

# Network Governance Vs Governing networks – A systemic risk: case study of Delhi local government (toll tax)

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**Abstract** - Government today relies on a complex and interactive networking system. This network governance itself is based on dyadic inter organisational relationship between public, nonprofit and for profit actors. My paper shows how the complex arrangements of contractual providers to public policy has a high incidence of systemic risk. The empirical context of this paper is Delhi toll collection system over a period of 5 years. The study indicated that the government had a well developed contract management system for collection of toll tax but it did not consider the systemic risk when awarding individual contracts. With time the system concentrated the service provider into a handful of 'big' producers which in turn led to systemic failure when these 'big' producers failed and governance had limited absorptive capacity in the system. This raises two questions : firstly how network governance can ensure government funders to attend to systemic risk in contracted services and secondly, the implications for governments' ability to meet statutory obligations to provide services. The case is unique because in a disarticulated state like Delhi its local governance highlights that the concept of metagovernance can help to avoid the misguided idea that networking governance drastically reduces the role of the government. On the contrary the crony networking of quasi-markets and partnerships of elected politicians emphasizes the need for governing the network. The case study tries to contribute to understanding the systemic risk of contracted services in network governance. Though the issue is understudied, potential for systemic failures are present in all cases of networked services. Second, it demonstrates the utility of using secondary affiliation network data to understand complex structures used to implement public policy

**keywords** - urban governance toll tax

## INTRODUCTION

Urban local government institutions are set up for the purpose of providing and maintaining essential services and for planned development of urban areas. The aim is to ensure that basic levels of infrastructure and services are available to all the citizens. Formation of anything remotely close to local government- Municipal administration in Delhi was begun way back in 1863 with the first sitting of Municipal committee in April 1863 after notification of the Punjab Government dated 13<sup>th</sup> Dec 1862. It went on to undergo several changes later on during 1874, 1881, 1921-22 etc. During 1921-22 under de limitation, Delhi was divided in to 12 wards for easy administration. Process of re defining the jurisdiction as well as the Municipal administrative set up of Delhi continued again and underwent several changes in 1936,1946, 1951 and finally in 1957 the Municipal Corporation of Delhi came in to existence with merger of various bodies and local authorities viz., (1) The Municipal Committee, Delhi; (2) The Notified Area Committee, Civil Station; (3) The Notified Area Committee, Red Fort; (4) The Municipal Committee, Delhi-Shahdara; (5) The Municipal Committee, West Delhi; (6) The Municipal Committee, South Delhi; (7) The Notified Area Committee, Mehrauli; (8) The Notified Area Committee, Najafgarh; (9) The Notified Area Committee, Narela; (10) The District Board, Delhi; (11) The Delhi State Electricity Board; (12) The Delhi Road Transport Authority; and (13) The Delhi Joint Water and Sewage Board.<sup>1</sup> With so many bodies and local authorities looking after the municipal affairs, complications and problems were being faced by the various authorities as well as by the public. A need to have a unified body to administer the Municipal Government of Delhi was strongly felt. So the Delhi Municipal Corporation Bill was introduced in the Parliament. The formation of Municipal Corporation of Delhi was enacted by our Parliament on 7<sup>th</sup> April 1958 resulting in revolutionary changes in municipal administration. However during November 1971, the Delhi Transport Corporation was constituted relieving the MCD of the responsibility of surface transport in Delhi. The delimitation of wards was being time to time depending upon the demands as per growth of population. The corporation remained superseded between Jan 1990 to March 1997 and was governed by administrator. In a major amendment to the Delhi Municipal Corporation Act, passed by the Parliament on 17.09.1993, municipal administration went sweeping change and the scope of its constitution, works, control and administration were subjected to major reforms. By virtue of that, the concept of aldermen were done away, and number of councillors were raised to 134 and Loksabha members within municipal jurisdiction of Delhi and Rajyasabha member who is a voter in any area falling the municipal corporation jurisdiction of Delhi were given membership to the corporation. In addition, one fifth of legislators of Delhi legislative assembly were also given

<sup>1</sup> <http://www.mcdonline.gov.in/publications/DMC%20Act.v.11..pdf>

the membership of the corporation raising the total number of corporators to 168. Other changes brought in include reservations for women, and SC & ST communities etc. Post of Mayor for the 1<sup>st</sup> year of each new corporation was reserved for woman.

