

Introduction

This chapter elaborates the case of the **Markandeya Cooperative Housing Society (MCHS) in Dharavi** from an institutional perspective. It focuses on how the redevelopment of the Markandeya project was implemented, the role various institutions played in the implementation, how the roles changed, and why. The institutional actors involved in the Markandeya project include the community cooperative, the NGO Society for the Promotion of Area Resource Centers (SPARC), private market-actors and State agencies. The key finding in the chapter is that in an environment of decentralized decision-making and control, the possibility of disagreements and social conflict is likely. And the occurrence of conflict can lead to the decentralized actors demanding for centralization from the State for conflict resolution. The narrative in this chapter also employs a lens of decentralization/centralization to analyze the institutional arrangements that were structured to facilitate the implementation of the slum redevelopment strategy in Mumbai.

According to the conventional wisdom, decentralization is a well-meaning initiative to increase the scope of direct decision-making and the responsibilities of participants in the housing delivery process. However, Mumbai's experience suggests that decentralization in the case of slum redevelopment may also lead to conflicts related to claims on the new assets, particularly, where high value property assets are being created. In a booming real estate market, the value of such assets appreciates rapidly. Conflicting demands about who is to capture how much benefit, and why, can generate conflicts of institutional interest. Entrepreneurial NGOs, who contribute to asset formation, may not act as neutral arbitrators to resolve such disputes. Rather, they may themselves get deeply embroiled in struggles with the government agencies, the private for-profit actors, and even the community groups.

Under such conditions, the decentralized actors (i.e., NGOs, community groups and private developers) are likely to demand that the government institute a centralized authority to arbitrate any disputes. This is more probable in contexts where the property rights to the new, high value property assets are unclear. Under such conditions, participants may also demand that the government provide institutions to enforce contracts. Furthermore, speed is of the essence in most contemporary property markets. So participants are likely to demand for faster approval-procedures and more predictability, even if this implies a centralized institutional arrangement.

Although government agencies often formally ask NGOs to participate in housing delivery, they may be reluctant to relinquish control over housing areas to NGOs if government investment sharply increases the real estate values. In the struggle for control over housing areas, NGOs may have some competitive advantage over government agencies because they are more knowledgeable about these areas.

SPARC Mumbai (Bombay), Maharashtra

The Society for Promotion of Area Resource Centres, better known as SPARC is an NGO established in 1984 and is based in Bombay. Founded on the belief that development can only be achieved by the poor themselves working out solutions to their own problems, SPARC works in close collaboration with two community-based organisations, National Slum Dwellers Federation (NSDF) and Mahila Milan. While continuing its work in Bombay, through working with NSDF and Mahila Milan, SPARC now has projects throughout India, including in Madras, Bangalore and Kanpur.

However, this chapter argues that NGOs are not necessarily always accurate in articulating a community's preferences, which may change in a booming real estate economy. Furthermore, NGOs' efforts at community participation may be thwarted by decentralized corruption, because rising real estate prices may tempt community leaders. In dealing with such corruption, NGOs do not always broaden community participation. Instead they may centralize the process of decision-making, which is cheaper, to restrict the opportunities for corruption.

Also, if the decentralization of housing delivery leads to opportunities to profit, it may induce NGOs to change institutionally. NGOs, in such contexts, may transform their mission from one of advocacy to one of social investment in profitable enterprises. They are also likely to seek representation in conflict resolution bodies instituted by the State. In other words, decentralization may put NGOs in competition with market institutions, and NGOs may transform themselves institutionally so as to resemble the market institutions. Similarly, conflict with government agencies may induce NGOs to seek control over part of the government apparatus. Moreover, in dealing with market-actors, NGOs are often reluctant to relinquish control over housing areas, although the communities may prefer to work with private for-profit actors in a booming economy. Facing such a situation, NGOs do not necessarily complement external, private investment by mobilizing local resources, but rather compete with the market-actors, as well as government agencies, by successfully mobilizing international financial assistance.

To illustrate these arguments, the story of Markandeya's redevelopment is arranged in four parts. First, I describe the project of slum redevelopment in Mumbai. The goal is to elaborate the intentions of this project. The next three sections describe three conflictual relationships namely, between the government agencies and the NGO; between the private contractor and the NGO; and finally, between the community and the NGO. The two subsequent sections elaborate on the relevance of the findings from this case to the conception of NGOs as service providers, and to the conventional wisdom of decentralization as a panacea for housing delivery.

Literature Review

By the late sixties and early seventies, the great expectations for the State's role in development, and in the housing process, had turned into a strong condemnation of its inability to meet the housing demand. Moreover, it was argued that centralized systems did not provide the various stakeholders opportunities to participate in the decision-making process and this led to conflicts (Turner, 1977). A decentralized housing delivery system was to rectify this major shortcoming, encourage participation and negotiation among the various stakeholders, and thereby reduce the possibility of conflicts.



Source: Author

An important feature of such decentralized housing delivery systems was the prominent role of NGOs (Drabek, 1987; Clark, 1991). According to the prevailing literature, NGOs were to be the glue holding the other institutional actors together in a decentralized delivery system. In housing provision they were promoted as benevolent intermediaries in the development process (Arrossi et al., 1994; Liou and Stroh, 1998; Payne 1999). Some scholars even use the terms 'intermediary institutions' and NGOs interchangeably (Lee, 1995).

The NGOs were not to be concerned about projects, but instead were to focus on nurturing the process, so that communities could negotiate effectively with government agencies and market-actors to build a housing stock appropriate to their needs and purchasing power. There were many assumptions regarding NGOs underlying this new approach to housing delivery. These include the flexible approach of NGOs, their capacity to innovate, their ability to target the poorest, etc. However, scholars have challenged and criticized many of these assumptions (Tendler, 1982; Sanyal, 1994; Vivian and Maseko, 1994).

Two sets of assumptions that have persisted, and focus on the role of the NGOs as intermediary institutions, are particularly relevant to this chapter. First, it was assumed that NGOs are mainly interested in empowerment and community building (Edwards and Hulme, 1992; Friedmann, 1992; Stiefel and Wolfe, 1994). Thus unlike the State, they were uninterested in power and, unlike the market-actors, they were uninterested in profit.

These admirable qualities, however, did not make NGOs averse to working with market-actors. Most NGOs describe themselves as non-profit organizations, implying that their basic intention is not to make profit but to assist low-income communities. However, they are willing to cooperate and join hands with all kinds of institutions with varying motives, as long as such cooperation benefits their communities (Anzorena, 1993). There was some concern that working with incompatible institutions could taint the communitarian spirit of NGOs, but this possibility was not viewed with any particular alarm. It was argued that if such contamination occurred, the NGO was likely to lose moral legitimacy and hence, its hold on the communities it served (Korten, 1990; Clark, 1991).

Second, NGOs are considered closer to and more knowledgeable about low-income communities than state agencies are. This implies that they are better at understanding the specific nature of local needs, and this gives them the capacity to mobilize resources at the local level (Hasan, 1990). Moreover, being close to the people, NGOs are thought to be capable of educating and training them to negotiate for resources and services from state agencies, as well as to negotiate with market-actors in order to purchase goods and

services without being exploited. As a result, the overall cost of housing can be reduced significantly.

It is noteworthy that possible conflicts among the various institutional actors in decentralized housing delivery systems were rarely discussed. The assumption was that most conflicts were generated by overtly centralized systems that did not provide the various stakeholders opportunities to participate in the decision-making process (Turner, 1977). This assumption justified the participation of NGOs as intermediaries between government agencies and low-income communities. Specifically, the NGOs were to represent the preferences and needs of the communities in a professional way to the state agencies, and they were to convey bureaucratic rules and regulations in a simple language and non-intimidating ways to the communities. In other words, NGOs were to act as a buffer between the government and the communities, reducing the chances of misunderstanding, coercion, and conflict.

Since the policy push for decentralized housing delivery coincided with a concomitant push for privatization and other market-friendly reforms in the early 1980s, there was hardly any concern that a decentralized approach to housing delivery could create conflict between market-actors and low-income communities. No one feared that NGOs could, themselves, be engaged in struggles with private firms, because NGOs were not viewed as being interested in profit or market-share. As far as conflict between NGOs and low-income communities, this unpleasant possibility was very rarely discussed. However, as the next few sections reveal, conflict among the various actors in the Markandeya project was very much the norm.

Dharavi Redevelopment Plan: Contested Intentions

Prime Minister's Grant Project (PMGP)
In 1985, the then Prime Minister of India, Mr. Rajiv Gandhi, announced a major housing improvement program for Mumbai, the capital of Maharashtra. The central government's grant of a billion rupees was awarded to recognize the city's contribution to the formation of the Indian National Congress in Mumbai. Rajiv Gandhi, the Congress party's leader at that time, announced the grant at the party's centenary celebrations in the city.

