Introduction to the Global Fluency project of the Global Cities Initiative

Between autumn 2012 and spring 2013, as part of the Global Cities Initiative, Brookings' scholars based in Washington, D.C., and London began to formulate the idea of ‘global fluency’ and the traits cities require to achieve it. The project evolved from the observation that in an increasingly interconnected world economy, cities exhibit different degrees of global understanding, competence, behaviour and reach that affect how they optimize their role in globalization and ultimately impact on future progress.

The target audience is metro area leaders and economic development practitioners who desire to be more intentional about the global futures of their regions. With the support of an international advisory board and experts across academia and the private sector, the team began an exhaustive review of literature on cities in the global economy, and assessment of city performance. This helped identify the ‘10 traits’ of globally fluent cities and city regions:

i. Leadership with a Worldview
ii. Legacy of Global Orientation
iii. Specializations with Global Reach
iv. Adaptability to Global Dynamics
v. Culture of Knowledge and Innovation
vi. Opportunity and Appeal to the World
vii. Universal Connectivity
viii. Ability to Secure Investment for Strategic Priorities
ix. Government as Global Enabler
x. Compelling Global Identity

In the first round of research, the team tested the validity of the 10 traits hypothesis by preparing case studies on 42 metropolitan areas, verifying their findings with local experts. The case study cities were: Bangalore, Barcelona, Bilbao, Boston, Brisbane, Busan, Cape Town, Chicago, Colombo, Denver, Greenville, Hamburg, Helsinki, Istanbul, London, Los Angeles, Mexico City, Miami, Milan, Minneapolis-St. Paul, Moscow, Munich, Nairobi, Nanjing, New York, Omaha, Oslo, San Antonio, San Francisco, San Jose, São Paulo, Seattle, Shenzhen, Singapore, Sydney, Tel Aviv, Tokyo, Toronto, Vienna, Washington, DC, Wichita and Zurich.

This first phase of the project produced a number of important insights:

- Cities at are at different stages in the path towards seamless engagement with global markets. They first become globally aware (stage 1); later they build a global orientation (stage 2); and finally some become fluent in their communication with the global economy (stage 3).
- Cities accumulate characteristics over multiple business cycles that later translate into instinctive pro-activity and intentionality in overseas markets.
- Cities tend to embrace international opportunities in waves and cycles, due to deliberate decisions by leaderships to become more globally engaged.
- New pathways to enter and succeed in globalization are opening up all the time, with more cities than ever participating in the most recent cycle.

GCI is now expanding the research scope as part of a second round of more detailed case work. Hong Kong, Mumbai, and Munich are the first case studies to feature in this second phase in 2014.

The authors would like to thank Narinder Nayar, Chairman of Bombay First; Uma Adusumilli, Chief Planner MMRDA; Abhay Pethe, Economics Department, Mumbai University; Professor Nirmala Rao, SOAS, University of London for their advice and contribution to this paper.

They would also like to thank all those who attended and commented at meetings convened by Bombay First and MMRDA in September 2014.
About Global Cities Initiative

The Global Cities Initiative aims to equip metropolitan leaders with the information, policy ideas, and global connections they need to bolster their position within the global economy. Combining Brookings’ deep expertise in fact-based, metropolitan-focused research and JPMorgan Chase’s longstanding commitment to investing in cities, this initiative aims to:

• Help city and metropolitan leaders in the United States and abroad better leverage their global assets by unveiling their economic starting points on such key indicators as advanced manufacturing, exports, foreign direct investment, freight flow, and immigration.

• Provide metropolitan area leaders with proven, actionable ideas for how to expand the global reach of their economies, building on best practices and policy innovations from across the nation and around the world.

• Create a network of leaders from global cities intent upon deepening global trade relationships.

The Global Cities Initiative is chaired by Richard M. Daley, former mayor of Chicago and senior advisor to JPMorgan Chase, and directed by Bruce Katz, Brookings’ vice president and co-director of the Metropolitan Policy Program which aims to provide decision makers in the public, corporate, and civic sectors with policy ideas for improving the health and prosperity of cities and metropolitan areas.

Launched in 2012, the Global Cities Initiative will catalyze a shift in economic development priorities and practices resulting in more globally connected metropolitan areas and more sustainable economic growth. Core activities include:

INDEPENDENT RESEARCH: Through research, the Global Cities Initiative will make the case that cities and metropolitan areas are the centers of global trade and commerce. Brookings will provide each of the largest 100 U.S. metropolitan areas with baseline data on its current global economic position so that metropolitan leaders can develop and implement more targeted strategies for global engagement and economic development.

CATALYTIC CONVENINGS: Each year, the Global Cities Initiative will convene business, civic and government leaders in select U.S. metropolitan areas to help them understand the position of their metropolitan economies in the changing global marketplace and identify opportunities for strengthening competitiveness and expanding trade and investment. In addition, GCI will bring together metropolitan area leaders from the U.S. and around the world in at least one international city to explore best practices and policy innovations for strengthening global engagement, and facilitate trade relationships.

GLOBAL ENGAGEMENT STRATEGIES: In order to convert knowledge into concrete action, Brookings and JPMorgan Chase launched the Global Cities Exchange in 2013. Through a competitive application process, economic development practitioners in both U.S. and international cities are selected to receive hands-on guidance on the development and implementation of actionable strategies to enhance global trade and commerce and strengthen regional economies.
Executive Summary

Mumbai has been a constantly evolving, globally engaged city over the past 150 years. In the last 25 years, it has made a rapid economic transition from trade to services, and has expanded its national and cross-border roles. In 2014, Mumbai’s global significance is visible in that it is:

- by far the most globalized city in South Asia. In a region of 1.5 billion people, it is the most internationalized economy, the major corporate headquarters location, a centre for institutional decision-making, and the main destination for foreign investment and joint ventures. It is also home to the airport with the most international passengers, the busiest port system, and the two largest regional stock exchanges where large Indian firms are capitalized.

- a hub for smaller businesses with national and international reach, including in the design, fashion, tourism and jewellery sectors, where more informal networks of entrepreneurs have continually strengthened Mumbai’s brand overseas. The city is a centre of creativity and consumption, with high average income and tax generation by regional standards.

- the home to South Asia’s biggest cultural industry and export: Bollywood. The film and entertainment sector is the most advanced and globally appealing creative industry in any emerging world city. Mumbai has ‘first-mover’ advantage to become the Los Angeles of the East in terms of film and television pre-eminence.

- at the centre of an evolving regional system of cities that is a dynamo of what will become the third largest national economy by 2030. Inter-city knowledge and IT links are growing with nearby Pune and Nashik, and new corridors of development to Delhi and to Bangalore will mean Mumbai begins to serve a new cycle of inland industrialization.

- a leading symbol of emerging megacities in the global South, whose metropolitan development and progress is indexed to the overall success of 21st century urbanization, and which is proactively engaged with by international institutions and NGOs.

Mumbai is simultaneously a successful and under-performing city. Its dynamic economy and capacity for job creation co-exist with a social profile of extreme inequality, informality and disparity. The scale of these challenges is so great as to require urgent upgrades to institutions, planning and co-ordination across the metropolitan region. Mumbai has achieved a great deal within the existing economic, governance and infrastructure model, but its medium-term economic and quality of life ambitions require first a series of governance reforms, large scale investments, and tactical interventions.

