INDIA

PUBLIC / PRIVATE PARTNERSHIPS

IN LAND DEVELOPMENT

January 1991

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FINAL REPORT

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LIST OF ACRONYMS

AIHDA	All India Housing Development Association
AMC	Ahmedabad Municipal Corporation
ASAG	Ahmedabad Study Action Group
ASHA	Action for Securing Help for All (Delhi-based NGO)
AUDA	Ahmedabad Urban Development Authority
CA	Competent Authority
CODIAC	A training organization started by the Madras Builders Association
DA	Development Authority
DCHFS	Delhi Co-operative Housing Finance Society
DDA	Delhi Development Authority
EDC	External Development Charges
EWS	Economically Weaker Section
GIC	General Insurance Corporation
G.O.	Government Order
GUD	Guided Urban Development
HDFC	Housing Development Finance Corporation
HDRUAA	Haryana Development and Regulation of Urban Areas Act
HFI	Housing Finance Institution
HG	Housing Guaranty
HIG	High Income Group
HLAS	Home Loan Account Scheme
HUDA	Haryana Urban Development Authority
HUDCO	Housing and Urban Development Corporation
KfW	Kreditanstalt für Wiederaufbau
LDA	Lucknow Development Authority
LIC	Life Insurance Corporation
LIG	Lower Income Group
MIG	Middle Income Group
MMA	Madras Metropolitan Area
MMDA	Madras Metropolitan Development Authority
MUA	Madras Urban Agglomeration
MUD	Ministry of Urban Development
NCHF	National Cooperative Housing Foundation
NGO	Non-Governmental Organization
NHB	National Housing Bank
ODA	Overseas Development Administration
PADCO	Planning and Development Collaborative International, Inc.
PG	Parshwanath Group
PHFC	Parshwanath Housing Finance Corporation
PNB	Punjab National Bank
PVO	Private Voluntary Organization

List of Acronyms, continued

RBI	Reserve Bank of India
RHUDO	Regional Housing and Urban Development Office
SEWA	Self-Employed Women's Association
TA	Technical Assistance
TNCHF	Tamil Nadu Co-operative Housing Federation
TNUDP	Tamil Nadu Urban Development Project
TP	Town Planning
ULCA	Urban Land Ceiling Act
USAID	United States Agency for International Development
UTI	Unit Trust of India
ZAC	Zones d'Aménagement Concerté

PREFACE

Lee Baker, Team Leader, and David Sims, PADCO Associate, carried out the field portion of this study on India's public/private partnerships for the delivery of serviced land during a three-week period in September 1990. Both wish to thank USAID/India for its assistance and guidance, as well as the many public and private sector officials interviewed during the assignment for their interest, enthusiasm, and willingness to share their own experiences with the team.

CHAPTER ONE

INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Introduction

Recent Government of India and USAID/India policy documents concur in their identification of the shortage of serviced land in urban areas as one of the main constraints to the improvement of the country's urban economy and environment.

These recent policy documents recommend new program initiatives supporting the development of serviced land for shelter. One of these documents, the Government of India's 1990 Draft Housing Policy, correctly pinpoints the appropriate public sector role in this process:

> What they (the people) cannot do is obtain land, assemble it in large sizes and arrange basic infrastructure of water supply, sanitation, roads, lighting etc. Government should not therefore try to build houses itself: its crucial role is to create an environment which enables the full potential and resources of the people to be fully utilized and constraints to housing to be removed.

In this regard, the Draft Policy document proposes that activities of public agencies would be reoriented to enable and facilitate the shelter activities of the community at large and legitimate private sector actors. In line with Government draft policies, A.I.D.'s Urban Strategy recommends the expansion of the role of the private sector, and particularly public/private partnerships, in the development of serviced land.

While agreeing in principle with increased private developer participation in the delivery of serviced land, the Government of India has not yet fully accepted these new ideas, and the process of reaching consensus on concrete actions is slow. Debate on the participation of private developers in land development is taking place at all levels of the Indian government. At least within central government circles, there now exists a widely-held view that the activities of legitimate private developers should be encouraged. For example, the National Housing Bank (NHB) has already introduced guidelines for financing land development and shelter projects by professional developers (April 1989), and the Housing and Urban Development Corporation (HUDCO) is currently discussing the issue internally. In addition, the Minister of Urban Development recently announced that the Draft Housing Policy would be finalized shortly and brought before the Parliament in its next session. The Minister, however, acknowledged the sensitivity of involving private developers in the provision of housing when he noted:

> We should evolve a system for the licensing of genuine developers and for providing safeguards against the exploitation of consumers, and then encourage such developers to undertake construction activity with a proportion of the output going to the lowest income groups. (*Hindustan Times*, October 10, 1990)

While the resistance to private developer involvement appears to be abating within central government, housing remains a hot issue at the State level, where ultimate responsibility for the sector still resides. Clearly, there is no unanimity of opinion at this level regarding the benefits to be gained from private sector involvement in the provision of shelter.

The past two years have seen heated political debates, sensationalist editorial campaigns and cries of corruption at the State level regarding the participation of private developers in specific projects. This often hostile environment has caused dramatic swings in the receptivity of local authorities toward the sanctioning of developer plans for land assemblage and scheme design. This ambivalent climate has caused delays in several of the partnerships that are examined as part of this study. By the latter half of 1990, therefore, the potential for a heated debate on the question appears to be looming in Parliament, while it is unclear how, even if a National Housing Policy were adopted, it would be interpreted and implemented at the State level.

Within this policy/political context and with the implicit objective of stimulating a greater understanding of the role of legitimate private developers in the land development process, USAID/India and RHUDO/Asia, in conjunction with the Government of India, have commissioned a rapid assessment of examples of public/private partnerships to be found in India. Questions such as: What different types of partnerships exist in India? What are the reasons for their success or failure? What opportunities exist for the introduction of other types of partnerships?, etc. have been raised. This study attempts to answer them. (See Annex A for a detailed description of this Study's Scope of Work.)

The remainder of this chapter contains the Study's methodological approach and executive summary. Chapter Two briefly identifies the principal public and private sector actors that play a role in the delivery of serviced land in India. Chapter Three describes the different types of partnerships identified in the India context, and then highlights their similarities and differences. Chapter Four evaluates the partnerships against specific criteria and discusses common ingredients for their success or failure. Finally, Chapter Five makes recommendations for improving existing partnerships and identifies opportunities for other forms of partnerships that could be tried.