Dharavi, also known as Asia's largest slum (Desai, 1988), is located near the heart of Mumbai (Figure 1), and was to be a major beneficiary of the prime minister's grant. Dharavi's living conditions justified the plan for major improvements. The state government's records indicate that in 1985, a population of nearly 300,000 was served by only 162 water taps and 842 toilet-seats (Warning, 1995). Every year, Dharavi was flooded during the rainy season with waist-high water containing raw sewage from open drains. Dharavi was an appropriate choice politically as well. The area's residents had consistently voted for

the Congress party, and the slum housed many distinct groups, including Muslims and Tamils (from the southern state of Tamil Nadu), who were minorities in Mumbai and opposed to the opposition party, the *Shiv Sena*.¹

The *Shiv Sena*, however, controlled the Mumbai municipal corporation. So the central government made its grant to the Congress party led state government. The state government appointed a committee, under the leadership of architect and urbanist Charles Correa, to draft a policy approach for Dharavi.² Based on the Correa committee's recommendations, the government of Maharashtra appointed the state housing authority, the Maharashtra Housing and Area Development Authority (MHADA), as the Special Planning Authority for the planning, implementation and development of Dharavi.³ In 1987, the housing authority released an information brochure outlining its comprehensive project-approach to improve housing conditions in Dharavi (MHADA, 1987). The housing authority instituted a special division to oversee the project. This centralized division, also called the Prime Minister's Grant Project (PMGP), was created to bypass the bureaucratic rules and

1 Mumbai is predominantly a Hindu city and a majority of the residents are from the state of Maharashtra. The city has a long history of political agitation and sporadic violence against minorities and migrants. The Shiv Sena has often been blamed for organizing such violence (Lele, 1996).

2 The Correa committee recommended (1986) -
a) A complete survey to collect data and information
b) A community centered, bottom-up approach to planning
c) Shifting of all leather tanneries to Deonar (East Mumbai). These tanneries were a major source of pollution in Dharavi and it was estimated that there were 25 of them, covering 20 acres of land
d) Reorganization or shifting of all godowns (storage) and workshops
e) Reduction in the reservations in the existing Development Plan (such as schools and other public amenities), and shifting some of these reservations to the adjoining Bandra-Kurla area. The committee argued that many of the reservations were elitist and dispensable
f) Realignment of roads proposed in the Development Plan in recognition of the people already living on the proposed alignments
g) Resettlement of some families in the Bandra-Kurla area
h) Stress on in-situ improvements and the provision of land-tenure
i) The setting-up of an autonomous planning and implementation organization for the Dharavi area

3 MHADA was appointed as the Special Planning Authority for Dharavi under the provisions of the Maharashtra Regional and Town Planning Act (MRTP Act), 1966. The state government's decision was notified in July 1987. Usually, the municipal corporation is responsible for all planning decisions in Mumbai. However, these decisions follow the framework established by the state government and have to be approved by the state government (Government of Maharashtra, 1966). Moreover, as in the case of Dharavi, the state government can also institute other government agencies as planning authorities for parts of the city. Similarly, the state government had appointed the Mumbai Metropolitan Regional Development Authority (MMRDA) as the Special Planning Authority for the Bandra-Kurla area.

procedures that had typically delayed the implementation of previous efforts at housing improvement (Dua, 1989).⁴

Redevelopment Plan for Dharavi
The PMGP intended to redevelop Dharavi by providing new infrastructure and reconstructing cooperatively owned housing for the inhabitants. The goal was to encourage the slum-dwellers to contribute financially towards the project cost. The project explicitly called for extensive participation by the inhabitants mobilized through the community development officers of the housing authority. The beneficiaries were to form cooperatives.

There were at least four other reasons for the PMGP to opt for the cooperative structure. First, cooperatives allow for easier administration, project implementation, and maintenance of common infrastructure in the reconstructed areas. Second, the beneficiaries pay a lower property tax. Third, cooperatives can exercise control over beneficiaries, making it difficult for them to sell their new apartments. Fourth, the provisions of the Maharashtra Slum Area Act, 1971, only allow for the lease and transfer of public land to cooperatives of slum-dwellers, not individuals (Government of Maharashtra, 1971).

The PMGP proposed that the cooperatives lease the slum-land for an initial but renewable period of 30 years. The cooperatives, in turn, could use such leases as a basis to raise funds for construction from housing finance agencies. The approach was in tune with the prevalent advice in housing policy at that time. It discouraged large-scale government subsidies. The PMGP proposed that at the most, fifteen percent of the total cost of housing be provided by the grant from the prime minister's fund. The rest was to come from the beneficiaries' own contributions (about 15%), loans from housing finance agencies (about 50%), and an interest-free loan (about 20%), also from the PMGP's funds.⁵

As recommended by the Correa committee, the PMGP expected to hire architects and private contractors for the construction of housing, but was willing to let the cooperatives play an active role in monitoring the design and construction quality. The PMGP was also willing to transfer the responsibility for hiring and monitoring of architects and private contractors to the cooperatives. The officials, however, were skeptical that the cooperatives, even if assisted by NGOs, could perform well

4 The PMGP incorporated representatives from the state government and the municipal corporation, the two big public landowners in Dharavi. According to an estimate from 1985, the municipal corporation owned 59% of Dharavi's land, the state government owned (including the state housing authority) 16%, and 25% was in private ownership (Warning, 1995).

5 This was based on the PMGP's financial plan in 1987, after its discussion with the Housing and Urban Development Corporation (HUDCO) for housing finance loans for beneficiaries (Interview with Mr. V.G. Gode, ex-director PMGP, 1997).

in this new role.⁶

The PMGP started with a survey of Dharavi to identify the exact number of families to be housed under the redevelopment plan. On the basis of the survey, which identified 55,000 families, the PMGP prepared a tentative redevelopment plan. It proposed that the beneficiaries be housed in buildings of four to five floors, with apartment sizes ranging between 165 to 430 square feet (15-40 square meters) of carpet area. Apartment size depended on the size of the existing housing of the beneficiaries. The PMGP's plan was based on the premise that, to improve living conditions in Dharavi, at the most 35,000 families could be accommodated in the area. This meant that nearly 20,000 families had to be relocated elsewhere in the city. The plan also called for short-term housing of the beneficiaries in temporary facilities, provided by the state government, so that the land could be cleared for the construction of new housing (MHADA, 1987).

SPARC's Census and Alternative Proposal

In 1987, when the PMGP elaborated the plan for Dharavi's redevelopment, it was accompanied by a comment from the state's chief minister that Dharavi would soon look like Singapore, with modern, high-rise apartment blocks.⁷ The politician may have intended to impress his constituency, but the result was the opposite. Many residents, including the poor, the residents who had not lived in Mumbai very long, and residents from the minority communities, feared that they would be among the 20,000 or so families relocated to make room for the Singapore-inspired buildings. Their fear was compounded by the fact that a special institution had been set up to ensure the rapid implementation of the project.

In response, a number of Mumbai's NGOs, including SPARC, decided to work in Dharavi. SPARC was a well-respected NGO that had successfully mobilized the pavement-dwellers in central Mumbai against eviction in 1984. SPARC had also created a new institutional alliance with another NGO, the National Slum-dwellers Federation (NSDF). The NSDF had emerged in 1974 to advocate slum-dwellers' rights all across India. The alliance of SPARC and NSDF was a powerful force. It drew on SPARC's ability to conduct research, and was supported by the political clout and grassroots support base of the NSDF.

The initial intention was to rely on the state housing authority's community development officers to mobilize cooperatives of beneficiaries. But later, the PMGP explored the possibility of involving the city's NGOs to solicit community participation. The PMGP had initiated discussions with an NGO, the Slum Rehabilitation Society, which had implemented one of Mumbai's first recorded cases of slum redevelopment in 1977 (Kerker, 1981). This project was achieved through collaboration between the NGO, the community, a Catholic school and a church (Interview with Father A. Traglar, director of the Slum Rehabilitation Society, 1998).

Table 1.
Contrasting population estimates of Dharavi

Housing Structures	PMGP	SPARC
Families	55,000	85,000
Families to be Displaced	55,000	100,000
	20,000	65,000

Source: SPARC (1987), unpublished document, courtesy of Mr. A. Jockin, SPARC and NSDF.

Table 2.
Contrasting plans for Dharavi, 1987

■ Height of Structure	PMGP	SPARC
■ Size of Units	5 Floors	1-2 Floors
■ Terms of Financing	165 ft ² (15 m ²); 180 ft ² (17 m ²); 180-430 ft ² (17- 40 m ²)	280 ft ² (26 m ²)
	15% beneficiary contribution; 50% loan at 9% interest; 20% interest-free loan from PMGP; and 15% grant from PMGP	Cost of project to be reduced with lower interest rate loan (6%) without any collateral

Sources: Interviews with Mr. A. Jockin, SPARC and NSDF, 1997, and with Mr. V.G. Gode, ex-director PMGP and Mr. G.S. Pantbalekundri, ex-senior planner PMGP, 1997.

The comment was made by the state Chief Minister, Mr. Sharad Pawar (Interview with Mr. A. Jockin, SPARC and NSDF, 1997). Please also see, Indian Express, July 29, 1995.

