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DOI:

[10.1080/21622671.2022.2107559](https://doi.org/10.1080/21622671.2022.2107559)

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*Document Version*

Publisher's PDF, also known as Version of record

*Citation for published version (Harvard):*

Reardon, L, Marsden, G, Campbell, M, Gupta, S & Verma, A 2022, 'Analysing multilevel governance dynamics in India: exercising hierarchy through the Smart Cities Mission', *Territory, Politics, Governance*.  
<https://doi.org/10.1080/21622671.2022.2107559>

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To cite this article: Louise Reardon, Gregory Marsden, Morgan Campbell, Sanjay Gupta & Ashish Verma (2022): Analysing multilevel governance dynamics in India: exercising hierarchy through the Smart Cities Mission, *Territory, Politics, Governance*, DOI: [10.1080/21622671.2022.2107559](https://doi.org/10.1080/21622671.2022.2107559)

To link to this article: <https://doi.org/10.1080/21622671.2022.2107559>



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Published online: 23 Aug 2022.



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RESEARCH ARTICLE

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# Analysing multilevel governance dynamics in India: exercising hierarchy through the Smart Cities Mission

Louise Reardon <sup>a</sup>, Gregory Marsden <sup>b</sup>, Morgan Campbell<sup>b</sup>,  
Sanjay Gupta<sup>c</sup> and Ashish Verma <sup>d</sup>

## ABSTRACT

This paper provides a theoretically informed empirical analysis of how Narendra Modi's claim of 'more governance, less government' is felt in practice in India. It does so through a qualitative case study of the Smart Cities Mission and its implementation in four cities, applying multilevel governance theorizing. It finds centralizing dynamics at play through the use of 'special purpose vehicles', which bypass local-level institutions. The paper highlights how multilevel governance dynamics can be shaped through institutional design, a point overlooked in the literature. It also raises questions about the risks of such arrangements for long-term, democratic development.

## KEYWORDS

India; multilevel governance; urban governance; Smart Cities; urban development; hierarchy; special purpose bodies; public policy

**HISTORY** Received 18 October 2021; in revised form 20 May 2022

## 1. INTRODUCTION

India's Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP) swept to power in 2014. On so doing, Modi promised a raft of administrative reforms to make the state apparatus fit for the 21st century. He ran on the ticket of 'maximum governance, minimum government' (Aiyar & Tillin, 2020, p. 129) arguing that the Indian Administrative Service (IAS) and related structures needed to operate more flexibly and responsively, and with efficiency and speed, if the Indian state were to overcome its poor track-record of delivering effective interventions towards inclusive development (Jaffrelot et al., 2019, p. 2). As part of this, Modi's government embarked on a series of initiatives which, they argued, were aimed at loosening the grip of the centre and promoting private sector-led economic growth (Jaffrelot et al., 2019, p. 184). For example, the Planning Commission (an arm of the Government of India (GoI) responsible for the country's five-year plans) was replaced with an agency, NITI Aayog (National Institution for Transforming India), which would instead advise on economic development (Aiyar & Tillin, 2020). As Mathur (2019, p. 4) notes, notions such as 'hierarchy, bureaucracy, neutrality, or demarcating

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of institutional boundaries', once deemed central to India's public administration ethos, were being replaced by a vocabulary of 'policy communities, network relationships, regulating agencies, semiautonomous government agencies, and so on' within government policymaking.

The Smart Cities Mission (SCM), the empirical focus of this paper, is a case in point. It is one of three Modi/BJP government initiatives aiming to boost urban development, replacing the previous administration's Jawaharlal Nehru National Urban Renewal Mission (JNNURM). JNNURM, which had largely stalled due to lack of spending on the ground, was perceived to be constrained by an overly bureaucratic and centralized system of delivery (Kundu, 2014). The SCM, launched in 2015, was in the government's own words, 'bold' (GoI, 2015, p. 5), aiming to go beyond what had been achieved before at the urban local level. The focus of the initiative was on promoting 'cities that provide core infrastructure and give a decent quality of life to its citizens' and provide 'a clean and sustainable environment' through the application of 'Smart' (technology-orientated) solutions (p. 5).

The SCM guidance mandated that cities must implement their development plans through the creation of an organizational arrangement called a special purpose vehicle (SPV). The SPV is set up as a private company and was to 'plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Smart City development projects' (GoI, 2015, p. 7). The development projects in question depend on what the cities put forward in their plans, but can include, for example, public realm improvements, parking infrastructure development and recycling initiatives (GoI, 2015). The use of an SPV within the SCM marks a departure from the previous delivery model of centrally sponsored urban development schemes (such as JNNURM) in which financial transfers were made from the centre to states, who were then responsible for delivery of the programmes. The SCM instead made cities (via states) compete for access to national government funding (with match funding required from the states), with accountability and responsibility for delivery held with the SPV, with private investment in the SPVs encouraged. The SCM is therefore symbolic of Modi's commitment to streamline the use of centrally sponsored schemes and adopt more flexible forms of funding arrangement akin to a 'model of cooperative, competitive federalism' (NITI Aayog, 2015).

However, the extent to which new delivery mechanisms (such as SPVs) create 'minimum government, maximum governance' and lessen the role of the central state in practice is an under-explored question in India (Mathur, 2019; Narain, 2018; Chakrabarti & Sanyal, 2017). As Narain (2018, p. 54) notes, analysis *of* policy, rather than *for* policy, has been lacking in the India context. Narain notes that 'Analysis "of" policy seems much more difficult, not only methodologically, since it requires getting behind the scenes to unpack underlying processes of policy formulation and implementation but also because it may not always be politically expedient ...' (p. 54).

To this end, the paper makes three contributions. First, it provides a theoretically informed empirical analysis of the ways in which institutional reforms are changing the power relationships across government scales in India. It does so by exploring the central government logics that lay behind the design and implementation of the SCM and the way these logics manifest on the ground. Unlike existing research on the SCM, this paper is not focused on the SCM as a development initiative first and foremost, but rather on the SCM as a tool of the GoI with the potential to redistribute power not only within cities but also across government scales. The paper is therefore asking broader questions about what the SCM tells us about centralizing and decentralizing dynamics in India. The paper finds that, despite embracing the rhetoric of more hands-off and nimble forms of governance through the SCM, the GoI has sought to reinforce and restate its control over local-level policy activity through these new delivery mechanisms.