Mumbai is not currently pre-occupied with the discussion about whether it will be a globally fluent metropolitan city. The international economic roles and performance of Mumbai are largely seen as secondary questions compared to the need to manage growth, tackle inequality, and better promote sustainability. However, India’s ambitious growth objectives can only be achieved if Mumbai is able to be an effective global city that draws in international firms, jobs, and capital, and sells its goods, services, and visitor experiences in international markets. So, although becoming a globally fluent metro may not be the top priority today, it will be essential to engage with global economic flows in the future.
There are at least six strategic questions for how Mumbai moves forward in the next decade:

1. **What is Mumbai’s future as a financial centre?** Policy delays mean previous objectives to become a global financial hub are not currently viable. A finance industry cluster nevertheless still functions well and serves a large and growing domestic market. Mumbai can become a more capable banking centre to support the capitalization needs of Indian firms. New proposals aim to work with central government on the basic policy and macro-economic reforms that will attract international banks in order to carry out cross-border transactions.

2. **What is Mumbai’s future position in the regional and South Asian urban system?** After a decade where policymakers aspired to emulate Shanghai or Singapore, it is now clear that Mumbai is its own world city. There is, however, no concrete proposition for how Mumbai will serve India’s future growth, and what its roles will be in the different local and international systems of cities it participates in: (1) locally (e.g. Pune, Ahmedabad); (2) in India (e.g. Delhi, Bangalore, Chennai); (3) in South Asia (e.g. Delphi, Colombo, Karachi) and (4) in the wider region (e.g. Doha, Dubai, Singapore).

3. **What opportunities are there for Mumbai to leverage its institutional and diplomatic presence?** South Mumbai plays a significant consular role, hosting over 40 consulates, and across the city there are more than 10 universities and many advanced research and education institutes. Its diplomatic and political status has helped Mumbai become an event and summit location, but there is room for its knowledge and decision-making competences to be expanded across other sectors.

4. **How can the governance architecture be strengthened to deliver more effective implementation of metropolitan initiatives?** Mumbai needs a much simpler and more empowered governance framework to manage transport, land-use and housing. The metropolitan area needs more empowered leadership to galvanize its complex and often ‘siloed’ organizational structure in pursuit of long-term goals. Potential solutions include a metropolitan coordination unit with a co-ordinating ‘CEO for Mumbai’, a directly elected Metropolitan Mayor, a senior state government official leading a new ‘Government Office for Mumbai’, and an expanded remit and co-ordination powers for the MMRDA.

5. **How can a regional approach be best fostered?** Mumbai’s limited options for spatial growth demand that a robust regional planning and policy perspective is taken. This includes infrastructure and connectivity to prepare for the northerly and easterly drift of business and employment clusters, and to ensure wider access to economic development. Media, medicine, logistics, biotechnology, electronics, wholesale and service sectors can grow employment in centres across an expanded and more decentralized region that may grow to 30 million people. This process can be supported with new rail infrastructure and through the nationally recognised industry corridors that connect Mumbai to Delhi, Mumbai to Bangalore, and Mumbai to Ahmedabad.

6. **How can Mumbai accelerate the provision of formal and affordable housing?** The extent of housing disparity and unplanned growth clearly affect the city’s overall productivity and competitiveness. Mumbai needs to open up land to create a stock of publicly owned and affordable housing within integrated, well-connected and environmentally protected townships. Investment in longer-distance public transport, including on potential new routes that link new decentralized employment opportunities, is one favored mechanism. Simplified development procedures, and re-incentivisation of the rental sector through rent control reform, are also part of the equation to ease pressure on middle and low-income housing.
1. Introduction: Analysis and indexes

Key statistics for Mumbai metropolitan region

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Mumbai city and suburban district is, at 440km², just over half the size of New York City, but is home to 13 million people. The wider metropolitan region, at 4,350km² is relatively small compared to other global regions, yet has a population of close to 23 million. It is one of five mega-cities in South Asia – with Delhi, Karachi, Dhaka and Kolkata.

Fig. 1. Mumbai’s geographical and administrative tiers

Fig. 2. Mumbai Metropolitan Region
Mumbai is by far the most globalized city economy in South Asia. The most recent analysis of global producer services firms by the Globalization and World Cities group indicates that Mumbai is the 12th most interconnected economy, at the top of a third tier with Chicago, Moscow and Sao Paulo. This represents a rise in relative and absolute terms, from 21st in 2000. Since then, it has moved ahead of similarly placed Eastern hemisphere cities such as Taipei and Jakarta.

**Leading domestic and foreign firms with headquarters in Mumbai**

<table>
<thead>
<tr>
<th>Multi-national firm headquarters</th>
<th>Bank of America, Bayer, BCG, Citigroup, GlaxoSmithKline, Johnson &amp; Johnson, KPMG, McKinsey, Monsanto, Morgan Stanley, Munich Re, Novartis, Oracle, Pfizer, Ping Pong, Sanofi, UPS, Volkswagen, Walt Disney</th>
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<tr>
<td>Globalising Indian firm headquarters</td>
<td>Cipla, Clariant Chemicals, CRISIL, Educomp, First Flight Ltd, Future Group, Hindustan Unilever, ICICI Lombard, IMRB, Lupin, New India Assurance, Parle Agro, Piramal, RIL, Sun Pharma, Tata</td>
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Despite increased competition from Delhi, Bangalore and Chennai, Mumbai is still India’s economic nerve centre, home to the Reserve Bank of India and the State Bank of India. It is the headquarters of 21 of India’s 54 largest companies within the Global 2000, well ahead of Delhi (12), Kolkata (4) and Bangalore (4). Many domestic exporting firms are in the pharmaceutical, retail and financial services sectors, but there is also strength in IT, not least due to Mumbai-based Tata Consultancy Services. The city’s two ports handle more than a third of India’s foreign trade, while firms based in the city as a whole declare nearly 60 percent of the country’s customs duty collections, and 40 percent of income tax to the national exchequer.

**Fig. 3. Mumbai’s combined port traffic compared to other Indian ports**

![Bar chart showing Mumbai's combined port traffic compared to other Indian ports from 2010-11 to 2013-14](chart.png)
Mumbai: India's Global City

Mumbai's performance in assessments of city competitiveness and performance is improving slowly. The city has been steadily rising up benchmarks of globalization since the 2008 North Atlantic financial crisis. In 2014 it is placed 41st in AT Kearney's Global Cities Index, up from 49th in 2008. And in the 2014 Institute for Competitiveness review of Indian cities, it was rated as the city with the strongest human resources, capital availability, demographic demand, business incentives and financial centre maturity. Mumbai sustains high positions in measures of investor and firm confidence.

But in studies that examine all elements of city and metropolitan city performance, Mumbai is still behind many — if not most — emerging megacities. In terms of liveability, the city's housing, health system, pollution, sanitation, and commuting comfort are all among the worst of any major international city. Literacy, educational attainment and university strength are below par.

Mumbai's relative performance in international benchmarks against a basket of emerging megacities

<table>
<thead>
<tr>
<th>City</th>
<th>EIU / Citigroup Hotspots</th>
<th>PwC Cities of Opportunity</th>
<th>Global Power City Index</th>
<th>Global Financial Centres Index</th>
<th>Tholons Global Outsourcing Locations</th>
<th>UN-Habitat Infrastructure Index</th>
<th>2-thinknow Innovation Cities</th>
<th>AON People Risk Index</th>
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<td>Sao Paulo</td>
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<td>Johannesburg</td>
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<td>Istanbul</td>
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<td>Mumbai</td>
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<td>Jakarta</td>
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High levels of informality and limited data availability mean that Mumbai is likely to be systemically under-represented in comparative measures of business activity. Yet even within India, Mumbai rates only 7th for physical infrastructure, 7th for supplier sophistication and 29th for administrative efficiency. This modest set of results is linked to a fragmented governance system that lacks healthy competition and struggles to deliver public goods and services effectively.