The SPARC and NSDF team became active in Dharavi in 1986 with the initial intention to stop all evictions. They began by organizing a census survey of the area, as SPARC had done previously with the pavement-dwellers in central Mumbai.⁸ This survey allowed SPARC to establish a good rapport with the inhabitants. More importantly, it generated data, which allowed the NGO to challenge the government's estimates. SPARC described this process as 'talking to the government with facts'. The NGO argued that the government's proposed plan required a massive relocation; more than three times the government's claim (Table 1).

Based on the starkly different estimates, towards the end of 1987, SPARC prepared an alternative 'People's Plan' for Dharavi. SPARC's plan recommended low-rise structures with a uniform unit-size of 280 square feet (26 square meters). The plan also argued against the relocation of people or businesses.

SPARC's plan also demanded that the Housing and Urban Development Corporation (HUDCO), a national, public sector housing finance agency, provide concession-rate loans to reduce the project cost. Notably, the People's Plan was very critical of the direct involvement of the private sector in project implementation. It argued against the private sector's involvement on the premise that private investment may result in the displacement of local residents to make projects more profitable.¹⁰ Instead, the plan proposed that the project beneficiaries control all decision-making and encouraged bottom-up, people-centered development (Table 2).

In calculating the costs for the proposed housing, SPARC argued that the construction cost could be reduced significantly by reducing the height of the buildings from five floors to one or two floors. It also argued that a self-help approach, in which the residents managed the construction process by procuring building materials, like cement, from the public distribution system rather than the free market, could result in a substantial cost-saving. Also, in a self-managed project, the usual costs of government corruption, and inefficiency, could be avoided. Finally, SPARC argued that if such an approach was supplemented with low or no-interest loans from HUDCO and the PMGP, the total project cost to the beneficiaries could be reduced significantly.

SPARC had used the same strategy in 1985 while working with the pavement-dwellers of Byculla (central Mumbai). The enumeration of pavement-dwellers was initiated soon after the 1984 Supreme Court judgment that upheld the right of the city's authorities to clear city-pavements. SPARC's intention was to use the census to collect data on the pavement-dwellers to elaborate on the extent of the evictions and use the census process to organize the pavement-dwellers. Describing the logic of the enumeration, SPARC's Meera Bapat wrote, 'The awareness that there are thousands like them (pavement-dwellers) has given them the strength to stand up for fair treatment by the state' (Bapat, 1991). Please also see, SPARC, 1985.

PMGP and SPARC: The Battle over Markandeya

Government's Response to SPARC's Plan

The PMGP dismissed most of SPARC's proposal as unrealistic, guided at best by an idealistic but naive desire to do good, and at worst by an urge to control the Dharavi area because its redevelopment was creating dramatic increases in the property values.

Furthermore, senior officers of PMGP argued that it was physically impossible to resettle all of Dharavi's residents in units of 280 square feet per family without resorting to even higher buildings than they had proposed. They also felt that since government-administered redevelopment projects elsewhere in the city were following a different norm, they could not justify allocating larger units to Dharavi's residents. They preferred that Dharavi be developed using a range of housing unit sizes depending on the beneficiaries' existing housing areas. They disagreed that the larger units would be cheaper and were skeptical of the financial capacity of the beneficiaries to afford the extra cost of the larger units. The PMGP also argued that HUDCO was not in any position to reduce further the already lower-than-market interest rate it was willing to provide the project beneficiaries. In response to SPARC's suggestion that the area's residents manage project construction, instead of private contractors hired by the government, the PMGP doubted the technical capacity of community groups to supervise the construction of apartment complexes, even if they were low-rise. The PMGP preferred to hire private contractors who would be accountable to the PMGP.

Compromise but further Conflict

By the end of 1987, however, the PMGP decided to modify its original plan to redevelop Dharavi. There were three main reasons. First, the PMGP lacked sufficient funds to reconstruct the entire Dharavi area. Second, they did not have enough temporary housing for slum-dwellers, whose houses were to be reconstructed. Third, they realized that the forced resettlement of the area's residents, even if it was limited to 20,000 families according to the PMGP's estimates as opposed to the potential 65,000 families as claimed by SPARC, was politically unfeasible. Hence, the PMGP decided to upgrade the bulk of the housing (rather than reconstruct), and redevelop only 3,800 housing units in twelve sub-areas within Dharavi (Dua, 1989). One of these sub-areas was Rajendra Prasad Nagar.

9 Interview with Ms. Sheela Patel, director SPARC, 1997.

10 Interview with Mr. A. Jockin, SPARC and NSDF, 1997.

Rajendra Prasad Nagar was to be developed in three phases. Of the three projects in the first phase, one was the Markandeya area. Markandeya housed around 250 families and already had an organized community group headed by a popular local politician, S. Challaiah.¹¹ In early 1988, community development officers from the PMGP came to Markandeya to help transform the community group into a housing cooperative. Much to the surprise of the local politician, Markandeya's residents decided to create two cooperatives, instead of one. Nearly 160 families belonging to the *Padmashali* caste disregarded the local politician's advice and formed a separate cooperative.¹² The remaining 92 members, created a second cooperative, the Markandeya Cooperative Housing Society (MCHS).¹³ The MCHS became the battleground for the next phase of struggle between the PMGP and SPARC.

SPARC's leaders knew the local politician, the chief-promoter of the MCHS. They approached him with a proposal to develop Markandeya according to the People's Plan. The proposal offered the cooperative's members, 280 square feet houses. This was much larger than the PMGP's proposal of 180 square feet units for Markandeya's residents. Moreover, SPARC assured them that the larger units would actually cost less. The cooperative accepted SPARC's proposal.

SPARC and the architects commissioned by them, worked with the MCHS to prepare an architectural plan.¹⁴ SPARC suggested using a physical plan for housing units that had emerged earlier, out of their consultation with the pavement-dwellers in central Mumbai (SPARC, 1988). Asked to design the kind of housing they preferred, the pavement-dwellers had designed a room with fourteen feet (4.3 meters) high ceilings that could accommodate a six feet (1.8 meters) high loft. At Markandeya, the architect proposed to use a rectangular unit of 180 square feet (17 square meters) with a 100 square feet (9.3 square meters) loft, to provide a total living space of 280 square feet (26 square meters). The SPARC plan also provided common external toilets, in contrast to attached toilets for each individual unit as in the PMGP plan. This, SPARC argued, lowered the cost and made the housing units unattractive to middle-class families, reducing the possibility of gentrification.¹⁵

11 Challaiah was the founder of the Mumbai chapter of the Tamil party, the Dravida Munnetra Kazhagam (DMK). The DMK is one of the main political parties in the state of Tamil Nadu. Despite the strong Tamil presence in Dharavi, the DMK was not a significant political actor in Mumbai.

12 The break-away group from Markandeya is from the Padmashali caste. They formed the Padmashali cooperative. The cooperative was to be developed in the second phase of redevelopment in Rajendra Prasad Nagar.

13 Technically, Markandeya's members created a proposed cooperative. The cooperative would not come into existence, till the organization had a collectively owned asset. The cooperative had 81 residential members and 11 commercial members.

However, contrary to SPARC's initial optimism for one or two floors, the project was to be higher. According to the proposed plan, the housing units were organized around a three floors high courtyard. But this was still less than the five floors proposed in the PMGP plan. In the SPARC plan, the third floor provided space for a common terrace occupying one third of the floor space. This terrace space could be rented out by the cooperative for social functions, and the rental income used for building maintenance.

By the middle of 1988, the MCHS informed the PMGP that they had decided to self-manage their housing reconstruction project with SPARC's support. Since the PMGP was bound by law to allow housing cooperatives to pursue their own approach, it accepted the decision but warned the MCHS that it would have to follow the building regulations of the city's municipal corporation, the Municipal Corporation of Greater Mumbai (MCGM). The PMGP was concerned that the project's beneficiaries would sublet their lofts, significantly increasing the density and, consequently, the pressure on Dharavi's infrastructure.¹⁶ The PMGP also argued that if the beneficiaries were allowed larger floor areas without any additional subsidies, then the project would become unaffordable for many residents. Finally, the PMGP objected to SPARC's plan to provide the public terrace space to be rented-out by the cooperative. The officials feared that such open space was going to be encroached upon, further adding to the density of the area (Times of India, March 16, 1989).

When the MCHS proposed to the municipal corporation that it was planning to build fourteen feet (4.3 meters) high units, the corporation refused to issue permits for construction, and ordered the MCHS to restrict the height of units to ten feet (3 meters). The MCHS and SPARC were helpless and decided to present a revised plan, reducing the height of the units. However, they had no intention of following the revised plan after they obtained the building permit. Once the permit was issued, the MCHS and SPARC began a campaign in support of fourteen feet high units. They wrote to various, senior politicians and administrators at the state and the national level. Finally, in October 1989, the municipal corporation granted 'special permission' to the MCHS for the fourteen feet high units.¹⁷

14 Mr. Sharad Mahajan and his wife Ms. Neeta Bhatt of Purbli Architects were commissioned for the project. Ms. Bhatt had earlier worked with Mr. A. Jacklin, the President of the NSDF, on an infrastructure project for a Mumbai slum. However, Sharad Mahajan, became the main project-architect, particularly, in the implementation phase.