This insight is achieved through drawing on multilevel governance (MLG) theorizing, and in particular the distinction between 'Type I' and 'Type II' forms of MLG (Hooghe & Marks, 2003, 2010). MLG offers a more fine-grained understanding of the impact of institutional reforms on

governance relationships within India than a focus on constituted responsibilities alone can (Swenden et al., 2022), the latter of which being the primary means of understanding dynamics across scales within the country to date. To do this the paper draws on documentary analysis and 72 semi-structured interviews with stakeholders from the national level and four of India's 'smart cities': Bengaluru, Indore, Jaipur and Kochi.

Second, the paper makes a theoretical contribution to the MLG literature by highlighting the ways in which MLG dynamics can be shaped through institutional design. Such a focus is neglected in the MLG literature, which to date has analysed MLG configurations as 'a by-product of institutional changes within governments rather than a phenomenon in its own right' (Benz & Broschek, 2021, p. 263). In doing so, it finds that the utilization of Type II (task-specific) forms of governance within India's SCM, is not driven by functionalist logics of the policy problem (as typically assumed in the MLG literature), but rather by the GoI's desire to overcome perceived failings of the constituted government apparatus. Where previous studies of SCM have identified its design as logical given local capacity issues (Prasad et al., 2021), here it is identified as more ideologically driven and potentially problematic. The use of Type II MLG as a strategic tool of control by nation states is, we conclude, an overlooked yet important aspect of the MLG story and one which is brought to the fore in this case.

Third, and of relevance outside the India case, the paper offers insights as to the implications of using delivery mechanisms (such as SPVs) that lay outside of the constituted government apparatus to support rapid urban development. Research on India's SCM to date primarily derives from (critical) urban planning and geography scholarship. Such research has raised concerns over the post-colonial and normative nature of the SCM's design and competitive funding model, and in turn the implications for city development and democracy (e.g., Datta, 2015; Idiculla, 2014). In using tools of analysis from political science, these concerns are corroborated here, identifying risks to local democracy and long-term policy sustainability derived from the choice to channel resources into temporary, private bodies, at the expense of permanently embedded and elected governmental institutions.

These arguments are developed over seven sections. Section 2 introduces the analytical lens of MLG and its value for understanding the India context. Section 3 explains the methodology. Section 4 presents the logics underpinning the GoI's rationale for the SCM design. Section 5 presents the findings from the city level and identifies the ways in which this governance design operates on the ground. Section 6 provides an analysis of the findings and the three areas of contribution. Section 7 concludes.

## 2. MULTILEVEL GOVERNANCE (MLG) AND INDIA

Whilst having a federal structure, India is often referred to as 'quasi-federal' due to the strong concentration of powers at the national ('union') level (Singh, 2019). While the political settlement of India sees political authority for a range of issues reside with the states (notably the choice and delivery of a range of public services), in practice the national government still exerts strong influence (Jayal et al., 2006; Lokpriya, 2021). There have also been efforts to decentralize powers, functions and democracy down from the state to the local level, through the 73rd and 74th Constitutional Amendments of 1992. These amendments were enacted amid concerns that the centralized nature of government control had created an 'insensitivity, casualness, lack of accountability and inertia of the delivery process' (deSouza, 2003, p. 103) which had limited the effectiveness of multiple development initiatives on the ground.

While 'urban local bodies' (ULBs) have been created at the local level in response, with democratically elected councils, the responsibilities (in principle) afforded to them under the constitution still reside largely at the state level in practice (Mohanty, 1999; deSouza, 2003) due to only partial implementation of the constitutional amendments by the states. Given the well-

recognized tensions there are between what responsibilities are mandated constitutionally at the different levels of government and what has borne out in practice, the value of MLG as an analytical framework comes to the fore (Swenden et al., 2022).

MLG is a contested concept, with multiple attempts at synthesis and clarification provided in recent years (e.g., Alcantara et al., 2016; Tortola, 2017). It is accompanied by a broad and diverse literature, which has grown as the concept has been applied to understanding a range of contexts and policy areas (Stephenson, 2013). However, at its core, MLG recognizes the growing proliferation of vertical interactions and interdependence between government actors operating at different territorial levels – local, state/regional, national – and the potential for growing horizontal interactions and interdependence between governmental and non-governmental actors (Bache & Flinders, 2004; Papadouplos, 2005). MLG in turn foregrounds that governance can involve multiple decision-making arenas that are interlinked in a way that is not necessarily hierarchical. Institutional and actor-based relationships do not have to take place through vertically ordered and intermediate levels, that is, from national, to state, to local, but rather can form directly, bypassing levels (Peters & Pierre, 2001, p. 132).

Building on networks-theorizing, one of the strengths of MLG is its ability to move us beyond a study of just the:

formal structures of governance (whether at the constitutional or ordinary level of legislation) to the analysis of the entire process of policy making and implementation, inclusive of all those factors – informal rules, routines, exchanges, bargaining, etc. – that are not exhausted by the letter of the law. (Tortola, 2017, p. 238)

As Zürn et al. (2010, p. 4) note, it is MLG's recognition of the 'interconnectedness of decision-arenas that sets multi-level governance apart from more restrictive definitions of federalism and decentralization', in which the latter theories tend to focus on constitutionally defined responsibilities and interactions between formal governmental institutions. Recognition of this value-added has led MLG to be successfully applied outside of its original application to the European Union, to federal contexts, such as Canada (Sutcliffe, 2012) and India (Jorgensen et al., 2015; Swenden et al., 2022). However, in the case of India, MLG has primarily been applied to provide a more holistic analysis of the relationship between state and national government, where here it is applied further.

One of the seminal tenets of MLG-theorizing (Bache & Flinders, 2015) is the distinction between Type I and Type II MLG arrangements, as articulated by Hooghe and Marks (2003). Hooghe and Marks presented the distinction between these 'ideal' types in order to try to define and build a theoretical space within which empirical findings could be categorized (Bache, 2008; Piattoni, 2009, p. 170). As Alcantara et al. (2016, p. 37) note, this distinction between 'types' allows for a more nuanced understanding and analysis of the 'system' of governance and its characteristics.