1.2 Methodological Approach

This section describes the methodological approach applied to the present study. A basic case study approach has been selected to describe and evaluate seven examples of public/private partnerships identified in the context of India. (See

Annex B for detailed descriptions of each partnership.) The study was carried out by a two-person PADCO team during a three-week visit to India during September 1990.

A broad definition of public/private partnerships has been adopted at this very preliminary stage in the formulation of a new HG lending program for USAID/India. At this juncture, the team believes the list of public/private partnership examples should be all-inclusive. A.I.D. and the Government of India have the option to drop current examples, and/or add new ones, at a later date. The partnerships described and evaluated in the study were identified in initial discussions with USAID/India and Government of India officials. All are considered partnerships in the Indian context. They consist of programs and/or projects in which both public and private sector entities have financial commitments and exposure to risk.

The specific elements of the case study approach employed on this assignment are as follows:

1. Review of secondary source materials in Delhi.

2. Discussions with key central government officials responsible for land and infrastructure development (Ministry of Housing and Urban Development, HUDCO, National Housing Bank, National Cooperative Federation, etc.) regarding the current policy environment for the implementation of public/private partnerships.

3. Interviews with private developers involved in partnership activities were held in four States (Haryana, Uttar Pradesh, Gujarat and Tamil Nadu) to ascertain their level of operations and how they would evaluate their experiences to date with the partnership.

4. Interviews with State and local officials were held in the same four States to assess their reactions to the public/private partnerships, the local political climate toward these collaborative efforts, and their own capacity to play a constructive role in the implementation of land development projects.

5. Finally, extensive interviews were held in Delhi and Ahmedabad with academics and researchers who are knowledgeable and have written extensively on the urban sector in India.

A draft report was left in the field for review by USAID and RHUDO/Asia prior to the team's departure from India.

1.3 Executive Summary

1.3.1 Background and Description

During this study, a total of seven public/private partnerships were reviewed. To give a broad view of the different partnerships identified, Table 1 describes them in terms of the type of land development employed, and in terms of their location(s), main actors, and main public/private splits of responsibilities. Each of the seven partnerships has been treated as a detailed case study (see Annex B).

1.3.2 Evaluation of Selected P/P Partnerships

The partnership models were evaluated against the following six separate criteria:

(1) **Timeliness:** For each model, how rapid has been the process of land/housing development? In order to keep up with the pace of urbanization it is important that there are mechanisms which can quickly assemble, service, deliver, and colonize residential land.

(2) **Allocates Fully the Costs of Project Inputs:** How well does each model, in its formal structure, allow for the allocation of the full costs of the various inputs to development?

(3) **Mobilizes Private Resources for Urban Land/Housing Development:** Given that public funds for urban land development in India are insufficient to meet the magnitude of the task, it is important to assess to what extent particular models can mobilize funds from various private sources.

(4) **Reaches Lower-Income Target Groups:** To what extent does a model actually reach at least some of the vast number of poorer urban families who are largely excluded from existing formal land/housing development mechanisms?

(5) **Replicability:** How replicable is a model in the wider context of urban India, either State-wide or nationally? To answer this, three sub-criteria are assessed: (a) how well has it actually recovered the costs of land development so that the process can be sustained financially? (b) is the model easily repeatable in the prevalent political/regulatory environment? (c) how enticing is the model for the prime actor(s), so that it/they will be encouraged to take it up again?

(6) **Appropriateness of Mechanism:** Is the model appropriate for replication on a large scale to begin to meet India's needs for serviced urban land?

Table 2 summarizes the results of this evaluation.

TABLE 1
COMPARATIVE SUMMARY OF SEVEN P/P PARTNERSHIP

MODEL CHARACTERISTICS	HARYANA	PARSHWANATH	LUCKNOW	MADRAS	GUJARAT T.P. SCHEMES	HOUSING COOPERATIVES	NON GOVERNMENT ORGANIZATIONS
Form of Development	Integrated township	Township	Integrated township	Guided Urban Development	Land readjustment	Housing estates	Variable
Units produced	Mostly serviced plots	Expandable houses & flats	Half plots, half houses	50% EWS has san. core, rest plots	Regularized land parcels	Mostly houses & flats	Small plots & houses
Enabling legislation	State Act	None	State Government Orders (GOs)	World Bank Loan Agreement	State Act	State Acts	None
Area Coverage	State-wide	Ahmedabad eastern fringe	Lucknow city to date	Madras City	State-wide	All India	All India
RESPONSIBILITIES							
Land assembly	Private developer	Private developer	Public D.A.	Private developer	Private developer or co-op	Cooperative or public D.A. (e.g. Delhi)	Government
Internal land servicing	Private developer	Private developer	Private developer	Private developer	Private developer or co-op	Cooperative	Government or NGO/Co-op
External (Off-site) servicing	State D.A.	City D.A.	City D.A.	City D.A.	City corporation or D.A.	Government	Government
Housing construction	Plot owners	Private developer w/ owner additions	1/2 private developer, 1/2 plot owner	Mainly plot owners	Private developer and cooperatives	Cooperative	Government or plot owners
Disposal/Marketing of units	Developer w/ D.A. control	Developer w/ Govt. control	Developer & D.A.	Developer & D.A.	Developer or Cooperative	Cooperative	Variable