15 Interview with Ms. Celine D'Cruz, SPARC, 1997.

16 In the 19th and 20th Century, it was a common practice in Mumbai to add lofts in existing buildings to rent out to migrant laborers. Researchers have held this practice responsible for the overcrowding in the city (Dwivedi and Mehrotra, 1995).

17 Apart from the pressure by SPARC and the MCHS, by August 1989, the state government had agreed to approve the municipal corporation's proposal for revisions to the Development Control Regulations, and allow fourteen feet high construction (Afternoon, August 29, 1989). The municipal corporation first made the proposal in the Draft Development Control Regulations in 1987.

Conflicts over Project Finance

As the project moved towards implementation, a new battle erupted over who was to pay for the redevelopment of Markandeya. Since the MCHS and SPARC had decided to develop Markandeya on their own, the PMGP argued that it was not obliged to either give the interest-free loans (as originally planned, see Table 2) or to provide the guarantee for loans to other sources. The PMGP agreed, however, to provide the amount of direct cost subsidy from the prime minister's original grant for Dharavi's redevelopment.¹⁸

The PMGP's position created a major financial bottleneck for the MCHS. The MCHS and SPARC responded to this unexpected turn of events in three ways. They raised the direct contribution by beneficiaries, eliminated the amounts earmarked for contingencies, and directly approached a national, public sector housing finance organization, the Housing and Urban Development Corporation (HUDCO), for a concession-rate loan.

In 1989, the MCHS started the construction work with the members' down payments and hired a private contractor, for the foundation-work, without the usual tendering process. Once construction began, SPARC, on behalf of the MCHS, approached HUDCO to negotiate a loan. HUDCO was willing to lend the amount necessary to the MCHS but asked for some form of collateral. HUDCO suggested three options. The first possibility was a guarantee from the state housing authority. Second, a land and building mortgage, which required the municipal corporation to lease the land to the cooperative, and permit it to mortgage the lease of the land and the buildings to HUDCO. The third option was a bank-guarantee, against a fixed-deposit, large enough to secure the loan.

The PMGP, however, refused to recommend to the state housing authority to provide the guarantee for the MCHS' loan. The PMGP argued that the MCHS and SPARC, and not the PMGP, were the project promoters. Therefore, the PMGP had no control over the construction-process. SPARC then initiated a discussion with the municipal corporation of Mumbai to lease the land to the MCHS so that it could be mortgaged to HUDCO.

While discussions with the municipality proceeded, the construction work stopped due to the lack of funds. The private contractor was unwilling to finance the project and recover his expenses later. In 1991, SPARC decided to post a partial bank-

18 The PMGP deducted overheads of Rs.400 per member and released the subsidy of Rs.5,000 per member. But they provided for only 76 members, claiming that they were able to verify the eligibility (based on proof of residence in Dharavi prior to 1985) of only those members.

19 SPARC agreed to post a guarantee of Rs.1,000,000, roughly one-fifth of the estimated project cost.

guarantee from its own funds and asked HUDCO to release the amount of the first loan installment. SPARC argued that it felt compelled to post the bank-guarantee because of a sense of obligation towards the MCHS.¹⁹ SPARC also sensed that if it failed to complete the project, it would lose credibility, not only among the Markandeya residents but also among other Dharavi residents who compared Markandeya with the other housing cooperatives working closely with the PMGP. Also, SPARC calculated that it did not need to post the guarantee for very long. It expected that the MCHS would soon receive the land-lease certificate from the municipal corporation, and would execute the mortgage-agreement with HUDCO, enabling the release of SPARC's guarantee.

HUDCO released approximately three-fourths of the first loan installment to the MCHS with SPARC's partial bank-guarantee.²⁰

The loan was made directly to the MCHS, which was solely responsible for repayment. This allowed the building foundation-work to be completed by the middle of 1992. At that time, the MCHS and SPARC hired a new company (Sairam Construction) to complete the superstructure. The new contractor was the nephew of a member of the MCHS.

The contractor, however, was neither very experienced, nor well financed. Consequently, the project began to flounder again from the absence of funds.

Local NGO, Global Connections

With the project almost five years old, and very little progress on the building structure, SPARC became even more involved in its financing. In 1992, it provided a fairly significant bridge-loan from its own funds,²¹ and later arranged for a complete bank-guarantee for the additional loan installments from HUDCO until the land-lease and mortgage was executed. To arrange the additional funding, SPARC approached a Belgian Trust, Servicio Latino American Asiatico Vivienda Popular (SELAVIP), which funds shelter-related projects.²² SELAVIP agreed to provide a guarantee through the Bank of Liechtenstein. SPARC presented the bank-guarantee to the Bank of Baroda, which executed an agreement for an equivalent amount to HUDCO.

20 The total loan for the 92 members at Markandeya was Rs.1,840,000. The planned first installment was Rs.1,071,000. But HUDCO agreed to release only Rs.750,000 to the MCHS (equal to 75% of SPARC's bank-guarantee). HUDCO could not release more because the bank-guarantee was also expected to secure future interest payments on the loan.

21 SPARC made an interest-free loan of Rs.200,000 to the cooperative.

22 SELAVIP had funded previous projects of SPARC.

HUDCO accepted the guarantee and agreed to release the complete loan. HUDCO released the full amount of the first installment in December 1992. But it also warned that no further amount would be loaned unless the pace of construction increased. SPARC was disappointed and argued that as a public agency created to assist low-income housing construction, HUDCO should be willing to accept more risks. But HUDCO as a public sector organization being scrutinized closely for its performance in response to the pressure for privatization was unwilling to bend any rules to help the MCHS and SPARC complete the project.

By the middle of 1993, only the columns of the first floor and part of the ceiling-slab were completed. The slow progress concerned HUDCO and it asked for a new cost estimate before it would disburse any more loan installments. The new cost estimate, prepared by the MCHS, showed an increase of nearly 70 percent. To balance the budget, as indicated in Table 3, SPARC asked HUDCO to renegotiate a larger loan, and double the initially agreed amount. It also proposed doubling the contribution of the beneficiaries to raise the balance. The proposal, however, created concern among the MCHS' members.

Table 3.
Changing estimates of cost and funding sources (rupees)

Sources of Funds ■	1988	1993
Member's Contribution ■	20,000	40,000
HUDCO's Loan ■	20,000	40,000
Interest-Free Loan from PMGP ■	10,000	-
PMGP's Subsidy ■	5,400	5,000
Total ■	55,400	85,000

Sources: Technical Report, Purbi Architects, February 25, 1998, and interview with the managing committee of the MCHS, 1998.

'Who is an encroacher?'

Even if there is a 10 per cent rise in population of slums, the land occupied by it will not be more than 8 per cent, says Deepika D' Souza. It all boils down to a seriously flawed housing policy

SINCE November 2004, Mumbai has witnessed the most brutal and violent large-scale demolitions ever seen. The demolition drive came soon after the Congress-NCP combine came into power—on the basis of a promise to regularise slums that came up before 2000.

During the elections, politicians needed the votes of these very same slums dwellers, so—at that time—they were legitimate citizens.

After the elections, however, they became encroachers, pick-pockets and thieves who were living off the fat of the land.

In reality, the whole concept of an encroacher is a myth created by our policy makers. This myth has been foisted on ordinary citizens for so long it has now become a reality.

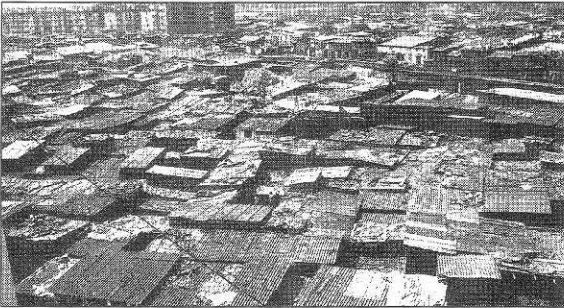
MYTH 1: Mumbai is fast becoming slumbay

According to the Afzalpurkar Report of 1995, of the total land area of 43,000 hectares only 2,525 hectares of land is occupied by slums—which is 6 per cent of the total land area.

Even if one assumes a 10-per cent increase in the population of slums, the present land occupied by slums will not be more than 8 per cent.

So much for a slumbay.

Source: The Indian Express



MYTH 2: Lack of funds

The Department of Housing and Special Assistance was established in 1980, with a mandate to provide housing schemes to the common man and ways to improve and repair slums.

Its overall share was a mere 0.87 per cent of the national budget, Rs 782.36 crore (Courtesy: Centre for Budget Studies 2002).

Yet the Ninth five-year plan (1997-2002) estimated that more than 61 per cent of that budget remained unutilised. (Centre for Budget Studies 2002-2003).

On the other hand, according to various newspaper articles, the Brihanmumbai Municipal Corporation (BMC) has spent over Rs 84 crore in

this year's demolition drive.

The question is, if the BMC can spend Rs 84 crore for demolitions, would it not be better to use the money for rehabilitation instead?

If there is a budget for housing the poor, why was it not used? How can the chief minister

claim that there is not enough money for rehabilitation?

