INSTITUTIONAL PLURALISM AND HOUSING DELIVERY

A Case of Unforeseen Conflicts in Mumbai, India

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INTRODUCTION

The decade of the 1980s is marked by a major shift in the discussion of housing policies in developing countries. During the previous decade, most governments had upgraded slums and provided serviced plots to the urban poor. Although slum upgrading and site/service projects were big improvements over the even earlier, traditional policy of public housing provided by governments, they too were criticized for requiring heavy subsidies and relying too much on government efforts to influence housing markets.[1] Out of this criticism emerged two new themes which shaped housing policies in developing countries for the last two decades. First, there was a deliberate attempt to make housing policies more market friendly, encouraging market agents to be more involved in housing delivery. And second, there was almost a worldwide effort to engage civil society and its institutions, such as community groups and Non-Governmental Organizations, in the housing delivery process. The government's role, redefined in the 1980s, was to be that of "an enabler", in contrast to that of "a provider" of housing: It was to enable market agents and civil society to perform well, and encourage cooperation between private and public sectors to meet the housing needs of the urban poor.[2] For such cooperation to flourish, the institutional monopoly of government over the lives of the urban poor had to give away to institutional pluralism, whereby multiple institutions ranging from private firms to community groups, faith based organizations to political parties, governmental institutions to non-governmental organizations, could operate freely pursuing varying strategies to reach the

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* We gratefully acknowledge the comments of Shabbir Cheema, Robert Work, Jai Sen, and Omar Razzaz on an earlier draft of the paper. Needless to say, we are solely responsible for the content.

1 Keare, Douglas H., and Scott Parris, 1982. *Evaluation of Shelter Programs for the Urban Poor: Principal Findings*. Washington, DC.: The World Bank.

urban poor. Institutional pluralism was considered a prerequisite for not merely housing provisions but to attain the broader objective of "democratization" which too had emerged as a key theme in the 1980s' development discourse.[3]

One specific type of institutional actor which received much attention in most efforts to foster institutional pluralism was non-governmental organizations (NGOs).[4] In housing delivery to the urban poor, the NGOs' participation was thought to be particularly crucial as an intermediary between the poor communities and the various other stakeholders. It was assumed that the NGOs could be effective intermediaries because they were neither like government, which was interested in social control, nor like market agents, interested in profit. NGOs were to articulate the needs and preferences of poor communities in a professional way to government agencies, and convey rules and regulations in simple language and non-intimidating ways to the communities. Similarly, in dealing with market actors, NGOs were to assist the poor communities in mobilizing community resources to complement investment by private firms. And, they were to reduce the cost of information, transaction, and enforcement of contracts making poor communities attractive for private investment. In such expectations about NGOs, they were viewed mainly as "catalytic agents", helping to build synergistic relationships between poor communities and various institutions, private and public. This fit well with the new ethics of 1980s which called for private-public partnerships, highlighted the benefits of social capital, and, in general, underplayed the possibilities of institutional conflicts.

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[2] World Bank, 1993. Housing: Enabling Markets to Work, A World Bank Policy Paper, with Technical Supplements. Washington, D.C.: The World Bank.

[3] UNCHS, 1990. *Global Strategy for Shelter to the Year 2000*. Nairobi: UNCHS, and World Bank, 1993, op.cit.

[4] *World Development*, 1987. "Development Alternatives: The Challenge for NGOs". Special Issue 15 (Supplement).

The emphasis on cooperation and, in contrast, the lack of awareness of conflict was not a matter of social optimism of the time. For the last fifty years of development planning, the issue of institutional conflict has very rarely received any serious attention; in part, because conflict, in general, is considered an aberration which emerges only under the unique condition of personal hostility between non-cooperating individuals. Also, development planners, in general, consider institutional conflict to be a bad outcome, delaying projects schedules, hurting cooperation among project participation, and creating conditions antithetical to the generally positive development goals. There is yet another reason why development planners never dealt with the issue of conflict in a serious way, and that has to do with the way conflict is glorified in Marxian analysis which most development planners ignore as being too simplistic and somewhat useless for policy making. As a result, much of the development literature of the last fifty years is marked more by a spirit of harmony than conflict. The latest manifestation of that harmonious spirit is the new emphasis on private-public cooperation, social capital formation and such other "good things" which provide hope and inspiration for the development tasks at hand.

Our purpose in writing this paper is to inject a sense of realism in the current development discourse by highlighting the possibilities and impact of inter-institutional conflicts as a result of institutional pluralism. Drawing on the project experience of one of the leading NGOs in the city of Mumbai in India —the Society for the Promotion of Area Resource Centers (SPARC)[5] — we demonstrate how institutional pluralism in the delivery of housing evoked major disagreements and, ultimately, conflict between SPARC and the other stakeholders, including private contractors, government agencies and even the community itself. The project

[5] SPARC's initial work was with the pavement dwellers of Byculla (Central Mumbai). For elaborate accounts of SPARC, see SPARC, 1990. "SPARC: Developing New NGO Lines". Environment and Urbanization 2 (1): 91-

involved in situ reconstruction, whereby existing slum dwellers were to be provided cooperatively owned, multi story housing with legal tenure, both infrastructure, and services. Although well intended, the project created new assets but with ambiguous property rights which generated much conflict among the various stakeholders. As an entrepreneurial NGO, SPARC played a key role in asset formation drawing on many of the comparative institutional strengths of grassroots based organizations. But, paradoxically, SPARC's success also embroiled them in struggles with government agencies, private contractors, and even community groups, as a booming real estate market appreciated the value of newly formed assets and instigated conflicting demands about who is to capture how much of the newly generated values.

There were many other unintended outcomes of the project, but one that stands out is the following: the generation of various conflicts among the stakeholders in an institutionally pluralistic environment, ultimately led all the contending parties to call for a relatively centralized mechanism for conflict management. The process had a transformative impact also on SPARC, the NGO: It induced SPARC to centralize its own, internal operation, transform its mission from one of only advocacy to one of social investment in profitable enterprises, and seek a permanent seat in the centralized body created for conflict management. In other words, conflict with market institutions transformed SPARC such that it began to resemble market institutions. Similarly, conflict with government agencies induced SPARC to gain control over part of the government apparatus.

Were these outcomes all bad, one may ask? Our interpretation of the case is that even though the various conflicts delayed project completion, ultimately the same conflicts helped the

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104, and Khan, Azeez Mehdi, 1997. Shaping Policy: Do NGOs Matter? Lessons From India. New Delhi: Society for Participatory Research in Asia. Also refer to SPARC's Website at http://www.dialogue.org.za/sparc/index.htm.

project beneficiaries receive more benefit than originally intended by the project designers. In other words, institutional conflict does not always adversely affect the poor. It can, under certain circumstances, lead to innovative institutional transformations, increasing the poors' access to social resources.

One can legitimately ask whether insights from a single case of slum redevelopment should be generalized? Admittedly, the Mumbai case is unique in that it unfolded at a time of rapidly increasing in real estate prices, accentuated by a set of public policies that made low-income housing areas particularly attractive to private developers in Mumbai in the early 1990s.[6] These unique conditions, however, do not negate some general lessons that can be drawn about how institutional pluralism in a housing delivery system can create conflicts among the stakeholders and how to minimize such conflicts. In a way, understanding the unique conditions of this case study helps us to be more precise and somewhat nuanced in discussing the pros and cons of housing delivery systems by drawing attention to the unpleasant and usually avoided issue of conflict. It is our hope that this awareness of the possibility of conflicts will be helpful for the future design of housing delivery systems.

