



Institutional Pluralism and Housing Delivery: A Case of Unforeseen Conflicts in Mumbai, India

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Summary. — This paper demonstrates how institutional pluralism in the delivery of housing can evoke major disagreements and ultimately conflict between different stakeholders. The case study focuses on a case of slum redevelopment in Mumbai and shows how a major nongovernment organization (NGO) became involved in conflicts with the other stakeholders, including private market actors, government agencies and even the community group. But, these conflicts did not necessarily have only negative impacts. Under certain conditions, such as when property values were booming in Mumbai, communities can actually benefit from such conflicts. © 2001 Elsevier Science Ltd. All rights reserved.

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1. INTRODUCTION

The decade of the 1980s was marked by a major shift in 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 sites and services projects were big improvements over the 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 (Keare & Parris, 1982). Out of this criticism emerged two new themes which shaped housing policies in the 1980s and 1990s. First, there was a deliberate attempt to make housing policies more market friendly to encourage market agents to be more involved in housing delivery. Second, there was almost a worldwide effort to engage civil society and its institutions, such as community groups and nongovernmental organizations (NGOs), in the housing delivery process. The government's role was redefined to be that of "an enabler," in contrast to that of "a provider" of housing. Government was to enable market agents and

civil society to perform well, and encourage cooperation between the public and private sectors to meet the housing needs of the urban poor (World Bank, 1993). For such cooperation to flourish, the institutional monopoly of government over the lives of the urban poor had to give way to institutional pluralism, whereby multiple institutions ranging from private firms to community groups, faith-based organizations to political parties, governmental institutions to NGOs, could operate freely pursuing varying strategies to reach the urban poor. Institutional pluralism was considered a prerequisite, not merely for housing provision

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but to attain the broader objective of "democratization," which too had emerged as a key theme in the 1980s' development discourse.

One specific type of institutional actor which received much attention in most efforts to foster institutional pluralism was the NGO (World Development, 1987). In housing delivery to the urban poor, the NGOs' participation was thought to be particularly crucial as an intermediary between the communities and the 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 nonintimidating 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. 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, public and private (Hasan, 1988). This fit well with the new ethics of the 1980s which called for public-private partnerships, highlighted the benefits of social capital, and typically underplayed the possibilities of institutional conflicts.

The emphasis on cooperation and, in contrast, the lack of awareness of conflict was not just a matter of social optimism of that particular time. For the last 50 years of development planning, the issue of institutional conflict has very rarely received any serious attention. Partly because conflict is usually considered an aberration which emerges only under the unique condition of personal hostility between noncooperating individuals. In addition, 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. Yet another reason why development planners never dealt with the issue of conflict in a serious way 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 50 years is marked more by a spirit of harmony than conflict. The latest manifestation of that harmonious spirit is the new emphasis on public-private cooperation, social capital formation and such other "good things."

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 interinstitutional 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) ¹—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 involved *in situ* reconstruction, whereby existing slum dwellers were to be provided cooperatively owned, multistory housing with legal tenure. 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, however, 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, also had a transformative impact on SPARC. It induced the NGO 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.

Were these outcomes all bad, one may ask? No. Our interpretation of the case is that even

though the various conflicts delayed project completion, ultimately the same conflicts helped the project beneficiaries receive more benefits 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 poor's 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 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.² 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.

The data for this case study come from multiple sources, including extended personal interviews with the key stakeholders over almost a year.³ We supplemented these interviews with secondary material from newspaper articles, published reports, and government documents to reconstruct the story in five parts. First, we describe the project of slum redevelopment in Mumbai to familiarize the reader with the project's intentions. Then, we describe three key relationships—namely, between SPARC and the 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 make a few recommendations for future housing delivery projects.

2. THE DHARAVI REDEVELOPMENT PLAN

In December 1985, the then Prime Minister of India, Mr. Rajiv Gandhi, announced a

major housing improvement grant for the city of Mumbai, the capital of Maharashtra state. Dharavi, the city's largest slum, located near the heart of Mumbai, was to be a major beneficiary of the Prime Minister's grant.