MYTH 3: Lack of infrastructure

The common thread running through all the debates regarding the demolition drive is lack of infrastructure.

If that were true, how are building permissions being granted all over the city for large 40-storeyed towers? Where is the

water, the space and pipes for sewerage to cope with this massive increase?

If the city has reached its carrying capacity, how can the government justify the large-scale building boom that caters only to the upper middle class?

Moreover, if one really looks at the question of infrastructure, people living in slums use almost no infrastructure.

According to a recent survey conducted by YUVA, only 5.26 per cent of slum dwellers had access to individual water taps and 62 per cent use public or shared toilets.

MYTH 4: People prefer to live in slums

As per the Mumbai Metropolitan Region Development Authority's Regional Plan (1996-2011), there is a need for 85,000 housing units. Even with the current

supply of housing, there is a deficit of 45,000 housing units.

Due to this shortage of housing facilities, shelter requirements of 53 per cent of the poorer 45,000 families are satisfied through the informal sector—the informal sector being slums.

This brings me back to my original question—who is an encroacher?

If the principle planning agency itself states that there is a shortage of housing, then it is the law and policy makers themselves who make these people encroachers.

In the absence of an overarching housing policy that caters to the needs of all sections of society, the government—since 1976—has used the principle of 'cut-off dates' to make some people legal and justify demolishing the homes of others.

As long as the rich and powerful have a hold on the government, and as long as one follows a development pattern that forces people to migrate due to poverty from rural to urban areas, we will continue to create slums which neither demolitions nor cut-off dates are going to solve.

(Deepika D'Souza is executive director at the Indian Centre for Human Rights and Law in Mumbai)

The Informal Cross-subsidy Scheme
In 1993, as the MCHS' managing committee felt the reluctance of the cooperative's members to double their financial commitments, the project-architect informed them that an experienced private contractor, Mr. Shyambhai Patel, was willing to complete the project by investing his own funds. The contractor offered to complete the project, within eighteen months, on a fixed-rate contract, at the same price as the previous contractor. But he asked the MCHS to revise down a number of the finish-specifications to reduce the project's cost. The MCHS agreed to his suggestions. SPARC claimed that it was not informed of the MCHS' decision to hire the new contractor. This is surprising, given that SPARC had been the principal negotiator for the MCHS in dealing with the PMGP, HUDCO, and other State agencies.

Why did the new contractor agree to risk his financial resources to complete the Markandeya project? The MCHS' managing committee's members and the contractor insist that he wanted an entry into Dharavi's property market, and felt that he would appear successful and socially responsible if he completed the Markandeya project. Although this interpretation may be a partially correct, a more probable and complete explanation is that the contractor was aware of the new government plan, the

Slum Redevelopment Scheme (SRD), introduced in 1991.²³ This scheme was designed explicitly to encourage the private sector's participation in low-income housing delivery and was concurrent with larger, nationwide moves at the time to liberalize the economy by reducing various controls that discouraged private investment. According to the SRD, private developers as well as housing cooperatives could be promoters in redeveloping slums, as long as the slum-dwellers received housing units of 180-225 square feet (17-21 square meters), and did not pay more than Rs.15,000 per household. Developers were allowed profits up to twenty-five percent on their investment by building additional units to sell at market-price to buyers from outside the community. Maximum Floor Area Ratio (FAR) for each site was limited to 2.5 (MCGB, 1992).

The state government set up a special committee, the Slum Redevelopment Committee, to approve project proposals.²⁴ The committee had the authority to alter old PMGP slum reconstruction projects, such as Markandeya, to fit the new stipulations. Private developers could request such alterations as long as their requests were supported by the housing cooperatives. The new contractor at Markandeya did not raise the possibility of applying for SRD permission at the outset, although his contract with the MCHS indicates that he intended to build nearly twelve percent more units than previously planned.

SPARC claimed that they came to learn about the plan to build additional units only later from other sources and from the

23 Though the state government announced the SRD in February 1991 (Times of India, February 23, 1991), the municipal corporation elaborated the implementation guidelines in April 1992 (MCGB, 1992).

24 The SRD Committee was a decentralized three-member group. The municipal commissioner of Greater Bombay headed the committee. The chief-executive-officer of the state housing authority and the additional collector of slums (Government of Maharashtra) assisted him. The committee approved projects and determined the maximum allowed FAR (up to 2.5) on the basis of the profit-ceiling of 25 percent.

contract. When SPARC asked the MCHS to explain why additional units were to be built, the managing committee explained that it was an opportunity to cross-subsidize the cost to the cooperative's members who were reluctant to take on a large debt to HUDCO. The committee also claimed that it was not sure whether HUDCO would release the negotiated larger loan. HUDCO was demanding new collateral; either another bank-guarantee, which SPARC did not want to provide, or a mortgage on the land that the municipal corporation was yet to lease.

Reluctance to Mortgage Land

In 1994, the municipal corporation eventually provided a 30-year land-lease to the MCHS. But the revised HUDCO loan did not come through, in part because the MCHS was reluctant to mortgage the land and accept a larger debt-burden. Initially, after receiving the land-lease, the MCHS did approach HUDCO at SPARC's urging. HUDCO asked the MCHS to provide an income tax clearance certificate for the cooperative, as required by law. But the MCHS could not provide such a certificate because its accounts were incomplete and had not been audited for a while. The managing committee claimed that the MCHS' treasurer was sick for about a year, so their records were incomplete. To SPARC's dismay, when HUDCO refused to proceed with the mortgage without the certificate, the MCHS refused to pursue the option. SPARC blamed the contractor and the architect who, SPARC assumed, conspired to make the MCHS rely on the contractor's own funds.

Irregularities in the Sale of Extra Units

Sometime in 1994, the MCHS transferred the rights to sell the additional units to the contractor. The contractor was to count the sale proceeds as past payments from the MCHS, which he did. The amount he indicated as the sale price, however, was apparently far below what he must have received from the buyers.²⁵ SPARC noted this irregularity and assumed that the contractor shared the unaccounted amount with the members of the MCHS' managing committee. But apparently SPARC was helpless. Moreover, the MCHS and the contractor agreed to jointly apply for permission to alter Markandeya's project status under the state government's Slum Redevelopment Scheme (SRD).

Taking Advantage of the Development Potential of Land

In 1995, when the MCHS and the new contractor applied for

permission to develop Markandeya as an SRD project, the property prices in Dharavi, as in other parts of Mumbai, had increased to an unprecedented level. The potential for cross-subsidy was at an all time high. The contractor offered to become the developer of Markandeya and complete the project without any further loan from HUDCO. He proposed to repay the loan already received from HUDCO, reimburse SPARC for the bridge-loan it provided, and return to the PMGP, the subsidy granted so far. The cooperative's members would each pay Rs.40,000 for a finished unit with a market value that was about twelve to fifteen times more. In return, the contractor/developer would be able to sell 68 units (nearly 70 percent more units than originally planned) in the free market, after transferring 18 additional units to the PMGP or the state housing authority. This scheme could not be carried out if the building was restricted to three floors, as initially proposed by SPARC. Now the buildings was to be five floors high, and the units in the top two floors were to be ten feet high, not fourteen feet, as originally envisioned in the plan.²⁶

Much to SPARC's disappointment, the MCHS strongly supported the developer's plan, and it was approved. According to the new plan, the MCHS did not have to mortgage the land and the building, or contribute more money. But SPARC pointed out that the developer should return 60 percent of the beneficiaries' contribution because the SRD capped members contribution at Rs.15,000 per unit.

The developer argued back that there had been cost over-runs because of past delays and mismanagement prior to his involvement in the project. Also, the beneficiaries were to receive fourteen feet high units while the official scheme stipulated only ten feet high units. Nevertheless, the developer eventually submitted a revised application for SRD approval in which he proposed that he could deliver the units free to the beneficiaries if he could sell the additional units he was supposed to deliver to the PMGP.²⁷ The application was approved by the Slum Redevelopment Scheme Committee.

More Policy Changes, More Profit

In 1995, the Shiv Sena, the opposition party, won the state elections and replaced the 1991 scheme, which was already market-friendly, with its new Slum Rehabilitation Scheme (SRS). The new scheme removed the previous cap of twenty-five percent on profits and introduced the concept of Transfer of

Development Rights (TDR). In return, the developers were to give 'free-housing' to slum-dwellers. The SRS created new opportunities for the developer at Markandeya. Since the foundation of the building was already constructed, it made it impossible for the developer to add more floors to utilize the maximum allowed FAR. But he could now transfer that right to build to other parts of the city with higher property values. For the developer this was an extremely lucrative opportunity. Not surprisingly, he proposed to convert Markandeya one more time, this time to the Slum Rehabilitation Scheme (SRS). To ensure support from the MCHS, he now promised to pay the interest payment on the HUDCO loan (previously he had offered to pay only the principal, and he offered to pay SPARC interest on the bridge-loan it had provided earlier. The contractor also agreed to contribute towards future maintenance expenditures, as required by the new scheme.

