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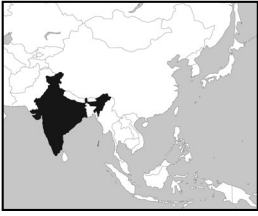
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# Towards a pro-poor framework for slum upgrading in Mumbai, India

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1. In cities in India, the term "slum" was used originally as a pejorative term to classify settlements that the government sought to clear. With the recognition that "slum clearance" does not diminish slum populations, and often impoverishes those who move, and with the protection provided to

**SUMMARY:** This paper examines the institutional framework and financial mechanisms for "slum" upgrading in Mumbai, including the use of Transferable Development Rights (TDR), and assesses their strengths and limitations. Although recent innovations through the Slum Redevelopment Authority did not produce the hoped-for scale of slum improvements, it showed more effective possibilities for the future. The paper discusses the historical relationship between the central, state and local governments and slum communities, and the evolution of policies that have affected slum dwellers from the 1950s to the present. It also describes the opportunities that the institutional and legal framework provided for community-driven approaches by the Society for the Promotion of Area Resource Centres (SPARC), the National Slum Dwellers Federation (NSDF) and Mahila Milan. This includes a discussion of how these approaches were financed and of the strategies of engagement used by urban poor federations with the state, the private sector (especially banks) and the World Bank. The paper also identifies the changes needed to make pro-poor slum upgrading more effective and capable of reaching a much larger scale.

## I. INTRODUCTION

THIS PAPER DESCRIBES an ambitious new policy on "slums"<sup>(1)</sup> in the city of Mumbai, and the possibilities and constraints this has provided for three civil society organizations that work together and that have become heavily involved in slum upgrading and resettlement, namely the Indian NGO SPARC, the National Slum Dwellers Federation (NSDF) and Mahila Milan (a decentralized network of savings collectives formed by women slum and pavement dwellers).<sup>(2)</sup> The backdrop to this is a liberalizing economy where

### Box 1: List of acronyms and abbreviations

CLIFF	Community-Led Infrastructure Financing Facility
FSI	Floor Space Index
HUDCO	Housing and Urban Development Corporation
NSDF	National Slum Dwellers Federation
SDI	Slum/Shack Dwellers International
SPARC	Society for the Promotion of Area Resource Centres
TDR	Transferable Development Rights
UTI	Unit Trust of India
VAMBAY	Valmiki Ambedkar Yojana – a housing subsidy programme

the state's role is diminishing. The withdrawal of the state is not only from sectors where it should not rightfully be – for example, running five-star hotels – but also from sectors such as housing and urban development, which directly affect the poor. Social-sector spending is reduced and even the meagre resources still allocated to programmes for the urban poor get lost in bureaucratic mazes, or become tools of political patronage.

## II. THE BACKGROUND TO SLUM UPGRADING

### a. The centre and the states

INDIA'S CONSTITUTION IS federal insofar as certain areas fall within the legislative domain of the government of India (for example, foreign affairs, defence and finance). Other areas fall under the states (for example, housing and urban development) and in others, both the central and state governments have jurisdiction. With regard to slums and urban development, central government can influence the states in only limited ways, through national policies which states do not have to follow and through centrally sponsored schemes implemented through budgetary transfers to the states. The Indian Parliament also enacted a law placing a ceiling on the amount of urban land that could be held by a family, with a view to redistributing the surplus to the poor. However, many states have withdrawn this provision for a variety of reasons, including the difficulties of implementation and the apparent lack of success in meeting the objectives.

Thus, each state in India is free to frame its own laws, policies and programmes for slum upgrading, except with regard to land owned by central government agencies. These agencies have large landholdings in many cities, a reflection of India's colonial history when defence establishments, port trusts and railways were among the government agencies that acquired vast tracts to serve imperial objectives. After Independence, the pattern of landholding did not change, and the central government is probably the largest single owner of urban land in India.

When India gained independence in 1947, 85 per cent of its population lived in the villages. Rural poverty was seen as the central challenge for the political leadership, the economists and the planners. Successive five-year plans earmarked large funds for agriculture and rural development, and in the 1960s, drought and famine further encouraged a rural focus. The problems of urban India were barely recognized. Today, in spite of rapid urbanization (with an urban population of more than 300 million, and 35 per cent of India's population living in urban areas), the mindset of giving priority to rural areas has changed little. Migration to cities was, and often still is, seen by the political leadership and intelligentsia as a threat to the survival of cities. To invest in urban development and to focus on housing for the urban poor appeared to them to be an invitation to fresh migration.

### b. Draft national slum development policy

A draft national slum development policy, formulated by the Central Ministry of Urban Development and Poverty Alleviation, has been under discussion for some time, but has yet to be finalized. It contains progressive features, such as the provision that slum dwellers should be granted land tenure wherever feasible. It also suggests that where this is not tenable,

“slum” dwellers described in this paper, there were advantages to the inhabitants of “slums” that these become officially recognized as such. Those living in informal communities may lobby hard for these to be officially designated as “slums”, because this can bring particular advantages with regard to their relationship with the local authorities and to the possibilities of obtaining basic infrastructure and services.

2. These federations are members of an international umbrella organization called Slum/Shack Dwellers International (SDI) – for more details of this and of the work of each federation, see Patel, Sheela, Sundar Burra and Celine d’Cruz (2001), “Slum/Shack Dwellers International (SDI); foundations to treetops”, *Environment and Urbanization* Vol 13, No 2, October, pages 45–59; also <http://www.sdinet.org/>. For a summary of the work of the different federations who are members of SDI, see d’Cruz, Celine and David Satterthwaite (2005), “The current and potential role of community-driven initiatives to significantly improve the lives of ‘slum’ dwellers at local, city-wide and national levels”, IIED and SDI; this can be downloaded at no charge from [www.iied.org/urban/index.html](http://www.iied.org/urban/index.html)

provision should be made to resettle the slum dwellers. But this draft policy has not been accepted by other central government departments, especially those owning the land on which many informal settlements have developed, such as the railways, port trusts and defence establishments. These agencies do not allow municipal or state government agencies to provide basic amenities to the slum dwellers living on their lands. Consequently, there is a stalemate: politically, it is not possible to demolish the homes of thousands of slum dwellers who live on government land, but the central government departments that own the land refuse to allow the inhabitants to receive tenure and basic services.

However, change in these central government departments is possible, particularly when they need some of their land to be cleared of informal settlements. For this to happen, they have to reach agreement with state governments for whom mass demolitions are usually politically untenable. As demonstrated by the case of the Mumbai Urban Transport Project, discussed later in this paper, the railways did agree to contribute to the resettlement and rehabilitation of informal settlers who lived on their land each side of the railway tracks. But they only did this when they realized that there was no other way to obtain World Bank assistance, or to free up the land they needed to make the trains operate more effectively. Both the Airports Authority of India and the Indian Navy are contributing to the costs of slum upgrading and resettlement in specific locations in Mumbai, but only in order to get the land they need – for operational reasons in the case of the Airports Authority and for security reasons in the case of the Indian Navy.

### c. Evolution of slum policy in Mumbai

Mumbai, the capital of the state of Maharashtra and India's most important commercial centre, has a population of over 12 million people. More than half of the city's population lives in slums, characterized by the illegal occupation of land and the absence or shortage of basic civic amenities such as water, sanitation and electricity.

During the 1950s and 1960s, the government of Maharashtra and the municipal corporation of Greater Mumbai sought to demolish slums and clear any land on which the urban poor encroached. It became apparent that this policy did not work because people would simply rebuild their huts in the same location or, if there was too much harassment, shift to another unoccupied piece of land nearby. The central government agencies and the state government and its agencies, such as the Housing Board and the municipal corporation, were not equipped to police their lands. In addition, lower-ranking officials often connived with middlemen to allow encroachments. The public perception of slum dwellers – in government, professional and media circles – was that they were a nuisance. The contribution of slum dwellers to the city's economy – as industrial workers, construction labour, domestic servants, rag pickers and in a whole range of petty trades such as vegetable and fruit-selling – remained unacknowledged.