Fig. 4. Mumbai’s evaluation in the UN-Habitat City Prosperity Index, compared to other emerging world cities
**Fig. 5. Areas where Mumbai is broadly competitive with other emerging world cities**

- **Economic Clout**
- **Technology Readiness**
- **Sustainability and the Natural Environment**
- **Health, Safety and Security**


**Fig. 6. Areas where Mumbai is well below average among emerging world cities**

- **Ease of Doing Business**
- **Intellectual Capital and Innovation**
- **Demographics and Liveability**
- **City Gateway**

Mumbai’s emergence as an international financial centre has stalled in the past decade compared to the progress of others. In 2007, Indian finance minister P Chidambaram publicly outlined Mumbai’s potential to be a global financial centre. Since then, however, the necessary policy reform has been slow. There are also now perceived risks associated with the national tax system, a lack of support for Mumbai’s financial hub status within national government in Delhi, and a fragile relationship between India’s central bank in Mumbai and the finance ministry in Delhi.\(^9\)

Mumbai still dominates India’s money market and foreign exchange market, and is home to the 13\(^{\text{th}}\) and 14\(^{\text{th}}\) largest stock exchanges in the world by domestic market capitalization.\(^{10}\) The city accounts for a large share of India’s bank deposits, commercial bank credit, brokerage houses, and foreign institutional investors. Home to regulatory agencies such as the Reserve Bank of India and the Securities and Exchange Board, it is the trusted centre of financial activity and has developed a significant pool of legal and accountancy experts who provide ancillary services.

*Fig. 7. Mumbai’s performance as an international financial centre since 2007, compared to regional rivals*
**Mumbai has become a gateway serving long-distance markets, but it needs to manage its air passenger growth.** Since 2009, Mumbai has been one of the fastest growing international destinations in the world. It ranks inside the top 50 globally for international arrivals, on a par with Seoul and Toronto.\(^{11}\) It is the port of entry for one-fifth of foreign tourist arrivals to India, the major exit point for Indians, and the primary gateway for visitors from Western Europe, Africa, the Middle East and the Americas.

But as emerging regions in South and East Asia have grown rapidly, its overall share of arrivals has fallen significantly since a peak in 1997. New Delhi’s share has remained stable at around 35 percent as it attracts a large share of visitors from China, Japan, Sri Lanka and Bangladesh. The share of Bangalore (6 percent) and other regional airports has also grown, especially for markets such as Malaysia, Singapore and Russia.\(^{12}\) Mumbai’s airport only has direct flights to 45-50 international destinations, compared to over 200 in Singapore and Dubai.\(^{13}\) Under current plans for a new $2.5 billion airport in Navi Mumbai, 40km east of the existing airport, arriving international passengers may have to switch airports to catch connecting flights.

**Mumbai is home to the first cultural industry in Asia to go global and gain worldwide influence.** The consolidation of Indian media — television, radio, film, Internet, mobile, and advertising — has enabled Bollywood to enter new markets and attract large audiences. Although a small share of Mumbai’s employment profile, Bollywood has contributed to the city’s emergence as a luxury goods, fashion and performance capital over the past quarter century.\(^{14}\)

Although Mumbai’s cultural vitality has vast economic development potential, the city has not yet become a compelling international brand. In the largest survey of global opinion to date, the city ranks 35\(^{th}\) of 48 cities for perception among global citizens as a place to work, live and visit.\(^{15}\) The management of perception, by corporate as well as political leaders, is important to communicate Mumbai’s role in the production of high-end knowledge and services.
2. Mumbai’s journey into and through globalization

Mumbai has a rich two-millennia history as a spiritual and artistic centre. Its participation in the globalising economy, however, only gathered pace in the last two centuries. Bombay was ceded by the Portuguese to the British as early as 1661, but the city did not initially develop as a node of empire or as a regional capital, and was mainly a naval supply location. Its international roles expanded in the early 19th century, when the East India Company lost its monopoly over foreign trade, and British imperial shipping interests began to look for a port closer to Europe than Calcutta.

With a new railway link to its cotton-growing hinterland, and with rising world cotton prices, Bombay quickly became a leading node in the South Asian trade network. The establishment of the Suez Canal in 1869 spurred further growth, not least in the booming textile industries, owned by European industrialists. Millions of skilled and unskilled immigrants arrived and the city became one of the most cosmopolitan in the Eastern Hemisphere.

Early commercial and industrial development

Bombay was India’s first city to undergo the economic and technological changes associated with capitalism, which were soon reflected in its linguistic and architectural diversity, as well as its trade links. Multilateral trade agreements developed by the British colonial authorities also offered the confidence for new financial and corporate firms to locate and invest, and the city’s Stock Exchange was established in 1875.16

By 1900, as the population edged towards one million, Mumbai was the largest commercial and industrial city in India, thanks to its port facilities and large-scale cotton mill industry. The latter’s growth, most of whose output was oriented to the export market, took place on the outskirts of densely populated central Mumbai. It reached its peak in terms of employment and influence prior to the Second World War, just as the country’s independence movement began to accelerate and the domestic market began to grow rapidly.

Independence, growth and diversification

After the landmark of national independence in 1947, Bombay established itself as the centre of a fairly closed and slowly urbanizing Indian economy. The profits of the textile sector had already begun to be re-invested into a more diversified economic base – including chemicals, pharmaceuticals, fertilizers, consumer goods, engineering and car production. A sizeable middle-class was forming, much of it linked to the public sector. Development spread northwards along rail and road corridors, after the city’s 1948 plan recognized the need for managed development beyond the island. Large manufacturing corridors formed in the west and east of the suburban district, just as Nariman Point emerged as the commercial and office centre.
As population growth began to hit two million a decade for the first time, the first administrative effort was made to integrate Mumbai’s periphery into a functional metropolitan region. The city limits were extended in 1950 and 1957, but even by 1959, the Study Group on Greater Bombay observed the emergence of “congestion of traffic, deficiency in open spaces, play-fields for schools, over-crowding in trains, over-crowding in houses, [and] creation of slums.” The 1964 Development Plan for Greater Bombay, and the 1973 Regional Plan, both proposed the idea of a ‘mother city’ with satellite towns with the aim of encouraging growth not just along the North-South axis but across the whole region through decentralization. Eventually a metropolitan authority was established (MMRDA), which soon became the key planning agency for projects such as the Bandra-Kurla finance complex, the future second CBD.

*Fig. 7. Greater Mumbai’s spatial development over the past century*

Both these metropolitan plans lacked the budget or tools to acquire land to manage growth. Their attempts to disperse industry in remote north-eastern suburbs like Kalyan, Badlapur and Ambernath initially failed to develop these areas as economic counter-magnets, and many lacked essential infrastructure facilities. Despite growing in population, they became largely economically dependent on Bombay itself.
1970s and a new economic model

From the 1970s onwards, Bombay’s textile industry went into decline and the city entered a decisive period of de-industrialization. National industrial policy to re-locate industries to less developed and peripheral regions was compounded by automation and the uncompetitive costs of property, electricity, water and transport. The numerous textile mills that dotted the central city, which had provided much of the low and middle-income employment, went into disuse after a long strike in 1982-3, while port activities were also affected. The remaining engineering and chemical industries dispersed across the region. In a trend also visible in large Western cities, the share of formal manufacturing jobs has gradually fallen over the past half century, although large industries have continued to receive major government subsidies.¹⁹

The loss of manufacturing employment left a big gap to fill for new service industries and sectors being transformed by information technology. Formal, organized sectors, in banking, finance, oil, ICT, transport, healthcare, communications and social services, grew quickly. But they were not able to generate enough employment to fill the vacuum.²⁰ Small businesses in the informal sector — hawkers, taxi drivers, mechanics, vendors, recycling — began to multiply, delinked from trade unions and regulated conditions.