Finally in 2011, the DMC act 1957 underwent yet another amendment paying way for creation three independent corporation carved out of the existing one, namely South Delhi, North Delhi and East Delhi municipal corporations, comprising of 4,6 and 2 zones within them. The South Delhi Municipal Corporation consists of 104 wards in four zones of Central, South, West and Najafgarh Zones. The north has six zones viz. City S.P, Karol Bagh, Keshavpuram, Civil lines, Narela and Rohini Zones and also consists of 104 wards. The East Delhi Municipal corporations has their two zones in Shahdra (North) and Shahdra (South) comprising 64 wards. In addition all these corporations have members nominated by Lt. Governor of Delhi (10 each for all the corporations). The members of Parliament from their respective MP jurisdiction also become member of these corporations. North and South have 5 each and EDMC has 3 members of Legislative assembly of Delhi as their members nominated by Government of Delhi.

The unified Municipal Corporation of Delhi used to provide civic services to the 11 million population of National Capital Territory of Delhi, which was covering the area of 1,397.3 sq.km. approx. i.e. about 94% of the total geographical area of NCT of Delhi.

Post trifurcation in the year 2012 the basic peripherals stood as below:-

		North DMC	South DMC	East DMC
i	Area (in sq. km)	636.37		
ii	Population in lakhs as per 2011 census	62.55	62.14	39.44
iii	Number of Households in lakhs as per 2011 census	12.74	13.14	7.64
iv	SC population in lakhs as per 2011 census	12.12 (19%)	8.79 (14%)	6.54 (17%)
v	Number of Municipal Wards	104	104	64

Source: Website: <http://des.delhigovt.nic./6th Economic Census Profile of Local Bodies,2016>

**Demographic details-**

Name of corporation	Number of house holds.	Ratio w.r.t Delhi HH	Total population	% with reference to gross population Delhi
North Corp	1274073	37.08%	6254873	37.25
South Corp	1313613	38.23%	6213944	37.01
East Corp	765062	23.13%	3950970	23.54

Source: Website: <http://des.delhigovt.nic./6th Economic Census Profile of Local Bodies,2016>

The prime objective of the Municipal corporations is maintenance of sanitation services of the area of its jurisdiction and also to provide its citizens a clean and litter free environment. Additional pressure on providing civic amenities' is also felt due to huge floating population present in Delhi as the city is also the National capital. It also is responsible for maintaining records of births and deaths and also facilitate disposal of the dead in a dignified manner as part of their obligatory functions. In addition, it also provide health services and provides primary education to the needy within its jurisdiction by maintaining primary schools. MCDs also maintain Community centers under its jurisdiction so as to facilitate holding community functions by the general public.

The source of revenue are property tax, tax on advertisement, electricity tax, toll tax, rents on markets and slaughter house, parking charges, conversion charges and grants in aid.

However with the list of revenue source, local government of Delhi is cash strapped. For example the North MCD has struggled to meet its expenditure ever since trifurcation in 2012. There are certain minimum required expenditure which cannot be avoided, as pay and allowances for employees, pensions for retired employees, expenditure of minimum required civil works, medicines for hospitals and dispensaries etc. These expenditure have invariably exceeded the income of the corporation which is basically from two sources-internal revenue and devolution from Delhi Government.