Although the government of Maharashtra had a well-developed law and policy regarding persons displaced by irrigation projects in rural areas, this was not the case for persons affected by urban projects. In rural areas, comprehensive resettlement and rehabilitation packages had been developed for project-affected persons. These included alternative agricultural lands in the command areas of the new irrigation projects, a developed

village site with infrastructure, plots of land for housing, loans and subsidies for setting up afresh, and jobs reserved in government service. Consultative processes at the district level (the basic geographical unit of administration) included mandated representation of project-affected persons and local elected representatives.

In contrast, there was no law regarding entitlements for those affected by public projects in urban areas. Policy, such as it was, evolved through practice and local pressure. At best, those who were displaced by projects in Mumbai were supposed to be offered small plots of land in distant suburbs – selected without any consultation – and with some provision for basic amenities such as water and sanitation. But usually, even these were not made available. Without any representative community organization among those being resettled, resettlement proceeded erratically, largely dictated by the whims of municipal officials. Not surprisingly, when people were forcibly relocated, with no concern for their social and economic networks, most returned to their original locations or nearby, in their quest for economic survival and their need for community and kinship ties.

During the 1970s, for a variety of reasons relating to both equity and practical considerations, slums began to be viewed as “housing solutions”. Legislation and policy were developed to provide civic amenities in slums, and it began to be recognized that when slums were to be demolished, some form of resettlement was needed. In 1976, a census of huts on public lands was conducted and “photopasses”<sup>(3)</sup> issued to all those found eligible according to certain criteria. Those who received photopasses had, for the first time, some security. The programme of providing water, sanitation, electricity and other amenities to recognized slum dwellers was to continue, and these works were carried out by the engineering departments of different public agencies, with no consultation or participation. However, slums on land belonging to central government agencies did not get any of these amenities because the agencies refused to allow this.

In the mid-1980s, there was a change in thinking within two programmes in the World Bank-funded Bombay Urban Development Project. The first, the Slum Upgrading Programme, consisted of the provision of 30-year renewable land leases to cooperative societies of slum dwellers, civic amenities on a cost-recovery basis and loans to support upgrading of houses. This was an advance on earlier policy insofar as it gave security of tenure, but conditions on the ground did not change significantly because tenure was granted on an “as-is, where-is” basis. Existing inequalities in the land area given to different families remained, and the scope for reconfiguration and improvement remained limited because of high densities. Moreover, this programme could only be implemented on lands belonging to state government agencies, where reservations for public purposes (for example, schools, hospitals, etc.) did not run counter to public housing.

The second programme was the Low-income Group Shelter Programme. This sought to provide affordable shelter to the poor through subsidies from the profits made by selling plots to middle- or upper-income groups. The state government provided land free to implementing agencies, and the programme was self-financing. Through this programme, what are referred to in India as the “economically weaker sections” and “low-income groups” were to build their own homes in accordance with a standard design. This was an advance upon earlier efforts in which the government was the “implementer” rather than the

3. A “photopass” is official certification of a slum dweller’s eligibility to be resettled if the land on which their hut is situated is needed by the government for a public purpose.

“facilitator”. About 85,000 low-income families benefited from the programme. Initially, they had to pay for a small proportion of the cost of the house site, and were given loans to construct their houses, repayable over 20 years. It remains uncertain how many of these families were truly poor because government agencies implemented the programme with no support from non-governmental organizations and community-based organizations. But there were many administrative innovations such as a “single window” or “one-stop shop”, where all the application requirements could be met.

At the beginning of the 1990s, a new slum redevelopment scheme was formulated by the state government. Slums could be redeveloped and, as an incentive to those doing the redevelopment, permission could be granted for extra building space. By providing the developer with extra building space that could be sold on the open market, accommodation for slum dwellers would be cross-subsidized. The private housing and construction industry was expected to contribute much to this programme. Guidelines spelt out the limit on profit (25 per cent) and the extent of the incentive (based on the Floor Space Index (FSI), which will be explained in more detail below). A group headed by the municipal commissioner had to approve each proposal, but the programme did not take off in any significant way.

#### **d. Changes in the resettlement policies of the World Bank and the government of Maharashtra**

In the early 1990s, the World Bank, having come under international criticism for its apparent indifference to persons affected by large infrastructure projects, was persuaded to make resettlement and rehabilitation an integral component of project planning and implementation. Perhaps the single most important reason for the World Bank’s new policy was the plight of people affected by the Narmada Dam in India, which was highlighted all over the world by Narmada Bachao Andolan (Movement to Save the Narmada).

The World Bank’s new position was that no project site could be cleared without a resettlement and rehabilitation component. This was to have an impact upon the Mumbai Urban Transport Project, because many thousands of urban poor households had to be moved from alongside the railway tracks – their homes were so close to the railway lines that railway speeds were being restricted.

The government of Maharashtra was asked to formulate a resettlement and rehabilitation policy. The task force set up to do this got assistance from different central government agencies as well as NGOs and people’s organizations. The recommendations of the task force were accepted by the state government, and formed the basis of the Mumbai urban transport resettlement and rehabilitation programmes.

The policy objectives were:

- to minimize the resettlement of slum populations by exploring all viable alternative project designs; where displacement, and thus resettlement, was unavoidable, to develop and execute resettlement plans in such a manner that displaced persons would be compensated for their loss at full replacement cost prior to the actual move; displaced persons would be assisted in their move and supported during the transition period in the resettlement site; displaced persons would be assisted primarily in the restoration and improvement of their family



living standards, income-earning capacity and production levels; particular attention was to be paid to the needs of poor resettlers in this regard;

- to develop the details of the resettlement programme through active community participation, by establishing links with the community-based organizations; and
- to make efforts to retain existing community networks in the resettlement area; wherever this was not feasible, to make efforts to integrate the resettled population with the host community, and to minimize any adverse impact on the host community.

For the resettlement of those living either side of the railway tracks, the costs were to be shared between the state government and the railways, and not by local authorities. This was the first time that a central government agency had agreed to a rehabilitation and resettlement project in an urban area, and even if it was a policy restricted to persons affected by this one project, it represented a considerable advance on previous practice. An important aspect of the government resolution was to identify project-affected persons on the basis of social and economic networks rather than on the basis of the land required for the project. If there were persons who were not affected physically by the project, but whose social and economic networks were disrupted, they would also be entitled to resettlement. The resolution also specified various procedures for implementing the policy, including measures to redress grievances. This government resolution provided the basis for the resettlement of some 20,000 households previously living along the railway tracks, in a resettlement programme that was designed, implemented and managed with strong community participation.<sup>(4)</sup>

This led to an amendment by the state government of the Slum Areas (Improvement, Clearance and Redevelopment) Act in 2001. All pavement and slum dwellers who could establish that their names were on the electoral roll<sup>(5)</sup> on 1 January 1995 were protected, to the extent that their homes could not be demolished without rehabilitation. But the amended Act did not spell out the nature of the rehabilitation package. The passage of this Act was partly the result of a case where the provisions of the Railways Act (central legislation) conflicted with the state government policy of protecting slum dwellers. The High Court of Mumbai observed that in the absence of legislation, mere policy could not override central law.

### III. THE INSTITUTIONAL AND LEGAL FRAMEWORK FOR SLUM UPGRADING IN MUMBAI

#### a. The new institutional framework

WHEN A NEW government came to power in Maharashtra in 1995, one of its principal election promises had been to provide 800,000 free houses to 4 million slum dwellers in Mumbai. A study group was appointed, which attempted to set out the means for meeting this election promise within four years. The committee's assessment suggested that more than half of slum dwellers lived on land belonging to various central and state agencies or public bodies. The need to preserve the open spaces and other amenities as provided in the development plan, and to make provision for the urban poor was recognized.