The State Government of Maharashtra decided to redevelop Dharavi. Its goal was to minimize the relocation of slum inhabitants, encourage them to contribute financially toward the project cost, and work closely as cooperative housing societies responsible for the design, construction, and maintenance of the buildings. The State Government created a special planning authority to implement the project. This new institution, called the Prime Minister's Grant Project (PMGP), was created within the Maharashtra Housing and Area Development Authority (MHADA). The PMGP also incorporated representatives from the Municipal Corporation of Greater Mumbai, which owned much of the land in Dharavi.⁴ The municipality was to lease the land to cooperatives, not to individuals, but for an initial and renewable period of 30 years.⁵ The cooperatives could use such leases as collateral 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 governments. The PMGP proposed that approximately 15% 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' direct contributions (15%), loans from housing finance agencies (50%), 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.⁶

The PMGP started with a survey of Dharavi and identified 55,000 families. On the basis of this survey, it prepared a tentative redevelopment plan. The plan proposed that beneficiaries be housed in walk-ups of four to five floors, with apartment sizes ranging between 15 and 40 square meters. Most of the households would receive apartments of 15 or 17 square meters. While, beneficiaries with houses larger than 17 square meter would receive a new house of equal size, up to 40 square meters. Furthermore, the plan estimated that only 35,000 families could be accommodated in Dharavi and nearly 20,000 families had to be relocated. 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 (MHADA, 1987).

The PMGP's officials were aware that they could not implement such a complex proposal without the support of the beneficiaries. In their scheme, such support and participation was to be provided by the Cooperative Housing Societies, mobilized by the Community Development Officers of the housing authority. The 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 decision-making and monitoring the design and construction of projects.

How was this project implemented? We describe the process in the next few sections. 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. It provides a contrast to other areas within Dharavi, in which neither the cooperatives nor NGOs played any significant role. Markandeya, thus, provides intriguing and insightful lessons about decentralized housing delivery and institutional pluralism.

3. THE NGO AND THE PMGP

Many residents of Dharavi, 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 in the redevelopment. Their 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. SPARC had earlier successfully mobilized the pavement dwellers in Byculla, Central Mumbai, against evictions. SPARC had also created a new institutional alliance with the National Slum Dwellers Federation (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, and it backed it up with the political clout and grassroots support base that the 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 previously with the pavement dwellers.⁷ This survey allowed SPARC to establish a good rapport with the inhabitants. More important, 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's estimate (see 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 26 square meter 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."⁸ The plan also argued against the relocation of people and businesses and reduced the allocated areas for open space and common amenities.

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."⁹ Instead, the plan proposed that the project beneficiaries should control all decision-making and encouraged bottom-up, people-centered development (see Table 2).

Furthermore, SPARC argued that construction costs could be reduced significantly by reducing the height of the building to two or three stories. They also argued that a self-help approach, in which the residents managed the construction process by procuring building materials, such as cement from public distribution systems rather than in the free market,

Table 1. *Contrasting population estimates of Dharavi*

	PMGP	SPARC
Housing structures	55,000	85,000
Families	55,000	100,000
Families to be displaced	20,000	65,000

Source: SPARC (1987). 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	15, 17, 17–40 square meters	26 square meters
Terms of financing	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 (6%) interest loan without any collateral

Sources: (a) Multiple interviews with A. Jockin, SPARC & NSDF, September–December, 1997. (b) Multiple interviews with V.G. Gode, ex-Director PMGP and G.S. Pantbalekundri, ex-Senior Planner PMGP, October–December, 1997.

could result in a substantial cost-saving. Moreover, 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 the PMGP, the total project cost to the beneficiaries could be reduced significantly.

(a) *Government's response to SPARC's plan*

The PMGP dismissed most of SPARC's proposal as unrealistic. Senior officers of the PMGP argued that it was physically impossible to resettle all of Dharavi's residents in units of 26 square meters 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 a larger floor area to Dharavi's residents. They preferred that Dharavi be developed using a range of housing units, from 15 to 40 square meters, depending on the beneficiaries' existing housing areas. The PMGP also refused to give interest-free loans and argued that HUDCO was not in any position to reduce further 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 only two or three stories high.