Amid this economic evolution, Bombay still struggled to plan its growth consistently. Approval of its 1981 Development Plan was set back 12 years, which meant it could not respond to the relentless population influx. Its restrictive development regulations also made it harder to pursue urban renewal. Among the few successful state-sponsored developments was the new town of Navi Mumbai. Located across the harbor, the satellite city effectively absorbed domestic migration, and began to alter the commercial geography by taking much of the city’s wholesale markets and container services activity, while more recently it has become an IT and education hub. Elsewhere, however, a lack of rail, road and key systems infrastructure has held back the growth of areas that could help de-concentrate the main city.

Liberalization and transformation of the old Bombay in the 1990s

Mumbai experienced a second ‘wave’ of globalization as a result of national structural adjustment and liberalization, which took place under the guidance of the IMF. Private investors became able to set up businesses without prohibitive licensing and permit rules. The new framework welcomed foreign investment into infrastructure projects and the stock market.

Mumbai began to create larger-scale employment opportunities in finance, services and ICT, with spin-off effects on the film, music and travel sectors. The international bestselling film Hum Aapke Hain Kaun (Who Am I of Yours?) re-established Mumbai’s role at the heart of South Asian cultural production. With expansion, the Eastern suburbs became a new hub for commercial real estate activity, and transport, water and waste systems came under new strain.

Liberalization, and the absence of rural employment opportunities, spurred further immigration from across India, which is responsible for the majority of metropolitan population growth. The city’s Marathi-speakers now make up only a third of residents, and relations with incomers from Uttar Pradesh and Bihar, and English-speakers, is a source of political tension and division. Mumbai became a city of even more extraordinary economic and cultural diversity, adding an extra layer of complexity to the task of delivering policy.
Population size and growth of the eight municipal corporations in Mumbai metropolitan region, 2001 to 2011

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<thead>
<tr>
<th>Population/m</th>
<th>Annual growth/%p.a., 2001-2011</th>
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<tbody>
<tr>
<td>Mumbai city and suburban district</td>
<td>12.4</td>
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<tr>
<td>Thane</td>
<td>1.8</td>
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<tr>
<td>Kalyan-Dombivali</td>
<td>1.2</td>
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<tr>
<td>Vasai Virar City</td>
<td>1.2</td>
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<tr>
<td>Navi Mumbai</td>
<td>1.1</td>
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<tr>
<td>Mira-Bhayandar</td>
<td>0.8</td>
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<td>Bhiwandi-Nizampur</td>
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<td>Ulhasnagar</td>
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Restricted momentum for a global vision

In 1996, as Bombay became Mumbai, the new Regional Plan adopted a much more internationalist and pro-global approach. It described a more polycentric ‘Open Pentagon’ economic region. Shortly afterwards Bombay First and McKinsey together devised Vision Mumbai: Transforming Mumbai into World Class City. The process of creating this vision harnessed a coalition of public and private sector leaders to address the city’s economic future. The principles of Vision Mumbai were endorsed for the whole region by the subsequent state government task force report in 2004, and a Business Plan for the Mumbai Metropolitan Region began to be implemented from 2008, supported by the World Bank.

The process of liberalization was not however matched by well-managed development. As the metropolitan population has grown unrelentingly, development was rarely accompanied by the implementation of key systems and facilities (e.g. energy, health, water), resulting in more costly deferred additions of infrastructure. Inflexible municipal and metropolitan policies have been identified by the World Bank as a likely reason for Mumbai’s modest economic performance between 1995 and 2005, and the rise of other centres such as Chennai and Bangalore.

The retention of Mumbai’s 1947 rent control law, left largely intact by the 1999 Maharashtra Rent Control Act, has also created a severe deficit in affordable rented housing by disincentivising upkeep and new investment. At least half of all residential units built before 1961 are under rent control, but nearly all construction since then has been for owner occupation by upper-income Mumbaikars, and the existing rental stock has deteriorated. The use of transferable development rights (TDR) by the state government to spur re-development had a weak economic rationale, and failed to address the major disincentives for institutions and powerful actors to alter the rent arrangement. Weak institutional structures for land-use have resulted in high transaction costs and rent seeking by government authorities, builders and land owners, impeding efficiency and inhibiting competitiveness.
Infrastructure progress: slow, slow, quick, quick, slow

A cycle of important transport infrastructure projects have eventually come on-line in Mumbai. In response to growth management failures, the national Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the World Bank-sponsored Mumbai Urban Transport Project have increased the rate of investment in infrastructure development and upgrades to sea-links, freeways and flyovers, skywalks, the metro and monorail.

Despite lengthy delays, a number of projects have been completed in 2014, yielding a small but significant impact on East-West commuter times and infrastructure capacity.

- 17km Eastern Freeway
- Santa Cruz-Chembur Link Road
- First metro service, an 11km line (implemented as a PPP)
- New Terminal 2 to bring airport infrastructure up to international standards

The IMF, World Bank, USAID, multinational corporations, professional networks and international NGOS such as Cities Alliance, have all become active in the urban renewal of the metropolitan area. These bodies are important innovators and co-financers of key programmes, and the role of government has evolved from provider to facilitator of these projects and initiatives. PPPs now typically administer the capital investment in Mumbai’s infrastructure.

Despite these positive signs, the pace of infrastructure completion in the city centre and across the region as a whole is far too slow. Whereas Manhattan has 16 bridges and four underwater tunnels linking it to the mainland, Mumbai has just six bridges, five of which are at its far northern end. Currently, the main links out of the southern city centre are two main roads, three railway lines and an airport. Vital projects such as the 22km Mumbai Trans-Harbour Link, are only now being kick-started by the MMRDA and CIDCO after a decade of delay, with possible 70 percent loan finance from the Japan International Cooperation Agency. The second metro line is also experiencing multi-year delays due to disputes over land availability and venture partners, while the third is being directly executed by MMRDA with Japanese loan assistance.

A lack of experience, capacity and market knowledge within planning agencies and municipalities affects the speed with which large projects can be designed, launched and executed. A succession of plans and committees has achieved only a fraction of their goals to resolve congestion. Complex maritime, customs, noise and environmental regulations, and an extensive approval process in the acquisition of land, hold up the logistics of building critical items of infrastructure. These, combined with fears of corruption and low profitability of PPP projects, mean that infrastructure spending is nowhere near meeting demand.
Mumbai looking forward

**Mumbai is now a much more diversified metropolitan economy with genuine competitive advantages.** Its competitive sectors include not just banking and insurance, but also consumer goods and services, electronics, healthcare, tourism, media and entertainment, ICT, professional services, transportation and logistics. Its financial and ICT sectors account for over half of leased office space in the city, the latter often concentrated in suburban and peripheral centres.

Mumbai’s global geography orbits around South Mumbai’s finance and producer services centres (Nariman Point, Lower Parel), the expanding more northerly finance, and consulate areas of Bandra-Kurla Complex and Andheri, and the political and expat location of Cumbala Hill and Worli. Although the historic CBDs host nearly all the key institutions, Mumbai’s centre of economic gravity is gradually moving northwards, as many firms move out to different centres such as Navi Mumbai and towards the city fringe.

The city’s globally facing clusters are a small but highly productive part of a regional economy in which most activity is informal, agile and resourceful in character. This activity is partly what gives Mumbai its unique spirit and energy, but it is limited in its capacity to grow output, create jobs or supply services to middle-income residents and consumers. Opportunities to strengthen and formalize a bigger share of this resilient economy, and to therefore grow productivity, are however currently constrained by infrastructure and governance limitations (see Section 3).

**Mumbai is a metropolitan region that is beginning to show signs of its population and urban footprint plateauing.** The urbanized area of the region is expected to more than double from 30 percent to 60 percent by 2050. Over the next 30 years, with population growing at over three million a decade, economic growth in the outer region is expected to exceed that of Greater Mumbai, as middle-income demand for jobs, homes, amenities and infrastructure surges. Furthermore, Mumbai is likely to become much hotter and rainier, and will be at greater risk of flooding. Population growth management will also need adaptive measures that can prevent a huge increase in exposure to coastal flooding.