4. Patel, Sheela, Celine d'Cruz and Sundar Burra (2002), "Beyond evictions in a global city; people-managed resettlement in Mumbai", *Environment and Urbanization* Vol 14, No 1, April, pages 159–172.

5. Electoral rolls, which list eligible voters, are prepared under the supervision and direction of the Election Commission of India, a constitutional body with considerable autonomy. These rolls are generally accepted as being accurate.

Recommendations included the following:

- wherever possible, slums should be redeveloped in situ – and this was possible in about 80 per cent of cases; where slums are located on land reserved for public amenities, wherever possible these amenities should be shifted to other locations; however, if this were not possible, then the slums would have to be relocated along with those on land in dangerous locations and in no-development zones;
- pavement dwellers in the city, hitherto denied any rights or amenities, would have the same rights as slum dwellers with regard to the right to rehabilitation, as long as they met with eligibility conditions;
- those slum dwellers whose housing could not be upgraded in situ had the right to be resettled in alternative locations; and
- owners of private land could participate in the scheme, and were given benefits if they did so.

With so many slums being situated on land owned by central agencies, the committee encouraged the railways, the airports authority and the port trust to work with them and to allow slum redevelopment on land that was not needed for operational purposes. If dialogue failed to yield results, then a slum reservation order could be placed on the relevant land, and if this was done according to statutory procedures, then the land-owning agency could be compensated either according to a mutually agreed price or by receiving alternative buildable area through Transfer of Development Rights (TDR).<sup>(6)</sup>

A slum rehabilitation authority was set up as the single coordinating authority, while there would be multiple executing agencies such as private-sector developers, public bodies, NGOs and cooperative housing societies of slum dwellers. It was made the planning authority for slum areas, and the municipal and state legislation was amended to give it the power to make changes to the development plan of the city and to provide building permissions. The authority was to be headed by a minister (today, it is the chief minister) and was to have a senior bureaucrat as the chief executive.

All slum and pavement dweller families whose names were on the electoral roll on 1 January 1995 were eligible for a free 225-square-foot apartment (tenement<sup>(7)</sup>). In addition, any developer who undertook a slum rehabilitation scheme had to contribute Rs 20,000 per family<sup>(8)</sup> to a central fund, with the interest from the fund being used to help cover monthly expenses for maintenance and municipal taxes. The developer was expected to make enough profit from the sale of extra apartments to cover the costs of providing the free apartments and the Rs 20,000/family contribution. Municipal taxes were pegged at 20 per cent of existing rates, to reduce the burden on slum families, with a provision to increase them gradually over a period of time. Commercial areas such as shops and restaurants would also be given floor space.

The redevelopment of slums in situ was to be the main strategy and guiding principle. Where major rebuilding was necessary, families could either find temporary alternative accommodation on their own, or be regrouped on the site itself, or be accommodated in transit camps provided by the developer. Where relocation was inescapable, care was to be taken to ensure that, as far as possible, the new sites were on the same railway line (Mumbai has an extensive suburban railway system). Constructing one million new apartments/tenements would strain the existing infrastructure for water mains, sewers, treatment systems and stormwater drains, so the developer was expected to pay Rs 840 per square foot of constructed area as an infrastructure development charge to fund the needed expansion in infrastructure capacity.

6. The concept of TDR is explained below.

7. The term “tenement” often implies poor quality, overcrowded housing; however, in India, the term does not have this connotation.

8. Rs 43 = US\$ 1 approximately.



**b. The mechanism for financing slum redevelopment**

The party that came to power in Mumbai after the 1995 elections did so on the promise of free houses for the slum dwellers, but funding from the state government was not envisaged because of a lack of funds. In any case, no government could have afforded the cost of constructing 1 million houses. The committee devised a formula to raise money from the market through granting additional FSI. This mechanism already existed in the slum redevelopment scheme developed at the beginning of the 1990s, but the new mechanism increased the incentive. To quote from the committee's report:

*"There has to be a relationship between the square footage required for the rehabilitation of slum dwellers, including other items of expenditure such as transit camps, and off-site and on-site infrastructure development on the one hand, and the square footage to be made available for free sale on the other, to ensure that the project is self-financing."*<sup>(9)</sup>

Financial incentives were needed to guarantee that houses for the poor would be built within housing schemes that were profitable for the developer and creditworthy for financial institutions. The developer would have to make enough money from selling apartments to cover the costs not only of these apartments but also of the slum dwellers' apartments. In addition, no large-scale programme would be possible if individual transactions had to be scrutinized. So the committee worked out a general formula for the island city of Mumbai, its suburbs and, as a special case, Dharavi, a dense inner-city slum with hundreds of thousands of inhabitants.

The existing FSI is 1.33 in the city and 1.0 in the suburbs and extended suburbs. Dharavi, being within the city, also has an FSI of 1.33. For slum areas, a maximum FSI of 2.5, both in the city and in the suburbs, was allowed. Any sanctioned FSI beyond 2.5 could be taken as a Transfer of Development Rights (TDR). A TDR is made available in the form of a certificate issued by the municipal corporation, and its owner can use it either for actual construction or can sell it on the open market. The only restriction is that it can only be used north of the plot where it was granted, so that southern areas of Mumbai do not get further congested. The price of a TDR fluctuates according to market conditions. The following examples will make this clearer.

Consider a 1,000-square-metre plot. Since the slum FSI is 2.5, it is possible to construct 2,500 square metres of apartment/tenements on the plot (for instance, a five-storey apartment block covering half the site). Suppose the developer has to accommodate 50 slum families and provide them each with a 30 square-metre apartment (the minimum size permitted for slum households is actually 21 square metres) – they would have to construct 1,500 square metres (50x30) for the 50 slum families. The committee recommended an incentive FSI of 0.75 of the rehabilitation area in the island city, 1.0 in the suburbs and extended suburbs, and 1.33 in Dharavi (Box 2).

**IV. THE ALLIANCE'S ENGAGEMENT WITH SLUM UPGRADING**

THE ALLIANCE OF the Indian NGO, SPARC (Society for the Promotion of Area Resource Centres) and two people's organizations, the NSDF and Mahila Milan, has been active in the slum rehabilitation programme. From the mid-1980s, these three organizations have worked together to stop

9. Report of the study group appointed by the government of Maharashtra for the rehabilitation of slum and hutment dwellers through reconstruction, Mumbai, 1995.

<b>Box 2:</b>	<b>Examples of how floor space index (FSI) ratios and transferable development rights (TDR) can be used</b>
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**CITY EXAMPLE**

Area used to house slum families ("rehabilitation area"):	1,500 m <sup>2</sup>
Incentive FSI (0.75:1) for 1,500 m <sup>2</sup> of rehabilitation area:	1,125 m <sup>2</sup>
Total FSI generated:	2,625 m <sup>2</sup>
The developer can construct only 2,500 m <sup>2</sup> on the site, so FSI in the form of TDR:	125 m <sup>2</sup>

On the island city of Mumbai, property prices are high, so a smaller incentive FSI is given.

**SUBURBS AND EXTENDED SUBURBS EXAMPLE**

Area used to house slum families ("rehabilitation area"):	1,500 m <sup>2</sup>
Incentive FSI (1:1) for 1,500 m <sup>2</sup> of rehabilitation area:	1,500 m <sup>2</sup>
Total FSI generated:	3,000 m <sup>2</sup>
The developer can construct only 2,500 m <sup>2</sup> on the site, so FSI in the form of TDR:	500 m <sup>2</sup>

In the suburbs and extended suburbs, land prices are lower than in the city, so a higher incentive FSI is given.