In 1987, however, the PMGP decided to modify its original plan. There were two main reasons. First, the PMGP did not have the funds to reconstruct the entire Dharavi area. Second, the agency realized that the forced resettlement of residents, even if it was limited to 20,000 families according to PMGP estimates, was not politically feasible. Hence, the PMGP decided to mainly upgrade the bulk of the housing (rather than reconstruct), and reconstruct only 3,000 housing units in 12 subareas within Dharavi (Dua, 1989). One of these subareas 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 the PMGP came to Markandeya to help transform the community group into a housing cooperative. Much to the surprise of the local politician, some of 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, who was from a different caste. The Padmashali families decided to form a separate cooperative. The remaining 92 families created a second cooperative, the Markandeya Cooperative Housing Society (MCHS).

The local politician, Mr. Challaiah, who headed the MCHS's managing committee, was known to SPARC's leaders, who approached and convinced him to redevelop Markandeya according to the "People's Plan." SPARC, and architects commissioned by them, worked with the MCHS to prepare a plan. SPARC suggested using a physical plan for housing units that had emerged out of its consultation with the pavement dwellers of Byculla (SPARC, 1988). Asked to design the kind of housing they preferred, the pavement dwellers had designed a room with 4.3 m high ceilings that could accommodate a 1.8 m high loft. At Markandeya, it was decided to use a rectangular unit of 17 square meters with an additional loft area of 9.3 square meters, to provide a total living space of 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, reduced the cost and made the housing units unattractive to middle class families, reducing the possibility of gentrification.¹⁰

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

The PMGP objected to SPARC's plan and argued that the lofts could be sublet and the terrace encroached upon, leading to more residents and more pressure on Dharavi's infrastructure. But, by late 1989, SPARC managed to lobby with the municipal corporation and received "special permission" to proceed with their design.

(b) *Conflicts over project finance*

As the project moved toward implementation, a new battle erupted over who was to pay for the redevelopment of Markandeya. Since SPARC/MCHS had decided to develop Markandeya on their own, the PMGP argued that it was not obliged to either give interest-free loans (as originally planned, see Table 2) or provide a guarantee for loans from any other sources. The PMGP did agree, however, to provide most of the promised direct cost subsidy.¹¹

The shortfall of funds created a major financial bottleneck for SPARC/MCHS, who were also informed by the architect that the project would cost nearly 20% more than estimated earlier. The cost had increased not only because of the delay in starting the project, but also because the building required a more expensive foundation than expected. SPARC/MCHS responded to this unexpected turn of events in three ways. They raised the down payments by beneficiaries, eliminated the amounts earmarked for contingencies, and directly approached HUDCO for the loans.

SPARC/MCHS started the construction work with the members' down payments and hired a private contractor 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 cooperative but asked for some form of collateral and suggested three options: A guarantee from the state housing authority; or a mortgage, which required the Municipal

Corporation to lease the land to the cooperative and permit them to mortgage the property the area to HUDCO; or a bank guarantee against a fixed deposit. The PMGP refused, however, to recommend to the state housing authority that it provide the guarantee on the ground that SPARC, and not the PMGP, was the project promoter and controlled the project's outcome. 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 was stopped due to the lack of capital. 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 funds because of a sense of obligation toward the MCHS.¹² SPARC also sensed that if it failed to complete the project, it would also lose its credibility among the other residents of Dharavi. Moreover, SPARC calculated that it did not need to post the guarantee for very long. The NGO assumed that the MCHS would soon receive the land lease certificate from the Municipal Corporation, and would provide a mortgage to HUDCO, and secure the release of SPARC's guarantee.

HUDCO released 75% of the first loan installment to the MCHS with SPARC's guarantee, withholding 25% for interest payments. 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, SPARC/MCHS hired a new contractor, a nephew of a member, to complete the superstructure.