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[6] The public policy changes instituted to attract private developers included an increase in Floor Area Ratios (the ratio of the floor area of the built-project to the area of the site), larger allowance for free-sale of housing for cross-subsidizing the cost of housing construction and the introduction of Transfer of Development Rights (TDR – unbundles the development potential of a land parcel from a site-specific context and allows property-owners to transfer the development potential from an ("origin-site" to a "receiving site").

A brief comment on research methodology: the data for this case study comes from multiple sources including extended personal interviews with the key stakeholders over almost a year (see Appendix for a list of interviewees). [7] We supplemented these interviews with secondary material from newspaper articles, published reports, and government documents. In our discussion with the various stakeholders, we received cordial and sometimes cautious remarks. We cross-verified such remarks to separate facts from biases and constructed an account that may not have captured all the details but, we hope, conveys the essential elements of this interesting episode.

We have organized the story in five parts. First, we describe the project of slum redevelopment in Mumbai, India. The goal is to familiarize the reader with the project's noble intentions. Then, we describe three conflictual relationships – namely, between SPARC (the NGO) and government agencies, SPARC and the private contractor, and finally, SPARC and the community. In the concluding section, we highlight the key insights generated by this case study, and suggest a few recommendations for future housing delivery projects.

[7] The fieldwork for this paper was coordinated by Vinit Mukhija as part of his dissertation in the Department of Urban Studies at the Massachusetts Institute of Technology (Mukhija, Vinit, forthcoming, 2000. "Squatters as Developers; Slums and Redevelopment in Mumbai." Ph.D. Dissertation. Cambridge, MA: Massachusetts Institute of Technology, Department of Urban Studies and Planning). Professor Bish Sanyal is the Dissertation advisor and also visited Mumbai in August 1998 to conduct research. Vinit Mukhija completed the fieldwork in two phases. The first phase was from August 31 to December 13, 1997. The second phase was from March 23 to August 28, 2998.

PART I

Dharavi Redevelopment Plan: The Noble Intentions

In 1985, the then Prime Minister of India, Mr. Rajiv Gandhi, announced a major housing improvement program for the city of Mumbai. The central government grant of a billion rupees was awarded to recognize the city's contribution to the formation of the Indian National Congress, a political party formed 100 years ago. Since its formation, the Congress party has had many illustrious leaders including Mahatma Gandhi, Jawaharlal Nehru, and Indira Ghandi. Rajiv Gandhi had become the Congress party's leader in 1984, and wanted to celebrate its centennial by reaffirming the party's commitment to poverty alleviation and communal harmony.

Dharavi, known as Asia's largest slum[8] and located near the heart of Mumbai City (Figure 1) was to be a major beneficiary of the Prime Minister's grant. Dharavi's horrible living conditions justified the plan for major improvements. In 1985, a population of nearly 500,000 was served by 162 water taps and 842 toilets![9] 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 residents had consistently voted for the Congress party, and the area housed many ethnic groups, including Muslims and Tamils, who were minorities in Mumbai, a predominantly Hindu, Maharashtrian city with a long history of political agitation and sporadic violence against minorities and migrants.[10]

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[8] Desai, Vandana, 1988. "Dharavi, the Largest Slum in Asia: Development of Low-income Urban Housing in India." *Habitat International* 12 (2): 67-74.

[9] Warning, Claudia, 1995. " Participation and Intervention in Slum and Squatter Settlements Improvement Programmes: Experiences from Slums in Bombay." Ph.D. Dissertation. Pune, India: University of Pune, Centre for Development Studies and Activities (CDSA).

[10] Lele, Jayant, 1996. "Saffronization of the Shiv Sena: The Political Economy of City, State and Nation." In *Bombay: Metaphor for Modern India*. Edited by Sujata Patel and Alice Thorner, pp. 185-212. New Delhi: Oxford University Press.

The project's objective was to redevelop Dharavi by providing a new infrastructure and reconstructing cooperatively owned housing for the inhabitants. The goal was to minimize the relocation of slum inhabitants, encourage them to contribute financially towards the project cost, and work closely with cooperative housing societies in the design, construction, and maintenance of the buildings. The project explicitly called for extensive participation by the inhabitants, mobilized through the community development officers of the Maharashtra Housing and Area Development Authority (MHADA), to form cooperatives to assist in project implementation.

The Government of Maharasthra – the state whose capital city is Mumbai – created a planning authority for the general improvement of the Dharavi area.[11] This new institution was created within MHADA as a special division responsible for overseeing the project. This special division, called the Prime Minister's Grant Project (PMGP), was created to bypass the bureaucratic rules and procedures that had typically delayed implementation of previous efforts at housing improvement.[12] PMGP incorporated representatives from the Municipal Corporation of Greater Mumbai, which owned much of the land in Dharavi.[13] The municipality was to lease the land not to individuals, but to cooperatives, for an initial and renewable period of 30 years.[14] The cooperatives, in turn, could use such leases as a basis to raise funds for construction from housing finance agencies. This approach was in line with the new mood in housing policy at the time, which discouraged large-scale subsidization by government. The PMGP proposed that at

[11] The special planning authority was created under the provisions of the Maharashtra Regional and Town Planning Act (MRTP Act), 1966 (Government of Maharashtra, 1966. "The Maharashtra Regional and Town Planning Act, 1966." Bombay: Government of Maharashtra, Urban Development Department).

[12] Dua, Ajay, 1989. "Towards Shelter for All: The Bombay Experiments." In *Urban Management in Asia: Issues and Opportunities*. New Delhi: National Institute of Urban Affairs.

[13] According to the estimates from 1985, the municipal corporation owns 59.0%, the state government 16.0% and 25.0% is in private ownership, Warning, 1995, op. cit.

[14] The Maharashtra Slum Areas Act, 1971, stipulates that slum-land be leased to cooperatives of slum-dwellers (Government of Maharashtra, 1971. "The Maharashtra Slum Areas - Improvement, Clearance and Redevelopment - Act, 1971." Bombay: Government of Maharashtra, Law and Judiciary Department).

most 10 percent of the total cost of housing would be provided by the grant from the Prime Minister's fund. The rest was to come from the beneficiaries' own contributions (35%), loans from housing finance agencies (35%), and an interest-free loan (20%) - which is another form of subsidy, but less overt than a grant – also from the Prime Minister's fund.[15]

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 this survey, which identified 55,000 families, PMGP prepared a tentative redevelopment plan. It proposed that the beneficiaries be housed in buildings of four to five stories, with apartment sizes ranging between 160 and 430 sq. ft. The apartment size was to be dependent on the size of the existing housing of the beneficiaries. PMGP's plan was based on the estimate that almost 35,000 families could be accommodated in Dharavi in multistoried structures, which meant that nearly 20,000 families needed to be relocated elsewhere in the city. The plan also called for short-term housing of the beneficiaries in temporary facilities so that the land could be cleared for the construction of new housing.[16]