Insights from federalism provide the intellectual foundation for Hooghe and Marks' (2010, p. 18) conceptualization of Type I MLG governance systems. Type I MLG sees power shared across a limited number of distinct and non-intersecting territorial levels (e.g., local, state, national). Decision-making powers are dispersed across these 'general-purpose' jurisdictions (responsible for a range of policy issues, from planning to waste management, to housing, for example), bundled into a small number of institutions (e.g., a state or municipal government). As the jurisdictions are general purpose, this in turn means that authority is concentrated and lends itself to hierarchical direction, with most Type I systems bound together by a single court system with ultimate authority to adjudicate between levels (Hooghe & Marks, 2003, p. 239). Analysis of the Indian governmental apparatus to date has recognized the strong Type I architecture of decision-making within the country, with strong

concentrations of power at the national (GoI) and state levels, both of which are supported by the large IAS (Jorgensen et al., 2015).

The notion of Type II MLG outlines a system of governance rather different to Type I that comes out of governmental need for more responsive and flexible forms of governing than Type I architectures can easily enable. Rather than using general-purpose jurisdictions as in Type I MLG, here ‘task-specific’ institutions are used, with multiple, independent jurisdictions fulfilling distinct and discrete functions. The SPV model designed into the SCM builds on the growing trend within India for the use of public–private partnerships and specially constituted bodies (e.g., Delhi Metro) for the delivery of urban infrastructure (Balasubramani et al., 2020). In this Type II form of governance, smaller jurisdictions are also not neatly nested under the boundaries of the larger institutions as they would be in Type I, but rather borders can be crossed, and jurisdictions can overlap. In turn, Type II governance is intended to have flexible jurisdictions that can respond quickly and easily to changing functional requirements and citizen preferences (Hooghe & Marks, 2003, p. 238). What Type II organizations look like in practice is diverse, although a working assumption is that they have ‘specific and limited public functions’ with a degree of independent authority from Type I organizations, which ‘may be enhanced by their legal powers, corporate status, independent revenue-raising rights, or popularly elected board’ (Skelcher, 2006, p. 64).

Type II governance takes a different approach to minimizing the transaction costs that may result from poor coordination. Here, the emphasis is on constraining interaction across jurisdictions. While there is no limit to the number of jurisdictions, Type II MLG creates new ones along functionally differentiated lines which means externalities across jurisdictions are minimized. This is done by separating out and insulating specific functionally distinct competencies to a task-specific institution, the assumption being that all significant costs and benefits will be internalized within this institution. Also, because the Type II body is created in order to serve a type of policy problem, rather than a certain community, its scope of jurisdiction and mode of decision-making can be altered accordingly (Hooghe & Marks, 2003, p. 240).

In turn, these ‘types’ of governance have different biases within them. Type I governance areas are said to be biased towards intrinsic community; they are closely identified with a particular community, and are often based around national, regional, and local levels and identities. Rather than being about citizen preferences for efficiency and/or a particular policy output, Type I governance structures satisfy a preference for citizen self-government. In contrast, Type II governance arrangements are based around extrinsic communities. They solve ad hoc coordination problems for individuals sharing the same geographical or functional space. Subsequently, individuals relate to this space as members of fluid, intersecting communities, for example, as professionals, service users or parents (Hooghe & Marks, 2010, pp. 27–28).

Due to the sticky and stable nature of Type I institutions, jurisdictions are determined in a deliberative manner and on the basis of multiple issues. Rules about rules are decided consciously, collectively and comprehensively, and the barriers to exit are very high. As Type I jurisdictions are based around a locality, region or nation, to exit would mean the individual would have to move to another area. Conversely, Type II governance stresses exit over voice; membership of these governance structures is voluntary and individuals are able to exit these jurisdictions when they no longer meet their needs. Here deliberation is ‘focused on the production of a particular good rather than on broader value choices’ (Hooghe & Marks, 2010, p. 28).

The final bias relates to conflict: articulation in Type I governance and avoidance in Type II. As issues are bundled together under limited jurisdictions in Type I MLG, political contestation is allowed to flourish, as is distributional bargaining as it facilitates logrolling and cross-issue trading. However, in Type II MLG, because decision-making is funnelled into functionally specific jurisdictions with limited externalities, decision-making is, in theory, insulated from other, potentially contradictory, issues. Such governance arenas therefore focus on improving

efficiency within its own jurisdictional boundaries, rather than wider questions of democracy or identity. A summary of the key characteristics of Type I and Type II institutions can be found in Table 1.

Analysis of governance systems in practice has found a growth in formal institutions of government (Type I) operating alongside, and indeed mandating, task-specific bodies designed to carry out particular tasks (Type II). Therefore, Type II governance has been found to coexist and be nested within Type I governance systems (Bache & Flinders, 2004; Skelcher, 2005). It is important to note, therefore, that Type I and Type II processes of governance are not different ways of achieving the same end, but are basic political choices, used on their basis to deliver and ‘embody contrasting visions of collective decision making’ (Hooghe & Marks, 2010, p. 17; Skelcher, 2005). It is the framing of policy problems, which in turn should shape the choice of institutional design, that then constitutes the MLG environment.

Maggetti and Trein (2019, p. 358), note how ‘Type I and Type II arrangements process problems differently’. For example, Type II arrangements are commonly used to address problems such as congestion, economic growth or public health where ‘Their problem-solving capacity concerns the possibility of providing tailor-made solutions ...’ to ‘enact policies in a way that is not restricted by the boundaries of jurisdictions as they have been historically determined’ (p. 360). Typically, therefore they cut across jurisdictional boundaries and scales to provide a discrete governance solution (Hooghe & Marks, 2003). For example, special purpose ‘vehicles’ or ‘bodies’ are created in the guise of regional regeneration partnerships, integrated transport boards and care commissioning bodies. However, the coexistence of these two forms of governance has been found to lead to tensions, not least when there are overlaps between jurisdictional types (Frey & Eichenberger, 1999; Piattoni, 2009, p. 171). The actions of Type II bodies are always intertwined in some way with those of Type I bodies.

As Skelcher (2005) elucidates, the specific design of the (nested) multilevel arrangements that are created as a result of policy choices creates different power dynamics and trade-offs between ‘types’ of governance that have implications for accountability, legitimacy and consent. Moreover, Papillon (2012) identifies the tensions that result when new forms of Type II MLG are layered on top of ‘sticky’ federalist, Type I entities. Papillon argues that in order to understand these tensions, we need to pay more attention to the ‘the various ways in which actors position themselves *within* and *in relation to* the existing institutional framework, exploiting its inherent ambiguities and challenging its operational logic’ (p. 293, emphasis in original). However such tensions – and their resolution – are a characteristic feature of MLG systems (Bache & Flinders, 2004).