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

(c) *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,¹³ and later arranged for an interim bank guarantee for additional loans from HUDCO until the land lease was executed. To arrange the additional

Table 3. *Cost estimates for redevelopment of the Markandeya CHS (1988 and 1993, amount in rupees)*

Source of funds	1988	1993
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 (1998), February 25, Pune. (b) Multiple interviews with Managing Committee members of the Markandeya Cooperative Housing Society, 1997–98.

funds for the guarantee, SPARC approached a Belgian Trust—*Servicio Latino Americano Asiatico Vivienda Popular*—SELAVIP. SELAVIP agreed to provide a guarantee of US \$100,000—a very large amount of money in Indian currency—through the Bank of Liechtenstein.¹⁴ SPARC presented this bank guarantee to the Bank of Baroda, which executed a guarantee for the equivalent amount to HUDCO.

HUDCO accepted the guarantee and released the full amount of the first installment by December 1992. But, the corporation warned that further amounts would not be released unless the pace of construction increased. SPARC was disappointed that HUDCO, the public agency created to assist low-income housing construction, was unwilling to accept more risks.

By the middle of 1993, only the ground floor columns and parts of the first floor slab were completed. The slow progress concerned HUDCO and it demanded a revised project cost estimate. The new cost estimate, prepared by the MCHS and the architects, showed an increase of nearly 70%. To balance the budget, as indicated in Table 3, SPARC proposed that Markandeya's members double their own contribution and HUDCO re-negotiate a larger loan, twice the original amount.

4. THE NGO AND THE PRIVATE CONTRACTOR

Markandeya's members were reluctant to embrace SPARC's suggestion. At this point, the project architect informed them that an experienced private contractor was willing to complete their project by investing his own

funds. The new contractor, Shyambhai Patel of Parth Construction, offered to complete the project, within 18 months, on a fixed-rate contract, at the same price as the previous contractor.

Why did the new contractor agree to draw on his own finances to complete the Markandeya project? It is likely that the contractor was aware of a new government plan, the Slum Redevelopment Scheme (SRD), introduced in 1991.¹⁵ The scheme was designed explicitly to encourage private sector participation in low-income housing delivery. According to the new scheme, private developers as well as housing cooperatives could be promoters in redeveloping slums, as long as all eligible slum dwellers received housing units of 17–21 square meters and did not pay more than Rs. 15,000 per household, or merely 23% of the total cost.¹⁶ This was to be achieved by building and selling additional units at market price to buyers from outside the community, thus generating profits to cross-subsidize the slum dwellers. The scheme placed two key restrictions. It limited the total built up area on any site, measured as floor area ratio (FAR), to 2.5. This was a generous increase from the previous limit of 1.33. Second, it limited profits from the projects to 25% of investment. The State Government set up a special committee, the Slum Redevelopment Committee, to approve project proposals. This new committee was independent of the 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 market actors could request such alterations, as long as their requests were supported by the housing cooperatives.¹⁷

The new contractor at Markandeya did not raise this possibility at the outset, although his contract with the MCHS indicated that he intended to build nearly 12% more units than previously planned.¹⁸ SPARC claims that the MCHS never informed them about this agreement, and they came to learn about it only from other sources. When SPARC asked the managing committee to explain why additional units were to be built, the members 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. Moreover, the committee argued that it was not sure whether HUDCO would agree to a larger loan.

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 accept a larger debt burden. Initially, after receiving the land lease, the cooperative 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 obtain such a certificate because its accounts were incomplete and had not been audited for a while. When HUDCO refused to proceed with the mortgage, much to SPARC's dismay, the MCHS did not continue to pursue that option.

Soon after, 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.¹⁹ SPARC noted this irregularity and assumed that the contractor shared the unaccounted amount with the members of the MCHS's Managing Committee. But, apparently SPARC could not take any action, even though the MCHS and the contractor were proceeding to jointly apply for permission to alter Markandeya's project status under the new SRD.