**DHARAVI**

Area used to house slum families ("rehabilitation area"):	1,500 m <sup>2</sup>
Incentive FSI (1.33:1) for 1,500 m <sup>2</sup> of rehabilitation area:	1,999 m <sup>2</sup>
Total FSI generated:	3,499 m <sup>2</sup>
The developer can construct only 2,500 m <sup>2</sup> on the site, so FSI in the form of TDR:	999 m <sup>2</sup>

Land prices in Dharavi are comparatively low, so an even higher incentive FSI is given.

**PUBLIC PROJECT EXAMPLE**

When a landowner or agency offers their land for public projects – for example, to resettle pavement dwellers – there are two types of compensation. If the FSI of the area where the land is located is 1.0, then the landowner gets an equivalent amount of FSI. In addition, if the developer also constructs the rehabilitation tenements, there is an entitlement to incentive FSI in a ratio of 1.33:1. So if the developer constructs 1,000 square metres of rehabilitation tenements, he will get 1,330 square metres of FSI. It is expected that land FSI and incentive FSI together will make the project viable. All constructed area over and above the area for slum households can be sold on the open market, and any FSI which is not used or cannot be used on site can be sold as transferable development rights (TDR).

By cross-subsidizing slum rehabilitation with the profits generated from the sale of tenements at market prices and the incentives from TDR, the Slum Redevelopment Authority scheme seeks to make markets work for the poor. In the last section, we will assess the success or otherwise of this approach.

10. See <http://www.sparcindia.org/>; also Patel, Sheela and Diana Mitlin (2001), "The work of SPARC and its partners Mahila Milan and the National Slum Dwellers Federation in India", IIED Working Paper 5 on Urban Poverty Reduction, IIED, London, which can be printed or downloaded at no charge from <http://www.iied.org/urban/index.html>; and SPARC (1985), "We, the invisible: a census of pavement dwellers", Mumbai.

evictions, to build and strengthen the organizations of the slum and pavement dwellers and to demonstrate to governments and international agencies the capacities of the urban poor to design, build and manage projects to improve their housing (or build new structures) and to improve infrastructure and services.<sup>(10)</sup>

The NSDF was made up of slum dwellers from different cities. The principle of federating slum communities was adopted in recognition of the fact that work in one or two slums would not be taken seriously by government authorities and could not be undertaken at any scale. In Mumbai, there are several federations: the Railway Slum Dwellers Federation, the Airports Authority Slum Dwellers Federation, the Pavement Dwellers Federation and the Dharavi Vikas Samiti (Dharavi Development Committee). The idea behind the formation of federations based on who owned the land they occupied was that it is most effective for people to negotiate collectively for their entitlements. Thus, slum dwellers living along the railway tracks have to negotiate with the Indian railways, but the pavement dwellers of Mumbai have to deal with the municipal corporation of Greater Mumbai, which owns the pavements. These federations represent hundreds of thousands of slum dwellers in Mumbai, and their sheer numbers are one reason why the NSDF is taken seriously. A defining feature of all these federations at different levels is that they are made up only of slum dwellers or pave-

ment dwellers, and are unregistered organizations. Mahila Milan is a decentralized network of collectives of women and pavement dwellers organized around daily savings and credit activities, but focused upon the central issue of getting better housing and infrastructure. More than 700,000 households across India are members of the NSDF and Mahila Milan.

Within this Alliance, SPARC's role is to support Mahila Milan and the NSDF to take a proactive role in developing solutions to poverty, in partnership with city/state authorities. In these partnerships, what the poor develop themselves is central to the design of solutions. SPARC is the legal entity that formally interacts with the state, local authorities, financial institutions and donors. It helps to raise funds, it maintains the accounts and prepares documentation. It also opens doors to the bureaucracy and other formal institutions that the urban poor have to deal with. Over time, as cadres from the NSDF and Mahila Milan become experienced in these transactions, SPARC withdraws from routine engagement and explores new windows of opportunity. The relationship between SPARC and the NSDF/Mahila Milan is based on the understanding that, as the urban poor themselves gain skills and confidence in dealing with public institutions, they will take over the work previously done by SPARC.

The Alliance has implemented various projects under the Slum Rehabilitation Authority scheme, and three are outlined below to illustrate how a civil society group can work within it. Although this scheme is essentially about slum redevelopment, it also covers resettlement projects where the slum cannot be developed in situ because the land is needed for a public project; but the package offered is the same. When an infrastructure project requires resettlement, as in the first two examples, the package is generous. Those who are resettled get a free house and a Rs 20,000 contribution per family to help defray maintenance and other costs. But the Slum Rehabilitation Authority scheme has proved unable to deliver on any scale except where it is needed to support an infrastructure project that is important to some government agency.

The first project was to resettle railway slum dwellers.<sup>(11)</sup> The Mumbai Urban Transport Project (MUTP) required the relocation of 20,000 families who lived on land next to the railway tracks and along some roads. Since February 2000, the Alliance has resettled more than 11,000 families. Of these, 6,000 plus were resettled in "transit accommodation" – temporary accommodation while permanent housing is developed for them – and the rest in permanent housing (mostly in small apartments in eight-storey buildings). Of the 6,000 transit tenements, the Alliance was commissioned by the Mumbai Metropolitan Regional Development Authority, the nodal agency for the transport project, to build 2,500, and the MUTP paid the construction costs. As of early 2005, some 3,000-odd families are still in transit accommodation. The project's policy stipulates that all project-affected persons must be provided with free housing, so all the housing within this scheme is paid for by the project. This resettlement was unusual in that it involved the population to be resettled in all aspects of planning and management. This included:

- savings schemes being set up well before the move;
- a detailed household survey of all households to be moved, undertaken with the inhabitants, with the results returned to them for checking;
- the resettled population choosing the kind of housing they moved to, whether permanent accommodation or transit accommodation while permanent accommodation was being developed; and
- involvement in the management of the move.<sup>(12)</sup>

11. The organization for this resettlement is described in more detail in reference 4.

12. For more details, see Patel, Sheela (2004), "Tools and methods for empowerment developed by slum dwellers' federations in India", *Participatory Learning and Action* 50, IIED, London.

13. One criticism of the Slum Rehabilitation Authority scheme is that it promotes high-rise buildings, and these are more expensive to construct and maintain. They may also be ill-suited to the lifestyles of the urban poor who are engaged in the informal economy. The Alliance has sought, wherever possible, to avoid buildings that are more than five storeys high. Those who argue that Mumbai, being an island, has limited access to land, so higher apartment blocks are appropriate, are forgetting that if the costs of maintenance become unaffordable by the poor, they will sell out and move back to a slum. However, in Dharavi, seven- to eight-storey blocks are being built because lower-rise buildings would not accommodate all those living there.

Although the housing is free, the resettled families have to meet maintenance costs – including electricity and water bills, contributions to keeping the buildings and the areas clean, and property taxes. These are costs that those who lived beside the railway tracks did not have to meet in their former shacks. The savings schemes that were started prior to the resettlement help households to manage this transition, and experience to date suggests that each family needs to save at least Rs 20,000, which will go into a fund, the interest from which will cover these costs. Even so, in places where the resettled households have moved into seven-storey apartment blocks, the high maintenance costs for the lifts have made them unaffordable, so younger families live on the upper floors and older families live lower down.<sup>(13)</sup>

The second project involved the resettlement of about 2,000 slum families living on airport land, whose settlement meant that aircraft had to increase their taxiing distances before take-off and after landing. This meant that airlines had to spend more on fuel, passengers were delayed and the airport did not function optimally. The Airports Authority entered into an agreement with the state government and the Alliance to resettle these families and pay for apartments, which were to be constructed by a state agency, and SPARC would work with the community and resettle them. To date, 1,850 families have been resettled, with no coercion. This project could not be completed because a local politician opportunistically sought to introduce some outsiders into the project area, and has not allowed their huts to be demolished on the grounds that they are entitled to resettlement.