However, the developer refused to return the contributions made by the cooperative's members, despite SPARC's demands, and despite the new scheme stipulating free-housing. The MCHS' members and managing committee did not pressure him with such a demand. They decided to postpone a final understanding with the developer till he completed the construction of their housing units. Some members accepted the contractor's argument that the new scheme suggested ten feet high units, while they were to receive fourteen feet high units with lofts, and that they had to pay for the extra cost. Most were tired and anxious to move in to their new houses. In any event, they were unwilling to disrupt the developer's plan which had finally moved the project ahead, breaking the long impasse.

Uncivil Society:

Distrust between SPARC and the Community

Suspicion on the Managing Committee

Not surprisingly, SPARC had begun to distrust the MCHS' motives. First, SPARC was ambivalent when the MCHS decided to hire the new contractor at the project-architect's advice. But the NGO was eager to see the project progress. It recognized the new contractor's better skills, and thought that he could self-finance the project to completion. But SPARC was also aware that the new contractor could inject a market mentality in the project and undermine SPARC's role. After all, SPARC's initial proposal to redevelop Dharavi explicitly stated that private for-profit actors were not to be involved. This was based on the fear that an alliance of private contractors and government officials would encourage bribery, increase the project-cost, and reduce the quality of construction. SPARC had not thought at that time that an alliance of private developers and community leaders could be equally detrimental for the project.

When the MCHS signed a contract with the new contractor/developer to build extra units, SPARC realized that its influence on the MCHS' managing committee was being

challenged. For the first time, SPARC regretted that there had been no elections held to form the managing committee.²⁸ SPARC had initially worked well, with only two key members of the managing committee. The rest of the members were 'reluctant volunteers' who had to be cajoled to join in order to meet government requirements. Most residents of Markandeya trusted the local politician who headed the managing committee, and were reluctant to spend time and effort in self-managing the project. This had not bothered SPARC earlier, but its adverse effect became increasingly visible as the developer was able to convince the managing committee to approve all his requests.

When the managing committee refused to mortgage the land-lease, for which SPARC had worked very hard, the NGO was hurt financially. By mortgaging the land-lease to HUDCO, SPARC had hoped that it could withdraw the bank-guarantee it had provided with the help of SELAVIP, the Belgian Trust. SPARC realized that although the private developer had offered to repay HUDCO, it would be difficult to hold him liable if the loan was not repaid. The loan was from HUDCO to the MCHS, which alone was responsible for repaying it. But the loan was guaranteed by SELAVIP's funds. If the loan was not repaid, and HUDCO revoked the guarantee, SPARC would be obliged to compensate SELAVIP. SPARC was frustrated that the private developer and the MCHS' managing committee, and members, were happy to complete the project without much concern about the NGO's financial liability.

To add to SPARC's disappointment, the MCHS' members voted unanimously to add more floors to the original low-rise design for which SPARC had fought so hard against the government (Figure2). Although there is no evidence, SPARC claimed that the developer and the managing committee were colluding to share profits from the sale of the additional units, ignoring the adverse effect on the general quality of the houses being built.²⁹ But there was no evident protest from Markandeya's members against the decision to add additional floors. On the contrary, the developer established a good rapport with the residents, who gratefully acknowledge his involvement in the project. It seems that Markandeya's residents were not aware, initially, of the real estate return their settlement could generate. While working with SPARC earlier to articulate their rights and needs, the residents did not fully recognize that they were sitting on a gold-mine, which if properly developed could generate

²⁵ In Mumbai, as in most Indian cities, property transactions were partially made in declared payments (white, i.e., check payments) and partially in undeclared payments (black, i.e., cash payments). The proportion of white and black varied from city to city. In Mumbai, the proportion at that time was 1:1. It appears that the contractor was only disclosing the amount received through declared payments.

²⁶ The top two floors had to be restricted to ten feet height to reduce the additional load on the structure.

²⁷ Annexure II, revised Slum Redevelopment Scheme application, October 31, 1996.

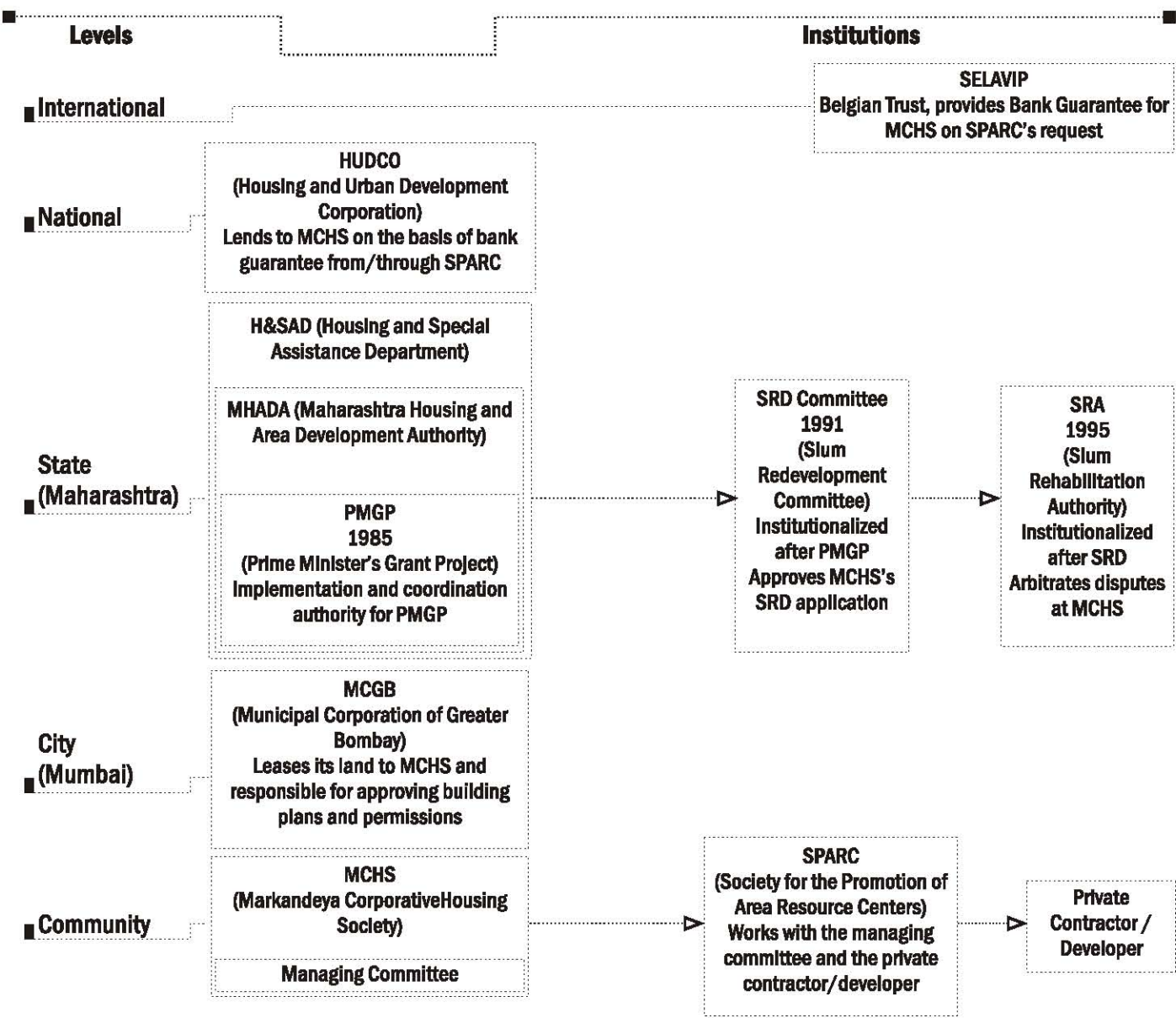
²⁸ SPARC worked with the chairman of the MCHS, Mr. S. Challalah and the secretary, Ms. Geeta Naik.

²⁹ Because of the extra units and floors built at Markandeya, the courtyard does not receive enough natural light and has become relatively dark.

enormous profits. The private developer opened the MCHS' eyes to this possibility. True, he himself benefited from this opportunity, even to some extent opportunistically, but he also demonstrated to the residents that they could benefit much more from the project than what SPARC had promised them.³⁰

SPARC on the other hand was legitimately concerned about its financial liability in the project. Someone had to repay HUDCO. SPARC tried to force the private developer to pay. When it learned that the managing committee had agreed to his proposal to convert Markandeya into an SRS project, SPARC pointed out to Markandeya's members that according to the project-guidelines for the SRS, the private developer was expected to provide them free-housing. But the members were paying Rs.35,000 per household.³¹ SPARC was convinced that the only way the managing committee could accept this unfair proposal was because the developer had bribed them. SPARC demanded that the managing committee explain its rationale for signing off on the developer's proposal. SPARC also approached the committee created to approve SRS proposals and asked them to ensure that 70 percent of the cooperative's members, as required by the SRS's rules, supported the decision not to have free-housing. Consequently in 1997, the state government put Markandeya's application for SRS status on hold.