In 1995, when the MCHS and the new contractor applied for SRD permission for the project, the property prices in Dharavi, as in other parts of Mumbai, had increased to an unprecedented level.²⁰ 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 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 12–15 times more.²¹ In return, the contractor would be able to sell 68 units (nearly 70% more units than originally planned) in the free market, and hand over 19 additional units to the PMGP. It is obvious that this scheme could not be carried 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 3.0 m high, not 4.3 m as SPARC had originally envisioned.²²

Much to SPARC's disappointment, the MCHS strongly supported the contractor's plan, and it was approved. According to the new plan, the MCHS did not have to mortgage the land lease, and the members did not have to make any monthly loan repayments because their earlier financial contributions covered their share. It was a good deal. But SPARC pointed out that the contractor, now the developer, should return 60% of the beneficiaries' contributions because the SRD capped beneficiary's contribution at Rs. 15,000 per unit. At Markandeya, the beneficiaries had paid nearly two and a half times that amount.

The developer argued back that there had been cost overruns because of past delays and mismanagement prior to his involvement in the project. In addition, the beneficiaries were to receive 4.3 m high units, while the norm was only 3.0 m. Nevertheless, the developer 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 the PMGP.²³ This application was also approved by the Slum Redevelopment Committee.

In 1995, the Congress party lost the state election to the opposition, the Shiv Sena, which had campaigned on the promise of "free housing" for the slum dwellers. The Shiv Sena replaced the 1991 scheme, which was already market friendly, with its new Slum Rehabilitation Scheme (SRS), which provided even more benefits to the private developers. First, it removed the previous cap of 25% on profits. Second, it further relaxed FAR restrictions, allowing more intense development. 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.²⁴ 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.²⁵

This new policy created new opportunities for the developer at Markandeya. Since the constructed foundations of the building, made it difficult for him to add more floors to utilize the maximum allowed FAR, he could now transfer that right to build to other, even more highly priced, real estate areas in the city. Not surprisingly, the developer filed a proposal to convert Markandeya, one more time, this time to a 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 developer also agreed to contribute toward maintenance expenditures, as required by the new scheme.

It is noteworthy that the developer did not offer to return the down payments made by the cooperative's members, despite SPARC's demands, in part because neither the Managing Committee nor other members of the cooperative pushed such a demand. Perhaps they were convinced by the developer's argument that they were responsible for the earlier mismanagement and that they were only entitled to 3.0 m high units, while they were to receive 4.3 m high units with lofts. In any event, they were unwilling to disrupt the developer who was moving their project ahead, after a long impasse.

5. THE NGO AND THE COMMUNITY

Not surprisingly, SPARC had begun to distrust the MCHS. Initially, SPARC was ambivalent when the MCHS decided to hire the new contractor/developer at the project architect's advice. But the NGO was eager to see the project progress and thought that the new developer could self-finance the project to completion. SPARC was uncomfortable, however, with the possibility of the new developer injecting a market mentality in the project and undermining the NGO's position.

When the MCHS signed a contract with the new developer to build extra units, SPARC realized that its influence on the MCHS's Managing Committee was being challenged. For the first time, SPARC noted that there had been no elections to form 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 developer 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. SPARC realized that although the private developer had offered to repay HUDCO, he could not be held legally responsible for the loan repayment. The loan was from HUDCO to the MCHS, which alone was responsible for repaying it. To add to SPARC's frustration, 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. Although there is no evidence, SPARC claimed that the developer and the Managing Committee's 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 were no protests from Markandeya's residents against the decision to add additional floors. On the contrary, the developer established a good rapport with the residents, who were grateful for his involvement in the project.

We believe that Markandeya's residents were not initially aware 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 developer opened their eyes to this possibility. True, he himself benefited, but he also demonstrated to the residents that they could get much more from the project than what SPARC had promised them.

Meanwhile, the developer continued with construction work on the project. He decided to add individual toilets to increase the marketability of the units he was authorized to sell in the market. The existing plumbing, designed for common toilets, was inadequate. So, the developer decided to add new plumbing lines. 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, however, nearly half of the MCHS's members decided to capitalize on the opportunity and paid the developer for attached, individual toilets.

The developer was keen to obtain regulatory approval to convert Markandeya to an SRS project so that he could transfer the development rights. But, the rules stipulated that all the MCHS members had to occupy their houses before the TDR could be exercised. Therefore, the developer decided to halt temporarily the construction of the free-sale units and proceeded to complete the units for the MCHS's members. At the beginning of 1998, nearly 10 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 (ground) 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. But, there were few businesses and SPARC had not taken into account that low-income households, much like other income groups, may prefer upper floor units for protection from mosquitoes, noise, and pollution.