The PMGP officials were aware that such a complicated plan could not be implemented without support from the beneficiaries themselves. In their scheme, such support and participation was to be provided by the cooperative housing societies, which, in turn, would be assisted by the community development officers. PMGP expected to hire architects and private contractors for the construction of housing, but was willing to have the cooperatives play an active role in monitoring the design and construction quality. PMGP was also willing to transfer the responsibilities for hiring and monitoring of architects and private contractors to the

[15] Interview with V. G. Gode, ex-Director PMGP, November 18, 1997.
[16] MHADA, 1987. "Prime Minister's Grant Project – A Profile." Bombay: Maharashtra Housing and Area Development Authority (MHADA).

cooperatives themselves, although there was some skepticism among the officials whether the cooperatives, even if assisted by NGOs, could perform well in this new role.[17]

How did the project get actually implemented? That is the story we describe in the next section of this paper. Our description focuses on one particular community within Dharavi, called Markandeya. We selected Markandeya because it had the most extensive involvement of an NGO in reformulating project design and implementation. In other words, Markandeya provides a contrast to other areas within Dharavi in which neither the cooperatives nor NGOs played any significant role. These development projects also faced problems, as expected, but they were completed in shorter time and at less cost than at Markandeya. But, Markandeya provides intriguing and insightful lessons about decentralized housing delivery led by an NGO. Markandeya also had the most institutional impact in the sense that the problems it generated led to radical restructuring of housing delivery institutions for the entire state of Maharashtra.

[17] Though the initial official intention was to rely on the community development officers to mobilize cooperatives of beneficiaries, the PMGP was keen on exploring the possibility of involving city 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 (Kerkar, Ajit, 1981. "Report of the High Power Steering Group for Slums and Dilapidated Houses." Bombay: Government of Maharashtra). This non-official project was achieved as a result of collaboration between the NGO, the community, a catholic school and a church. (Interview with Father A. Traglar, Director of the Slum Rehabilitation Society, July 22, 1998).

PART II

PMGP and SPARC: The Battle Over Markandeya

When PMGP announced the plan for Dharavi's redevelopment, it was accompanied by a comment from a local politician of the Congress party that Dharavi would soon look like Singapore, with modern, multistoried apartment blocks![18] The politician may have intended to impress his constituency, but the result was the opposite. Many residents, particularly those who had relatively lower incomes, had not lived in Mumbai very long, or were from minority communities, feared that they would be among the 20,000 or so families relocated to make room for the newly built, Singaporian multistoried buildings. This fear was compounded by the fact that a special institution had been set up to ensure rapid implementation of the project.

This was the setting in which SPARC decided to work as an NGO in Dharavi. As we mentioned earlier, SPARC had by then successfully mobilized the pavement dwellers in another part of the city. SPARC had also created a new institutional alliance with the NSDF, which 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, which had helped reverse previous public policies regarding pavement dwellers, and it backed it up with the political clout and grass roots support base that NSDF had mustered since 1974.

The SPARC-NSDF joint 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 they had done

[18] Interview with A. Jockin, SPARC and NSDF, September 24, 1997.

previously with the pavement dwellers.[19] This survey allowed SPARC to establish good rapport with the inhabitants. More importantly, it generated data which allowed SPARC to challenge the government's estimates and argue that the government's proposed plan would necessitate a massive relocation of more than three times the government estimates (Table 1).

Based on these starkly different estimates, SPARC prepared an alternative "People's Plan" for Dharavi. This plan recommended low-rise structures with units of 280 sq. ft. per family. The plan argued that "… multi-storied buildings are not suitable for the average Dharavi dwellers who are fisherman, vegetable vendors and tannery workers who can't carry his or her working equipment to upper floors… Such multistoried flats are middle-class concepts."[20] The plan also argued against the relocation of people and some businesses.

SPARC's plan also demanded that the Housing and Urban Development Corporation (HUDCO), a national, public sector housing finance agency, should provide concessionary loans to reduce the project cost. Interestingly, the "People's Plan" was very critical of direct private sector involvement in project implementation. It argued against private sector involvement on the ground that "private investment may result in the displacement of local residents to make projects more profitable."[21] Instead, the plan proposed that the project beneficiaries should control all decision making and encouraged bottom-up, people-centered development (Table 2).

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[19] SPARC had used this strategy in 1985 while working with the pavement-dwellers of Central Mumbai. The enumeration of pavement-dwellers was initiated soon after the 1984 Supreme Court judgement that upheld the right of city authorities to clear the pavements of the city. 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, Meera, 1991. "Enumeration with People's Participation." *Economic and Political Weekly* XXVI (41): 2355-2356). Also see SPARC, 1985. *We the Invisible: A Census of Pavement Dwellers*. Bombay: Society for the Promotion of Area Resource Centres (SPARC).

[20] A. Jockin quoted in a newspaper article, The Independent, September 30, 1989, "Dharavi distrusts redevelopment scheme."

[21] Interview with A. Jockin, SPARC & NSDF, October 11, 1997.

Needless to say, the SPARC plan was more attractive to Dharavi's residents because it promised more space at less cost and no relocation. In calculating the costs for the proposed housing, SPARC argued that construction cost could be reduced significantly by reducing the size of the building from 5 stories to 2 or 3 stories. They also argued that a self-help approach in which the residents managed the construction process by procuring building materials, like cement, from public distribution systems rather than in the free market, could result in substantial cost-saving. Also, in a self-managed project, the usual costs of government corruption and kickbacks could be avoided. Finally, if such an approach was supplemented with low, or no-interest loans from HUDCO and PMGP, the total project cost to the beneficiaries could be reduced significantly, according to SPARC.

Government's Response to SPARC's Plan

The PMGP dismissed most of SPARC's proposal as unrealistic, motivated by an urge to control the Dharavi area because its redevelopment was creating real estate with dramatic increases in the value of assets.

Senior officers of PMGP argued that it was physically impossible to resettle all Dharavi residents in units of 280 sq. ft. per family without resorting to even higher-rise construction than what 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 280 sq. ft. per family to Dharavi's residents. They preferred that Dharavi be developed using a range of housing units, from 160 sq. ft. to 430 sq. ft., depending on the beneficiaries' existing housing areas. The beneficiaries were also to provide the extra financing for the larger units. PMGP also refused to give interest-free loans and argued that HUDCO was not in any position to further reduce the already concessionary interest rate it was willing to provide the project beneficiaries. In response to SPARC's suggestion that the area residents manage project construction, instead of private contractors hired by the government, PMGP was skeptical whether community groups could supervise the construction of apartment complexes even if they were two or three stories high. PMGP preferred to hire private contractors who would be accountable to both PMGP and the community groups organized in cooperatives.

Compromise but Further Conflict

In 1987, two years after the Prime Minister announced his intention to redevelop Dharavi, the PMGP decided to modify its original plan. There were two main reasons. First, PMGP did not have the funds to reconstruct the entire Dharavi area. Second, they realized that forced resettlement of area residents, even if it was limited to 20,000 families according to PMGP estimates, was not politically feasible. Hence, PMGP decided to mainly upgrade the bulk of the housing (rather than reconstruct), and reconstruct only 3,000 housing units in four sub-areas within Dharavi.[22] One of these three sub-areas was Rajendra Prasad Nagar.