**Table 1.** Types of multilevel governance (MLG).

	Type I	Type II
Function (mission)	General purpose	Task specific
Jurisdictions (power to make decisions)	Non-intersecting	Intersecting
Government levels involved	Limited	Unlimited
Institutional design	Determined system-wide	Flexible
Biases	Intrinsic community (geographically determined)	Extrinsic community (related to the task)
	Voice (deliberation)	Exit (no participation)
	Conflict articulation	Conflict avoidance

Source: Adapted from Hooghe and Marks (2010).



MLG-theorizing therefore provides a lens through which to analyse the ways in which new institutional delivery mechanisms (in this case, a Type II SPV within the SCM) affects the existing (Type I) governing landscape. In particular, the role of the centre in policy delivery. It is to the methodology for applying this framework that the paper now turns.

### 3. METHODOLOGY

In order to explore the extent to which new delivery mechanisms (Type II arrangements) are changing the role of central government (Type I), a comparative case study approach is taken. A case study is an empirical enquiry that ‘investigates a contemporary phenomenon within its real-life context’ and is especially appropriate ‘when the boundaries between phenomenon and context are not clearly evident’ (Yin, 2003, p. 13). The research uses a single-case embedded research design, where within a single case (in this instance India’s SCM), attention is also paid to subunits (p. 42). The subunits here are four different cities: Bengaluru, Indore, Jaipur and Kochi.

The research first looks to the national level before examining the city level. This is so that wider conclusions about the impact of the SCM design can be drawn, enabling analysis of the logics that lay behind the SCM design choices as well as their affect in practice. Comparative analysis across four sites allows for knowledge to be contextualized and in turn for the understanding of the effect of the SCM design to be advanced (Burnham et al. 2008, , p. 80).

The four case study sites, Bengaluru, Indore, Jaipur and Kochi, were chosen for their notable similarities and differences. In terms of similarities, they were all awarded ‘smart city’ status. They all also have similar key agencies operating at the city level in relation to urban development: a municipal corporation (ULB) as the predominant local body (responsible for providing basic services and amenities), alongside a development authority: a parastatal organization (responsible for planning and development). They had also all participated in the JNNURM. Moreover, the initial entry point for the research project from which this analysis derives was a focus on transport policy specifically due to the prominence of the issue within the initial SCM guidelines and the difficulties experienced previously in trying to reform transport at an urban scale within India (Gijre & Gupta, 2020). In turn, all four cities are ‘metro cities’, meaning they are in some stage of having a metro transport system built within the city. All metro infrastructure projects in India are also executed through the creation of an SPV, modelled after the Delhi Metro structure (Bon, 2015 ). One aspect of research interest (the focus of a separate paper; Marsden et al., 2022) was to see if this had any influence on how the new institution developed and was shaped. Here, however, the focus is on the broader multiscale governance implications that emerged from the data collection as many of the participants and much of the discussion was not transport specific.

In terms of key differences, Kochi’s elected mayor is head of the municipal corporation, while it is a commissioner (administrative officer) who is head of the other three municipal corporations. This reflects Kochi’s unique tradition of decentralized governance. Moreover, each city varied in the way it embedded its SPV into existing local-level administration, some attaching it to existing SPV structures, others creating a stand alone entity. The focus in this paper is on the impact of the SCM design on relationships across levels of government, but elsewhere a more fine-grained analysis of the implications of such choices on policy delivery at the local level is presented (Marsden et al., 2022). The cities also vary in population, state authority, political party control and the type of city they are. Kochi and Indore are both commercial hubs of their respective states, while Bengaluru is well known for its technology sector and Jaipur is known for its rich history of craftsmanship and built heritage around the old walled city. The key characteristics of each site are presented in [Table 2](#).

Data were collected through ‘elite’ interviews with policymakers and stakeholders. Elite interviews are understood as ‘the most effective way to obtain information about decision makers and

**Table 2.** Site characteristics.

	Bengaluru	Indore	Jaipur	Kochi
Population (millions)	8.4	2	3	2
State	Karnataka	Madhya Pradesh	Rajasthan	Kerala
State political control (at the time of interviews)	United Progressive Alliance	Indian National Congress then Bharatiya Janata Party (BJP)	BJP	Indian National Congress
City category (as defined by the Government of India)	State capital	Business and industrial centre	State capital	Port city
Key city-level institutions (as defined by the Government of India)	Bruhat Bengaluru Mahanagara Palike (Greater Bangalore Municipal Corporation) – Commissioner Head Bangalore Development Authority	Indore Municipal Corporation (ULB) – Commissioner Head Indore Development Authority	Jaipur Municipal Corporation (ULB) – Commissioner Head Jaipur Development Authority	Kochi Municipal Corporation (KMC) – Mayor Head Greater Cochin Development Authority
Special purpose vehicle (SPV) structure	SPV embedded within the Bangalore Municipal Corporation	SPV embedded in the incumbent SPV, AiCTSL (Atal Indore City Transport Service Ltd)	Stand-alone SPV	SPV embedded in the existing metro SPV

decision-making processes' (Burnham et al., 2008, p. 231). This enabled insights to be gained from those who were active in developing the SCM first hand (at the national level) and implementing it on the ground (in the cities) and in turn gain more specific insight into the power dynamics, priorities, and values of those creating and implementing the new institutional design. The interviews were also semi-structured to ensure the key themes of the research (linked to the analytical framework of MLG) were covered in each interview, whilst also enabling flexibility within the interview to explore unforeseen yet potentially relevant avenues of enquiry, as identified by the participant (Mabry, 2008, p. 218).

All interviewees were asked questions relating to three overarching themes derived primarily from the MLG conceptualization. The first theme was around the SCM competition and participant familiarity with this process. The second theme surrounded the decision to implement SPVs. The third was around agency arrangements and the role of, and relationships between, stakeholders vertically (between scales) and horizontally (across scales). Questions included what the rationale for the SPVs was; their role in relation to ULBs and the state; and to whom the SPV was accountable. Questioning also sought to identify how the SPV changed the relationship between different actors in the governance network; who were understood as the most important actors in determining urban governance as it relates to transport delivery; and the nature of public participation in urban governance.