Infrastructure projects such as these yield returns to the agency, the city and the economy that more than make up for the costs of resettlement. The kind of accommodation and its pricing are subject to negotiation, but the principle needs to be accepted generally. Such strategies not only serve economic ends but also the social purpose of securing proper housing for the poor. It is sometimes argued that such resettlement is too expensive for land-owning agencies, and is therefore not viable – but the alternative of leaving things as they are is hardly attractive. As previously mentioned, when public agencies give up their land for slum redevelopment, they can be compensated with TDR. It is worth recalling that when large-scale encroachments take place on public land, it is usually with the connivance and complicity of some of the land-owning agency employees, who make illegal gains. It is also inaccurate to describe the contribution of those who are resettled as nil, because they had invested in their previous structures and will have to pay for upkeep and maintenance in their new homes.

The third project was new housing for pavement dwellers. In 1995, the pavement dwellers got the same entitlements to resettlement if they were moved as the slum dwellers. This was a major advance in policy, and represented the culmination of a sustained period of advocacy by the Alliance. There are some 20,000 pavement dweller families in Mumbai, and a proposal to resettle about 4,000 of them was suggested, with a memorandum of understanding being signed between the municipal corporation of Greater Mumbai, a private developer and SPARC. The proposal has run into various problems, and is still in the process of being approved; however, another project is underway to resettle pavement dweller families. Some years ago, the Slum Rehabilitation Authority earmarked a piece of land measuring 4,710 square metres for this purpose. The plot of land belonged to the Maharashtra Housing and Area Development Authority, which was compensated by being given an equivalent buildable area in the form of TDR to be used at another location. Some 320 pavement dweller families

are being resettled in four-storey apartment buildings (a four-storey building was needed to meet the minimum permissible density requirement for rehabilitation projects of 500 per hectare). The scheme is being financed through the sale of TDR, with close supervision by the community.

A new development with important implications for the future of slum redevelopment is the Mumbai Urban Infrastructure Project, financed by the state government. This focuses on roads and highways, and will require the resettlement of some 30,000 families, a substantial proportion of whom are pavement dwellers. The Alliance has been invited to manage the resettlement of most of these families, and is currently engaged in constructing some 3,000 tenements. Negotiations are underway and details are yet to be worked out, but the resettlement package will still include a free house and Rs 20,000 per family to defray maintenance costs. Again, financing is through the use of TDR.

The experience so far with central agencies suggests that policy changes can take place, but incrementally. Once one department has implemented an upgrading and resettlement programme on its land, this becomes a precedent. The fact that the railways have worked successfully with people who lived along the railway tracks and with other civil society groups encourages other government agencies to consider comparable schemes. Similarly, if these examples are documented, they can strengthen the hand of the Urban Development Ministry in validating the draft national development policy. Recently, the Alliance met with the secretary of the Civil Aviation Ministry and with the minister for surface transport and shipping, who is in charge of port trusts. Both officials requested proposals, and the minister said that his department is planning to come up with a port resettlement policy.

## V. SEEKING FINANCE FOR SLUM UPGRADING AND REDEVELOPMENT

### a. Central and state government sources

WHEN WE CONSIDER that India has more than 300 million urban dwellers, the amount of money earmarked for the urban poor – who constitute between 30 and 55 per cent of the population of towns and cities – is negligible. Only in 2001 did the government of India set up a housing subsidy scheme for the urban poor in India – the Valmiki Ambedkar Awas Yojana (VAMBAY) – and the budgetary provision for this is quite small. This provision also includes a component that provides subsidies for public sanitation.

Other than this, the government of India has only two major schemes that address the needs of the urban poor: the National Slum Development Programme, which offers a modest grant to states to provide basic amenities in slums, and the Swarn Jayanti Swayam Rojgar Yojana, which is a bank-loan-related self-employment programme for the urban poor, with a subsidy component. Even the limited funding allocated to these programmes is usually not spent. There are also a few other schemes offering subsidies to particular groups of workers in specific occupations.

The Housing and Urban Development Corporation (HUDCO), a public-sector company owned by the government of India, is mandated to loan 70 per cent of its funds to economically weaker sections and low-income groups. These funds are channelled through state government agencies (e.g.



housing boards) or local bodies (e.g. municipal corporations), whose responsibility it is to disburse the funds and ensure repayments. For many reasons, including the weakness of the state's delivery system, these funds do not reach the poor. In large part, this is because slum dwellers do not have tenure of the land they occupy, and so they cannot offer their property as security to access housing finance. By definition, HUDCO's loans cannot reach those who most need them. After protracted negotiations with NGOs, HUDCO agreed to offer loans to groups of the urban poor, provided that between 15 and 25 per cent of the loan amount was deposited with them and that the local authority certify that the slum dwellers were not likely to be moved for a few years. But after more than five years, this programme has reached only 18,000 households, partly due to HUDCO's bureaucratic rigidities. In the last financial year, only two schemes were sanctioned, and it appears that this opportunity is closing down.

The government of Maharashtra has a Lok Awas Yojana (People's Shelter Plan), but budgetary outlays are limited, the administrative mechanisms to access the subsidy are cumbersome and the selection of beneficiaries often politically manipulated.

### **b. Community contributions**

Within most "slums" there is considerable variation in income levels. Mumbai's very high land prices force even doctors, lawyers and other middle-class professionals to live in slums alongside police constables, other lower-ranking government officials and those who work in the informal economy. Current market prices for land are unaffordable by the poor and much of the lower middle class. Here, there is no alternative to subsidized land, unless prices fall as a result of freeing up land markets, increasing the FSI or connecting Mumbai to the mainland.

However, the Alliance has consistently laid stress on community contributions through savings. When poor people approach authorities for assistance, they are not taken seriously unless they have some equity. Low-income households' savings for housing are built up over the years and kept intact for when they are needed. The collateral that the poor can contribute gives them the opportunity to be free of a client-patron relationship. The rigour and discipline of community-managed savings holds communities together, but community contributions alone cannot finance redevelopment.

The Alliance has always opposed the populist culture of "free" houses, both because it is unsustainable and because such "free" handouts undermine both the responsibility and agency of poor communities. Community-managed savings bind communities together and form the basis of self-respect. Even where houses were offered free – as under the Mumbai Urban Transport Project – the Alliance insisted upon each family saving Rs 25,000 to contribute to a fund to help cover maintenance costs. Regular savings also prepare low-income households for regular payments, for instance, for electricity and water, when they do move into formal housing.

### **c. Other forms of finance needed for slum upgrading and resettlement: the role of CLIFF<sup>14</sup>**

CLIFF (the Community-Led Infrastructure Finance Facility) was set up to help the NSDF, Mahila Milan and SPARC carry out and scale up community-driven infrastructure and housing and urban services initiatives at

14. Sections c and d below are largely taken from Ruth Mcleod's 2002 research paper entitled "Bridging the finance gap in housing and infrastructure and the development of CLIFF", CLIFF background paper, Homeless International."



the city level, in conjunction with municipal authorities and the private sector (including banks and landowners). With funding from the UK and the Swedish bilateral aid programmes (the Department for International Development and the Swedish International Development Cooperation Agency – Sida), this financing facility is also seen as a pilot from which to draw lessons for setting up comparable facilities in other nations. It is unusual in that it provides funding for projects that are developed locally, on a larger scale than is usually available to NGOs and people's organizations, and in a form that helps leverage funds from other groups and, where possible, recoup the capital for reinvestment.