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. In 1987, community development officers from 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 a particular ethnic group disregarded the local politician's advice and formed a separate cooperative. The remaining 92 families created a second cooperative, Markandeya Cooperative Housing Society (MCHS), which became the battleground for the next phase of struggle between PMGP and SPARC.

The local politician, Mr. Challaiah, who headed the MCHS managing committee, was known to SPARC's leaders, who approached him with a proposal to develop Markandeya according to the "People's Plan." SPARC's proposal was supported by the cooperative members because it offered larger units (280 sq. ft., compared to PMGP's 180 sq. ft.) at less cost.

SPARC, and the architects commissioned by them, worked with MCHS to prepare a plan.[23] SPARC suggested using a physical plan for housing units that had emerged out of their consultation with the pavement dwellers earlier, in another part of the city.[24] Asked to design the kind of housing they preferred, the pavement dwellers had designed a room with 14 feet high ceilings that could accommodate a loft of 6 feet. At Markandeya it was decided to use a rectangular unit of 180 sq. ft. with a 100 sq. ft. loft to provide a total living space of 280 sq. ft. The SPARC plan also provided common external toilets, in contrast to attached toilets for each individual unit as in the PMGP plan. This reduced the cost, and, as SPARC argued, it made the housing units unattractive to middle class families, reducing the possibility of gentrification.[25]

According to the proposed plan, the housing units were to be organized around a courtyard in three-storied structures, instead of five-storied structures as in the PMGP plan. In the SPARC plan, the third floor provided space for a common terrace occupying one third of the

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[22] Dua, 1989, op. cit.
[23] Sharad Mahajan and his wife Neeta Bhatt of Purbi Architects were commissioned for the project. Neeta Bhatt had earlier worked with A. Jockin, the President of NSDF, on an infrastructure project for a Mumbai slum.
[24] SPARC, 1988. "In Search of Shelter: Women pavement dwellers pursue a better housing future." *Architecture + Design* 4 (2): 70-73.
[25] Interview with Celine D'Cruz, SPARC, November 12, 1997.

floor space. The terrace space could be rented out by the residents for social functions, and the rental income could be used for building maintenance.

By early 1988, MCHS informed PMGP that they had decided to self-manage their housing reconstruction project with SPARC's support. Since PMGP was bound by law to allow housing cooperatives to pursue their own approach, it accepted this decision but warned MCHS that it would have to follow the building codes set by the Municipal Corporation of Greater Mumbai. The PMGP was concerned that project beneficiaries would sublet the 100 sq. ft. lofts, significantly increasing density and, consequently, pressure on the infrastructure. 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, PMGP objected to SPARC's plan to provide the public terrace space to be rented-out by the cooperative. They feared that such public space was going to be encroached upon, further adding to the density of the area.

When MCHS proposed to the Municipal Corporation that it was planning to build 14 feet high units, the Corporation refused to issue permits for construction and ordered MCHS to restrict the height of units to 10 feet. MCHS and SPARC were at a loss because without a building permit construction could not start. Hence, MCHS/SPARC decided to present a revised plan reducing the height of units to 10 feet, although they had no intention of following the revised plan after they obtained the permit. Once the permit was issued, MCHS/SPARC began a campaign in support of 14 feet high units, writing to politicians at the state and the national level and also lobbying at national and even international forums where housing issues were discussed. Finally, in late 1989, the Municipal Corporation granted "special permission" to MCHS/SPARC to proceed with 14 feet high units.[26]

Then, a new struggle began over the appropriateness of SPARC's plan. Based on the MCHS/SPARC plan submitted to the Municipal Corporation, PMGP objected that MCHS was underutilizing the potential of the site allocated to them by not consuming the maximum allowed floor space index (FSI).[27] According to the development regulations, the usual FSI allowed in Dharavi is 1.33, but since Markandeya was being developed as "a low-cost housing scheme" by the state housing authority, the FSI could be increased by 20 percent over and above 1.33, allowing up to 1.60.[28] PMGP also pointed out to MCHS/SPARC that according to new revisions in the city's development regulations, circulation areas and toilet blocks were not to be included in the FSI calculations. If these areas were excluded from MCHS/SPARC's plan, the FSI in the proposed project would be reduced to 0.95 in contrast to 1.60, which is expected in all government-supported low-income housing areas.[29] Based on these calculations, PMGP asked MCHS/SPARC to build 62 additional units by adding two floors to the original design, and argued that these additional units were necessary to house relocated families from other project areas within Dharavi.

SPARC claims that PMGP essentially wanted to disrupt their plan for low-rise housing. PMGP obviously was suspicious of MCHS/SPARC's decision to build fewer units than allowed when the market demand for such units was very high. It is plausible — although we do not

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[26] Apart from pressure form 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 (The Afternoon, August 29, 1989, "City development control rules to be relaxed,").

[27] FSI or Floor Area Ratio (FAR) is the ratio of the floor area of the built-project to the area of the site.

[28] Regulation 33 (5), Development Control Regulations, 1991 (Government of Maharashtra, 1991. "Development Control Regulations for Greater Bombay, 1991." Bombay: Government of Maharashtra, Urban Development Department). This provision existed in the regulations before the 1991 revisions.

have data to support it — that PMGP feared that once the project was approved, MCHS/SPARC would eventually build the extra permissible units and share the benefit among themselves, without any benefit to PMGP. Needless to say, MCHS/SPARC objected to PMGP's stipulation that the FSI should be increased to 1.60, but finally compromised to accept an FSI of 1.33.[30] This meant that MCHS/SPARC was to hand over 37 units to PMGP at construction cost at the time of project completion. Based on this agreement, the plan for Markandeya's redevelopment was approved in December 1991, three years after it was initially presented. The reader would be amused to know that in accepting the compromise of higher FSI, MCHS/SPARC assumed that PMGP could not force them to build the extra 37 units once the construction was completed according to their plan. In other words, they accepted the conditions being quite aware that it could not be enforced if the cooperative members did not allow the extra construction.

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 MCHS/SPARC had decided to develop Markandeya on their own, PMGP argued it was not obliged to either give interest-free loans (as originally planned, see Table 2) or provide guarantee for loans from any other sources. PMGP did agree, however, to provide the amount of direct cost subsidy from the Prime Minister's original grant for Dharavi's redevelopment.[31]

[29] Regulation 35 (2), Development Control Regulations, 1991, stipulates that circulation and service areas be excluded from FSI calculations, (Government of Maharashtra, 1991, op. cit.).

[30] The compromise was reached by accepting that the new FSI calculation method (excluding circulation and service areas) was used but the maximum FSI was restricted to 1.33 of non-state projects.

[31] 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.

This created a major financial bottleneck for MCHS/SPARC, who were informed by the architect that the project would cost nearly 20 percent more than estimated earlier. The cost had increased not only because of the delay in starting the project; but also because the buildings required a more expensive foundation than expected. MCHS/SPARC responded to this unexpected turn of events in three ways. They raised the down payment by beneficiaries, eliminated the amounts earmarked for contingencies, and approached a national, public sector housing finance organization (HUDCO) for loans at a concessionary rate.