TABLE 2
SUMMARY EVALUATION OF SEVEN P/P PARTNERSHIPS

EVALUATION CRITERIA	HARYANA	PARSHWANATH	LUCKNOW	MADRAS	GUJARAT T.P. SCHEME	COOPERATIVE SECTOR	NGOs\PVOs
TIMELINESS	LOW Acquisition through plot disposal rapid but plot build-up extremely slow and off-site infra slow	HIGH Following 5 yrs. to gain ULCA exemption, all aspects of development	POOR Very slow sanctioning process, poor performance on installing off-site infra.	N/A Start up delayed due to withdrawal of original applicants and political ambivalence.	POOR 5-10 yrs. required for final sanctioning; even 3-4 yrs. required to gain access to site and to begin development	MEDIUM On-site development rapid but off-site infrastructure slow and deficient	Insufficient data to generalize
FULL COST ALLOCATION	HIGH All costs in theory allocated under stipulations of HDRUA	HIGH All costs allocated through developer to end-user except some major trunk infra costs.	MEDIUM-HIGH Initial LDA estimates of land/off-site infrastructure costs borne by developer probably low; all on-site costs allocated to end-users	MEDIUM-HIGH All on-site costs allocated on x-subsidy basis to end user; off-site costs, if any, borne by MMDA.	POOR 50-90% subsidy on total costs; 1985 amendment to T.P. Act should improve record	VARIABLE Depending on Govt's statutory ability to assess external development charges	GOOD But usually with explicit subsidy element
MOBILIZES PRIVATE RESOURCES	HIGH Mobilizes equity of developer and funds of commercial banks	HIGH Mobilizes equity of developer and savings of end-user.	HIGH All project costs, except EWS units, mobilized from developer equity, end user installments, and commercial financing.	HIGH Mobilizes developer equity, end user savings, commercial financing.	MEDIUM Insufficient cost allocation and only 50% contribution of incremental value has diminished mobilization of land owner resources	MEDIUM Mobilizes co-op member savings	MEDIUM-LOW Stimulates savings of end users but requires public subsidy
REACHES LOWER-INCOME GROUPS	VERY LOW Plot size too large and targeted plots quickly raided for speculation.	HIGH All units reach those below median income & no apparent abuse.	MEDIUM-HIGH 40% of units allotted to EWS, about 20% constructed as LIG.	HIGH 75% of all plots/units allocated to EWS and LIG income groups earning less than Rs 1,500.	POOR Mainly serves middle to upper-income clientele; lower-income development has taken place outside of T.P. schemes	LOW Only middle to upper income housing	VERY HIGH Poorest reached with little abuse
REPLICABILITY: COSTS ACTUALLY RECOVERED	MEDIUM-HIGH Good direct recovery but not time costs	High Recovery of all costs that have been allocated.	N/A - No payment yet; questionable whether LDA can recover EWS payments	N/A No cost recovery yet	POOR Cost recovery not linked to development of scheme	VARIABLE Depends on DA's ability to recover off-site costs	HIGH Generally good repayment by beneficiaries
REPLICABILITY: FITS POLITICAL/ REGULATORY ENVIRONMENT	HIGH Assuming HDRUA-like Acts adopted & ambivalence to private developer overcome	Medium Developer passes through ULCA and other regs, but needs HUDCO support	LOW-HIGH Considerable swings in political acceptability; G.O. recently issued to facilitate private development	MEDIUM-HIGH Prior ambivalence of state political directorate, but G.O. approving concept expected soon	POOR Popular in Gujarat, but probably not applicable on large-scale in other states due to perceived bias in favor of landowner	HIGH Cooperatives favored by public bodies	MEDIUM-HIGH NGOs gaining acceptance esp using co-op vehicle
REPLICABILITY: ATTRACTIVE TO PRIME ACTOR/S	MEDIUM Developer can achieve goals but more difficult for public authority	HIGH Shows that developer can make profit & aim downmarket	MEDIUM Developers skeptical re LDA capacity to deliver timely sanctions/off-site infra	MEDIUM Unclear if ULCA exemption sufficient incentive to overcome developers' concern re high % of EWS/LIG units	HIGH Perceived by landowners/developers as inexpensive, albeit slow, vehicle for gaining access to developable plots on urban periphery	HIGH Both co-op members & developers like co-op vehicle	MEDIUM NGOs find the effort very exhausting
APPROPRIATE MECHANISM FOR LAND DELIVERY	HIGH Must identify ways to curb speculation	HIGH Places most responsibilities on developer	MEDIUM Intensive public-sector role reduces effectiveness	MEDIUM-HIGH Good potential	POOR Very significant public sector role and poor performance in providing lower-cost solutions	HIGH Must move down-scale to produce lower-cost solutions	MEDIUM Will always be very labor-intensive

1.3.3 Common Ingredients for Success

Based on the previous section's summary evaluation of the seven public/private models, several common factors appear to be present where success has been achieved to date:

- **Reliance on Expertise of Private Developer:** The relatively large and "institutionally" savvy private developer has proven successful at negotiating land development projects. He is able to move his development plans through the cumbersome and complex maze of bureaucratic regulations and often openly hostile socio-political environment found at the state and local levels. While often requiring significant time to achieve his objectives, the private developer has proven tenacious at obtaining exemptions for land assembly under the Urban Land Ceiling Act and at obtaining sanctions for his schemes. He has shown that he can prod the local authority to install the required off-site services, or get permission to provide them himself. With those project elements that he controls directly, the private developer has shown that on-site construction and marketing/sales can be successfully organized on a phased basis in order to minimize financial risk. At least in one case (the Parshwanath scheme), a private developer has shown that he can also produce shelter solutions for lower-income families at a profit.
- **Access to Public and Private Funding Sources:** One of the prime ingredients that a private developer must bring to a p/p collaborative effort is his ability to identify and mobilize financial resources from a number of sources. Examples of successful, or potentially successful, partnership arrangements exist only where sufficient financing has been identified and where the private developer's determination and reputation, in conjunction with the public sector's political will, can motivate the participation of the needed funding sources. In the present context, access to formal sector financing sources [such as Housing Finance Institutions (HFIs), commercial banks, the Housing and Urban Development Corporation (HUDCO), and the National Housing Bank (NHB)] is crucial to sustaining project development. The private developer will resort to using his own equity capital, as well as the initial installments of prospective purchasers, during the early stages of project development. But in the final analysis, all the developers currently active in large township schemes have been able to obtain commercial sources of construction and mortgage financing.
- **Political Support:** Two of the more successful partnerships were launched or received much-needed assistance at a critical juncture in their development cycle through the personal intervention of a highly-placed, public sector official. It is doubtful whether either of these schemes would have come to fruition without this support. These individuals were willing to risk their own credibility to further the goals and objectives of the collaborative venture.
- **Utilization of Cooperative Framework:** The cooperative sector has shown that it possesses a unique legal and organizational framework to facilitate the financing and delivery of serviced land and housing. State and local authorities have tended

to look favorably on the registration of new cooperatives and on exempting them from the restrictions of the Urban Land Ceiling Act (ULCA). Successful private developers have traditionally used cooperatives as a "front" for their normal development activities. Many of the developers involved in the p/p partnerships evaluated in this study continue to use this vehicle as a legitimate means to spatially organize the allottees of their schemes, as well as for the legal, organizational, financial and marketing activities inherent in delivering units for members.