The financing facility provides loans, guarantees and technical assistance to support a range of projects, including community-led high-rise developments in crowded areas (so housing can be improved without displacing anyone), a variety of new housing projects, and community-managed resettlement programmes; UK£ 6.1 million is available for bridging loans to kick-start large infrastructure, upgrading and resettlement projects. CLIFF also makes feasible projects where funding will be recovered from government subsidies. Most government subsidies become available only when a project has reached a certain stage; since few NGOs can afford to start major construction projects before funds become available, this often means that government subsidies do not get used. CLIFF also provides hard currency guarantees to secure local bank finance for projects, technical assistance grants (to develop projects to the point where they are ready for financing) and knowledge grants (to ensure that learning from the initiatives supported by CLIFF is widely shared by communities, municipal officials, technical staff and policy makers).

A large part of the funding for the projects that CLIFF supports comes from the resources and sweat equity contributed by low-income households and their community organizations within the Alliance. In effect, CLIFF is only possible because of the strength and capacity of the long-established federations and savings and loan schemes. The funding is channelled through Cities Alliance and the UK charity Homeless International (which helped develop the concept of CLIFF with the Alliance).

The four main areas that CLIFF seeks to support are:

- **Financing the development of pilot and demonstration projects.** It is important to demonstrate how the resources of the poor can be used to create solutions that work for the poor as well as for the city as a whole.
- **Financing initial scaling up.** The funding required for scaling up community-based projects is usually too large and sometimes too complicated to be covered by standard NGO project financing, and state, municipal and regional bank and/or World Bank financing is generally required. CLIFF provides bridging finance and technical assistance to help with scaling up and to support the resources of the poor through appropriate financing procurement and community contracting mechanisms.
- **Financing risk management and mitigation.** When attempting to scale up local projects, communities take on substantial additional risks. Two- or three-year delays in the delivery of contractually agreed financing are common – which means that the Alliance needs to find bridging finance for this period. Bridging finance is expensive and difficult to find as formal lenders often require complex guarantee arrangements.
- **Financing learning, knowledge creation and partnership capacity-building.** As communities and NGOs invest in demonstration projects and in scaling up, they learn rapidly – and it is important that this learn-

ing is shared. A key aspect of CLIFF is documentation and exchanges that facilitate this sharing of experience. With CLIFF support, city-level teams of municipal authorities, slum dwellers, NGOs and private-sector interests can visit schemes in other areas of their city or other cities, and receive support from people who have gone through the process before them.

#### **d. Finance needed to support improvements in slum dwellers' lives**

The Alliance's experience with slum upgrading and with CLIFF suggests that there are at least six areas where funding is needed, if the scale and effectiveness of slum upgrading are to increase.

**Finance for community mobilization.** The kinds of housing projects described above are only possible if low-income groups are organized. Prior to the resettlement programmes described above, a preparatory process had already taken place – housing cooperative societies had been formed, people had begun savings, and detailed maps of the settlements had been prepared; the community had discussed what housing it wanted, held housing exhibitions and explored the possibility of securing land from the government. The Alliance supports this process for thousands of families, even when no project is proposed, but international funding agencies are generally reluctant to support this kind of process unless a concrete project results. Yet the projects mentioned above would not have been possible without this prior work. Unless there is explicit provision of finance for community mobilization, it is not possible to build strong people's organizations with the capacity to implement projects.

**Finance for exchanges: sharing knowledge and experience.** Community-to-community exchanges between slums in a city, between cities in a state, between states and between countries is the principal means through which the Alliance shares learning and experience. "Peer learning" through these exchanges has proved the most effective way for communities of the poor to improve their understanding of mobilization, surveying and enumeration, and housing construction. At any given time, several exchanges involving hundreds of the urban poor are taking place, and these require funding. As in the case of community mobilization, these activities are central to "capacity-building", yet funding agencies are often reluctant to fund them.

**Finance for pilot projects/precedent-setting activities.** Funding is needed to allow groups of "slum" or "pavement" dwellers to try out solutions. While the Mumbai Urban Transport Project was being prepared, the Alliance entered into an agreement with the railways authority and the state government to resettle 900 families to an area called Kanjur Marg. The government gave the land, the railways provided the funding for infrastructure and SPARC managed the resettlement. Families took loans from HUDCO to build their own temporary (transit) accommodation while they waited for the permanent accommodation to be constructed.

Although some funds were available for infrastructure, and people took out loans for house construction, no funds were available for the costs that the Alliance incurred while managing the process. But the value of Kanjur Marg was to demonstrate to many in government and the World Bank the appropriateness of the strategy. Kanjur Marg demonstrated the capability of the Alliance, and also showed how to undertake a two-stage resettlement process, whereby people are first moved to transit accommodation (to free

up the land) while permanent accommodation is constructed. But the main point about Kanjur Marg was that it represented a solution that worked for the poor and for the state as well. No force was needed for the resettlement – as was the practice in many state-controlled resettlement projects. Officials could also visit the project and talk to the resettled population. However, when the Alliance requests funding for pilot projects or “precedent-setting” activities, the response is usually “...we don't support pilots because we need to scale up and get replicability”. Yet these “precedent-setting” projects lay the ground for replicability and scaling up.

Community sanitation was another important precedent-setting project. The Alliance has built hundreds of community-designed, built and managed toilet blocks, which now provide millions of slum dwellers in Pune and Mumbai with much improved sanitation.<sup>(15)</sup> These large-scale programmes have been supported by the city authorities – for example, the Alliance received a Rs 80 million contract to build public sanitation with people's participation in the city of Pune. But these large-scale programmes only took place because the Alliance had built a number of toilet blocks at different locations and in different cities to demonstrate how they could be constructed and managed. It was difficult to get funding for these early experiments, although they demonstrated what was possible and represented learning opportunities for both the community and the professionals who worked with the Alliance. The lessons learnt from these early projects allowed them to go to scale. The project in Pune had a ripple effect in other cities, and the Alliance won a Rs 440 million contract from the municipal corporation of Greater Mumbai to build 6,400 toilet seats in Mumbai along similar lines.

**Finance and guarantees for scaling up.** Whenever the Alliance has taken on a large project, such as the Mumbai Urban Transport Project or slum sanitation in Pune and Mumbai, cash flow has been a constraint. Municipalities and government agencies do not normally give unsecured advances, and usually pay according to the progress of work. Government agencies usually pay late, and lower-ranking officials routinely demand bribes to release the funding. Since the Alliance is wholly opposed to corruption, payments are delayed for months, and pre-finance and bridge finance are needed to close the gap. For instance, to implement the Rs 440 million public sanitation programme in Mumbai, the Alliance needed an advance from the municipal corporation. The corporation asked for a bank guarantee, and the Alliance approached the Unit Trust of India Bank (UTI), a private institution, which asked the Alliance to place 10 per cent of the guarantee amount with them as a fixed deposit. The corporation also wanted a performance security of 5 per cent of the value of the contract, which the UTI Bank also guaranteed, again after asking for a deposit of 10 per cent of the security amount.

**Pre-finance and guarantees for accessing loans.** Although it is difficult to access housing loans from HUDCO, the Alliance continuously tries to do so because it is important to press the state and its agencies into discharging their responsibilities towards the poor. But this means delays, difficulties and much time spent on paperwork. In the case of the Suryodaya housing cooperative society in Pune, where a slum rehabilitation scheme for 52 families in walk-up apartments took place, the HUDCO loan was released after construction was finished. The chair and managing director of HUDCO had been invited to the inauguration, and it was probably the pressure of that event which hastened the sanctioning of the loan. These kinds of delays are a feature of the system, which makes the need for

15. Burra, Sundar, Sheela Patel and Tom Kerr (2003), “Community-designed, built and managed toilet blocks in Indian cities”, *Environment and Urbanization* Vol 15, No 2, October, pages 11–32.

finance or bridging finance all the stronger.