MCHS/SPARC started the construction work with the member's down payment and hired a private contractor without the usual tendering process. Once construction began, SPARC on behalf of MCHS approached HUDCO to negotiate a loan. HUDCO was willing to lend the amount necessary to MCHS but asked for some form of collateral and suggested three options: a guarantee from the state government housing authority; or a land mortgage, which required the Mumbai Municipal Corporation to lease the land to the cooperative and permit them to mortgage the lease of the area to HUDCO; or a bank guarantee against a fixed deposit. PMGP refused to recommend to the state government housing authority that it provides the guarantee on the ground that MCHS/SPARC, and not PMGP, was the project promoter. SPARC then initiated a discussion with the Municipal Corporation of Mumbai to lease the land to MCHS so it could be mortgaged to HUDCO.

While discussions with the municipality proceeded, the construction work was stopped due to lack of finance. Since the private contractor was unwilling to finance the project and recover his expenses later, SPARC decided to post a 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 a bank guarantee from its own fund — a fairly large amount, especially for an NGO —

because of a sense of obligation towards MCHS.[32] 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 other housing cooperatives working closely with PMGP. Also, SPARC calculated that they did not need to post the guarantee for very long. They expected that MCHC would soon receive the land lease certificate from the Municipal Corporation, and that could be handed over to HUDCO to release SPARC's own guarantee.

HUDCO released 75 percent of the first loan installment to MCHS with SPARC's guarantee, withholding 25 percent for interest payments. The loan was made directly to MCHS, which was solely responsible for repayment. This allowed the building foundation work to be completed by the middle of 1992. At that time, MCHS/SPARC hired a new contractor to complete the superstructure. The new contractor was the nephew of a MCHS managing committee member. No one objected to this at the time. On the contrary, a contractor known personally to a member of the managing committee might have been seen as an advantage.

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

Local NGO, Global Connection

With the project almost five years old and practically no progress beyond the foundation, SPARC became even more involved in its financing. It provided a fairly significant bridge loan from its own funds,[33] and later arranged for an interim bank guarantee for additional loans from

[32] SPARC agreed to post a guarantee of Rs.1,000,000, roughly one-fifth of the estimated total project cost.
[33] SPARC made an interest-free loan of Rs.200,000 to the cooperative.

HUDCO until the land lease was executed. In arranging this additional funding, SPARC approached a Belgian Trust, SELAVIP, which funds shelter-related projects.[34] SELAVIP agreed to provide a guarantee for US$100,000 — a very large amount of money in Indian currency — through the Bank of Liechtenstein. SPARC presented this bank guarantee to the Bank of Baroda, which executed a guarantee for the equivalent amount to HUDCO.[35]

HUDCO accepted the guarantee and released the full amount of the first installment by 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, at this time the performance of public sector organizations in India was being scrutinized closely in response to much pressure for privatization. HUDCO was not willing to bend any rules to help MCHS/SPARC complete the project.

By the middle of 1993, only the ground floor columns and part of the first floor slab were completed. The slow progress concerned HUDCO, which asked for a new cost estimate before it would disburse any further loan. The new cost estimate, prepared by MCHS itself, showed an increase of nearly 70 percent. As indicated in Table 3, this meant that either each beneficiary had to increase their downpayment by nearly 200 percent, or HUDCO had to increase its loan threefold. Faced with this situation, SPARC asked HUDCO to renegotiate a large loan, doubling the amount, and proposed that the balance be raised by increasing the down payment by beneficiaries. Needless to say, this created concern among the Markandeya residents, who had

[34] SELAVIP - *Servicio Latino Americano Asiatico Vivienda Popular* had funded previous SPARC projects.
[35] At the prevalent exchange rate, US$100,000 was equivalent to Rs.2,760,000.

to commit to double the amount of loan repayment to HUDCO and double their own contribution from personal savings.

PART III

Conflict Between SPARC and Private Contractor

As MCHS/SPARC felt the reluctance of the area residents to double their down payment and the debt burden, the project architect informed MCHS that an experienced private contractor 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. He did ask to revise down a number of the finish specifications to reduce project cost, and MCHS agreed to his suggestions. We were told that SPARC was not informed of MCHS's decision to hire the new contractor. This is difficult to understand because, until then, SPARC had been the principal negotiator for MCHS in dealing with PMGP, HUDCO, and other related parties. Moreover, SPARC had invested significant resources in Markandeya, and was bound to be aware of such a critical issue as changing the project contractor.

Why did the new contractor agree to draw on his own finances to complete the Markandeya project? MCHS's Managing Committee members insist that he wanted an entry into the Dharavi property market and felt that such an entry would appear to be socially responsible if he completed the Markandeya project. Although this interpretation may be a partially correct, a more complete explanation is that the contractor was aware of a new government plan as the Slum Redevelopment Scheme (SRD), introduced in 1991.[36] The scheme was designed explicitly to encourage private sector participation in low-income housing delivery as this was part of a larger, nationwide move at the time "to liberalize" the economy by reducing

[36] Slum reconstruction under the PMGP was succeeded by the State Government initiated SRD in February 1991 (The Times of India, February 23, 1991, "New FSI rules goldmine for builders"). The Municipal Corporation elaborated implementation guidelines in April 1992. MCGB, 1992. "Redevelopment of Slums through Participation of Slum Dwellers." Bombay: Municipal Corporation of Greater Bombay (MCGB).

various controls that discouraged private investment. According to the new act, private developers as well as housing cooperatives could be promoters in redeveloping slums, as long as slum dwellers received units of 225 sq. ft and did not pay more than Rs.15,000 per household. This could only be done by building and selling some units at market price to buyers from outside the community, generating profits to cross-subsidize the slum dwellers. The act placed only two restrictions on the free market sale. It limited the total FSI to 2.5, a generous increase from the previous limit. And, it limited profits from the projects to 25 percent. The State Government set up a special committee, the Slum Redevelopment Committee, to approve project proposals. This new committee was independent of PMGP and more accessible to private businesses. 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 this possibility at the outset, although his contract with MCHS indicated that he intended to build nearly 12 percent more units than previously planned.[37] SPARC claims that MCHS never informed them about this agreement, and they came to learn about it only from other sources. When SPARC asked 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. Also, the committee was not sure whether the full amount of the HUDCO loan would ever come through. Although MCHS had signed a new agreement with HUDCO, based on a new cost estimate, it required new collateral, either another bank guarantee, which SPARC did not want to provide, or a mortgage on land that the Municipal Corporation was yet to provide.

Although the Municipal Corporation did eventually provide a 30-year land lease to MCHS, the HUDCO loan did not come through, in part because MCHS was reluctant to mortgage the land. Initially, after receiving the land lease, MCHS did approach HUDCO at SPARC's urging. HUDCO asked MCHS to provide an income tax clearance certificate for the cooperative, as required by law. But MCHS could not provide such a certificate because the cooperative's accounts were incomplete and had not been audited for a while. (We were told that MCHS's treasurer was sick for a year or so, and that is why the records were not up to date!) When HUDCO refused to proceed with the mortgage, MCHS did not continue to pursue that option, much to SPARC's dismay. SPARC blamed the contractor and the architect who, SPARC assumed, conspired to make MCHS rely on the contractor's own funds, so that the contractor

[37] Agreement between Parth Constructions and the Markandeya Cooperative Society, September 08, 1993.

could have more say in structuring the contract for cross-subsidy necessary to finance the remaining part of the project.