Ten Years for New Houses
Meanwhile, the developer continued with construction work on the project. He decided to add individual toilets to the units on the upper floors that he was authorized to sell in the free market. The existing plumbing for the common toilets was inadequate, so the developer decided to add new plumbing lines. This provided an opportunity for the MCHS' members to have attached toilets in their units as well. When the project was initially planned, SPARC had opposed the provision of



separate toilets for each unit on the ground that it would increase the cost and make the units attractive for gentrification. Much to SPARC's dismay, nearly half of the MCHS' members decided to have individual toilets and paid for them in full to the developer.

The developer was keen to obtain the approval to convert Markandeya to an SRS project and capitalize on the TDR from the project. But the rules stipulated that all the MCHS' members had to occupy their houses before the TDR could be exercised. So, the developer decided to temporarily halt the construction of the free-sale units and proceeded to complete the units for the members. At the beginning of 1998, nearly ten years after the Markandeya project was started, the cooperative's members finally started moving into their newly built units.

The Bank-guarantee under Threat
However, Markandeya's story did not end with the MCHS' members moving into their new homes. A major dispute arose among the developer, SPARC, and the MCHS regarding who was to pay whom for what. After signing the agreement with the developer for the SRD, the MCHS had stopped all loan repayments to HUDCO. The developer did not pay HUDCO either. After sending repeated notices and demands to the MCHS, the borrower, HUDCO decided to recall the loan. In September 1997, HUDCO threatened to invoke the international bank-guarantee SPARC had provided with SELAVIP's funds.³²

Arbitration by the State
Desperate, SPARC took three initiatives to resolve the crisis. First it requested HUDCO for a three-month grace period. Second it took the land-lease documents from the managing committee and decided to hold on to them. Third, it decided to approach the newly created authority that was instituted to sanction and monitor all slum redevelopment projects under the Slum Rehabilitation Scheme (SRS). The Slum Rehabilitation

³⁰ The MCHS' members were also aware of other redevelopment projects in Dharavi, and Mumbai, where the slum-dwellers were financially benefiting from the development potential of their land.

³¹ Though all members were supposed to have contributed Rs.40,000 to the project, the actual payments varied from household to household. Together, the MCHS had paid Rs.3,168,700. This averages to about Rs.35,000 per member.

According to HUDCO, the MCHS owed the corporation Rs.2,422,577, the value of the unamortized loan and the due-interest.³²

Authority (SRA) was created at the recommendation of a special committee appointed by the new government to help revise the earlier SRD scheme (Afzulpurkar, 1995).³³ The committee's objective was to develop guidelines to make redevelopment easier and attractive to implement. Both the special committee and the authority created on the basis of its recommendation (SRA), included high-level government officials, representatives from the private sector, and civil society representatives. Interestingly, SPARC's director, Ms. Sheela Patel, was asked to serve both on the special committee, and later as a member of the SRA (Afzulpurkar, 1995; Government of Maharashtra, 1997). As a committee member, Sheela Patel had fully endorsed the recommendation that speedy implementation of the SRS required the creation of a centralized institution which could adjudicate disputes among the various parties involved in slum redevelopment (Afzulpurkar, 1995). When the SRA was created to serve this purpose, and Sheela Patel was asked to be a member, the conflicts in the Markandeya project had not as yet reached a peak. When the conflict did peak later, it was not surprising that SPARC asked the SRA to intervene.

Ironically, at that time SRA's chief executive officer (CEO) was the same person who once headed the now defunct PMGP; the public sector entity created in 1985 to implement the original Dharavi redevelopment plan.³⁴ As early as 1986, SPARC had sparred with PMGP first for the development approach in Dharavi, and later for the development strategy and control at Markandeya. Hence, the CEO was quite familiar with the Markandeya case. He proposed to resolve all disputes, by designating Markandeya's redevelopment as a 'joint-venture', with the private developer, the MCHS and SPARC as partners. The value of each partner's share was arrived by calculating its direct financial contribution to the project. The developer was asked to pay HUDCO the due-arrears, and transfer ten units to the MCHS and SPARC as their share of the free-sale component. The proceeds from the sale of these units were to be deposited in a bank account, jointly held by the cooperative and the NGO.³⁵ The sale-proceeds were to be first used to retire HUDCO's loan. As an added precaution, SPARC continued to hold the land-lease documents issued by the municipal corporation to the MCHS.

³³ The special committee was set-up under the leadership of the chief secretary of the state, Mr. Dinesh Afzulpurkar and had eighteen other members.

³⁴ Mr. Gautam Chatterji was the director of the PMGP from 1988-1991, and was appointed the chief-executive-officer of the SRA in 1997.

³⁵ The arbitration meeting was held at the SRA on August 28, 1998.

³⁶ SPARC was the developing agency for the Rajiv Indira CHS. The cooperative approached SPARC in 1996. Both parties signed a contract in 1997. Construction work started in July 1998 and was expected to be complete by the middle of 2000.

SPARC's New Role as a Developer

While the SRA was resolving the Markandeya dispute, SPARC began working with another cooperative in Dharavi in a new SRS project. This time SPARC was to be the developer.³⁷ As the developer, SPARC arranged financing from the American multinational bank, Citibank; an NGO from the United Kingdom, Homeless International; and a Dutch NGO, Bilance. To ensure the speedy implementation of the project, SPARC centralized the decision-making in the project.³⁷ Unlike at Markandeya, the cooperative was to play a limited role. SPARC also hired a new architect.³⁸ The NGO, however, handled most aspects of the project, including negotiating loans, supervising the contractor and managing non-technical aspects. When the cooperative's consent was necessary, SPARC dealt primarily with the chief promoter of the cooperative - PS. Shanmuganand - who had invited SPARC to become the developer for the area. SPARC argued that it was keen to ensure that the project was more successful, and was implemented faster than the Markandeya redevelopment. It wanted to 'disprove its critics'.³⁹ To expedite the project efficiently, SPARC had, like any private developer, reduced the beneficiaries' participation in the project to the minimum. But the beneficiaries were not complaining. They seemed to recognize that they could receive their new housing much faster in this manner.

Reexamining NGOs in Housing Delivery

Based on the case of the MCHS in the preceding pages, this section examines the role of NGOs in housing delivery in the context of the claims concerning NGOs as intermediaries. The intention is not to find fault with role played by SPARC but to critically assess the literature and its shortcomings. Let me start by highlighting three positive accomplishments of the NGO in this story. First, SPARC's census of Dharavi in 1987 was a significant contribution that brought to public attention the extent of the hardship that a majority of Dharavi's population would face, if the PMGP proceeded with its original plans to redevelop Dharavi. Without SPARC's involvement, Dharavi might have seen an unprecedented scale of forced displacement of the poor. Second, SPARC was instrumental in Markandeya's

³⁷ SPARC, however, claimed that SPARC, the NSDF and Mahila Milan would check each other to maintain accountability.

³⁸ SPARC commissioned Ms. Suchita Chogle of Pansare and Chogle Associates as the project-architect. The engineer and urbanist Mr. Shrish Patel, introduced her to SPARC. Shrish Patel was also a member of the SRA.

³⁹ Interview with Ms. Sheela Patel, director, SPARC, 1998.

members receiving larger housing units. Their housing area is almost 60 percent larger than what it might have been if SPARC was not engaged. Third, SPSRC supported the MCHS financially; initially through a partial bank-guarantee from its funds and later a complete bank-guarantee through its international network.

But the Markandeya case also brings to the forefront some less attractive aspects of NGOs. These aspects are contrary to some of the assumptions in the literature on NGOs. The findings of this research suggest that it is necessary to be more circumspect about the potential role of NGOs in development.

NGOs and Community Empowerment

The key assumption that the Markandeya case challenges is that NGOs are neutral intermediaries without any institutional interests of their own. Since they are not expected to have any interests or agendas, there is no concern regarding NGOs coming into conflict with the communities they work with to empower. However, this assumption is problematic because empowerment can mean many different things to different actors at different points in time.

In Dharavi, in the mid-eighties, empowerment for the slum-dwellers came from avoiding resettlement in a distant location. By 1987, this was replaced by empowerment that came from being selected for the Slum Reconstruction projects. The most significant empowerment, however, was a result of occupying the new housing. But for the new housing to be truly empowering, it had to come without concerns of loan-liability or future maintenance costs that could result in beneficiaries being evicted. The risk of displacement had the potential of turning an act of empowerment to a nightmare of vulnerability. Not surprisingly, to reduce their financial contribution to the project and eliminate the liabilities of future expenditure, the MCHS agreed to the private developer's proposal to add more floors, and develop the Markandeya project as an SRS project.

SPARC, however, felt that the MCHS was losing its empowerment by surrendering its control of the project to a for-profit actor. In other words, disempowering market values were subverting the community's achievement. SPARC was also keen that the MCHS establish a precedence of housing finance agencies lending to slum-dwellers' cooperatives on the basis of slum-encumbered land as collateral. Such a practice would empower other slum-dwellers' cooperatives in Dharavi and probably in other parts of the country.

Again, not surprisingly, the MCHS' members were unconcerned about the mortgage precedence, and the potential empowerment of other cooperatives of slum-dwellers. Certainly, not at the cost of their own increased vulnerability. The MCHS' members were extremely rational in their behavior. They were rational in their decision to add more floors to the Markandeya project. And they were rational in their decision to

add attached toilets to their housing units. Attached toilets meant a more valuable real estate asset.

