



The Strategies for Improving Financial and Economic Interactions of Municipalities and Service Companies (Case Study: Tehran Municipality and Water and Electricity Providers)¹

* Reza Mahdi 

* Associate Professor, Department of Futures Study, Institute for Social and Cultural Studies, Tehran, Iran. mahdi002@gmail.com

Received: 04.08.2025

Accepted: 13.10.2025

Abstract

Tehran Municipality as a comprehensive complex and adaptable system, must have synergistic and co-creative interactions with urban services companies in order to improve productivity. The prerequisite for synergistic and co-creative interactions is the continuous adjustment and improvement of these relationships with the needs of the day with the goals of good municipal and urban administration, greater welfare of the people, and improvement of the quality of life of citizens. From the perspective, the optimal governance of the urban requires the lawful participation of all natural and legal persons in all economic-social, political, technological, environmental, and legal-legal pillars. Based on existing laws, each of the municipal service providers must fulfill their duties and responsibilities. However, for various reasons, at least from a financial-economic perspective, Tehran Municipality does not have appropriate and effective interactions with municipal service companies, and in many cases, the municipality's rights are not fulfilled from a financial-economic perspective. Tehran Municipality faces billions of RIALS in costs, lack of benefits, or lost opportunities annually due to the lack of regulation and lack of transparency in interactions with service companies of water, electricity, gas, and telecommunications. The article presents strategies that can be applied to solve some of the problems and gaps in the municipality's interactions with urban service companies, at least from a financial-economic perspective, and improve the current situation. The result of regulating and improving the municipality's interactions with service companies, in addition to creating transparency, accountability, and financial discipline for all parties, is the creation of billions of RIALS in new, mostly sustainable and increasing income, billions of RIALS in direct or indirect savings, or a reduction of billions of RIALS in direct or indirect costs for the municipality.

Keywords: Municipality Interactions, Urban Service Companies, Complex Systems, Adaptive Systems, Tehran Municipality.

1. The article is an extract from a research project titled "Investigating Strategies for Improving Financial and Economic Interactions between Tehran Municipality and Service Organizations Active in Tehran," which was conducted with the financial support of the "Tehran Urban Research and Planning Center (TURPC)" in 2024-2025.

Corresponding Author: Reza Mahdi- Mahdi002@gmail.com



Introduction

Based on systems theory, Tehran Municipality as a comprehensive complex and adaptive system [1], needs to have effective, synergistic, and co-creative interactions with all cooperating and active systems in the field of urban services. The prerequisite for synergistic and co-creative interactions is the continuous regulation and improvement of these relationships with the requirements of the day with the goals of good municipal and urban administration, greater welfare of the people, and improvement of the quality of life of citizens. From the perspective, good and efficient management of the urban requires systematic and lawful participation of all natural and legal persons in all economic-social, political, technological, environmental, and legal-legal pillars and areas. Based on approved laws, each of the service companies active in the urban must fulfill their duties and enjoy their established rights. The is despite the fact that for numerous reasons, at least from a financial-economic perspective, Tehran Municipality does not have effective interactions with organizations and companies that have the right and responsibility in municipal services, and in many cases, the municipality's rights are not fulfilled from a financial-economic perspective [2,3,4,5]. The reality is that Tehran Metropolitan Municipality incurs billions of RIALS in costs, losses, lack of benefits, or missed opportunities annually due to the lack of regulation, transparency, or lack of accurate financial discipline in interactions with service companies.

The main purpose of the article is to study and analyze strategies to improve Tehran Municipality's interactions with service companies from an economic-financial perspective [6]. In fact, the ultimate goal is to lay the groundwork and initial conceptual and operational groundwork for revenue generation, cost reduction, and benefit of Tehran Municipality in the good administration and governance of Tehran metropolis by observing the principle of rights and duties for all stakeholders and interlocutors. Therefore, the main questions are which of the service companies in the Tehran metropolis should have up-to-date, synergistic, and co-creative interactions with Tehran Municipality, and with the aim of realizing the rights and performing the duties of stakeholders from an economic-financial perspective, how and with what mechanism should (and can) these interactions be regulated and managed?