Unfortunately the story did not end when the MCHS's members moved into their newly built houses. 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 contractor, the MCHS had stopped all repayments to HUDCO. Since the contractor had not paid HUDCO either, HUDCO sent repeated notices and demands to the MCHS. 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. The Slum Rehabilitation Authority (SRA) was created at the recommendation of a special committee appointed by the new government to help reformulate state-wide strategy for housing delivery (Afzulpurkar, 1995). Both the committee, and the institution created on the basis of its recommendation (the 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 on both the committee and, later, as a member of the 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 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. But, when the conflict did peak later, it was not surprising that SPARC asked the SRA to intervene.

Ironically, at that time, the 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!²⁶ The reader may remember that SPARC had sparred with the PMGP as early as 1986. 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 developer, the cooperative members, and SPARC were to be partners. The developer was asked to pay HUDCO the due arrears, and hand over 10 units to the 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 the MCHS and SPARC.²⁷ As a precautionary measure, SPARC kept the land lease documents issued by the Municipal Corporation to the MCHS.

While the 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 with all rights to the additional floor area for sale in the market.²⁸ As the developer, SPARC arranged financing from CitiBank, Homeless International in the United Kingdom, and Bilance, a Dutch NGO.²⁹ To ensure speedy implementation of the project, SPARC centralized the planning and management of the project. Unlike at Markandeya, the cooperative was to play a fairly limited role. SPARC handled most aspects of the project, including negotiating loans, supervising the contractor, and even managing nontechnical aspects. When the cooperative's consent was necessary, SPARC dealt mostly 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. Moreover, it transformed SPARC's mission from one of only advocacy to

one of social investment in profitable enterprises. The experience also ultimately led to the incorporation of SPARC in the government created centralized institutional mechanism for conflict management. With these transformations, SPARC was now ready to engage in a new round of developmental effort, hoping that