The following table gives the summary of income and expenditure from 2012-13 to 2016-17 (Rs Crores)

	2012-13	2013-14	2014-15	2015-16	2016-17
Internal Revenue	1701	1692	1572	1752	2111
Devolution from GNCTD	827	802	849	893	1115
Loans and Internal Borrowings	560	770	548	372	200
Income	3088	3264	2969	3017	3426
Expenditure*	2739	3005	2929	2791	3478

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\*The expenditure as above does not reflect the liabilities which arise and were carried forward from year to year

Source: As collected from finance department of North MCD, April, 2017

Roughly the Corporation required Rs.800-1000 crores extra every year from its present level of income to do justice to the responsibilities assigned to it.

Poor finances often affects the working of the municipal and in turn affects the quality of life in urban areas making it miserable and the citizens lead a difficult life.

Toll tax is an important source of revenue for local government. Toll tax is collected by SDMC and the revenue is distributed among the three municipal corporation in 1:1:0.6 proportion (SDMC, NDMC and EDMC)

There are 124 entry points to Delhi where toll tax is collected from commercial vehicles entering the National Capital. Toll tax collection was initially manned by MCD employees. Keeping with the governance agenda of leaner and meaner government MCD officials outsourced the tax collection to private agencies. Since 2008 officials outsourced of tax collection, saying it was impossible for the civic body to deploy adequate manpower for tax collection. Thus privatized service implementation networks were given the task of toll collection. However this network of private and public was often fraught with mismanagement, low revenue for govt. and apathetic attitude towards client that is the citizens.

The tender thus handed over to private agencies saw headlines

“Delhi municipal corporations losing out on toll tax collection. Notwithstanding its own survey<sup>2</sup>, which estimated the current annual revenue collection to the tune of Rs 2,146 crore, the three civic bodies have awarded the contract for toll tax collection for merely Rs 511 crore to SMYR consortium.” (News India, May 18, 2015)

Previously, an agency called SMSAAMW Tollways Pvt Ltd was collecting the toll tax for the corporations. The contract was awarded for Rs 312 crore annually. Its contract had, however, come to an end on May 15, 2014, but the civic bodies extended its contract till May 15, 2015. In the first week of January 2016, the Supreme Court allowed the new contractor, SMYR Consortium, to exit its contract with the municipal corporations in Delhi. During the court hearing, the Consortium said the imposition of the ECC<sup>3</sup> and the subsequent 100 per cent hike on it had resulted in nearly 35 per cent fall in the vehicles entering the national Capital and had adversely impacted its toll collection and business interest. The apex court, on October 9, 2015, had imposed ECC of 700 on light commercial vehicles with two axles and of 1,300 on the commercial vehicles with three and four axles. Then by its December 16 order, it had doubled the ECC to be levied on commercial vehicles entering Delhi. The system thus collapsed cause no new vendor was ready to operate

The court also directed the MCD to collect the toll and to also develop a technique where the human force is not needed to collect the taxes. A chip system would come into place with which the money would be automatically deducted by flashing cards.<sup>4</sup>“We will have to develop a system where we don’t need a contractor or any human force to collect taxes. Everything will be automatic,” Radhe Shyam Sharma, Chairman Standing Committee SDMC. Since November, 2018 Radio Frequency Identification (RFID) systems for commercial vehicles has been operational at 13 toll plazas in Delhi. These 13 toll plazas caters to 85% of commercial vehicles entering Delhi. This new system allow for cashless transactions at the toll plazas and helps reduce congestion as well pilferage of taxes.

Thus after one and half year of uncertainty, huge loss of revenue for already bankrupt corporations and allegations of corruption contract was finally, in September 2017 was given to MEP Infrastructure Developers<sup>5</sup> for a period of five years for Rs 1,206 crore per annum payable to SDMC on a weekly basis.

This case study clearly points out that reliance on networks of private agents for service production especially in a disarticulated and fragmented state increases the potential for systemic crisis, huge loss of revenue, shocks to the network occur, putting vulnerable clients at risk. Government must focus on understanding systemic risk in networked governance arrangements and building resilient networks to avoid crises.

In public administration as governance, it's essential that we tend to don't diminish our institutions to such extent that we tend to lose our capability to support a sound public policy, and our ability to effectively implement that policy.