Data were collected between September 2018 and September 2019. Eight national-level participants were identified through research partners and analysis of the SCM documentation and

supporting materials, and were interviewed in Delhi. National-level interviewees included those working within the GoI, and in support of the government in the design and implementation of the SCM. In each case study site, an initial mapping of stakeholders was undertaken across the research teams through desk-based research and consultation with external research partners. This map was used with local partners to ensure we had established full coverage of relevant local actors connected to the SCM; these actors included officers working with the SPV, ULBs and parastatal organizations. In turn, 15–20 in-depth, individual, semi-structured interviews were undertaken in each city. In total there were 72 interviewees. Interviews lasted from 30 to 60 minutes structured around the thematic issues described. Two interviewers were present in all interviews, with one being fluent in the local language. Participants were given consent forms and had the option of opting out of being audio recorded. Recordings were encrypted and uploaded to a secure university server. These recordings were then transcribed and stored in the same server. The transcripts are available on the UK Data Service ReShare platform for download.<sup>1</sup>

Transcripts were coded using NVivo software. The initial coding process was deductive, based around our initial interests in MLG, including within this the SPV, types of institution, accountability and national–state–local dynamics. However, we also included an iterative approach with independent coding conducted across the three members of the UK team on a monthly basis and two two-day coding discussions jointly with the full Indo-UK research team. This enabled us to iteratively adapt the coding framework and to check the reliability of the application of the coding framework.

To triangulate the data provided from elite interviews, key documentation was also analysed. Looking at documentation allows the information provided by interviewees to be located within the wider context. Documentary analysis also enables an identification of how the relationships between actors are supposed to operate from a formally constituted perspective. Official national, state and local government documentation relating to the SCM were analysed, for example, SCM guidelines and Smart City proposals. Further public information such as press releases, relevant newspaper and magazine articles, and think tank publications were also studied. The findings of the data collection are now described.

#### 4. SMART CITY DESIGN: OVERCOMING MALAISE RATHER THAN COORDINATION CHALLENGES

As noted above, a central tenant of the SCM was the mandated creation of an SPV – a task-specific (Type II) organization – to deliver the SCM programme in each city. The SCM guidance itself states that ‘One of the primary reasons for the creation of an SPV for the Smart City Mission is to ensure operational independence and autonomy in decision making and mission implementation’ (GoI, 2015, p. 39). This is akin to an ‘agency’ model of MLG in which a Type II organization ‘deliver[s] policies through flexible management under arm’s length political supervision’ from a governmental (Type I) organization (Skelcher, 2005, p. 98). As Skelcher (2005, p. 99) notes, the rise of an agentification model of governance in:

Western Europe and other parts of the World ... rests on a managerialist philosophy in which efficiency and effectiveness gains are anticipated as a result of detaching delivery functions from close political supervision and relaxing public sector employment and financing regulations.

National-level stakeholders provided very strong and consistent messages as to the reasons for creating the ‘task-specific’ body of the SPV, but not along the functionalist lines one might expect from choosing such a body (Hooghe & Marks, 2003). The task-specific nature of the SPV is instead presented as a way of overcoming what national government stakeholders perceived as

the significant institutional barriers that preceded the SCM and plagued previous attempts at urban development. Notably a bureaucratic government system that lacks focus, is lethargic, and does not have the local-level capacity and expertise to deliver what is required.

National-level interviewees noted how the lack of ‘funds, functions and functionaries’ at the local level had led to a ‘chronic situation’ (ND7) in which ‘weak local self-governance’ had led to the inability of cities to respond effectively to growing economic and population pressures, and large infrastructure gaps had emerged as a consequence. Within this well-acknowledged context, national stakeholders saw the SCM ‘as an intervention strategy ... a game changing Mission’ (ND7). A key aspect of this was to create ‘disruptional change’ centred on what was recognized by national government actors as the ‘significant yet controversial’ (ND7) creation of SPVs for the delivery of winning SCM programmes.

The fact that the SPV is created as a private company under the Companies Act (2013)<sup>2</sup> was seen as an important design feature. With designation as a company, rather than a public sector organization, national-level interviewees argued that the SPV would have greater flexibility to pay higher salaries, which in turn would attract more, and better, talent for project delivery. As one interviewee noted, ‘The objective of SPV was to inject more professionals rather than, you know, the bureaucrats’ (ND3) As another interviewee noted:

with the urban local bodies they didn’t have the capacity to even understand that they needed more people. And even judge whether those people are good enough. ... So, that’s the capacity you need ... to be built up or a faster way would be to get an SPV where [a] good professional [can] be the head of that SPV and make him [*sic*] do the hiring. (ND4)

The focused provision of resources was another key argument put forward for mandating an SPV rather than channelling resources through a Type I institution such as the ULBs or states. National-level interviewees argued that the specificity of the SPV means you can recruit ‘a set of people who are hired specifically on the parameters that your project needs. It becomes more focused. It becomes more, you know, you get the right human skills to actually deliver’ (ND5) and in turn have much needed technical capacity. As one interviewee noted:

you know, municipalities don’t normally have planners. They don’t have urban designers. They don’t have architects. Most municipalities don’t. So, here is a team of people [in the SPV] that you’ve got. You’ve got a finance expert. You’ve got this whole multi-disciplinary team. (ND7)

It was argued that giving responsibility to the municipal authorities to implement smart city projects would lead to a lack of innovation and bureaucratic malaise. As one interviewee noted:

If you just push it down the same old route of the municipal corporation, they tend to give it to the same old people. It’s [the municipal corporation], you know, already overburdened and we have another project to do and it goes the same old routine way ... with an SPV it becomes more focused. (ND5)

The analogy of a house with four children was used by one interviewee to describe the challenges posed to the SCM if the programme were to be implemented by a municipal corporation that has many competing objectives. It was argued that:

when you have a house and there are let’s say four children, you cannot ... feed only one, and make one smarter, and other freer or something. And when that is the case, then you have to give equal to everybody, equal opportunity, equal everything. So, then there are issues. ... But if you’re a new organization ... you can do that. So, all that becomes easier for implementation. (ND6)

Moreover, the organizational culture of municipal corporations/ULBs was perceived as a barrier to effective project delivery, with the SPV understood to have the characteristics to address these gaps. It was argued that:

In a city if the municipal corporation or whatever authority is there, if that is implementing something, then you have an organization culture. You have old baggage, your own systems. So many things with which if you are to implement a new system, it can become difficult. So, to get rid of the old baggage, it is desirable that you create a specific SPV which implements these things so that you start from a clean slate. (ND 6)

The fact that the SPV was set up under the Companies Act and in turn is a 'corporate' organization was perceived as fostering a different, more effective, organizational culture for local policy delivery. The mantra was that as it is a corporate body it will have to 'act like a corporate' (ND3). It was noted that 'The kind of responsibility that a company board has is very different from a government department. So, you know, just bringing in the rigor of managing an organization as per the Companies Act which is extremely stringent ...' (ND7) will foster a higher level of professionalism than has been seen before. In this regard, much stall was set on the chief executive officer (CEO) of the SPV being from the private sector, with the skills and experience of working in a private sector environment where standards and expectations of delivery are high.