**Pre-finance for accessing subsidies.** Both central and state governments often have housing subsidies available to particular low-income groups, but these remain under-utilized because it is so difficult to access them. For instance, the Alliance has an ambitious project to assist a local union of *beedi* (local cigarettes) workers to construct more than 1,000 houses in the city of Sholapur, and over 500 houses are complete; yet promised subsidies from state and from central government have yet to be received.

One obstacle is that subsidies from the government of India are often dependent on the state government or local body that is providing counterpart funds. For example, the VAMBAY scheme of the government of India provides a Rs 30,000 housing subsidy per household for the urban poor, but it can be released only if counterpart funds are placed in designated accounts. Since most state governments and municipal corporations are in chronic deficit, they are unable to provide counterpart funds. The general public is usually unaware of these inter-governmental transactions and, in any case, lacks the power to question the processes through which subsidies can actually be accessed. In Pune, the alliance has constructed more than 700 houses under VAMBAY, drawing upon central and state subsidies as well as community contributions.

## VI. THE ALLIANCE'S STRATEGIES FOR ENGAGEMENT WITH THE STATE

### a. Introduction

THE ALLIANCE HAS always sought to engage the state in tackling issues of urban poverty, housing and infrastructure. One practical reason for this is that in ex-colonial contexts, all the goods that poor people need – for example land, water, sanitation, electricity and housing finance – are produced, controlled or regulated by government agencies. Re-orienting the state and its agencies to serve the needs of the poor is thus key. The Alliance believes that external criticism and lobbying for change are not effective ways of changing policies and practices. To be locked in perpetual conflict with the state might attract media attention, but does not result in practical solutions to problems of urban poverty.

### b. Public sanitation and changing relationships with government

The Alliance's involvement in public sanitation has been very useful in developing linkages with government. The Alliance has managed a large programme of community-designed, built and managed toilet blocks in Pune and then Mumbai.<sup>(16)</sup> This led to the Alliance being invited to make a presentation on its approach to sanitation to the minister for urban development in the government of India. This resulted in the creation of a central scheme for public sanitation in 2001 that offered a 50 per cent subsidy to state governments/municipalities/local authorities for construction costs. The Alliance has also been invited to resettle some 30,000 families within the new Mumbai Urban Infrastructure Project, and the municipal commissioner of Pune has invited the Alliance and other NGOs to take up housing under the VAMBAY scheme. Although this suggests an important recon-

16. See reference 15.

figuration in community–state relations in Maharashtra, the number of such cases is small and there are few civil society organizations that are capable of entering into city-level partnerships. In addition, some of the NGOs that are bidding for contracts are thinly disguised fronts for contractors, and their performance undermines the legitimacy of genuine civil society organizations. Also, there are few NGOs firmly rooted in the communities of the urban poor. Yet, there is a greater acceptance in government circles that traditional bureaucratic modes of delivery need to be changed by the involvement of NGOs and CBOs.

The community-designed, built and managed toilet blocks should not be judged only by the extent of provision. They also developed new relationships between urban poor groups and government. In both Pune and Mumbai, the subject of sanitation entered the public domain, with municipal commissioners and other dignitaries “inaugurating” public toilets. When these high-ranking officials visit slums and interact with the urban poor, a platform is created for dialogue on other issues that affect the urban poor: water, electricity, paved roads and, crucially, secure tenure.

The community toilet blocks helped change the traditional patron–client relationship between elected representatives and slum dwellers. Whereas previously, the provision of a public toilet in a slum was the gift of a local councillor, member of the legislative assembly or member of parliament, now, communities of the poor increasingly perceive it as a right. When mobilized, local communities become energized to enter new public spaces. Their ability to articulate their demands increases as they recognize their collective strength. Engaging with bureaucracy demystifies its authority, and they are capable of negotiating with local municipal officials on a wide variety of issues. As pressure builds from below, the administrative and political processes have to respond. The culture of silence and subservience begins to give way to a more substantively democratic perspective.

If, in a particular locality, communities of the poor have been mobilized around the issue of sanitation, the next step would be to link the “toilet” groups into a larger federation. This federation would then become active in other areas and, because of its size and strength, command respect from political leaders and bureaucrats. Secure tenure could then become a focus.

### **c. Pilot projects/precedent-setting**

The importance of “pilot projects” to serve as precedents and demonstrations of what can be achieved has been noted already. The two-stage resettlement strategy was first used at Kanjur Marg, and served as a pilot, showing how it could be done. This led to more than 10,000 other families being resettled from along the railway tracks – with 10 metres on either side of the tracks now being clear. There are now more trains running, they are faster, commuters save time and the city’s economic productivity is higher. This offers a concrete example of how a large problem can be addressed. Moving tens of thousands of families living along the railway tracks in Mumbai seemed insoluble, unless the needs and rights of these people were ignored. But a pilot project showed that community-managed resettlement was possible. Similarly, pilot projects for community sanitation showed what could be done on a much larger scale. Pilot and precedent-setting projects can affect policies. They also leverage money for the poor, as in the case of the national policy on subsidies for slum sanitation that emerged directly from the Pune and Mumbai slum sanitation programmes. The Alliance’s project in Sholapur, building

1,250 houses for *beedi* workers, set a precedent by activating an unused government subsidy for housing. It also encouraged a leader of a rival trade union of *beedi* workers to take on a similar project for 10,000 workers in the same area. There are now reports that many other groups are taking on similar projects.

#### **d. Influencing government officials and dissemination of good practices**

Government officials are invited to visit cities such as Mumbai and Pune, where the Alliance has a substantial presence, and other cities where precedent-setting projects are underway. The government of the national capital region of Delhi has sent several delegations to study slum rehabilitation and redevelopment in Mumbai. Similarly, the government of Karnataka, which wishes to develop public sanitation in 32 towns, sent delegations from all the towns to Pune and Mumbai to study their models. When bureaucrats from other states or other cities in Maharashtra see the Alliance's work, discuss issues with their counterparts and visit the field, they go back with new ideas and possibilities; these visits enrich their understanding. Building relationships with Indian administrative service officers is also helpful because they are regularly transferred to other posts, many of which deal with urban concerns. Thus, the Alliance often interacts with the same officials, even if they move to other jobs.

The Alliance consciously avoids "party politics", although it is often asked by politicians to endorse their campaigns. The Alliance also negotiates with whoever is in power – and cultivates relationships with government bureaucrats. However, senior government staff move frequently – for example, the Alliance has had to work with six different government bureaucrats in charge of slum sanitation in the last ten years. The Alliance also ends up as each project's archivist, and has to explain the project to each new official.

#### **e. Global campaigns as a tool to influence the state**

In July 2000, the UN-sponsored Global Campaign for Secure Tenure was launched in Mumbai, with the NSDF as partner to the United Nations Human Settlements Programme. This brought together several thousand slum and pavement dwellers from Mumbai and other states in India, the national government's minister for urban development, the chief minister of Maharashtra and several of his ministers, delegations from urban poor federations from other nations and foreign missions in New Delhi, and the top bureaucrats of Maharashtra, such as the chief secretary and municipal commissioner of Mumbai. An international event of this magnitude places pressure upon governments to announce their support for the theme of the campaign. The union minister and the chief minister both did so, and the chief minister announced the enactment of a law to protect slum and pavement dwellers from arbitrary evictions and demolitions; the announcement was followed by legislation the following year. The enactment of this legislation cannot be attributed to the Global Campaign, but the event helped to create the atmosphere for such action. At the same time, the senior bureaucrats attending the function were brought into the debate and discussions on secure tenure. Events such as these can open up spaces for the urban poor to demonstrate their strength and capacity, and also to engage with senior government staff.



