of the base of property taxes has political dimensions and enough awareness and clarity is lacking so far the common citizens are concerned there is a need to motivate all the concerned with a view to reaching a consensus on same agreed formula based on the principles of

equitability, paying capacity on the one hand and the benefits derived on the other hand.

A sort of a white paper on the issue giving various examples from different parts of the city, with actual incidence on the occupier and the difference with clarifications on the questions so far raised by different groups need to be issued jointly by the State Govt. and the Corporation. This should be discussed in workshops of representatives representing different groups (tenants, landlords, coop. societies, traders/Businessmen etc. from all the 6 zones/24 wards).

This will help the State Govt. and the Municipal Administration to formulate the proposal (within the Framework of the constitution legally tenable and implementable) by and large acceptable to the political leadership.

It is however expected that till the next municipal election due in February 2007, no political leadership will be in a mood to take a final decision.

Year 2006 therefore is utilized for preparing the wardwise data base (updating) and completing the preparatory steps as mentioned earlier.

58. Octroi has remained to be the major source of income for all Municipal Corporations in Maharashtra, so is the case with Mumbai. At present any other alternative which fulfills the criteria of buoyancy, liquidity (without any bad debts), and independency (without depending on the other authority like State Govt. waiting for share of tax or waiting for grant in aid) is not in sight, though it is very much opposed by the interested groups. Better administration of the Octroi system along with strengthening other sources like property tax and user charges is the best course in the present circumstances. Reviewing and remodeling the octroi schedule (both categorization & rates) may be suggested from the view points of clarity and simplicity. But measures and enforcement in the field (at check points) is more important.

Computerization & data base coupled with strict enforcement with heavy penalties and clear cut disciplinary actions against the defaulting staff will go a long way to control the leakages in the revenue from this important source of income.

Development of the appropriate computerized system and its successful implementation at all the Road barriers is targeted by 30th June 2006.

Simultaneously the report on the Review & Remodeling of the octroi schedule is also completed by that date so that the decision can be taken and implemented by 1st October 2006.

CREATION OF A SINGLE COORDINATING AUTHORITY

59. There are numerous agencies concerning with the city development (e.g., MMRDA, MCGM, MSRDC, MIDC, Police etc.) working independently without any coordination, and sometimes in conflict with each other, as a result of which, progress on service delivery is poor and slow. It was felt that the structures of municipalities in other cities in the world could be studied and learnings from them could be incorporated. It was felt that there needs some sectoral coordinating agencies e.g., one such for transport, or, such as Task Force/CAG subgroups, and the supervising empowered committee comprising these agencies, which could meet regularly, and review. This was somewhat on the lines of a metropolitan planning council, which was mandated by the 74th constitutional amendment though it has not yet been formed.

CRISIS MANAGEMENT PLAN FOR THE CITY

60. During the last twenty years, the city of Mumbai has been beleaguered with numerous crises situations, brought on by several factors, some natural and some man-made. Though the legendary resilience of the city has enabled it to bounce back again and again, the recent floods for instance, has indicated that the city fabric is wearing thin in its capacity for absorbing such calamities.

60. The natural location of the city makes it increasingly vulnerable for environmental disasters. It is situated in the coastal zone, as well as within the vulnerable seismic zone, making it prone to earthquakes as well as floods, Tsunamis and other climatic aberrations. The density of population spread over the city and the suburbs, the increasing proportion of slum population, exposes the city to frequent outbreaks of epidemics. The collapse of the buildings at the onset of the monsoons has now become a common feature. The fire-prevention and firefighting machinery falls too short of actual requirement of the city, which on the one hand, is witnessing high-rise buildings which are prone to such risks,

and on the other hand, the growth of slums where the residents live in the most unsafe environment. Therefore, there is an imperative need to overhaul the existing systems/machinery for crises management and make it responsive and need-specific, to meet the city's growing needs.

• **RECOMMENDED STRATEGIES**

61. The Strategies that have evolved from the preliminary discussions can be put forth as follows:

- a. Decentralization by strengthening ward committees, through giving them more financial autonomy, as well as autonomy in implementation of administrative agenda. This could be based on previously agreed allocations with checks and balances that ensure transparency and citizens' participation.
- b. Important basic services to be professionalized/corporatised on the lines of the BEST.
- c. Transparency and Accountability-Customer-based Governance. There are several mechanisms already in place such as Citizen's Charter, online grievance redressal system,
- d. Improve the Municipal Financial and reporting system (Budget-(Targets), Accounts (Performance), Audit (critical analysis and evaluation), Reporting based on specific indicators /parameters for each department.
- e. Creation of a single coordinating authority for the city: Various suggestions have been made, which has been debated widely in the context of effectiveness. The overarching objective of the debate is to give more executive authority to the Mayor's office by the most workable modality.
- f. Property Tax Reforms are a critical to good governance of the city and needs an overhaul to make it more responsive to the changing landscape of the city.
- g. In the light of the several crises that Mumbai has faced in the last decade, which are both natural disasters and man-made ones, a

disaster-management model in a fire-fighting mode has become critical to the sustainability of Mumbai city environment.

62. Any attempt to reorganize MCGM has to be within the framework of the Indian Constitution which recognizes urban local body as a third tier of Government. It is nobody's case to dilute its autonomous character. On the contrary, urban local government must be strengthened and made more efficient and accountable to the citizens and should ensure the delivery of quality services to them. This is the core of the good governance agenda.