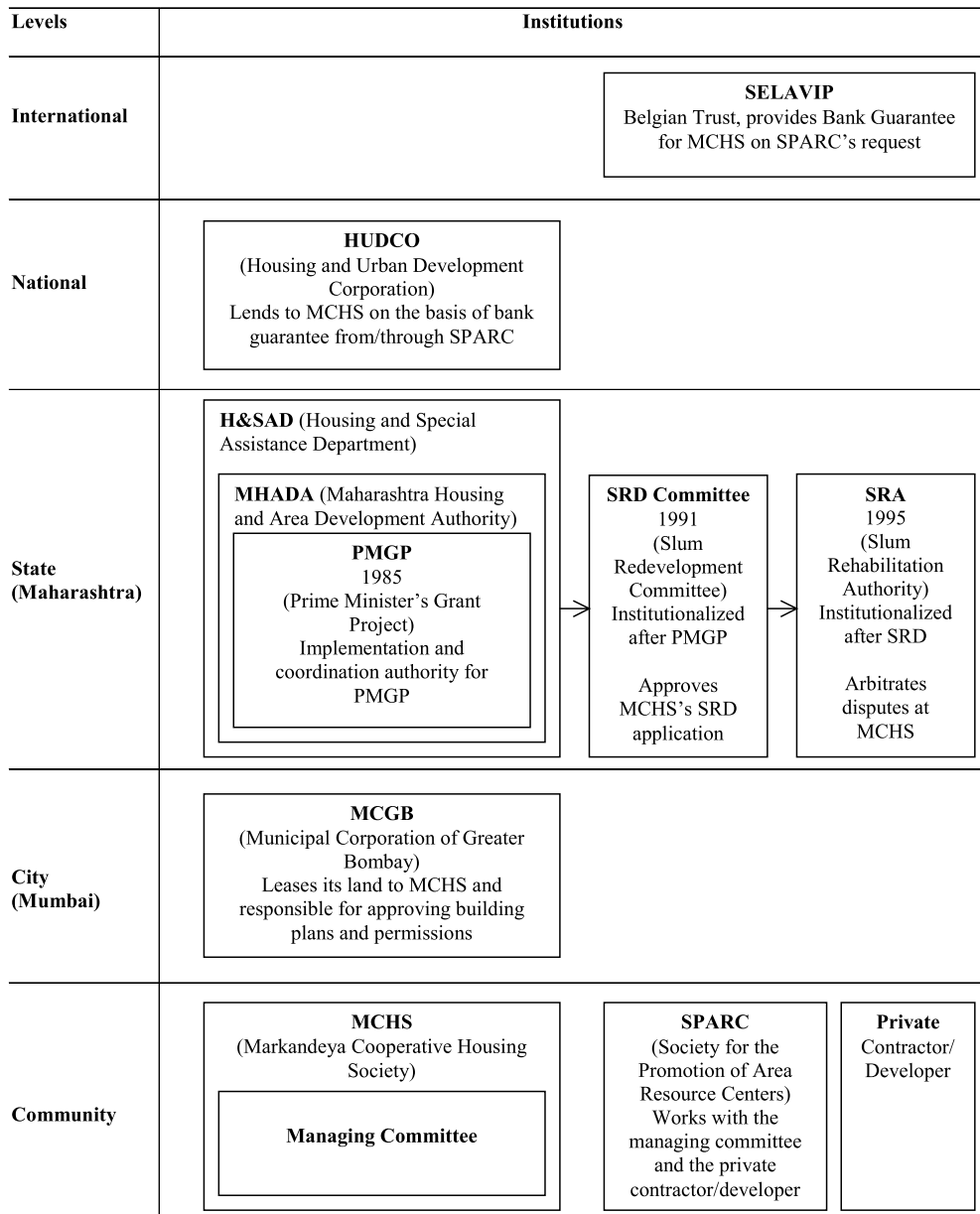


Figure 1. Institutional levels for the redevelopment of Markandeya. Source: Mukhija (2000).

it was stronger and wiser to deal effectively with the other stakeholders of the development process (see Figure 1).

6. CONCLUSION

What can 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 harmonious 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 values. Aware of that particularity of the project context, we offer three general sets of 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 lowering overall project efficiency. In other words, decentralized systems of housing delivery involving market actors, government agencies and NGOs do not always reduce information costs, transaction costs, 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.

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 reduced. Similarly, SPARC's challenge of government design guidelines and standards led to design innovations ultimately benefiting project participants. 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 interinstitutional 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 learned 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—learned too about their strengths and 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, was yet more evidence that the government acknowledges 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 of 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 are likely to affect various stakeholders. With such appreciation, planners may come to realize that in a booming real estate market, traditional market actors, such as private contractors, may be able to deliver affordable housing without the assistance of NGOs. Recall the time when SPARC's participation was not valued by either the private developer or the community, simply because the market provided the opportunity to the private developer 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 are not the norm, at least in the market for low-income housing; and that is why NGOs, such as SPARC, do not always come in conflict with private market actors in delivering housing to the urban poor. But, even in situations where NGOs do not compete with private developers, they may still need some government support to mobilize adequate resources to deliver housing. In our story, SPARC mobi-

lized 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. Governments have to ensure that NGOs have access to public resources if the NGOs are to act as developers.

Last, but not necessarily the least important lesson for development 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 is more, the members rarely complained about the lack of their participation. They hardly questioned the decisions of the cooperative's leaders to ignore and infuriate SPARC, which had helped the community from the very beginning, and sign-off on business deals with the private developer. 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 an NGOs' assistance. If the market generates opportunities for private capital accumulation, communities can change quickly, embracing market agents and ignoring old ties with NGOs.