## VII. STRATEGIES FOR ENGAGEMENT WITH THE PRIVATE SECTOR AND THE WORLD BANK

THE ALLIANCE HAS long sought to engage the private sector – and a few examples of this are given here. The guarantee provided by the UTI Bank for the World-Bank-funded Slum Sanitation Project in Mumbai was mentioned above. The Alliance had previous experience of working with this bank's chair and managing director when he was executive director of the UTI Bank, a public-sector mutual fund. He had devised a scheme to channel urban poor savings into mutual funds, while keeping in mind the need for security and liquidity and also the limited amounts that poor people could invest at one time. When the Alliance approached him for the guarantees, he sent his officers to undertake a due diligence check and, after meeting with the additional municipal commissioner in charge of the scheme and the New Delhi representative of the World Bank, agreed to participate in the project. The UTI Bank received excellent media coverage for its participation because of the "socially responsible" nature of the project, but that was not the motivation for its original involvement. The credibility of the Alliance, the desire of the chief executive to do good and the practical arrangements devised to work out the guarantees all contributed to the initiative's success. This partnership, which is still ongoing, is remarkable mainly because private commercial banks normally avoid "socially oriented" projects, except by way of the occasional grant to a social service organization. Here, however, was a sustainable means of addressing the concerns of slum sanitation, which also safeguarded the interests of private capital.

The Alliance has also worked with Citibank on initial funding for the Rajiv Indira/Suryodaya Cooperative Societies Project, which is rehousing 213 slum households within Dharavi. The project consists of several five-to seven-storey apartment blocks with housing for these slum households, and an additional 41 apartments and some commercial premises for sale. Funding such apartment blocks involves a scale of finance that is very different from one- or two-storey housing – yet in Dharavi, densities are so high that only five to seven-storey housing blocks allow good quality housing to be provided without resettling anyone. Our experience is that formal institutions such as Citibank do not have the mechanisms to cope with such projects and processes. But as the ones in need of the loan, we have been addressing the complexities of the transaction in the hope that both practice and policy will change. Dealing with Citibank has helped the Alliance to develop its experience and has opened up spaces for dialogue with the UTI Bank and other such institutions in the private sector.

The Alliance has been engaged with the World Bank for several years now over the urban transport and slum sanitation projects. At times, the relationship has not been good because of differing views concerning policy and programme formulation; but over time, negotiations and discussions have led to an exchange of views and the reaching of a reasonable consensus. Some World Bank officials have been particularly responsive to the concerns of poor people's organizations, and have looked critically at the World Bank's own policies and procedures with a view to reforming them; such introspection has been a positive feature of much of our recent interaction with the World Bank. And, as with state agencies or the private sector, we believe in the usefulness of protracted engagement over projects, procedures and policies in order to promote change that benefits the constituencies of the poor.

## VIII. CONCLUDING REMARKS

DIFFERENT CENTRAL GOVERNMENT ministries and agencies remain opposed to the draft national slum development policy because they are reluctant to allow slum upgrading in situ or to support resettlement. Yet because these agencies and ministries hold vast tracts of land in the cities, state and municipal governments cannot pursue their own policies concerning these lands. As this paper has described, central government agencies are willing to participate in resettlement and rehabilitation only when they are desperate to reclaim some of their own land from slum dwellers for operational or security reasons. Dialogue and negotiation appear to be the only way out of this impasse.

In addition, although the government of India has introduced a centrally sponsored subsidy/loan scheme for the urban poor, this receives relatively little funding and applies only to those who have land tenure, so it excludes most of the "slum" population. The scheme also requires matching funds or guarantees that local authorities or state agencies are usually unwilling to provide. And even the limited funds available are extremely difficult for the poor to access. Clearly, an alternative delivery system involving NGOs and CBOs is needed.

This paper has described how the government of Maharashtra introduced legislation that protects slum dwellers from demolition but has no proactive provision to support resettlement. Some public projects have provided small apartments free for each family that has to be resettled. The two projects described in this paper will support the resettlement of 50,000–60,000 slum families. Relative to the slum population of Mumbai, this figure is small, yet the resettlement standards in these projects are setting the benchmarks for future resettlement.

The Slum Rehabilitation Authority, following a similar pattern, aimed to construct 800,000 small apartments in five or six years. To date, little more than 19,000 have been completed and around 80,000 more units are in various stages of approval/construction. Relative to its target, the scheme has not been successful. There are also complaints that builders have manipulated the scheme and expelled the original slum dwellers, perhaps by offering a monetary incentive. The scheme has become builder-driven, and many buildings remain incomplete, as the builders pull out when they see falling market returns. What should have been a people's movement has become dominated by the construction industry.

Another reason for the limited achievements is the drop in land prices in Mumbai, which have fallen to less than half their mid-1990 levels. The viability of a Slum Rehabilitation Authority proposal depends upon the differential between the sale price of the additional apartments built and the cost of the apartments built for resettled families; so building is taking place only in certain lucrative locations.

However, for the Alliance, apart from infrastructure projects, this scheme is the only way in which the urban poor can access land and a market subsidy. The Alliance has been working as a developer, building housing for resettlement, and without this scheme's concessions, this would have been impossible. The scheme can provide land for housing for the urban poor – and is the only government scheme through which land is available free. In a city such as Mumbai, which, despite the drop, still has high land prices, some subsidy is needed if the urban poor are to get housing. The Slum Rehabilitation Authority scheme has provided possibilities for cooperative societies of slum dwellers to participate in their own redevelopment and has provided a finan-

cial mechanism to do so. The challenge is to create conditions for community-based slum upgrading, where communities of the poor can determine the process themselves rather than being objects of private developers' designs.

The government of Maharashtra's overall approach to slum upgrading is a mix of populism and innovative thinking. The populism is shown by the extension of the eligibility date for slum dwellers at each election and the promise of "free" houses. And the innovation is evident in the legislation to protect the slum dwellers and in designing the Slum Rehabilitation Authority. The question is how to keep this involvement free of political considerations.

An increase in the supply of serviced land is central to bringing down prices. Whether this is done by increasing the FSI, or by providing infrastructure to salt pan land, which is available in abundance, or by linking the island of Mumbai to the mainland, or by utilizing the large land tracts owned by defunct textile mills in central locations, or by some combination of the above is a matter of land markets, political will and administrative vision. Financial reforms are also needed to raise funds to provide infrastructure to unserved land, and this needs support from local, state and national authorities. However, for community-driven slum upgrading to go to scale, support is needed for the slum dwellers' own organizations. Without strong organizations of the urban poor, it is not possible to challenge the developer in search of profit and the politician in search of patronage. Urban poor organizations have to learn about architecture and design, about construction and materials, and about how different government departments work and the complex procedures they employ. The resettlement, upgrading and new housing projects already implemented by the Alliance show that this is possible.

We have already noted how finance is key to slum upgrading. Subsidies and loans from government sources need to be made easily accessible. These are certainly helped by innovations such as CLIFF, described above – which shows how international donors can support community-driven slum upgrading processes that work with local governments. Successful slum upgrading needs a combination of good policy, mobilization and financial support. At the same time, since the state influences all the goods and services that the urban poor seek – land, water, sanitation and electricity – there is no alternative but to forge productive partnerships with the state and its agencies. Reorienting the state and its agencies to the service of the poor must remain a central goal.

## IX. POSTSCRIPT

THIS PAPER WAS written originally in June 2003. Despite progressive policies in the past, the government of Maharashtra began a ruthless demolition drive targeting slums that emerged after 1 January 1995. Between December 2004 and February 2005, 50,000-70,000 hutments were demolished, in violation of poll promises and of international covenants to which India is signatory. The chief minister of Maharashtra has told the media that every chief minister wants to be remembered for something. It is indeed bizarre that he wishes to be remembered for wanton acts of cruelty and a systematic violation of human rights. These actions by the government raise fundamental doubts about the health of self-professed democracies in the absence of counteracting powers, and underline the vulnerability of the poor where there is a consensus across political parties, significant sections of the media and captains of industry and trade.