The task-specific nature of the SPV was seen as a way to ensure delivery of the SCM. One interviewee argued that:

Because in a typical city government, it is believed that there are so many views, so many opinions and then things may happen, things may not happen. So, therefore, it is better to have a, it's better to have a special purpose vehicle whose job is only to look at these and nothing else and then they in turn interact. (ND1)

Moreover, that the SPV would only initially be funded for five years (as opposed to the permanency of the municipal corporation) was held up as a means through which performance could be achieved, through the threat of its winding up. As one interviewee highlighted:

The SPV is 'not a typical government organization which will say that it will take a lot of time. They [the SPV] have set timelines. They have to deliver. They have to perform or perish. That is the thing. SPV have to perform or perish. If you are not able to perform, then I think after five years, they may close down. (ND 3)

Creating an SPV was also understood as a way of ensuring financial accountability: a key concern of GoI officials, particularly the Ministry of Finance. It was argued that having one organization through which to directly channel money would be better than giving funding for projects across a multiplicity of organizations operating at the local level, including the ULBs and development authority. One interviewee noted that:

one of the big learnings [from JNNURM] was also the sort of the mismanagement of funds. And so, the idea of ring fencing the funding, protecting it from the municipal, sort of budget, not lumping it with municipal budgets [was a key factor in creating the SPV]. (NB7)

Moreover, private sector investment in the SPV was also permissible within the SCM guidelines, raising the potential for what some critics had seen as a privatization of previously governmental functions (Chakrabarty, 2018).

The primary logic of the institutional design choice of an SPV was therefore that its task-specific nature would overcome the failings of the existing system rather than being to do with its appropriateness for addressing the policy issues the SCM was created to tackle. It is to how this design choice influenced activity on the ground that the paper now turns.

## 5. IMPLEMENTATION: REINFORCING RATHER THAN REMOVING JURISDICTIONAL BOUNDARIES

While much stall is set on the operational independence and ‘professionalism’ fostered through the SPV design, what we see in practice is a complex arrangement of interdependencies between the SPV and existing Type I (federalist) structures, which undermine any suggestion of operational independence in practice. In each of the four cities there is strong replication, rather than diminution of, existing institutional hierarchy (and bureaucracy) within each SPV, which in turn sees the relationship between Type I and Type II not ‘at a distance’ (as the agency framing of the design had initially suggested) but rather ‘hands on’.

The SPV, while designed to be outside of the Type I public sector organizational structure, is overseen by a board. A board is a typical oversight function of Type II arrangements; however, the SPV boards are, as acknowledged by national-level actors themselves, ‘too government heavy’ (ND7), constituted primarily of officials from various tiers of government (GoI, 2015, p. 11), with very few (and in none of our cases studies) having CEOs from the private sector (as was initially envisaged). Moreover, while the GoI has ultimate approval of board members, it is state-level officials who in most cases determine who specifically sits on the SPV boards, which extends their influence over the process, and reinforces existing hierarchies.

As one interviewee noted:

the state government decides. The state government appoints one of the local bureaucrats as the Chairman [of the board] of the Smart City SPV and another bureaucrat as the managing director of the SPV. So, it is more bureaucratic driven ... the Chairman is invariably ... an IAS officer, who is a bureaucrat. (ND1)

At a minimum, one representative of the GoI also sits on the SPV board, as does another official from the state government (the development authority, for example), and the municipal commissioner. The municipal commissioner heads up the administration within the democratically elected municipal corporation (ULB). However, the role of commissioner is by appointment from the state government (except in the case of Kochi), and therefore the extent to which the commissioner is an independent representative of the municipality is questionable. As one interviewee noted: ‘having one municipal counsellor on your board of directors does not really carry the representation of the elected civic body’ (ND1).

As well as the board arrangements, the funding for the SCM itself also stymies operational independence. National-level stakeholders placed great emphasis on the GoI guidance being loose in terms of the specifics of what should be in, and what would constitute, a smart city proposal and plan. As one interviewee explained, ‘The cities, the SPVs are totally free to choose the projects, central government is not going to question that. How, why, where, no. It is up to them’ (ND3). However, the SCM proposals do not span multiple jurisdictional arenas, but rather focus, in the majority of cases, on small areas within cities with no mandate for the SPVs to work across spatial scales. Moreover, as part of the bidding process, each respective state government had to agree to match fund the proposals. In turn, the GoI and the respective state government (both in terms of spatial area covered and funding provided) have a strong influence on the SPV, undermining its day-to-day operational independence. As one local-level interviewee

noted, due to the nature of the funding commitment to the initial smart city plans of each city, the SPV is essentially:

a state government company at the end of the day with a central government stake in it. Unless, it is professionally run [by someone outside the state], I doubt these things [an SPV arrangement] will make any impact [on outcomes]. (BLR 8)

In the four cities, it is also state-level officials who run the SPV in practice. While much was made of attracting talent from the private sector to the SPV, in reality there has been considerable deputation from existing governmental organizations to work for the SPV. As one interviewee neatly summarizes:

The present system has the chairperson [of the SPV] as a senior IAS officer. So, he again comes from the government cadre and his control is from both ends. From the state government side as well as from the centre. So that is why this is like any other development authorities [state-level organization]. (JP3)

In turn, 'administrative responsibilities are vested in the same nomenclature of chief engineers, directors, and CEOs as like the ULBs and they are on deputations' (JP3). As another noted: 'So it is not some alien people have come across and joined this particular SPV. They are already part of the system and they know the system' (JP14).