Methodology

The method of conducting the research is a mixed method, mainly a round-trip method. In the study, first, all the laws and regulations inside and outside the Tehran Municipality that are somehow related to the municipality in general and the Tehran Municipality in particular were collected and reviewed, and the municipality's interactions with service companies were identified and categorized using the content analysis method with the criterion of "interaction of the municipality with four service companies". Also, in the stage, the research background was collected and categorized in order to help the study. In the second stage of the study, with the aim of identifying the damages, complications, gaps, and objective and empirical evidence of the interactions of the Tehran Municipality with service companies, targeted meetings were held with some experts in the field of urban management of the municipality. The selection of experts was carried out in a targeted manner by the representatives of the users. One of the questions in the meetings was the quality of the municipality's interactions with service companies based on the findings of the first stage of the research. The combination of content analysis of documents and evidence, damages and gaps has resulted in the final output and product of the research. Review of documents and their content analysis and identification and classification of damages, gaps and evidence have all been carried out by the focus group method consisting of executive experts and representatives of Tehran Municipality. Also, strategies for improving Tehran Municipality's interactions with service



companies based on the content analysis of documents and their intersection with gaps and evidence have been developed [7].

Findings

Tehran Municipality's cooperation with service companies, including gas, water and wastewater, electricity and telecommunications, is one of the key elements of urban management that has a direct impact on the quality of services provided to citizens and the sustainable development of the urban. These collaborations are defined in various fields, including urban infrastructure, energy supply, communication services, and management of vital resource consumption. However, these interactions are accompanied by numerous challenges, the resolution of which seems essential to protect the interests of the municipality and improve the efficiency of urban services. As the institution responsible for urban management, Tehran Municipality depends on the services of gas, water, electricity and telecommunications companies to carry out its duties. These services are essential for implementing urban projects, supplying energy to infrastructure, and providing for the basic needs of citizens. In turn, these companies also need the coordination and cooperation of the municipality to develop and maintain their infrastructure. The interdependence makes the nature of collaborations complex and requires transparency, detailed agreements, and constructive interactions. The financial and economic challenges arising from these partnerships fall into several categories. Delays in debt payments are one of the most important issues. The municipality and service companies sometimes face delays in settling debts, which can be due to budget shortages, lack of coordination in contracts, or disputes over cost calculations. Disputes over tariffs and branching fees are also another important problem. Municipalities often criticize the tariffs or branching fees of service companies, believing that these costs put additional financial pressure on the municipal budget. In addition, the financial burden resulting from exemptions and discounts, especially for disadvantaged areas or specific groups, can strain the municipality's limited financial resources.

Disputes between the municipality and service companies have social and operational consequences in addition to financial impacts. Delays in settling debts or legal disputes can lead to service interruptions or delays in the implementation of urban projects, which directly affects the quality of life of citizens and their trust in urban management. Also, the lack of proper cooperation can slow down or stop development projects, which is detrimental to the urban and citizens in the long run. Several solutions can be proposed and implemented to reduce challenges and increase the efficiency of cooperation. In the regard, financial transparency and the preparation of accurate contracts are of particular importance. Financial agreements should be prepared with complete transparency and both parties should be aware of and committed to their obligations. The use of new technologies such as digital systems for managing debts and invoices can also be helpful. The formation of joint working groups between the municipality and service companies is essential to resolve disputes and better coordinate the implementation of projects. Also, developing sustainable financial policies that allow the municipality to pay off debts and implement projects is another important measure. Using private sector capacities can also help reduce the financial burden of the municipality and accelerate the implementation of urban projects. In addition, defining new partnership models such as build, operate, and transfer contracts can lead to more productive cooperation between the municipality and service companies. Close monitoring of the financial and executive performance of the municipality and service companies plays a key role in reducing disputes. Establishing financial transparency systems and providing periodic reports can help build trust and better manage



resources. Also, using urban smart tools, such as water and energy consumption management systems, can lead to cost reduction and increased efficiency.