1.3.4 Common Constraints or Limitations

The evaluation of the seven partnerships shows certain common areas of difficulty that have limited the effectiveness of a wider application of the partnerships as a primary vehicle for the delivery of serviced land. The following sections briefly describe each of these constraints or limitations.

- **Difficult Political Environment at the State Level:** Partnership activities have been adversely affected and/or curtailed due to the lack of a sustained commitment on the part of state governments to the participation of private developers in the provision of serviced land and housing. This ambivalence is caused primarily by changes in the policy environment due to normal rotations in a state's key political leadership. Collaborative arrangements that have been agreed to, or even initiated during a favorable climate, are often paralyzed or delayed when a new individual is appointed to a key post. These attitudinal shifts toward private sector participation invariably create additional delays on an already very time-consuming sanctioning process at the local level.
- **Limited Capacity of Local Authority:** Most local authorities are ill-equipped to play the pivotal role assigned them in the delivery of serviced land. They do not have the capacity to manage the review process of a developer's plans and designs on a timely basis, nor do they possess the latest technical know-how to ensure the provision of a range of affordable and socially acceptable shelter solutions. Furthermore, most local authorities lack a sufficient resource base to uphold their end of the collaborative effort with private developers to acquire land and to provide off-site infrastructure (case of Lucknow DA). This situation is aggravated by poor accounting and financial management practices that do not permit the local authority to maintain separate records on the funds collected from private developers for land acquisition and off-site infrastructure. These contributions are normally deposited in a general revenue account, rather then a separate development fund earmarked for a specific capital project. Having lost track of these funds, or having used them for other purposes, the local authority faces delays of years in the installation of external civil works. To combat this constraint, local authorities will have to be significantly strengthened through the provision of technical assistance and training if they are to successfully carry out the roles assigned to them in the delivery of serviced land.

- **Limited Access to Medium and Small Developers:** The public/private partnerships identified and discussed in this study are heavily biased against the participation of the small- and medium-sized developer. The complexity and time-consuming nature of the formal sanctioning process, as well as their lack of a "proven track record" and sufficient influence with local decision-makers, have dramatically limited the participation of the smaller developer in collaborative efforts with the public sector. This bias in favor of the larger developer must be rectified if India's enormous needs for serviced land are to be met in a formally planned and organized manner. While this constraint will have to be studied further, the risk to smaller builders or developers could be reduced, while experience is gained, by either earmarking smaller projects for this category of developer and/or by requiring that a certain percentage of a larger project be subcontracted to a smaller builder (i.e., private/private partnership).
- **Sophisticated Financial Arrangements:** The financial arrangements involved in packaging a public/private partnership are quite sophisticated and difficult to pull together. The private developer requires expertise in mobilizing resources from multiple sources. These include his own equity and the initial installments of prospective buyers, as well as access to commercial and public sector lines of credit. The requisite "proven track record" and the inherent financial risks involved in this type of venture are yet another factor that limits participation to only the largest developers. Much effort has gone into structuring the financing for the limited number of partnerships evaluated in this study. Discussions with private developers indicated that even those partnerships currently in the implementation phase have experienced lengthy delays in securing formal sector construction and mortgage financing. The rather limited nature of the conclusion, however, suggests that further research is required.

1.3.5 Opportunities for P/P Partnerships

This section summarizes the opportunities that exist for p/p partnerships to take on a larger role in India's urban development.

1.3.5.1 Multi-Pronged Approach Necessary

In approaching the idea of p/p partnerships, the team recommends keeping as many options open as possible. Any partnership formula that has proven successful in one State deserves to be examined for possible application in another. Only in this way can a "stock" of experience and knowledge be built up on the most appropriate forms.

The following sections propose ways in which the seven partnerships identified in this study can be improved to better serve as appropriate vehicles for the massive delivery of urbanized land.

1.3.5.2 Opportunities for Township Schemes and Guided Urban Development

There is a good potential to extend and improve on the Township Scheme/GUD (Guided Urban Development) models. The following suggestions, which are presented in "bullet" format in this Executive Summary, are discussed in greater detail in the text beginning on p.37.

- Improve the land servicing functions of local development authorities, particularly with respect to the provision of trunk infrastructure and the sanctioning of private land development plans;
- Allow the private developer to assemble land, rather than to depend on licensing from the DA for the provision of this input;
- Streamline the approval process for private land development plans;
- Support the establishment of developer associations as self-regulating bodies with codes of ethics in order to begin to reverse the public's ingrained prejudices toward the private developer;
- Discourage vacant land speculation by carefully planning the mix of plotted and built development, and by the selective application of a vacant land tax;
- Improve planning for the integration of lower-income groups [Economically Weaker Section (EWS)/Lower-Income Group (LIG)] into large-scale township development; and
- Earmark financing for private developers participating in public sector township schemes.

1.3.6 Cooperatives—A Complementary Vehicle for Development

Previous A.I.D. research in India has underscored concerns regarding housing cooperatives as an appropriate vehicle for the delivery of serviced land, particularly to lower-middle and lower-income households. However, our own field research, which is supported by international, including U.S., co-op housing experience, indicates that cooperatives organized by private developers are a valid public/private partnership model that has been successfully used in India. Housing cooperatives are individually too small and atomistic to be a prime mover in urban land development, but this does not mean that they cannot play an important role <u>within</u> larger models, particularly Guided Urban Development and Township Schemes. Cooperatives represent a well-tried legal framework and a very extensive institutional "infrastructure", particularly for housing finance. Furthermore, they are looked upon favorably by Government at all levels. Thus, to the extent that it is possible to stimulate p/p partnerships in GUD and Township Schemes, cooperatives will play a natural complementary role.

One area that needs more attention is how to use the advantages of the cooperative vehicle to reach lower-income demand for housing and land.

1.3.7 Non-Governmental Organizations

The current thrust of NGO/PVO (Private Voluntary Organization) efforts in the urban sector—slum rehabilitation and house upgrading—will, given the obvious and overwhelming need, remain their main focus. NGO/PVOs' natural strength in working with these slum communities in the articulation of needs means that they can perform a shelter-improvement service that no other institutions can. There does, however, seem to be great potential for NGOs in terms of new land and housing development, an area where until recently they have been absent.

1.3.8 Town Planning Schemes and Land Readjustment

The Gujarat TP model does not appear to be replicable in other States. Nor does there seem to be much scope for application of similar models from international experience to the India urban context. However, some form of land sharing could be tried by local development authorities as an alternative to compulsory acquisition in order to persuade recalcitrant landowners to participate in the land development process.