The MMRDA commissioned a Singapore-led team to develop a 40-year Concept Plan up to 2052, to manage a future where the metropolitan region could be home to over 40 million residents. The Plan, which is widely supported, has sought to address the lack of an overarching regional guiding document for all sectors, not just land use. Its vision is for a more polycentric region where all residents could access South Mumbai within one hour. The statutory spatial plans for the region as well as the city of Mumbai up to 2034 are soon to be published.

**Institutional engagement with Mumbai’s future is welcome as more accountable and integrated planning will be critical given major sustainability and housing challenges.** The public sector needs to improve its systems for planning and providing infrastructure such as roads, sewage disposal, solid waste and water. New approaches are needed to address the long-term supply-demand imbalance in real estate. 2011 census data suggests that 42 percent of the population of Greater Mumbai still lives in slums compared to 30 percent in Kolkata, 28 percent in Chennai and 15 percent in Delhi. This is the highest figure of any aspiring global city. Absolute poverty rates are significantly higher than in Sao Paulo and Moscow. The shortage of affordable housing is the outcome of complex regulatory controls on urban land, excessive reliance on market forces, social and economic exclusion of the urban poor, and enforcement problems.
The Mumbai Metropolitan Region Development Authority (MMRDA) has been the most influential governmental agency in planning for the metropolitan area’s future. It oversees the regional plan and large-scale infrastructure projects, and sells land holdings to help finance projects. Sheltered politically by its relationship with the state government, MMRDA has filled part of the governance vacuum in Mumbai, and is an example of a more streamlined and evidence-led metropolitan institution.

The MMRDA is heavily reliant on land tools to generate revenue for development. Its $700 million (Rs. 4,240 crore) budget is spent principally on metro rail, mono rail, flyovers, and road network development. This budget is less than 15 percent of the $5.2 billion (Rs. 31,000 crore) budget for the MCGM, which is responsible for key services and systems. The authority’s project financing is carried out through the MMR Development Fund, the central government-sponsored Mega city Scheme Revolving Fund, and the Mumbai Urban Development Project - Revolving Fund. It finances infrastructure projects of other institutions operating in the region (committed funds of $990 million or Rs. 6,000 crore) using its own resources as well as funds available with it from these revolving funds. However, it also needs non-land-based instruments to finance infrastructure in order to avoid undue distortion of land uses and land values.

MMRDA’s contribution to Mumbai’s development has mainly been in the fields of transport project planning and implementation. One way it is able to speed up decision making to achieve concentrated development is through nine special development districts within Greater Mumbai, but this represents only a partial solution. An expanded span of authority and greater co-ordination powers may allow it to lead a shared vision for the region.

There are some signs of institutional response. The MCGM’s planning permission process has become more transparent and is generating more government revenue, while its forthcoming Development Plan is accompanied by a financing plan for the first time. The city’s new Centre for Urban Science and Engineering at the IIT Bombay campus may begin to play a role in designing more integrated urban planning policies, which have been so difficult to achieve given the number of agencies and institutions involved. Meanwhile, slum upgrading and reconstruction of dilapidated structures have become cornerstones of the urban agenda driven by the policy of free housing for existing residents. Private developers have become more engaged in housing construction for lower-income groups, attracted by the incentive of additional construction potential.
Mumbai’s future in the national system of cities

Unlike other leading financial centres in emerging countries, support for Mumbai’s future economic roles is not guaranteed. There is significant political backing for Delhi and Gujarat to take on finance and port roles respectively that may encroach on Mumbai’s hub status. Meanwhile cost of living and quality of life challenges have seen other cities, such as Pune, 150km south east, emerge into successful innovation hubs. Economic links to Pune have grown rapidly since the six-lane expressway was completed, and agglomeration is likely to proceed further.

Mumbai-Pune urban activity, in 1992 and 2010

Two new mega projects are expected to shape industrial and urban development inland from Mumbai. The Delhi-Mumbai and Mumbai-Bangalore freight corridors are now actively being pursued in partnership with state governments, chambers of commerce and foreign government expertise. The Delhi-Mumbai Industrial Corridor (DMIC) is building a series of industrial zones and smart cities from 2014-15 to boost India’s export capability, with Japanese financing support. Although this will directly impact Maharashtra more than Mumbai, its success may influence the trajectory of Mumbai’s growth and specialisation. The 1000km Mumbai-Bangalore economic corridor project has made little progress to date but has potential to decongest both cities and create more productive links between industrial clusters. Mumbai needs to manage the development process as far as possible to ensure it is complementary to existing assets, and that its corporate headquarters status does not come under threat from Delhi or Bangalore.
3. Mumbai’s traits of global fluency

Mumbai has had international commercial connections for over two centuries, and an intermittent history of global orientation. It has acquired several traits of global fluency, each to a greater or lesser extent.

Our research identifies that three traits are strongly visible and established:

• Trait 2 (legacy of global orientation)
• Trait 3 (specializations with global reach)
• Trait 6 (opportunity and appeal)

Four traits are largely absent and are major constraints to competitiveness:

• Trait 1 (leadership with a world view)
• Trait 9 (enabling government)
• Trait 7 (universal connectivity)
• Trait 8 (securing investment for priorities)

A further three traits are partially visible but not fully developed:

• Trait 4 (adaptability to global dynamics)
• Trait 5 (culture of knowledge and innovation)
• Trait 10 (compelling brand identity)

Our findings indicate that Mumbai’s challenges are not epistemic or conceptual, but primarily about capacity, organisation and implementation. In the section below we describe the role played by Mumbai’s established traits in its global orientation, before turning to those traits are absent and require urgent focus.

*Mumbai’s wheel of global fluency*
Strongly visible traits

Trait 2: Legacy of Global Orientation

Like London, Hamburg and Hong Kong, Mumbai’s global impulse derives firstly from its history as a city of trade. The English colonial legacy means the city speaks the lingua franca of international business, and that the constitutional and judicial frameworks are largely in place, although the inherited municipal government regime has proven inadequate for the process of metropolitan expansion that followed.

Mumbai’s geography and strategic location have also influenced its evolution and assets to engage globally. It was initially an ideal port location because Thane harbor is the largest on India’s west coast. Mumbai’s scarcity of land, owing to its peninsular geography, is also a historic cause of its very high population density. The city’s narrow wedge shape, and large areas of coastal wetlands and mangroves, led to very high pressure on transport arteries and dictated its spatial growth into the metropolitan periphery.

Trait 3: Specializations with Global Reach

Distinct specializations in finance and film have both been important in the city acquiring global reach in recent decades. Mumbai’s banking institutions have long fuelled financial and commercial specialisation. The re-location of the Reserve Bank of India to Mumbai in 1937 has driven corporate clustering, and the Bank has resisted repeated efforts to be re-located to Delhi. After macro-economic reform in the 1990s, Mumbai was recognized for its potential as an international centre of finance. The examples of Shanghai and Singapore became widely aspired to. In the early 2000s the Government of India led an initiative to establish what steps were needed for the city to become a finance hub. However its findings were not matched by infrastructure, spatial or business climate policy, as fast economic growth deflected attention from underlying challenges.

Mumbai is not currently in a position to aspire towards global financial centre status, but the city does need strong banking capability in order to capitalize domestic firms and prevent the loss of business to other locations. There is widespread consensus that it should grow its finance roles incrementally, through basic policy enablers from central government (e.g. income tax, banking regulation, stamp duty reform). The implementation of these changes will allow the city gradually to build its credibility as a capital-raising centre and achieve market depth.