Conclusion

Based on the analysis of existing laws, regulations, and executive processes, it can be seen that the current interactions between Tehran Municipality and water and electricity companies are mainly based on traditional administrative processes, formal correspondence, and an emphasis on compliance with numerous and mostly complex laws and regulations. To improve these interactions, the following suggestions are presented. The key to improving interactions is to move from an approach based on case-based and reactive licensing to an approach based on integrated and shared governance and management, transparent procedures, and technology. This change will not only accelerate urban projects, but also reduce administrative costs for both parties and ultimately lead to improving the quality of service provision to Tehran citizens: 1. Given the type and nature of the challenges and issues involved in the easily avoidable interactions between Tehran Municipality and water and electricity service companies, perhaps the key basic and infrastructural suggestion is a systematic and continuous move towards a single and integrated urban governance and management style within the Tehran metropolitan area, 2. Establishing a Joint Operations Room: In line with the conceptual development of unified and integrated urban governance and management, the existence of a "Joint Operations Room" is essential to coordinate and expedite the implementation of related plans and projects. It is expected that the establishment of such a room will eliminate a large part of the inconsistencies and misunderstandings between the parties in defining, designing, and carrying out construction operations. To save time and money, the majority of the activities of this room can (and should) be designed and carried out virtually and in the digital space, 3. Concluding framework agreements: Instead of obtaining permits for each plan and project separately, general agreements can (and should) be concluded between the parties for a variety of common projects such as moving facilities, receiving required branches, and watering green spaces, so that processes, tariffs, and responsibilities become clear once and for all, 4. Develop and exchange integrated infrastructure maps: Create a shared geographic information system that shows the precise location of all underground and aerial water and electricity facilities. This will reduce problems in urban development projects and the need for emergency relocations, 5. Create a single secretariat for managing requests: Tehran Municipality could create a centralized secretariat to receive, track, and follow up on all its requests from water and electricity companies. This will prevent the dispersion of requests from 22 regions and will enable troubleshooting, verification, reporting, and scheduling management of plans and projects, 6. Develop shared implementation guidelines: Convert the scattered texts of laws and regulations, such as those contained in the 50 approved laws and regulations, into step-by-step, plain-language guidelines for executive directors and employees of both parties, 7. Obtaining the necessary permits and establishing coordination, understanding and agreement before starting any operation: Obtaining the necessary permits such as various types of water and electricity branches or establishing coordination, understanding and agreement before starting any financial-economic and technical-construction operations related to water and electricity service companies will be a very important step in improving interactions in establishing effective and constructive relationships, 8. Designing and deploying an online request and tracking system: Creating a common portal where municipal requests are registered electronically and receive a tracking number, the status of the request (under review, need for correspondence, required amendments, required documents and documentation, obtaining a permit, completed, etc.) can be tracked online, and the legal deadlines for responding to each type of request



are defined in the system and automatically reminded, 9. Development of the Claims and Debts Application: This application allows the executive agents of the parties to view, in real time, financial information related to their rights and obligations towards the other party with the necessary details such as the type of operation, location of the operation, reasons for the claim or debt, documents and documentation, the law or regulation or agreement cited, and to express an opinion on the acceptance, rejection or need to amend and supplement the party's claim, 10. Design and implementation of the electronic licensing system: This system will include an integrated portal for requesting, tracking and receiving permits for drilling and installation of facilities by water and electricity service companies and transparency of fines and charges, including public announcement of toll tariffs and fines, publication of drilling toll tariffs and violation fines on the municipality website and the integrated system, preparation of operational guidelines for service companies, development of training booklets for service companies on licensing processes, tolls and fines, 11. Implementation of smart clearing: Expansion of the clearing mechanism to all common areas. For example, Tehran Municipality could exchange its construction services or space rentals for a portion of its previous water and electricity debts, and vice versa, and 12. Development of financial models and joint investment: Development of financial models and joint investment could include the creation of a joint project fund with financing from government grants, issuance of project-based partnership bonds, joint ventures between Tehran Municipality and service companies with the aim of financing joint projects for the construction and operation of solar power plants, water recycling, rainwater harvesting, water production from urban wastewater, implementation of urban development plans, covering the costs of initial technical and economic studies, and the like.

References

1. Sporn, B. (1999). *Adaptive University Structures: An Analysis of Adaptation to Socioeconomic Environments of US and European Universities*, Jessica Kingsley Publishers, London, UK.
2. Tazehdel, S., Shieh, I., Seyedalhosseini, M. and Habibi, K. (2021). Integrated management of Metropolitan constituency with emphasis on governance, *Journal of Urban and Regional Development Planning*, 6(16), pp. 25-48.
3. Gholipor, R., Darvishzadeh, M. M, and Pirannejad, A. (2019). Identification of the Methods, Resources and Barriers of Achieving Sustainable Urban Income (Case Study: Urmia Municipality), *Journal of Public Administration*, 11(1), pp. 151-178.
4. Pourahmad A, Mahdian Bahnamiri M. and Mahdi A. (2013). An Analysis of the Factors Preventing the Realization of an Urban Integrated Management through the Lens of Existing Laws. *IUESA* 2013; 1 (2), pp. 31-50.
5. Asadie, I. and BarakPour, N. (2019). Lead Organization: An Appropriate Model of integrated urban management in Iran, *The Journal of Fine Arts: Architecture and Urban Planning*, 4(25), pp. 17-30. 6.
6. Biswas, A. (2020). Establishing metropolitan governance and local governance simultaneously: Lesson from India's 74th Constitutional amendment act, *Journal of Urban Management*, 9(3), pp.316-330.
7. Higgins, M. J. (2005). *Entrepreneurship: 101 Creative Problem Solving Techniques*, translated by Mahmoud Ahmadpour Dariani, Tehran, Amirkabir Publ.