1.3.9 A Role for Women

Programs to house poorer families on EWS plots and core units in new townships and resettlement colonies most commonly fail to meet their objectives because the units are resold at a profit. The team recommends that the natural inclination of women for homebuilding and a stable living environment be factored into the allotment process for all p/p partnership models by putting the title in the woman's name.

1.3.10 Other Possibilities

The concept of the joint-venture urban development company has been aired in India from time to time. There is nothing inherently wrong with the idea, but the natural suspicions between the supposed private and public sector partners would appear to be a difficult obstacle to overcome. This less-than-perfect relationship, which has made the township scheme approach reviewed in this report fraught with difficulty, would make this proposed formula doubly so.

The Housing and Urban Development Cooperation (HUDCO) has recently initiated a new lending program that could dramatically improve the results of the township development type of p/p partnership examined in this study. This new source of funds could very well assist in bridging the gap existing between the local development authority and the private developer over the provision of off-site infrastructure.

The modification of a French technique called "ZAC" (Zones d'Aménagement Concerté) might also be worth exploring in specific localities in some Indian cities.

1.3.11 The National Level Innovators: Positive roles for HUDCO & NHB

HUDCO and the NHB are the Government's established apex techno-financial institutions. They are already innovators in many areas; they are the logical choices to implement some of the suggestions made above. HUDCO and/or the NHB could:

- Assist and encourage state governments to improve the socio-political climate for private sector participation in more large-scale township and Guided Urban Development schemes;
- Establish finance/refinance windows to stimulate public/private partnerships, including the financing of off-site trunk infrastructure for DAs and water and sanitation authorities;
- Assist those DAs that are recipients of HUDCO/NHB lending to improve their financial management and cost accounting practices and procedures;
- Support partnerships from NGOs to form co-ops (direct or through Slum Clearance Boards and DAs) through a clearly targeted and transparent subsidy program;[1]
- Assist emerging private developer associations in the drafting of by-laws for membership certification (based on experience, plant and equipment, and resource base), codes of ethics, and guidelines for self-regulation.

[1]Subsidized shelter programs in India currently take the form of concessionary lending. Concessionary lending is the norm and may be expected to continue for some time. Even the successful Parshwanath Scheme enjoyed a form of concessionary lending/underwriting from HUDCO on Phase I.

CHAPTER TWO

POTENTIAL ACTORS IN P/P PARTNERSHIPS

It is worth briefly describing what are, in the Indian context, the potential actors in public and private partnerships in urban land development. Here the widest possible set of potential actors is described, even though those operating in the informal sector would probably be excluded from p/p partnerships, which are, by definition, formal. The reader already familiar with this private and public framework can proceed to Chapter Three for a brief summary of the partnerships identified during this study.

PRIVATE SECTOR ACTORS

2.1 Landowners

Private landowners are, as those who possess the raw ingredient in any urban development scheme, important potential actors. In most cases, private landowners are farmers holding agricultural parcels on the urban fringe. These parcels are usually small, averaging one to four acres in size. Titles are freehold and registered by Land Revenue Officers, but frequently titles have changed hands and parcels have been split or inherited jointly with such changes going un-recorded.

Other landowners are large public and private institutions, who may or may not have freehold title. Other large parcels are held in various religious trusts (e.g. Waqfs). Finally, there are many lands in different kinds of confused tenure, such as Nizul lands.

2.2 Corporate Private Sector

Registered as real estate companies, construction companies, etc., these entities are usually private share companies of limited liability. This "private developer sector" is, in any larger Indian city, composed of:

(1) a few large, well-known, and frequently well-connected firms which were formed as family businesses and may still operate as such, despite their modern corporate structure and image. A few operate throughout India and even internationally, but most confine their work to one State or one or two cities. They usually engage in a wide range of real estate activities, of which housing and/or land development is only one facet. Examples of the larger corporate private sector developer include Ansal and Unitech that operate

throughout northern India; Eldeco, whose base of operation is Uttar Pradesh; and the Parshwanaths, from Gujarat.

(2) dozens, perhaps hundreds, of middle-sized corporate developers who concentrate on smaller, mostly housing schemes aimed at the middle classes. They are likely to be personally-run, family-style operations. Examples of this category of developer include Alacrity Foundations and the recently formed Premier Housing and Industrial Estates of Tamil Nadu.

(3) countless small "individual" developers, either registered or not, who have a very small staff if any, and usually concentrate on one building at a time. These small developers operate both formally and within the informal sector (see below).

2.3 Owner-Builders

Usually from the lower-income groups (but also the villa-building very rich), these families produce most of urban India's housing but tend to be confined to the informal sector. They build both *pucha* housing (in urban villages, unauthorized settlements, and some formal subdivision schemes) and *kutcha* housing (in slums and squatter settlements). Rarely have they access to formal credit.

2.4 Land-Speculators

In urban India, land is probably the most secure and profitable way to hold personal wealth. It is a self-reinforcing mechanism, since the more prices rise the more it becomes an attractive investment. The land speculator comes from all sectors of society and is found everywhere, but is particularly active in the larger cities. Until now no Government interventions have been able to curtail speculators' activities.

2.5 Land Brokers and Organizers

Operating almost exclusively in the informal sector in some cities, these individuals will acquire land from farmers, subdivide it, and then sell it directly to owner-builders, forming "unauthorized colonies".

2.6 Housing Cooperatives

Housing cooperatives are registered non-profit societies that operate under state legislation. Any citizen who conforms to a society's by-laws can be a member. Found throughout India, co-ops normally take two forms: (1) bottom-up, consisting of individuals who join together to acquire land and to hire the necessary technical expertise to develop housing and infrastructure; and (2) top-down, whereby a builder/developer forms a co-op and markets memberships after obtaining access to a parcel of land and sanctions for development. Housing cooperatives normally buy land directly from landowners or from development authorities, obtain financing from apex cooperative societies, and construct housing estates for their members. Whichever of the above two forms a cooperative takes, the resultant public/private partnership in both cases includes a private contractor or developer.

Housing co-ops play a significant role in meeting the formal shelter needs of India's urban population. According to recent estimates, housing co-op units that were either completed and under construction in 1986 represented more than 25 percent of the total urban private formal housing production.[2] This figure may be even higher in the country's four mega-cities. This high level of production serves as a strong argument for including co-op housing as a valid p/p partnership model.