Their decision to add toilets, however, implied that SPARC was not a hundred percent on the mark in promoting the idea of shared toilets. SPARC's efforts at community participation were further thwarted by decentralized corruption, because the community leaders were opportunistic, and were tempted to benefit from the high real estate values. To deal with the potential of such corruption in its subsequent project, SPARC did not broaden community participation. Instead, SPARC centralized the process of decision-making to restrict the opportunities for corruption.

The centralization of power was intended to help SPARC implement the RICHs project more efficiently. However, it may be without some of the rhetorical good qualities - such as empowerment through participation - that NGO administered projects are supposed to embody.

NGOs, More Like the Market and the State

Part of the rhetoric about NGOs is how institutionally distinct they are from the market-actors or the State agencies. SPARC's experience suggests that the conception can be misleading. In SPARC's new project, the RICHs, the NGO was the developer and like any private developer it was concerned about project costs and project profit. Not surprisingly, SPARC had reduced the participation of beneficiaries in the implementation of the project. Equally interesting is SPARC's involvement, first in the Afzulpurkar committee, and later in the Slum Rehabilitation Authority (SRA). Thus SPARC, to protect and advance its institutional interests and agenda was quite deliberately working with State agencies as a partner-member. It was attempting to control and participate in the government institutions to influence the direction of future State policies.

In summary, what emerges from an analysis of SPARC is a much more complex, richer and overlapping institutional arrangement. Such an institution, though different from the assumed simplistic model of NGOs, is not necessarily inferior or lacking in its capacity for social achievement. However, it is different and the consequences of its departure from the norm are unclear. Its performance ought to be clearly evaluated by future research.

NGOs and Autonomy

Normatively, NGOs have been advised to cooperate with State agencies. The theoretical position from which such advice follows is that NGOs are institutionally distinct from the State and have different comparative advantages (Cernea, 1988). For example, the government is supposed to have the bureaucratic and financial resources to implement large-scale projects and policies. In contrast, the strength of NGOs is supposedly in their ability to ensure beneficiaries' commitment and participation.

However, inter-institutional arrangements, as the chapter reveals, are likely to be more complex. More than mere cooperation, the relation is more likely to be dual and contradictory. Or what Bish Sanyal (1994) calls cooperative autonomy: dialectic of cooperation and autonomy between the government and NGOs. Thus, the strategies of one influence the strategies of the other.

Does SPARC follow a model of cooperative autonomy? On the surface, the answer seems to be yes. However, this needs to be more closely examined. To answer this question fairly, the unit of analysis of research has to be the NGO (and the State), not a project in which the NGO was involved. There are a number of questions that follow. How does SPARC balance its institutional interests with its social agenda? How does SPARC's relationship with the government impact the government's development agenda? And conversely, what is the impact of State policies on SPARC?

Markandeya's case illustrates that the State had a significant role to play in the success of NGOs and in NGO administered projects. The important role of the government, in the context of decentralization, is further highlighted in the next section.

Decentralization and Centralization in Housing Delivery

The current policy focus in housing provision in developing countries is on enabling (UNCHS, 1990; World Bank, 1993). According to the conventional wisdom, decentralization is an important component of the enabling strategy. Markets and civil society are seen as key actors in housing production. The policy emphasis on decentralization is not limited to the housing field but is a more general advice promoted by the neo-liberal, and the neo-populist, literature in the field of development.

Interestingly, in the promotion of decentralization, the unpleasant possibility of social conflict is rarely discussed. But contrary to the assumption that decentralization is an unproblematic process, the evidence in this chapter indicates that decentralization in housing provision can lead to conflicts among various actors on how to share the benefits. Such conflicts are more likely in contexts where high value property assets are being created and where the property rights to the new assets are ambiguous or difficult to enforce. This is not to suggest that conflicts are always unproductive and should be avoided at all costs. There should be, however, institutional mechanisms to ensure that conflicts can be resolved expeditiously (Sanyal and Mukhija, 2001).

Mumbai's context of slum redevelopment represents such a situation. At the city-level, the private sector and civil society participants in the Afzulpurkar committee, instituted to advise the state government on how to implement slum redevelopment, demanded for a centralized authority to resolve disputes that were likely in redevelopment. As a consequence of the advice, the state government established the Slum Rehabilitation Authority (SRA). At the case-level (MCHS), the different decentralized actors (the cooperative, the NGO, the private developer) demanded that the SRA, the State agency, arbitrate their dispute and resolve the conflict at Markandeya.

These demands for centralization and the involvement of central actors are surprising from the perspective of the one-sided literature on decentralization. However, they were absolutely rational demands from the decentralized actors in Mumbai. In high value property markets, time is of the essence. It is natural for participants, in such

'Rehabilitation rule being misused'

TIMES NEWS NETWORK

Mumbai: The city has 16,552 pre-1940 cessed buildings which are open to reconstruction under section 33(7) of the Development Control Regulations. Occupants in these buildings, with the exception of bungalows and other spacious constructions, mostly reside in tiny rooms of about 100 sq feet.

A PIL filed by former Mumbai civic chief J B D'Souza, activist Cyrus Guzder and structural engineer Shirish Patel has challenged the controversial rule that allows builders considerable FSI for ostensibly executing a public housing scheme.

The rule in its modified form is one of the sops the builders got from the former Shiv Sena-BJP government. Representing the petitioners, senior counsel Aspi Chinoy drew the court's attention to the potential "recipe for disaster" that the rule spelled for the city's future. He said the rule, which was meant for rehabilitating tenants in completely dilapidated cessed buildings, was being misused and even structurally-sound buildings were being permitted by the government and the housing board to be reconstructed.

Under the reconstruction scheme, the private builder who rehabilitates tenants in 225 sq feet tenements gets 50% to 70% incentive FSI that he can build and sell for a profit.

The problem arose when builders started inflating the tenants' lists to get large amounts floor space for construction of high-rises. As a result of this goldmine, FSI of even up to 10 was being permitted, said Chinoy. Citing examples of the pressure on infrastructure, he said lanes in Nana Chowk

and around Bhatia hospital, which were only about 15 feet wide, were witnessing the construction of towers, each with 15-40 floors, in place of ground-plus-two-storied structures.

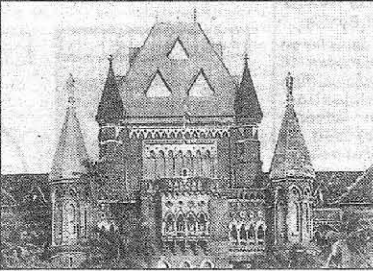
Chinoy said a line had to be drawn somewhere to stop misuse of the rule. A more upsetting trend, he said, was that non-cessed buildings were being converted to cessed ones to bring them under the redevelopment scheme and exploit the accompanying additional FSI.

The court asked the government to clarify whether its policy was to permit reconstruction of buildings that were not dilapidated. The query was posed to advocate general V M Thorat, who opposed the PIL. Thorat, who initially said the government was concerned with dilapidated buildings, replied that the policy was for both dilapidated and cessed buildings. However, he said all pre-1940 buildings were considered to be in a bad shape and had outlived their life.

BMC counsel K K Singhvi questioned the challenge to the government's prerogative to make laws. He said the PIL was essentially urging the court to add a caveat to the law by restricting reconstruction only to dilapidated buildings. The government too said the PIL could not challenge legislative intent even though there may have been "a few cases of abuse of the rules by some officers". He said that in pre-1940 Mumbai, a seismic zone, the life of a building was 20 years.

The Chief Justice immediately asked, "How old is the building where you are arguing the matter?" The court room packed with interveners, builders and their lawyers

broke into a chuckle. Counsel for the worried Property Redevelopers' Association Joaquim Reis argued that the city's sewerage system was under-utilised. Besides, the old buildings had become firetraps, he argued along with Janak Dwarkadas, counsel for a landlord. But the judges were unmoved by the submissions and granted an injunction while keeping the matter for final hearing on December 13.



Court Orders

The Bombay high court's interim order to the state, BMC and MHADA:
► Do not grant permission for reconstruction of cessed buildings unless government panel declares them dilapidated and informs the court
► Do not grant basic FSI in excess of 2.5, or actual space consumed, in old building. The base FSI decides the additional 50%-incentive FSI
► Commissioner can grant additional FSI as a special case after scrutiny based on tenements as on June 1996
► Do not convert non-cessed building into a cessed building; not to approve reconstruction of converted buildings
► Submit in court particulars of all projects sanctioned and pending under the development control rules, giving dates, FSI consumed in old buildings and FSI sanctioned, including incentive FSI

property markets, to demand for fast conflict resolution. Furthermore, speed is of the essence in property markets. So participants are likely to demand for faster approval-procedures and more certainty, even if this implies a centralized institutional arrangement.

To conclude, a more coherent housing policy is not likely to be achieved through simple decentralization or centralization. On the contrary, housing policy in places like Mumbai must promote wider decentralization as well as strategic centralization to enable the provision of housing for low-income groups.

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