Soon after, MCHS transferred the rights to sell the additional units to the contractor. The contractor was to count the sale proceeds as past payments from 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.[38] SPARC noted this irregularity and assumed that the contractor shared the unaccounted amount with the members of MCHS's Managing Committee. But, apparently SPARC could not take any action, even though MCHS and the contractor were proceeding to jointly apply for permission to alter Markandeya's project status under the new Slum Redevelopment Scheme.

In 1995, when MCHS and the new contractor applied for permission for the project, the property prices in Dharavi, as in other parts of Mumbai, had increased to an unprecedented level.[39] The scope for cross-subsidy was at an all time high. The contractor offered to 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 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 12 to15 times more. In return, the contractor would be able to sell 68 units (nearly 70 percent more units than originally planned) in the free market, handing over an additional 19 units to PMGP. It is obvious that this scheme could not be carried

[38] In Mumbai, as in most Indian cities, property transactions are usually made partially in declared payments (white, i.e., check payments) and partially in undeclared payments (black, i.e., cash payments). The proportion of white and black varies 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.

[39] Property prices in Mumbai were one of the highest in the world (The Economist, May 6, 1995, "The most expensive slum in the world," and Nayar, Samer, 1996. "The Indian Real Estate Market: A Comprehensive Analysis

out if the buildings were restricted to three stories, as SPARC had initially proposed. Now the buildings were to be five stories high, and the units in the top two floors were to be 10 feet high, not 14 feet, as SPARC had originally envisioned.[40]

Much to SPARC's disappointment, MCHS strongly supported the contractor's plan, and it was approved. According to the new plan, MCHS did not have to mortgage the land lease, and the members did not have to make any monthly loan repayments because their down payments made so far covered their share. It was a very good deal. But SPARC pointed out that the contractor should return 60 percent of their down payment to the beneficiaries because the new act put a cap on down payments by beneficiaries of Rs.15,000 per unit, while at Markandeya the beneficiaries had paid nearly three times that amount.

The contractor 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 14 feet high units while the new act stipulated only 10 feet high units. Nevertheless, the contractor eventually submitted a revised application in which he proposed that he could deliver the units free to the beneficiaries if he could sell the 19 units he was supposed to deliver to PMGP.[41] This application was approved by the Slum Redevelopment Scheme Committee created to enforce the new act of 1991.[42]

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for the Foreign Investor." M.Sc. Thesis. Cambridge, MA: Massachusetts Institute of Technology, Master of Science in Real Estate Development).

[40] The top two floors had to be restricted to 10 feet height to reduce the new load on the structure.

[41] Source: Annexure II, revised Slum Redevelopment application, October 31, 1996.

[42] 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. One of the main functions of the committee was to approve projects and discern maximum allowed FSI for Slum Redevelopment projects by restricting profits to 25%.

More Policy Changes, More Profit

In 1995, the Congress party lost the state election to Shiv Sena, a Hindu nationalist party, which had campaigned on the promise of "free housing" for the slum dwellers. Shiv Sena replaced the 1991 act, which was already market friendly, with its new Slum Rehabilitation Scheme (SRS), which showered even more benefits on private developers for building low-income housing. First, it removed the previous cap of 25 percent on profits. Second, it further relaxed FSI restrictions, allowing more intense development. And, finally, it introduced the notion of Transfer of Development Rights (TDR), which allowed private developers to partially transfer their development rights from the low-income areas to other parts of the city.[43] In return, the developers were to give "free housing" to slum dwellers, and make a corpus payment for future maintenance costs of the new housing areas.[44]

[43] According to the revised regulations, a predefined ratio was established between the rehabilitation and the free-sale component. At the same time, the FSI of all sites is capped at 2.5. If the developers are due for excess FSI, they are allowed to transfer the excess development potential to other sites through the market (Government of Maharashtra, 1997. "Guidelines for the Implementation of Slum Rehabilitation Schemes in Greater Mumbai." Mumbai: Government of Maharashtra, Slum Rehabilitation Authority, Housing and Special Assistance Department).

[44] Developers are required to deposit Rs.20,000 per member, Government of Maharashtra, 1997, op. cit.

This new policy created new opportunities for the contractor at Markandeya. Since the foundations of the building already constructed made it difficult for him to add more floors to utilize the maximum allowed FSI, he could now transfer that right to build in other, even more highly priced real estate areas in the city. This was a bonanza no developer could ignore. Not surprisingly, the contractor filed a proposal to convert Markandeya, one more time, this time to a Slum Rehabilitation Scheme (SRS). To ensure support from 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 maintenance expenditures, as required by the new act.

It is noteworthy that the contractor did not offer to return the down payments made by the cooperative members, despite SPARC’s demands, in part because neither the Managing Committee nor other MCHS members supported such a demand. Perhaps they were convinced by the contractor’s argument that the new act stipulated 10 feet high units, while they were to receive 14 feet high units with lofts, and that they had to pay for the extra cost. In any event, they were unwilling to disrupt the contractor who had finally moved the project ahead, breaking the long impasse.

PART IV

Distrust of Civil Society?

Not surprisingly, SPARC had begun to distrust MCHS's motives. First, SPARC was ambivalent when MCHS decided to hire the new contractor at the project architect's advice. But, SPARC was eager to see the project progress and thought that the new contractor could self-finance the project to completion. But, SPARC was also aware that the new contractor could loosen SPARC's hold on the project, and inject a market mentality with which SPARC was uncomfortable. The reader may recall that SPARC's initial proposal to develop Dharavi explicitly stated no involvement by private promoters (see Figure 2 for a time line of key events). This was based on the fear that an alliance of private contractors and government officials would encourage bribery, increasing project cost and reducing quality of construction. SPARC had not thought at that time that an alliance of private developers and community groups could be equally detrimental for the project.

When MCHS signed a contract with the new contractor to build extra units, SPARC realized that its influence on MCHS's Managing Committee was being challenged. For the first time, SPARC noted that there had been no elections held thus far in forming the Managing Committee. SPARC had worked well, initially, 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 politicians 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 new contractor was able to convince the Managing Committee to approve all his requests.

When the Managing Committee decided not to mortgage the land lease for which SPARC had worked very hard, SPARC 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 NGO. SPARC realized that although the private contractor had offered to repay HUDCO, he could not be held legally responsible if the loan was not repaid. The loan was from HUDCO to MCHS, which alone was responsible for repaying it.

To add to SPARC's frustration, MCHS members voted unanimously to add more floors to the original low-rise design for which SPARC had fought so hard against the government. Although there is no evidence, SPARC claimed that the contractor and the Managing Committee members 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. But, there was no protest from Markandeya residents against the decision to add additional floors. On the contrary, the contractor developed a good rapport with the residents, who at this writing are still grateful for his involvement in the project. We believe that Markandeya residents were not aware initially of the real estate return their area could generate. While working with SPARC earlier to articulate their rights and needs, the residents simply did not know that they were sitting on a gold mine which, if properly developed, could generate enormous profits. The private contractor opened the residents' eyes to this possibility. True, he himself benefited from this opportunity, but he also demonstrated to the residents that they could get much more from the project than what SPARC had promised them.