Network governance emphasises on stable relations/interaction between government institutions and private players in which decision-making as regards to policy takes place. The key element to understanding of networks in public administration is differentiation between various kinds of networks. It applies to linkages between different law making bodies of countries. The Governance networks link actors— institutional or individual – who are responsible for formulation of law and public administrators puts them into effect. “It is important to notice that governance networks are linked with institutional context of a country therefore allowing us to analyze through actors not only the network itself, but also the greater scope of economic,

<sup>2</sup> A 24-hour traffic survey conducted by Shriram Institute for Industrial Research at all entry points said the volume of traffic entering Delhi was much more than the number of vehicles from which tax was being collected. According to survey report, the toll tax amount should have been nearly Rs 2,146 crore.

<sup>3</sup> The Supreme Court had ordered an Environment Compensation Charge (ECC) of 1% for the registration of diesel cars above 2000 cc in Delhi.

<sup>4</sup> RFID system: Radio Frequency Identification System

<sup>5</sup> MEP Infra has pan India footprint in operation, maintenance, transfer and tolling operations in road infrastructure and recently forayed into the EPC (engineering, procurement and construction) space with the win of six hybrid annuity mode projects in Maharashtra and Gujarat.

strategic and political decision-taking”<sup>6</sup>. “Governance networks can be very extensive including such organizations as governmental law-prescribing and law-making bodies, non-governmental organizations, research organizations and lobby groups. While these are responsible for delivering policy, public administration is in charge of its application. Public administration cannot change the policy they enact, although it can provide feedback on law to law-making groups. Public administration can be organized in a form of a network as opposed to more typical in the past – hierarchical structure. Network structure of public administration has many characteristics which differentiate it from other forms.”<sup>7</sup>

However network governance might break the shackles of Taylorian hierarchical structure but it is based on ‘dependency’ model where the different actors of network are dependent on each other. This implies that one actor cannot act independently from others and thus different actors have to work in affiliation mode to achieve the objective. This dependency implies that one a part of the network holds all or most of its resources and distributes them at request. Such structure is doubtless conflict-prone if conditions necessary for distribution aren't clearly expressed. Therefore, while dependency is an inherent characteristic of networks, the distribution of resources must be planned carefully in order to avoid failure of network to achieve its objectives.

“The transition from earlier government activities that focused on command and control direct delivery of goods and services to a new strategy that uses contracts, grants, loans, regulations, etc. to encourage a network of third parties to satisfy those demands creates special challenge for democracy and management. This leads to new challenges such as managing decentralized providers/decision-makers and blurred accountability from the diffusion of authority.”<sup>8</sup>

Introduction of recent management solutions within the network is particularly doable within the central government and in field offices at the local level. Central government has uniform structure and thus easier for networking. However at the local government, it is hard to introduce recent solutions because of the autonomy of choices taken by the local authorities. It implies that changes of law area unit are necessary so as to create changes in primary structure of delivering body services. But the overarching laws like green laws often forces network restructuring and thus making it harder to exercise control or ensure accountability when government is part of an interdependent network. Thus what we need is metagovernance which focuses on the fact that interactive governance does not reduces the role of the government. On the other hand interactive forms of governance needs to be metagoverned so as to secure the democratic anchorage of quasi-markets, networks, and partnerships of elected politicians.

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<sup>6</sup> Kickert, W.J.M., Klijn, E.-H. & Koppenjan, J.F.M. (1997). *Managing complex networks: Strategies for the public sector*, London: SAGE Publications.

<sup>7</sup>Opolski,Krzyztof; Modzelewski ,Piotr; Kocia,Agata, *New Approach to Network in Public Administration*, *Journal of Applied Business and Economics* vol. 14(5) 2013

<sup>8</sup> Salamon, Lester M. (2002). *The Tools of Governance: A Guide to the New Governance*. "The New Governance and the Tools of Public Action: An Introduction." Oxford: Oxford University Press.