2.7 Apex Cooperative Finance Societies

These financing institutions operate at the State level and provide mortgage financing to primary housing cooperatives. Only one exists for each State. They are autonomous institutions but receive considerable Government support.

2.8 Non-Government Organizations

NGOs are a wide range of non-profit societies and associations which usually have some private voluntary content. In urban India they are most active in community development in slum and squatter areas, but some also organize disadvantaged economic and caste groups, and some play an advocacy role. Their activities to date in the delivery of serviced land have been minimal, but there is a trend toward more involvement, especially using the cooperative vehicle.

2.9 Private Developer Associations

To combat the often hostile environment existing at the State and local levels toward their operations, private developers are joining forces to establish associations in the form of registered societies [Gujarat (1980), Uttar Pradesh (1989)]. The express purpose of these associations is to create a forum through which to conduct a dialogue with government in order to promote private developer activities. Their main functions to date have been in the preparation and dissemination of information and in the lobbying of government officials on behalf of the industry.

2.10 Association of Metropolitan Development Authorities

This non-profit group serves as the trade association for the country's development authorities. It is primarily a lobbying and information disseminating body.

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[2]See C. Billand, USAID/India, December 1990 elaboration of estimates of 1986 housing co-op production from National Buildings Organization; Housing Statistics at a Glance (1987); and M.L. Khurana, Organization & Management of Housing Cooperatives (1986) data.

2.11 Private and Joint Sector Housing Finance Companies

2.11.1 Housing Development Finance Corporation (HDFC)

The HDFC was formed in 1977, began operations in 1978, and was the recipient of a series of HG loans from 1981. HDFC has been extremely successful in delivering housing loans to a wide-range of income levels, including below-median-income families. For the period 1984 through 1989, HDFC established branch offices in 10 new market areas. Lending to all households increased by an annual rate of 35 percent during 1984-1989, while the number of new loans to lower-income households increased by 25 percent annually. HDFC has succeeded despite a financially restrictive domestic climate that has not favored the development of housing finance companies. It has been able to influence public policy affecting housing finance and, in the last few years, to attract a number of competitors to the sector. Finally, HDFC is providing financial and technical assistance to several new housing finance companies in the joint sector.

2.11.2 Housing Finance Companies

More than 30 firms have been established as housing finance companies since 1984. They basically fall into three categories:

(1) **Private Sector:** Has less than 50 percent of its equity capital contributed by central/state governments, or other entities that are 80 percent or more owned by central/state governments.

(2) **Joint Sector:** Has between 50 percent and 80 percent of its equity capital contributed by central/state governments, or other entities that are 80 percent or more owned by central/state governments.

(3) **Developer Related:** This group consists of companies that have been established exclusively to finance the operations of individual developers, by mortgage or other forms of loans. In certain instances, charges of financial malfeasance have been leveled against these companies, and several of the companies have failed.

PUBLIC SECTOR ACTORS

2.12 Ministry of Urban Development (MUD)

The MUD is the Government of India's central apex institution for the formulation of policy, plans and programs in the area of housing and urban development. MUD has had responsibility for the preparation of the Draft Housing Policy (latest version 1990) currently circulating in government and has provided oversight to the National Commission on Urbanization (1988).

2.13 Housing Finance System

The formal public sector housing finance system includes budgetary allocations of the central and state governments, financial institutions such as the Life Insurance Corporation (LIC), the General Insurance Corporation (GIC), the Unit Trust of India (UTI), provident funds, and public sector finance institutions such as the Housing and Urban Development Corporation (HUDCO) and the National Housing Bank (NHB). HUDCO and the NHB are of particular interest for this study.

2.13.1 Housing and Urban Development Corporation (HUDCO)

HUDCO is India's apex public techno-financial institution. It borrows from the LIC and GIC, and has also been the recipient of a number of external loans from bilateral financing agencies (German KfW and British ODA). It generates additional resources through government-guarantied debentures that can be used by commercial banks as part of their reserve requirements. HUDCO on-lends for specific housing and infrastructure projects. Since its establishment in 1970, HUDCO has sanctioned over 6,700 projects worth Rs. 6,763 crores. Of this total, the HUDCO loan commitment is Rs. 4,220 crores. These projects will provide shelter to about 3.8 million families in 25 states and five union territories. Ninety percent of all housing units and eighty percent of all plotted development are for the Economically Weaker Section (EWS) and Lower-Income Group (LIG) families.

2.13.2 National Housing Bank (NHB)

The NHB was established in February 1987 and operationalized in July 1988 as an apex level housing finance institution. It was created under the National Housing Bank Act. The NHB functions as a refinancing, regulatory and developmental institution to the country's housing finance institutions (HFIs). NHB is a wholly-owned subsidiary of the Reserve Bank of India (RBI). The RBI contributed the original paid-up capital of Rs. 100 crores. This amount can be increased to Rs. 500 crores. NHB raises resources through the issuance of bonds and debentures, borrowings from central government and deposits of long-term duration. In addition, NHB is empowered to borrow in foreign currency from bank and financial institutions in India and abroad. The NHB has recently finalized a Housing Guaranty (HG) loan agreement with USAID, and will soon enter US capital markets to borrow. As of September 1990, the NHB had given clearance to planning proposals for 38 land development and housing projects costing Rs. 188.6 crores. These projects will create 43,453 shelter solutions comprising serviced plots (27,345) and dwelling units (16,108). In 1989, the NHB launched a savings-linked loan scheme—the Home Loan Account Scheme (HLAS)—that guarantees a saver a loan, based on a multiple of accumulated savings, after a period of five years. In slightly more than one year since its inception, this savings scheme has attracted about 3,000 savers and deposits of Rs. 30-35 crores.

2.14 State and Municipal Housing/Urban Development Agencies

There are a number of institutions involved in housing and urban development whose responsibility rests with state government. They are presided over by the apex policy and programming Housing and Urban Development Department and its chief minister, the Housing Secretary. Under the state at the local level, the primary agencies responsible for town planning and the provision and maintenance of basic services are the municipal corporation and development authorities. The former tend to work in the older, built-up areas of India's urban centers, while the latter are responsible for the development of the rapidly urbanizing peripheral areas. These local authorities (specifically Competent Authority (CA), Town and Country Planning Department, and Superintendent Engineer), in conjunction with the local/state line agencies for water, sanitation, roads, and electricity, are responsible for the vetting and sanctioning of private development plans. The State Housing and Slum Clearance Boards have prime responsibility, respectively, for the construction of new housing and the upgrading of existing informal settlements. The orientation of both agencies is primarily toward economically weaker and lower-income families. In those far urban fringe areas beyond the purview of existing master plans, the district panchayat rules supreme. This body is responsible for taking the crucial decision regarding the conversion of agricultural land to non-agricultural uses (NA status). The panchayat officials are normally poorly educated and easily influenced by unscrupulous land speculators and developers.