Indeed, the success of the SPV in one case study area was put down to the dual roles played by a state-level official. As one interviewee explained:

So basically the [municipal] commissioner is the MD of the smart city company and who is not directly supposed to report to the mayor regarding smart city. But then he is the commissioner also of Indore Municipal Corporation who is supposed to report to the Mayor ... so that way the commissioner automatically keeps mayor in a loop regarding everything. ... So the political cohesiveness is good.

Accountability is also narrow and very hierarchical within the SCM system. As one interviewee noted: '[GoI] have direct discussions [with the SPV] through video conferencing, our mission director, he has a direct, you know [meeting], every month ... he will make a presentation ...' (ND3). One city-level interviewee noted how:

They [SPV CEO] are accountable every fortnight, you know, like every month, they have a video conferencing with Secretary of Urban Affairs [a GoI official]. They shout at you. That's accountability. ... How much you spend ... that's the issue, is how much money you spend. (K13)

Another local-level actor noted how the SPV gives the GoI a 'kind of strength, a kind of vision, a kind of let's say confidence, we are being watched and we need to report' (IN1). They continue:

If there is not a smart city project, no one was watching me. Now everyone is watching what I am doing, what I am not doing, what I am not performing, why this project's is this much late. I want to be questioned from there [GoI]. The person there collects all the information, central government has all the information, they remark now why this project is delayed. (IN 1)

The emphasis here is therefore not on the SPV's value in delivering a service across boundaries, but rather as a direct delivery arm of the GoI. The GoI is driven by accountability for spend much more so than the state level which at least began with a more outcome-focused agenda in relation to smart city proposals. Over time, the dominance of the GoI in the accountability chain has overridden some aspects of this state-local dynamic.

The findings from the local level demonstrate the influence of the central government and resilience of the state government level in SCM implementation, despite the framing (in the SCM design) of the SPV as an independent actor. It is to a discussion of the findings presented here, and in section 4, that the paper now turns.

## 6. DISCUSSION: MAXIMUM GOVERNMENT, MINIMUM GOVERNANCE

From the findings outlined above and using the analytical framework of Type I and Type II forms of MLG, three key points of contribution can be gleaned. First, empirically, the findings identify the ways in which institutional reforms are changing the power relationships across government levels in India. Section 4 uncovered the logic of the institutional design choice of an SPV for delivery of the SCM, and section 5 the ways in which this choice has manifest on the ground. In Modi's parlance, this approach enables us to analyse the extent to which government really is being 'minimized' and governance 'maximized' to create more flexible and effective modes of policy action for urban development in India.

What the findings highlight is that the choice of Type II arrangement (the SPV), which implies an 'arm's-length' approach from the GoI, is in practice a kind of Trojan horse for *increased* central government influence, which belies the rhetoric of the SCM itself. Where growth in 'arm's-length bodies' is often associated with the 'hollowing out of the state' (Rhodes, 1996; Milward & Provan, 2000), in the SCM case it is a means through which to cast the 'shadow of hierarchy' across implementation. In turn, the findings support the conclusions drawn by others of the centralizing tendencies of Modi's governments across policy areas (Aiyar & Tillin, 2020; Sharma & Swenden, 2018).

In making the SPV a compulsory part of receiving GoI funding, the centre is able to exercise greater control over local-level projects. It does so through the close monitoring of the SPV (with SPV officers reporting directly to ministry level), using remote conferencing as an increasingly common means to do so (see also Aiyar & Tillin, 2020, p. 151) and through ministry representation on the SPV board (see section 5). In exercising these accountability mechanisms, the GoI is also eroding state-level dominance, the state being where constitutional responsibility for urban planning resides. While the increased use of parastatal organizations has concentrated and consolidated state control over urban planning decision-making pre-SCM (Pancholi, 2014), what is telling here is the choice by the GoI to place SCM delivery outside of the formal state-level parastatal delivery apparatus. This signals a frustration not only with local capacity but also with state action in this area.

That being said, the tendency of the state level to 'overawe' the local level in the India context (Singh & Rao, 2006, p. 331) is still felt and enabled within the SCM. As highlighted in section 5, state-level government has several forms of representation on the SPV board and strong deputation to key positions within SPVs, making its influence strongly felt. This is coupled with weak representation and influence of the municipal level authorities on the SPV, despite joint ownership, with funding channelled away from the ULBs to an organization that while a corporate body is primarily overseen and accountable to state and central governments. In turn it is of note here that despite the favourable noises made towards business sector involvement in the SCM's decision-making structures, it is governmental actors that continue to dominate (Jaffrelot et al., 2019).

Moreover, it is the 'biases' inherent within the institutional design of Type II arrangements that are promoted by the GoI as overcoming challenges of Type I arrangements. The SPV is treated as a mechanism through which to insulate delivery of the SCM from other urban issues. In turn, the SPV is understood to generate more responsive and rapid mechanisms for delivery, not slowed down by multiple potentially conflicting considerations of Type I organizations (such as ULBs) that serve a multitude of constituencies, including the electorate (enabling conflict



avoidance), as discussed in [Section 4](#). This rationale exemplifies what Moe (2001) terms the ‘entrepreneurial paradigm’ that accompanies Type II arrangements, in which the objective to deliver policy trumps constitutional considerations of where democratically mandated power resides. The preference for investment in an SPV by the GoI rather than in ULBs is also, in and of itself, a strong political signal that substantive delegation of power to the local level is not forthcoming, and illustrative of further stalling of implementation of the 74th Constitutional Amendment, which promised devolution of power from state to local levels.

The second key point for discussion and a theoretical contribution of this paper is that the findings highlight the ways in which MLG dynamics can be shaped through institutional design. The mandated use of SPVs, implies a move towards forms of Type II governance in India, in which institutions are designed with a functionalist logic, in which the aim is to deliver on a policy objective not suited to the traditional architecture of federalist systems. However, what we see through understanding the logics of this design choice from national-level interviewees (see [section 4](#)) is a central government rationale not driven by archetypal ‘functionalist’ issues, for example, of the need for collaboration, exchange and innovation often seen as integral to delivery of smart city initiatives elsewhere (Nesti, 2020). Rather, what we identify instead is a rationale driven by a contempt for and mistrust of existing Type I arrangements operating at the urban local level. The problem seeking to be addressed through the SCM is therefore not issue specific but rather system specific – driven by the GoI’s desire to overcome perceived failings systemic within India’s Type I arrangements. This design choice in turn facilitates the centralizing tendencies outlined above in this section, changing the dynamics of the relationships between government levels.