NOTES

1. SPARC's initial work was with the pavement dwellers of Byculla (Central Mumbai). For elaborate accounts of SPARC, see SPARC (1990) and Khan (1997). Also refer to SPARC's Website at <http://www.dialogue.org.za/sparc/index.htm>. The appendix is a glossary of the acronyms in this paper.
2. The public policy changes instituted to attract private developers included an increase in allowed Floor Area Ratio (FAR—the ratio of the floor area of the built-project to the area of the site), a 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").
3. The first phase of fieldwork was from August 31 to December 13, 1997. The second phase was from March 23 to August 28, 1998.
4. According to the estimates from 1985, the Municipal Corporation owned 59.0% of the land in Dharavi, the State Government, 16.0%, and 25.0% was in private ownership (Warning, 1995).
5. The Maharashtra Slum Areas Act, 1971, stipulates that slum-land be leased to cooperatives of slum-dwellers (Government of Maharashtra, 1971).
6. Interview with V.G. Gode, ex-Director PMGP, November 18, 1997.
7. 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 judgment 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, 1991). Also see SPARC (1985).
8. A. Jockin quoted in a newspaper article, *The Independent* (1989).
9. Interview with A. Jockin, SPARC & NSDF, October 11, 1997.
10. Interview with Celine D'Cruz, SPARC, November 12 1997.

11. The PMGP deducted overheads of Rs. 400 per member and released a subsidy of Rs. 5,000 per member, but they provided for only 76 members, as they were unable to verify the eligibility of all the members.
12. SPARC agreed to post a guarantee of Rs. 1,000,000, roughly one-fifth of the estimated project cost.
13. SPARC made an interest-free loan of Rs. 200,000 to the cooperative.
14. At the prevalent exchange rate, US\$100,000 was equivalent to Rs. 2,760,000.
15. Slum reconstruction under the PMGP was succeeded by the SRD, initiated by the State Government in February 1991 (The Times of India, 1991). The Municipal Corporation elaborated SRD's implementation guidelines in April, 1992 (MCGB, 1992).
16. In 1991, according to the official exchange rate, 17.95 Rupees were equal to a US dollar.
17. 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.
18. Agreement between Parth Constructions and the Markandeya Cooperative Society, September 8, 1993.
19. In Mumbai, as in most Indian cities, property transactions were typically 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.
20. Property prices in Mumbai were one of the highest in the world (The Economist, 1995; Nayar, 1996).
21. In 1994-95, 31.40 Rupees were equal to a US dollar.
22. The top two floors had to be restricted to 3.0 m to reduce the additional load on the structure.
23. Source: Annexure II, revised Slum Redevelopment application, MCHS, October 31, 1996.
24. According to the revised regulations, a predefined ratio was established between the rehabilitation and the free-sale component. At the same time, the FAR of all sites was capped at 2.5. If the developers were due for more FAR than 2.5, they were allowed to transfer the additional development potential to alternative sites (Government of Maharashtra, 1991).
25. Developers were required to deposit Rs. 20,000 per house, approximately 13% of the cost of constructing a unit (Government of Maharashtra, 1997).
26. Gautam Chatterji was the Director of the PMGP during 1988-91. He was appointed the CEO of the SRA in 1997.
27. This arbitration meeting was held at the SRA on August 28, 1998.
28. SPARC was the developing agency for the Rajiv-Indira CHS. The cooperative approached SPARC in 1996 and a contract was signed in 1997. Construction work, started in July 1998.
29. CitiBank agreed to release the construction loan for the project. The loan was secured by a bank guarantee provided by Homeless International and a pre-sale commitment funded by Balance. SPARC also received a grant from CitiBank. This grant, equivalent to 40% of the construction cost, also helped to secure the loan.

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APPENDIX A. GLOSSARY OF ACRONYMS

FAR	Floor Area Ratio
HUDCO	Housing and Urban Development Corporation
MCHS	Markandeya Cooperative Housing Society
MHADA	Maharashtra Housing and Area Development Authority
NGO	Non-Governmental Organization
NSDF	National Slum Dwellers Federation
PMGP	Prime Minister's Grant Project
SELAVIP	<i>Servicio Latino Americano Asiatico Vivienda Popular</i>
SPARC	Society for the Promotion of Area Resource Centers
SRA	Slum Rehabilitation Authority
SRD	Slum Redevelopment Scheme
SRS	Slum Rehabilitation Scheme
TDR	Transfer of Development Rights