CHAPTER THREE

COMPARATIVE TYPOLOGY OF P/P PARTNERSHIPS

During the mission, a total of seven public/private partnership models were reviewed. It certainly cannot be said that this is an exhaustive national inventory, but it covers the main examples which were identified by informed local observers both within and outside Government.

To give a broad view of the typologies involved, Table 1 lists the seven models in terms of the type of development, the locations, the main actors, and the main public/private splits of responsibilities. It should be noted that the first five models are state- or city-specific, and that four of these involve or are illustrated by discrete projects. The last two models, those of housing cooperatives and NGOs, are "sectoral" and as such are partnership "vehicles" which have an all-India context.

Each of the seven partnerships has been treated as a detailed case study. These studies are found annexed to this report.

For the reader who wishes a briefer view of these case studies, the following summaries of each are presented.

TOWNSHIP DEVELOPMENT SCHEME: Haryana Model, Gurgaon Township

Model Typology: Under a legislative act unique to the state of Haryana, certain planned areas are specially designated to allow private developers to assemble parcels of land that exceed the limits set by the Urban Land Ceiling Act (UCLA). In designated areas, the act provides for the licensing of private developers to assemble land directly from landowners and develop such land for residential purposes according to stipulations that include: (1) financial contributions to the development authority for attributable off-site infrastructure costs; and, (2) the reservation of a portion of the developed land for lower-income housing plots to be allotted through the development authority. Primarily used for plotted development. Prime mover: private developer.

1. **Year Established** - The Haryana Development and Regulation of Urban Areas Act (HDRUAA) was promulgated in 1975. Licensing under the Act of private developers in Gurgaon Township began in 1982 and continued through 1985.

TABLE 1
COMPARATIVE SUMMARY OF SEVEN P/P PARTNERSHIP

MODEL CHARACTERISTICS	HARYANA	PARSHWANATH	LUCKNOW	MADRAS	GUJARAT T.P. SCHEMES	HOUSING COOPERATIVES	NON GOVERN-MENT ORGANIZA-TIONS
Form of Development	Integrated township	Township	Integrated township	Guided Urban Development	Land readjustment	Housing estates	Variable
Units produced	Mostly serviced plots	Expandable houses & flats	Half plots, half houses	50% EWS has san. core, rest plots	Regularized land parcels	Mostly houses & flats	Small plots & houses
Enabling legislation	State Act	None	State Government Orders (GOs)	World Bank Loan Agreement	State Act	State Acts	None
Area Coverage	State-wide	Ahmedabad eastern fringe	Lucknow city to date	Madras City	State-wide	All India	All India
RESPONSIBILITIES							
Land assembly	Private developer	Private developer	Public D.A.	Private developer	Private developer or co-op	Cooperative or public D.A. (e.g. Delhi)	Government
Internal land servicing	Private developer	Private developer	Private developer	Private developer	Private developer or co-op	Cooperative	Government or NGO/Co-op
External (Off-site) servicing	State D.A.	City D.A.	City D.A.	City D.A.	City corporation or D.A.	Government	Government
Housing construction	Plot owners	Private developer w/ owner additions	1/2 private developer, 1/2 plot owner	Mainly plot owners	Private developer and cooperatives	Cooperative	Government or plot owners
Disposal/Marketing of units	Developer w/ D.A. control	Developer w/ Govt. control	Developer & D.A.	Developer & D.A.	Developer or Cooperative	Cooperative	Variable

2. **Description** - Gurgaon is a satellite of the Delhi metro area. Out of a total township residential area of 2900 hectares, 1200 hectares have been licensed to five developers for direct land purchase from land owners. Developers pay external development charges (EDC) to Haryana Urban Development Authority at rates around Rs. 3.7 lakh/gross acre and are responsible for all internal infrastructure and social services.

3. **Approach** - Of the total number of plots in the developer colonies, 20 percent must be sold to EWS and LIG families at a nominal price of Rs. 100/m2, and another 25 percent of plots are sold on a no-profit no-loss basis, currently priced at Rs. 500/m2 plus EDC. The remainder of the plots can be sold at market rates. The Haryana Urban Development Authority (HUDA) lays down beneficiary conditions for sale of EWS and LIG plots. Developers are free to construct housing on plots, and some have done so on a small fraction of the total area.

4. **Financing Strategy** - Developers use their own funds for land purchase and payment of EDC. For internal development they resort to short-term commercial loans from their usual banks. Developers lose heavily on EWS/LIG plots, which are cross-subsidized from the profits on market plots.

5. **Status/Results** - Normally, the plotted development process by a developer takes one to three years from issuance of a license to disposal of plots. Legal disputes between developers and HUDA caused a two-year hiatus between 1986-88. Presently most developers have developed and sold 90 percent of their plots. Build-up of plots has been very slow, with presently only two percent estimated to have structures. Completion of HUDA's own residential areas is lagging, as is off-site infrastructure.

TOWNSHIP DEVELOPMENT SCHEME: Lucknow Development Authority (LDA) Model

Partnership Typology: Under a Government Order (G.O.) issued by the state of Uttar Pradesh, the state's twenty development authorities were empowered to provide land on a license basis to private developers for land development and construction of houses in planned areas and as per master plan norms.

1. **Year Established** - A G.O. issued in 1987 to U.P.'s 20 development authorities allowed LDA to license three developers (Ansals, Unitech and ELDECO) to develop 800 acres of LDA's proposed township at Sharda Nagar.

2. **Description** - Three developers reimburse LDA for land and off-site infrastructure at Rs.100/m2 and develop on-site infrastructure and mix of EWS and other unit types, 70 percent of which require construction of dwelling units.

3. **Approach** - Licensing requires 40 percent of total plots to be EWS that, in turn, are sold to LDA at subsidized price of Rs.18,000; LDA allots EWS units, while pricing, sale and allotment of other units/plots is done by developer.