The SPVs were tasked with fulfilling projects that could have been, by design, conducted by the existing Type I apparatus. The SCMs were deliberately set up to focus on small areas within cities with a limited number of whole city initiatives and there was no mandate for the SPVs to work across spatial scales. Moreover, there is no single piece of infrastructure to be delivered and/or run (such as a metro) but rather a multitude of projects to prioritize and develop, that draw from a wider strategic and city-led vision of what the cities could and should become. While such a remit does not preclude the SPV from being determined as task specific (it is after all, focused on delivery of one city’s SCM plan), the diversity of its portfolio, and the decisions it needs to make, are not justified in terms of the cross-boundary challenges they seek to address.

Moreover, characteristics of Type I organizations were understood by national stakeholders as counterproductive to implementation of the SCM, in particular the competing priorities of the ULBs and their organizational culture, which are perceived as fostering a lethargic and ineffective decision-making process. While other research has identified the SPV as a legitimate design response to lack of local capacity to deliver on complex smart city initiatives (Prasad et al., 2021), our research highlights how this design choice is more ideologically deep seated and potentially problematic.

The third discussion point and contribution is in relation to the implications of the findings for using delivery mechanisms (such as SPVs) that lay outside of the constituted government apparatus to support rapid urban development, in particular in contexts with limited local government capacity. In particular, the findings raise questions about the long-term policy sustainability and effectiveness of urban development initiatives designed in this way. In [section 5](#), it is demonstrated how bias towards ‘exit’ in institutional design (wrapping up the SPV if it is not proved effective, for example) creates a narrowly conceived concern for accountability, focused on the commitment and spend of the SCM funding. This focus is to be expected to a certain degree given that the SCM’s predecessor, the JNNURM, in large part stalled due to the lack of spending on the ground (Kundu, 2014). However, the SCM and its stakeholders emphasized the transformational nature of the programme in terms of shifting outcomes, including improving quality of life. There is no monitoring of the extent to which the intended outcomes as stated

in SCM proposals have been achieved, or assessment of the projects that were prioritized and taken forward by the SPV. This is compounded by the fact that municipal authorities are largely sidelined from decisions made under the SCM banner and therefore the extent to which the public will be able to hold relevant parties to account for delivery is a moot point, risking local democratic legitimacy and accountability.

The choice to deliver through an SPV is illustrative of the lack of political incentive to bolster bureaucratic capacity (and political policy competency), common in low-capacity environments globally (Huber & McCarty, 2004). However, it in turn risks what Moe (2012, p. 31) refers to as the ‘incompetency trap’ in which politicians decide to delegate power to what are perceived to be higher competency Type II bodies, rather than investing in their own governmental operations. This then appears to be a part corporatization of local government activities in India, echoing concerns raised by others (Idiculla, 2014), in this case in relation to urban development. This shift is also symptomatic of a change in the ethos of development in India, where previously local empowerment and voice were understood as key to successful development rather than necessary trade-offs for it (deSouza, 2003).

## 7. CONCLUSIONS

Through using MLG as an analytical framework, this paper provides a more fine-grained analysis than hitherto available, of the extent to which new delivery mechanisms are changing the relationship between the national, state and local levels, and can be said to mark a move towards governing through ‘governance’ in the India context. The paper has identified how the use of task-specific bodies within the SCM has provided the national government with a mechanism through which to exercise hierarchy and gain greater control over policy developments on the ground. These findings jar with existing rhetoric within India’s governing class, and within smart cities movements more broadly, which emphasize more collaborative and decentred forms of governance.

Moreover, using MLG theorizing within the India context and in collecting data as to the rationale for the design of the SCM has exposed the underplay within the MLG literature, of the creation of Type II organizations as a tool for exercising power and authority by national government actors. The MLG literature, with its predominant focus on understanding, post-hoc, the rationale for governance mechanisms of European countries, has found empirically that Type II organizations thrive:

specifically when there is a need for a tailored government body to address an issue that is not susceptible to policy action by a Type I organization ... [and where] mainstream governmental organizations are unable to respond flexibly to policy issues that intersect their jurisdictions. (Skelcher, 2005, p. 94)

What we see in the SCM case, however, is Type II organizations used as a substitute for Type I organizations (in particular, the ULB), and as a mechanism to ensure more direct influence over local-level activity by the GoI.

Perceptions of efficiency, speed and effectiveness of delivery are tightly bound with this Type II SPV design, but neglect the importance of voice and contestation inherent to any democracy and which sit within Type I organizations. The extent to which this neglect is intentional in the India context cannot be discerned from our research. However, in relation to this, the MLG literature has under-explored the implications of the use of Type II organizations on democracy (with the notable exception of Skelcher, 2005). In the context of India, such questions are particularly acute, given the limited and hollow Type I organizations that operate at the municipal level, making Type II bodies hard to anchor within the constituencies their actions will affect.

More broadly, however, this case raises important questions about the governance strategies used to deliver development initiatives in areas of low local government capacity. The SCM, for example, illustrates the preference for ‘quick wins’ through Type II organizations, rather than longer term yet potentially more effective (and democratically underpinned) investment in local municipal organizations. Ownership of activity within cities therefore risks becoming even further removed from those to whom development is supposed to serve and risks being decided by private interests rather than public ones, which in turn lack transparency. It also raises questions about the long-term sustainability of urban reform projects once scheme-based funding ends and national agendas change.

## ACKNOWLEDGEMENTS

We thank Prithvi Bhat (IISc Bangalore), Monika Singh (SPA New Delhi), Shalvi Sharma (SPA New Delhi) and Revathy Pradeep (WRI) for their assistance with data collection.

## DATA AVAILABILITY

The data that support the findings of this study are openly available in the UK Data Service ReShare archive at <https://dx.doi.org/10.5255/UKDA-SN-854476> (reference number 854476).

## DISCLOSURE STATEMENT

No potential conflict of interest was reported by the authors.

## FUNDING

This work was supported by the Newton Fund, administered by the Economic and Social Research Council (ESRC) [grant number ES/R006741/1]; and the Indian Council of Social Science Research [grant number ICSR0002].

## NOTES

1. See <https://reshare.ukdataservice.ac.uk/854476/> unique identifier: 10.5255/UKDA-SN-854476.
2. The Act was introduced by the Government of India in 2013 to regulate incorporation of a company and its responsibilities.

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