Mumbai’s film industry — Bollywood — has been at the heart of the city’s re-entry into globalization since the 1980s. Although the sector experienced a ‘Golden Age’ of quality and influence in the 1950s, largely without state support, its increasingly global character has occurred more recently. In 1977, the Indian government began to welcome emigrants of Indian descent back to the country, which began to pay dividends for the film sector once India’s economy was re-introduced into the global market in the late 1980s. Bollywood movies such as Kabhi Khushi Kabhie Gham, Dilwale Dulhania Le Jayenge, and Pardes cast the Indian diaspora in a positive light and helped boost its cultural profile. Satellite television and dot-com media companies such as B4U and Saavn also helped link domestic and diasporic Bollywood audiences and helped the film industry become an international brand.
The maturity of the Bollywood cluster has strengthened its competitive resilience. Large corporations began to enter the Bombay cinema market from 1998 and professionalize the production process, while small-scale family businesses retained a capacity to appeal to large audiences. Greater risk appetite saw new marketing strategies and promotions in Bollywood help grow its national audience, with television content introduced to promote movies for the first time. As movie production has grown, there has been a boom in demand for software engineering and animation outsourcing.

Bollywood is now a $4 billion industry, with North America now responsible for a quarter of the industry’s overseas box office revenues. The cluster may be small compared to Hollywood’s $50 billion-plus size, but it employs nearly 200,000 people and has enormous potential to enter new markets. It still has a strong domestic orientation, and has tended to create production and post-production chains in south India for commercial and cost reasons. There is also scope to become more specialized in the higher value-added segments of the industry, including concept creation and character design. The next step forward in the industry’s evolution, towards infotainment (and gaming), will require an enabling policy regime.

Trait 6: Opportunity and Appeal

Despite Mumbai’s many quality of life challenges, it has always been seen as a ‘city of dreams’. The city is widely viewed as a place where ambitious Indians can overcome their skills, education and background and earn a better living than they could elsewhere. For many across the region, it has been a symbol of modern life, of autonomy, and in a commercial context, professionalism and meritocracy.

Although Mumbai has experienced bouts of inter-communal tension, its ethnic, religious and cultural diversity is remarkable. Tolerance was a cherished hallmark even during the East India Company era. In 1900, roughly 80 percent of city residents were migrants, mostly from Maharashtra but also from Gujarat.

As inter-state migration from states such as Uttar Pradesh has become more common, migrants have settled in the region’s periphery because of housing constraints in Greater Mumbai. The success of nationalist movement Shiv Sena has contributed to the rise of populist ethnic, linguistic and religious mobilization. Nevertheless Mumbai remains South Asia’s centre of vibrancy, glamor and innovation, with the region’s best shopping, nightlife and literary and culinary scenes.
Despite Mumbai’s enduring tolerance, a lack of attractive urban design and high-quality amenities compromise its appeal. The city has been unable to create big attractive mixed-use developments because of the difficulty in purchasing large plots, and the lack of infrastructure connecting suburban areas. Pollution and design issues have meant that Mumbai’s coast is only just beginning to be leveraged as a visitor attraction or for recreation, as the Government of India looks to relax restrictions on coastal development.

Another challenge is to maintain opportunity for Mumbai’s numerous unregistered smaller businesses that are largely outside the existing government purview. Business set up can take two to three years before it can stabilize in the market. Registration and licensing is coordinated at the local ward-level and with individual civic departments across Mumbai. In 2014, the municipal government has made steps to restructure the process into a one-stop shop system called a ‘business development cell’. This nimble department of urban planners and engineers identifies infrastructure gaps at business districts and will look to simplify planning so that they can become 24-hour areas.

Under-developed traits

Trait 1: Leadership with a world view

Mumbai’s ability to develop an intentional global approach has been fundamentally hamstrung by its governance framework. The region has no shortage of leaders or desire for change. But the complex amalgam of government and municipal organizations that has arisen over time to partly solve new challenges has prevented a common agenda from being brought forward and conducted.

The numerous planning authorities, state government agencies, central government, public infrastructure and renewal agencies, and urban municipal bodies across the region overlap in their jurisdictions, are politically divided along party lines, and are statutorily constrained. This situation is a source of frustration for all leaders in the region. The absence of citywide leadership with vision or stature not only results in co-ordination problems when executing the big projects that Mumbai urgently needs. It also leads to a failure to galvanize the region behind an agreed growth path.

The city region leadership deficit is visible in at least five dimensions:

1. The state government’s political leadership is split between urban and rural constituencies. The political balance means that many elected politicians do not recognize a case for change in state functions, and there is little electoral impetus for an enhanced political mandate for the MMRDA or any metropolitan institution. The lack of impetus for change is exacerbated by the political split between the Congress-led state government and the Shiv Sena-led MCGM for over a decade.

2. Institutions lack defined functions within a recognized and hierarchical system. Although there is little direct competition between the major bodies, the vertical management of sectors with no cross-sector interaction means investments and policies overlap, duplicate and conflict. The failure to rationalize responsibilities results in a lack of collaboration between the large municipal corporations in the region.
### Planning, transportation and communication agencies active in Mumbai

<table>
<thead>
<tr>
<th>National Level</th>
<th>State Level</th>
<th>Municipal Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mumbai Port Trust</td>
<td>4 Government of Maharashtra (GoM)</td>
<td>15 Municipal Corporation of Greater Mumbai (MCGM/BMC)</td>
</tr>
<tr>
<td>2 Indian Railways</td>
<td>5 MMRDA</td>
<td>16 Mumbai Police</td>
</tr>
<tr>
<td>3 Mahanagar Telephone Nigam Limited (MTNL)</td>
<td>6 Slum Rehabilitation Authority (SRA)</td>
<td>17 Bombay Electric Supply and Transport (BEST)</td>
</tr>
<tr>
<td>7 Maharashtra Housing and Area Development Authority (MHADA)</td>
<td></td>
<td></td>
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<tr>
<td>8 Maharashtra Industrial Development Corporation (MIDC)</td>
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<tr>
<td>9 Maharashtra Pollution Control Board (MPCB)</td>
<td></td>
<td></td>
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<tr>
<td>10 Public Works Department (PWD)</td>
<td></td>
<td></td>
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<tr>
<td>11 Road Transport Office (RTO)</td>
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<tr>
<td>12 Maharashtra State Road Development Corporation</td>
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<tr>
<td>13 Maharashtra Tourism Development Corporation (MTDC)</td>
<td></td>
<td></td>
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<tr>
<td>14 Maharashtra State Electricity Board (MSEB)</td>
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3. Regional planning initiatives have lacked flexibility, civic engagement, private sector input, and pathways for implementation. Master plans have been out-of-date and legally ambiguous by the time they have been agreed. The Metropolitan Planning Committee does not function as a purposeful body and has no leadership agenda to take ownership of a regional perspective.

4. Administrators in local institutions are discouraged from taking long-term systems perspective. Administrative leadership terms are too short to deliver meaningful change. The visibility and accessibility of local representatives places them under significant public pressure to tackle immediate problems rather than plan ahead and address the complex needs of lower income groups. Local town planning and management does not have awareness of the long-term requirements of the future city.

5. Economic development is not viewed as a major task of city leadership. There is little case made to the Mumbai electorate about the costs of slow progress and the benefits of planning for Mumbai’s future economic growth. The absence of agenda-setting leadership has allowed decision-making to be strongly influenced by the poverty, environmental and conservation objectives of NGOs, the heritage movement, and civil society, at the expense of a sustainable economic agenda.
Views vary as to whether functional metropolitan integration is a realistic solution to Mumbai’s institutional void. Nevertheless there is a near-universal consensus that stronger and more committed political leadership at the metropolitan level is needed to create synergies, especially across MCGM and MMRDA delivery agencies for transport, economic development, housing, waste and sanitation. Leadership is also key to raising standards and building the capacity of authorities to develop plans and manage large projects in tandem with the private sector.