SPARC tried to turn the tables on the private contractor when it learned that the Managing Committee had agreed to the contractor's proposal to convert Markandeya into an SRS project. SPARC pointed out to Markandeya residents that according to SRS project guidelines, the private contractor was to provide them free housing, but that the residents were paying Rs.35,000 per household to the contractor.[45] SPARC was convinced that the Managing Committee had signed off on this unfair proposal because they had been bribed. SPARC demanded that the Managing Committee explain the rationale for signing off on the contractor's proposal. SPARC also approached the committee created to approve SRS proposals and asked them to check whether 70 percent of the cooperative members supported the decision not to have "free housing". Consequently, the committee put Markandeya's proposal on hold.

Meanwhile, the developer continued with construction work on the project. He decided to add individual toilets to the units he was authorized to sell in the free market. The plumbing already in place for the common toilets was inadequate, so the developer decided to add new plumbing lines. This provided an opportunity for MCHS members to have attached toilets to 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 MCHS's members decided to have individual toilets and paid for them in full to the contractor.

The contractor was keen to obtain the approval to convert Markandeya to an SRS project so he could transfer the development rights (TDR). But the rules stipulated that all MCHS members had to occupy their houses before TDR could be exercised. So, the contractor decided

[45] 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 around Rs.3,200,000. This averages to about Rs.35,000 per member.

to temporarily halt the construction of the free-sale units and proceeded to complete the units for the MCHS 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. In selecting their units the MCHS members again surprised SPARC: most members chose units in the upper floors, and not the first floor. SPARC had argued at the project design stage that peoples' preferences were opposite because of the kinds of businesses they ran from their homes. SPARC was not totally off the mark on this issue. It had not taken into account that low-income households, much like other income groups, would prefer the protection from pollution, mosquitoes, and noise offered by upper floor units.

Conflict Resolution

Unfortunately the story did not end when the MCHS members moved into their newly built, upper floor units with attached toilets. A major dispute arose among the contractor, SPARC, and MCHS regarding who was to pay whom for what. After signing the agreement with the contractor, MCHS had stopped all payments to HUDCO. Since the contractor had not paid HUDCO either, HUDCO decided to recall the loan, with interest, after sending repeated notices and demands to MCHS, the borrower. Finally, HUDCO threatened to invoke the international bank guarantee SPARC had provided with SELAVIP's help.

SPARC decided to approach the newly created institution which was to sanction and monitor all slum rehabilitation projects under the new scheme introduced by the recently elected Shiv Sena government. The Slum Rehabilitation Authority (SRA) was created at the recommendation of a special committee appointed by the new government to help reformulate statewide strategy for housing delivery.[46] Both the committee, and the institution created on the basis of its recommendation (SRA) included high-level government officials, representatives from private sector, and also representatives from civil society. Interestingly, SPARC's Director, Sheela Patel, was asked to serve both on the committee, and, later, as a member of SRA. As a committee member, Sheela Patel had fully endorsed the recommendation that speedy implementation of slum rehabilitation schemes required the creation of a centralized institution which could adjudicate disputes among the various parties involved in slum rehabilitation. When 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 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![47] The reader may remember that SPARC had sparred with PMGP as early as 1986, and had captured Markandeya from PMGP's control with the support of MCHS. Hence, the CEO was quite familiar with the Markandeya case. He proposed to resolve all disputes, including the one regarding repayment to HUDCO, by designating Markandeya's redevelopment as "a joint venture" in which the private contractor, the cooperative members, and SPARC were to be partners. The contractor was asked to pay HUDCO the due arrears, and hand over 10 units to MCHS as their share of the free-sale component. The proceeds from the sale of these units, however, were to be deposited in a bank account, jointly held by MCHS and

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[46] The Afzulpurkar Committee (Afzulpurkar, Dinesh K., 1995. "Programme for the Rehabilitation of Slum and Hutment Dwellers in Brihan Mumbai: Report of the Study Group". Mumbai: Government of Maharashtra).
[47] Gautam Chatterji was the Director of the PMGP from1988-1991 and was appointed the CEO of the SRA in 1997.

SPARC.[48] As a precautionary measure, SPARC has kept the land lease documents issued by the Municipal Corporation to MCHS.

While SRA was resolving the Markandeya dispute, SPARC began working with another cooperative in Dharavi in a Slum Rehabilitation Scheme. This time SPARC was to be the developer.[49] As the developer, SPARC arranged financing from CitiBank, Homeless International in the United Kingdom, and Bilance, a Dutch NGO.[50] It also raised funds from free-sale components. To ensure speedy implementation of the project, SPARC centralized the planning and management of the project. Unlike at Markandeya, the cooperative is to play a fairly limited role. SPARC is handling by itself most aspects of the project, including negotiating loans, supervising the contractor, and even managing non-technical aspects. When the cooperative's consent is necessary, SPARC deals only with the chief promoter of the cooperative, who had invited SPARC to become the developer for the area.

Thus, the Markandeya project ultimately transformed SPARC. It induced SPARC to somewhat centralize its own, internal operation. It changed the way SPARC dealt with communities from an open-ended, all inclusive and participatory way to a relatively selective style where it worked with a few trustworthy individuals. And, it transformed SPARC's mission from one of only advocacy to one of social investment in profitable enterprises. What's more, the project ultimately led to the incorporation of SPARC in the government created centralized institutional mechanism for conflict management. With these transformations, SPARC was now

[48] This arbitration meeting was held at the SRA on August 28, 1998.
[49] SPARC is the developing agency for the Rajiv-Indira CHS. The cooperative approached SPARC in 1996 and a contract was signed in 1997. Construction started in July 1998.
[50] CitiBank is releasing the construction loan for the project. The loan is secured by a bank guarantee provided by Homeless International and a pre-sale commitment funded by Bilance. SPARC is also receiving a grant from CitiBank. This grant equivalent to 40 percent of the construction cost also helps to secure the loan.

ready to engage in a new round of developmental effort, hoping that it was stronger and wiser to deal effectively with other stakeholders of the development process.

PART V

Conclusion

What could one conclude and learn from the experience of the Markandeya project? Should one ignore the contentious nature of the process by which the project was implemented on the ground that it was an exceptional project, unlike most other projects implemented in a cooperative way? We think otherwise, even though we acknowledge that the project was unique in the way it was implemented at a time of unprecedented increase in real estate value, fueling conflicts among the various stakeholders. Aware of that particularity of the project context, we offer three general lessons for the design of future housing delivery systems.

First, institutional pluralism may generate conflict, creating delays in project execution, increasing project cost, and thereby lower overall project efficiency. In other words, decentralized systems of housing delivery involving market actors, government agencies and NGOs do not always reduce information cost, transaction cost, and uncertainty, as assumed by critics of centralized government housing delivery systems. The involvement of NGOs does not necessarily always ease the process of interaction among the various actors either. On the contrary, NGOs themselves can become deeply involved in conflictual situations, aggravating the intensity of conflicts to the level where project efficiency is adversely affected.