There are at least five different institutional innovations that vary in ambition and feasibility. These models are by no means mutually exclusive, and may be combined to operate in sequence with each other:

**Commonly proposed solutions to Mumbai’s leadership deficit**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Perceived advantages</th>
<th>Perceived disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Metro Region CEO</td>
<td>Fully integrated strategic approach that could overcome different agency capabilities.</td>
<td>Potential democratic deficit; uncertain institutional implications.</td>
</tr>
<tr>
<td>A directly elected Metropolitan Mayor</td>
<td>Single popular figurehead to make case for change; democratic legitimacy.</td>
<td>Would need a constitutional amendment; lack of electoral enthusiasm or engagement.</td>
</tr>
<tr>
<td>A state government appointee leading a new ‘Government Office for Mumbai’</td>
<td>More defined state government agenda; power to convene key institutions.</td>
<td>Limited statewide support for a Mumbai focused agenda.</td>
</tr>
<tr>
<td>An expanded and strengthened MMRDA</td>
<td>Most logical and best placed institution to fill the metropolitan leadership void.</td>
<td>Complicated relationships with MCGM, municipal corporations and state government depends on future status of Metropolitan Planning Committee.</td>
</tr>
<tr>
<td>Co-ordination unit with combined competences</td>
<td>Political feasibility; would need less administrative reform; accountability; cohesive land and housing policy; potentially replicable in other Indian metropolitan areas.</td>
<td>Implementation and enforcement capacity.</td>
</tr>
</tbody>
</table>
Recent Maharashtra State Government comments appear to support the idea of a Metropolitan CEO and co-ordination unit:

**Mumbai will get a CEO to coordinate development, says CM**

MUMBAI: Mumbai may soon have a chief executive officer. An officer of the rank of additional chief secretary, just below the chief secretary, will be appointed as coordinator for Mumbai, chief minister Devendra Fadnavis said on Thursday. Mumbai has been losing out on development as agencies work at cross-purposes, often to the detriment of the citizens. The CM had told TOI the day he was sworn in (Oct 31) that such a CEO would be his government’s priority.

*The Times of India, Nov 7, 2014, 12.45 AM IST*

This solution, if fully implemented, would create not only an important coordination capability for development of Metro Mumbai, but would also act as a catalyst for clearer strategy making, enabling the metropolitan area to better articulate its livability, sustainability and equality goals, alongside a clearer economic strategy.

**Other sources of leadership and agenda-setting in Mumbai**

Mumbai has benefited periodically from business and civic leadership whose eye for market opportunity and social capital has helped the city adapt and prosper. As early as the 1720s, local Indian and European merchants united in collective ventures, which included creating a bank with fairer charges. In 1836, 15 European and 10 Indian firms formed the Bombay Chamber of Commerce, which became an energetic advocate for expansion of the natural harbor into a port, and later the creation of the Suez Canal.

More recently Bombay First was created by the local chamber of commerce to resemble the role played by London First. It became the first systematic business effort to help make Mumbai a better place to live and invest in. The organisation plays a distinct role in convening high-level decision-makers, and has helped sustain a reform agenda in Mumbai over the past decade.

Mumbai’s business leadership, which is better organized than in most Indian cities (along with Bangalore and Chennai), has been complemented by the growing engagement of NGOs to manage the costs of globalization, whether on open space, heritage, slum housing and social care. NGOs have formed alliances and international networks, engaging with large institutions such as the World Bank and the UNDP, are noted for their patience and resolve to achieve better outcomes for Mumbai’s poorer citizens. Together, these bodies provide an important scaffold for the city’s social infrastructure and citizen engagement.
**Trait 9: Enabling government**

For the past half-century, the distribution of authority has meant power and fiscal decision-making for Mumbai is mostly held at the state government level. The devolutionary impulse of the 74th Constitutional Amendment in the early 1990s achieved little to empower Mumbai’s capacity to manage its own development, and there is no bespoke approach to large complex cities. The MCGM, for example, is in practice led by a state appointee with no fixed tenure. Mumbai MPs only comprise seven of the state’s 48 MPs, and until the late 1990s, no Maharashtra chief ministers had represented a Mumbai-based constituency. Although chief ministers are usually able politicians, they usually lack experience of urban systems, and lack incentives to expend political resources in Mumbai given the rural balance of power.

State decisions (or lack of) have exacerbated many metropolitan-scale problems, stretching back as far as the 1970s reluctance to relocate state and legislative offices to Navi Mumbai, and to delays in approving the 1981 Development Plan. The 1966 Regional and Town Planning Act brought into being a Metropolitan Planning Committee, chaired by the state Chief Minister, but the MPC gained little organisational momentum and has lacked a committed leader prepared to take a regional perspective. Meanwhile short-term contracts for ministerial commissioners, and the politicization of appointments, has limited the scope for a sustained and strategic approach to Mumbai’s governance from higher tiers.

Centralization has held back the operational and fiscal flexibility of local bodies. The central government has tended only to recognize the state government as the legitimate partner for decision-making. Although the metropolitan region contributes around a third of national income tax, 70 percent of state tax revenue, and 40 percent of foreign trade, the MCGM only has an annual budget of $5 billion (31,000 crores). The region’s eight municipal corporations are highly dependent on the octroi levy on items for local consumption, which shields them from total fiscal reliance on the state government. Now, except in the cities of Mumbai and Thane, octroi has been replaced with a local body tax. The experiment with a local body tax to raise revenue was partially successful, and other experiments with land management and monetization are needed.

The fiscal powers of local agencies in Mumbai have not been adequately addressed by the Maharashtra State Finance Commission (SFC). SFCs play a key role in strengthening the finances of Urban Local Bodies (ULBs), but all finance awards or reforms proposed by the Maharashtra SFCs have been declined or revised by the state government. Although state governments are required to constitute their finance commissions every five years to review and recommend changes to the financial position of ULBs, in Maharashtra the fourth Commission was not constituted in 2011. Although the state government ensures revenue collection for property taxes is much better in Mumbai than many other Indian cities, and has been successful at attracting aid and investment from international development institutions, capacities for ULBs themselves to collect revenues are insufficient.

“The structures in Mumbai — including the Metropolitan Planning Committee — are along the right lines. The question is the failure of co-ordination and implementation, which must be addressed.”

— Professor Nirmala Rao, SOAS, UK
There are some signs that the state government may resume a more proactive role in supporting delivery structures. Since 2010 State Chief Minister, Prithviraj Chavan has led the effort to kick-start infrastructure and improve education and health systems. Although Maharashtra has given the MMRDA greater roles for the delivery of rental housing, it can do much more to commit to the long-term creation of a rigorous and data-driven policy and regulatory framework that will not just manage land-use but make land affordable. The state will play a key role if Mumbai is able make more of its housing stock available and accessible for public residence, and to disincentivize the reluctance to use housing for rental. It will also need to re-organize the growth potential of well-connected and well-serviced centres at the periphery of the region to help generate regional employment and transform new areas into economic magnets.

The Government of India has helped Mumbai prepare for economic and cultural globalization, even if did not deliberately aim for Mumbai to become a global city. Changes to the macro-economic framework in the 1990s allowed the city’s finance and services sectors to internationalize, and the Reserve Bank of India has provided financing support for the development of Bandra Kurla Complex. The Indian state also granted official ‘industry’ status to the film sector in 1998 in order to end bad accounting and financing practices found extensively in film production, as a prerequisite to becoming a global industry. In general, however, there is no sustained national government interest in urban and regional development issues and no channels for the national government to recognize the unique challenges of the larger metropolitan mega-cities.

In 2014, with the election of the BJP government, a large committee of urban experts and politicians has been set up to transform Mumbai’s eastern seafront infrastructure, under the stewardship of former Mumbai Port Chairman Rani Jadhav. The plan, which promises a more collaborative inter-governmental approach, includes new passenger terminals and a ring road connecting South Mumbai to the suburbs. Mumbai will also require support from central government to ease coastal zoning laws to allow better land utilisation as well as new land reclamation.

Trait 8: Ability to Secure Investment for Strategic Priorities

Mumbai’s institutional framework and political system create severe challenges to bringing forward infrastructure and housing investment at a sufficient scale to tackle the causes of its under-performing economy. Although institutions have money budgeted, and despite active international investors such as the World Bank and the Japanese International Cooperation Agency, bureaucratic hurdles and complex institutional ownership slows the disbursement of funds. For example, the MMRDA was able to utilize just 40 percent of its 4,000 crore ($650 million) budget in 2013-14 because of the slow pace of projects getting off the ground.

Mumbai’s land market has a distorting effect on land uses and land values which shape the pattern of urban investment. Mumbai relies significantly upon the sale of public land to finance large projects. The land planning tools of the MMRDA have become fiscal tools, allowing it to trade density for infrastructure capital. Although this money is invested in many welcome transport projects, the incentive structure is sometimes in tension with a neutral long-term planning approach.
Trait 7: Universal connectivity

Connection has been at the heart of Bombay's trading impulse for over 150 years. The first railway line in 1853 to nearby Thane enabled the city to become a key export hub for raw cotton production, and by 1870 the Mumbai port trust was formed to manage the city's new role as a gateway to the West. The arterial railways and port have been its lifeblood ever since, with huge carrying capacity transporting goods, people and knowledge along the coast and across Maharashtra. Mumbai has inherited the most extensive rail system in South Asia, which carries over six million passengers daily. Its suburban railway and BEST buses set it apart in India as a city shaped by its mass transport system.

Yet, connecting people to jobs and opportunity is now a major problem in Mumbai, despite the new systems that are now operational or in train. This is partly a reflection of governance complexity — the slow progress of large projects, and a lack of coordination between agencies that build and maintain rail and road systems. World Bank figures suggest existing public transport — railways, the metro, monorail and BEST buses — is unaffordable by international standards. The MMRDA focuses its investment priorities on existing public transport routes, but new public transport lines are viewed as a key mechanism to opening up new land for development across the region. With car ownership set to continue rising, strategies to disincentivize car-use will also become vital in the next phase of development.

Partly visible traits

Mumbai has partly visible traits in three of the ten traits. The city has demonstrated some adaptability to global dynamics, especially in its transition from textiles and import-substitution manufacturing to a more liberalized services-oriented economy in the late 20th century. However the city has struggled to adjust institutionally and spatially to its population growth, and in sectors such as financial services and IT it has not optimized new sources of opportunity. Mumbai does also possess a culture of knowledge and innovation. Its universities (e.g. IIT Mumbai, University of Mumbai) create valuable R&D in engineering and chemicals, and supply well-educated English-speaking graduates in IT, medicine and science who gain employment in large domestic and international firms. Pockets of innovation are also embedded in finance, fashion, design and film clusters. But commercialisation of innovation is currently limited, partly due to spatial challenges of creating proximity and spillovers between institutions. Finally, Mumbai's has elements of a compelling brand identity, linked to its people and a reputation for can-do spirit, cosmopolitanism and exhilarating bustle. This identity however is held back by concerns about congestion, rental costs, lack of green or waterfront space, poverty and legal enforcement. Recapturing a persuasive brand identity for Mumbai may require a patient, sustained and unified approach to its tourism, infrastructure and talent strategies.
The assessment of Mumbai’s performance through the lens of the ten traits highlights at least six strategic questions for how Mumbai moves forward in the next decade:

1. **What is Mumbai’s future as a financial centre?** Policy delays mean previous objectives to become a global financial hub are not currently viable. A finance industry cluster nevertheless still functions well and serves a large and growing domestic market. Mumbai can become a more capable banking centre to support the capitalization needs of Indian firms. New proposals aim to work with central government on the basic policy and macro-economic reforms that will attract international banks in order to carry out cross-border transactions.

2. **What is Mumbai’s future position in the regional and South Asian urban system?** After a decade where policymakers aspired to emulate Shanghai or Singapore, it is now clear that Mumbai is its own world city. There is, however, no concrete proposition for how Mumbai will serve India’s future growth, and what its roles will be in the different local and international systems of cities it participates in: (1) locally (e.g. Pune, Ahmedabad); (2) in India (e.g. Delhi, Bangalore, Chennai); (3) in South Asia (e.g. Delhi, Colombo, Karachi) and (4) in the wider region (e.g. Doha, Dubai, Singapore).

3. **What opportunities are there for Mumbai to leverage its institutional and diplomatic presence?** South Mumbai plays a significant consular role, hosting over 40 consulates, and across the city there are more than 10 universities and many advanced research and education institutes. Its diplomatic and political status has helped Mumbai become an event and summit location, but there is room for its knowledge and decision-making competences to be expanded across other sectors.

4. **How can the governance architecture be strengthened to deliver more effective implementation of metropolitan initiatives?** Mumbai needs a much simpler and more empowered governance framework to manage transport, land-use and housing. The metropolitan area needs more empowered leadership to galvanize its complex and often ‘siloed’ organizational structure in pursuit of long-term goals. Potential solutions include a metropolitan coordination unit with a co-ordinating ‘CEO for Mumbai’, a directly elected Metropolitan Mayor, a senior state government official leading a new ‘Government Office for Mumbai’, and an expanded remit and co-ordination powers for the MMRDA.

5. **How can a regional approach be best fostered?** Mumbai’s limited options for spatial growth demand that a robust regional planning and policy perspective is taken. This includes infrastructure and connectivity to prepare for the northerly and easterly drift of business and employment clusters, and to ensure wider access to economic development. Media, medicine, logistics, biotechnology, electronics, wholesale and service sectors can grow employment in centres across an expanded and more decentralized region that may grow to 30 million people. This process can be supported with new rail infrastructure and through the nationally recognised industry corridors that connect Mumbai to Delhi, Mumbai to Bangalore, and Mumbai to Ahmedabad.

6. **How can Mumbai accelerate the provision of formal and affordable housing?** The extent of housing disparity and unplanned growth clearly affect the city’s overall productivity and competitiveness. Mumbai needs to open up land to create a stock of publicly owned and affordable housing within integrated, well-connected and environmentally protected townships. Investment in longer-distance public transport, including on potential new routes that link new decentralized employment opportunities, is one favored mechanism. Simplified development procedures, and re-incentivisation of the rental sector through rent control reform, are also part of the equation to ease pressure on middle and low-income housing.
Mumbai never stands still. The scale, size, pulsating energy and tenacity of the metropolitan city makes it a place of global interest and connection. Mumbai’s journey into the global century is happening in multiple ways, as this paper tries to show, and the potential of Mumbai to be leading city in South Asia for many years to come is obvious. The major gap in Mumbai is the organised ‘guiding mind’ that seeks to navigate and manage the path to global success, tackling the infrastructure and capacity deficits, and integrating the different elements of city success so as to avoid excessive externalities and unintended consequences. That guiding mind is what Mumbai now needs. The proposal by the Chief Minister of Maharashtra to create a post of CEO of Mumbai is an important first step and could be the catalyst for many other positive developments. For this to work the whole system of governance must be recalibrated to enable the CEO to lead and coordinate across local and state level institutions. Only in this way can institutions, investment, and clear development strategies be aligned into one coherent effort.
Notes and references


8. Ibid.


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