But, the second lesson of the Markandeya project is that conflicts may not have an all around negative impact. After all, thanks to SPARC's challenge of government's statistics, the relocation of project affected families was relatively more humane. Similarly, SPARC's challenge of government design guidelines and standards led to design innovations ultimately benefiting project participants. And, finally, the conflict between the private contractor and SPARC led to better financial arrangements for the project beneficiaries as their share of the total housing cost was reduced.

The inter-institutional conflicts generated by the project had yet other positive effects which are usually ignored by development planners. For one, the institutions in conflict began to learn about each other as a result of the conflicts; they also learnt about their own vulnerabilities. This institutional learning was most significant for SPARC, although the other institutions involved — and, that includes both government agencies and community groups — learnt too about their strengths as well as weaknesses. The clearest evidence of this institutional learning was the creation of SRA as the government realized the need for a conflict resolution mechanism if housing delivery is to continue to involve multiple institutions. The SRA's composition, which included Sheela Patel, the Head of the SPARC, was yet another evidence that the government acknowledged the NGOs' contribution to housing delivery for the urban poor.

The third set of lessons which emerge from the Markandeya project suggests what development planners should take into account in future project design. The most obvious lesson is to acknowledge the possibility of institutional conflict, and devise clear-cut unambiguous rules about who is to do what in project implementation. Development planners must also be aware how abrupt and frequent changes in public policies, even if well intentioned, can destabilize previous institutional agreements creating uncertainty and distrust among the stakeholders. To put it differently, development planners must learn the art of foreseeing how development projects are likely to unfold, and try to convey a sense of predictability to other actors. To do so, however, they must appreciate market trends and be able to gauge how changing market conditions is likely to affect various stakeholders. With such appreciation, planners may come to realize that in a booming real estate market, traditional market actors, like private contractors, may be able to deliver housing without NGO's assistance. Recall the time when SPARC's participation was not valued by either the private contractor or the Community Groups, simply because the market provided the opportunity to the private contractor to reap a good rate of return on his investment even though he reduced the financial obligations of the project beneficiaries. Needless to say, such instances of high profitability is not the norm, at least in the market for low-income housing; and that is why NGOs, like SPARC, do not always come in conflict with private contractors in delivering housing to the urban poor. But, even in situations where NGOs do not compete with private contractors, they may still need some government support to mobilize adequate resources to deliver housing. In our story, SPARC mobilized such resources from outside the country after wasting much effort to gain access to domestic public resources. This may have strengthened SPARC's international contacts and reputation, but it cannot serve as a model of financing for large-scale and continuous provision of housing for the urban poor. The government has to ensure the NGOs' access to public resources if the NGOs are to act as developers.

Last, but not necessarily the least important lesson for redevelopment planners, is that in designing future projects they should be somewhat skeptical of popular myths about low-income communities. The development planning literature is full of many myths about low-income communities as if they are homogeneous entities, comprising of mutually trusting and incorruptible individuals eager to participate broadly in developmental initiatives. Our story should inject a sense of realism. It clearly demonstrates that communities are often split on religious or linguistic lines. After all, the housing effort at Markandeya started with two, not one, housing cooperatives because of deep differences among the area residents. Later, the housing cooperatives rarely involved all the members in decision making. What's more, the members rarely complained about lack of their participation, and never questioned the decision of the cooperative leaders to allocate more housing for themselves. Ignoring and infuriating SPARC which had helped the community from the very beginning, the community leaders signed off on business deals with the private contractors. They also chose housing types with private bathrooms and on upper floors which, according to SPARC, was not in their interest! Perhaps the real lesson here is for SPARC — and, NGOs in general — to realize that communities are not static social entities always awaiting for NGOs' assistance. If the market generates opportunities for private capital accumulation, communities can change quickly, embracing market agents and ignoring old ties with NGOs.

Appendix: List of Interviewees

SPARC	Ms. Sheela Patel, Director Mr. A, Jockin, President NSDF Ms. Celine D'Cruz, Founding member Mr. Sunder Burra, Officer of the Indian Administrative Service on voluntary deputation to SPARC, ex-Director PMGP
NSDF	Mr. Gnanamuthu
Markandeya Cooperative	Mr. Ramachandra Jadhav, Chairman Mr. Viraswami Dhota, General Secretary Mr. Mohan Sawant, Treasurer Mr. Johnny Challaiah and other members of the cooperative
Architect	Mr. Sharad Mahajan, Purbi Architects
Developer	Mr. Shyambhai Patel, Parth Constructions
SRA	Mr. Gautam Chatterji, CEO SRA, ex-Director PMGP Mr. V. G. Gode, Secretary SRA, ex-Director PMGP Mr. D. T. Joseph, ex-CEO SRA, member Afzulpurkar Committee
PMGP	Mr. G. S. Pantbalekundri, ex-Senior Planner Ms. Usha Singh, ex-Chief Architect
Municipal	Mr. K. G. Pai, ex-City Engineer, member Afzulpurkar Committee Corporation
HUDCO	Mr. Mr. B. S. A. Murthy, Appraisal Officer, HUDCO
Rajiv-Indira Cooperative	Mr. P. S. Shanmuganand, Chief Promoter Mr. Mohammed Yakub, General Secretary and other members of the cooperative
Architect	Ms. Suchita Chogle, Pansare Chogle Associates
Site Engineer	Mr. Prabhu
Citibank	Mr. T. S. Anil, Product Manager Mortgage & Personal Loans,
Homeless International	Ms. Ruth McLeod, Director
Private Developers	Mr. Niranjan Hiranandani, member Afzulpurkar Committee Mr. L. D. Babladi, Developer and Architect, member Afzulpurkar Committee

Table 1: Contrasting Population Estimates of Dharavi

	PMGP	**SPARC**
Structures	55,000	85,000
Families	55,000	100,000
Families to be displaced	20,000	65,000

Source: SPARC, 1987, unpublished document. Courtesy of A. Jockin, SPARC & President of NSDF.

Table 2: Contrasting Plans for Dharavi

	PMGP	SPARC
Height of structure	Five stories	Two and a half stories
Size of units	160, 180, 181-430 sq. ft.	280 sq. ft.
Terms of financing	35% beneficiary contribution; 35% loan at 9% interest; 20% interest-free loan from PMGP; and 10% grant from PMGP	Cost of project to be lowered with lower (6%) interest loan without any collateral

Source: Multiple interviews with A. Jockin, SPARC & NSDF, September – December, 1997; and multiple interviews with V. G. Gode, ex-Director PMGP and G. S. Pantbalekundri, ex-Senior Planner PMGP, October – December, 1997.

Table 3: Cost Comparisons for Redevelopment of Markandeya (1988 and 1993)

Source of Funds	**Amount in Rupees**	
	1998a	*1993b*
Members Contribution	20,000	40,000
HUDCO Loan	20,000	40,000
Interest free loan from PMGP	10,000	-
PMGP Subsidy	5,000	5,000
Total	55,000	85,000

Sources: (a) Unpublished technical report, Purbi Architects, February 25, 1998. (b) Markandeya Cooperative Housing Society, Managing Committee.