4. **Financing Strategy** - Developers reimburse LDA for purchase of land and construction of off-site infrastructure; developers use own funds and allottee installments for on-site and unit construction prior to scheme sanctioning; after sanctioning, developers use commercial banks/finance companies for construction financing (two to three years, 17-18 percent) and mortgage financing (15 years, 15-16 percent); HUDCO will finance EWS units on drawdown basis through LDA.

5. **Status/Results** - Construction underway for two years; ELDECO has approximately 400 plots/units under construction although scheme not sanctioned yet, while Ansals has about 1,150 under construction, with 100 complete and about 15 occupied; LDA construction of off-site trunk roads, electricity and drainage facilities has not kept pace with on-site development.

GUIDED URBAN DEVELOPMENT: Madras Metropolitan Development Authority (MMDA) Model

Partnership Typology: Guided Urban Development (GUD) was formulated as a component of the World Bank-financed Tamil Nadu Urban Development Project (TNUDP) to overcome land acquisition difficulties and the shortcomings of the Urban Land Ceiling Act. GUD is a joint venture between MMDA and landowners/developers. GUD was formulated with a view to ensuring: (1) fair return on investment to the private owner/developer; and, (2) availability of a relatively large proportion of serviced sites for allotment to lower-income families at affordable prices.

1. **Year Established** - MMDA Guided Urban Development (GUD) is a program component under 1988 World Bank-financed Tamil Nadu Urban Development Project (TNUDP).

2. **Description** - Joint venture between MMDA and private landowners/developers to produce 10,000 EWS and LIG units by permitting exemption under Section 21 of the ULC Act.

3. **Approach** - MMDA purchases EWS and LIG units (75 percent of total) at a subsidized price from developer and allots them to target group; 25 percent MIG and HIG units are sold at price fixed by developer.

4. **Financing Strategy** - TNUDP funds used to provide off-site infrastructure and to purchase lower-income plots; costs of on-site development borne by developer/ landowner.

5. **Status/Results** - Eight owners/developers showed interest at time GUD concept advertised; two developers prepared and submitted plans for sanctioning, but one withdrew due to problem with clear land title, while other withdrew when "surplus" land taken under ULCA; GUD concept currently under review with State Chief Minister with G.O. approval expected shortly.

TOWNSHIP DEVELOPMENT SCHEME - Parshwanath Model (Ahmedabad)

Partnership Typology: Parshwanath Group (PG) is the prime actor; it is a private corporate developer (construction company and housing finance company) aiming at the lower end of the housing market; it obtains land directly from landowners, organizes and develops schemes through housing cooperative societies, finances/ refinances them through various public and joint sector financial institutions, with schemes sanctioned by local regulatory authorities.

1. **Year Established** - The land was assembled by the developer from farmers in 1981, and application was made for exemption from ULCA in 1982. The final plan for the township was completed in 1985 and submitted to the Ahmedabad Urban Development Authority (AUDA) for approval and to HUDCO for possible financing. Exemption from ULCA was obtained in 1987. Construction of the first phase began in late 1988.

2. **Description** - The entire township scheme has a target population of 36,000 within an area of 67 hectares. It is located near the fringe of eastern Ahmedabad. The developer pays no charges for off-site infrastructure, as the area is not yet a sanctioned town planning scheme (see TP Scheme description), but is responsible for all internal development. The scheme includes only expandable EWS, LIG and MIG housing—no plotted development.

3. **Approach** - The developer undertakes all aspects of development, including house building, mortgage financing, and organizing of the cooperatives. The developer aims only at the lowest end of the formal housing market, with completed housing units currently selling at between Rs. 36,000 and Rs. 67,000. EWS housing, to be sold at Rs. 25,000, is scheduled for the third phase.

4. **Financing Strategy** - The developer uses his own funds for land purchase and some construction. HUDCO has financed most construction under a short-term loan at 15 percent per year, and will provide long-term mortgages at a 11-13 percent rate. Beneficiary downpayments are 23 to 29 percent of total unit costs. The township is being financed and developed in five discrete phases to reduce the developer's financial risk.

5. **Status/Results** - The first phase of 1200 expandable housing units was completed in 15 months; it was allocated, sold, and mostly occupied in three months. Construction of the second phase of 1100 units has started, and bookings for these units have begun.

TOWN PLANNING SCHEME: Ahmedabad Model

Partnership Typology: The Town Planning Scheme approach has been practiced in the States of Gujarat and Maharashtra for seven decades. It is a comprehensive area planning technique patterned on the concept of land readjustment. The Bombay TP Act (1915) provided the initial legal framework for the technique. Following the separation of Gujarat from Bombay, implementation is now covered under Gujarat TP and Urban Development Act (1976). The act divides implementation into three phases—draft, preliminary and final. The preliminary phase carries out replanning of designated areas, while the final phase addresses issues regarding valuation and estimate of landowner contribution. The local authority gains access to the area to begin on-site improvements upon sanctioning of the preliminary phase.

1. **Year Established** - Bombay TP Act of 1915, as amended in 1954, and 1976 Gujarat TP Act, provide legal framework for this area planning technique based on concept of plot readjustment.

2. **Description** - Local authority, in conjunction with Gujarat Chief Town Planner, declares an area in private ownership (about 100-200 has.) as a TP Scheme; total area is replanned in three-stage process with provision of reconstituted plots, street network and lighting and land reservations for public uses.

3. **Approach** - Planning exercise reallocates approximately 70-80 percent of the original plot area to owners who now possess improved land in terms of layout, accessibility and services.

4. **Financing Strategy** - Local authority partially finances scheme by charging owners difference between compensation for land allotted to roads and public uses and contribution for one-half of increment in developed plot value due to improved accessibility and services; remainder financed from general revenue accounts.

5. **Status/Results** - Thirty-seven TP Schemes have been sanctioned in Ahmedabad since the 1920s; twenty-five schemes are ongoing on western and eastern periphery of city; prior schemes have taken five to ten years for final sanctioning; 50-90 percent cost subsidy on prior schemes has been reduced by 1985 Amendment to 1976 Gujarat TP Act that provides for targeting of 10 percent of scheme area for industrial and commercial uses, allocation of additional 20 percent of total development costs for off-site infrastructure, and calculation of increment in land value at date of final sanctioning, rather than at declaration of intention to make a scheme.

COOPERATIVE HOUSING SECTOR

Partnership Typology: Non-profit primary housing cooperative societies with funds collected from members acquire land either from land owners or public development authorities and develop land/housing for members, obtaining from apex cooperative housing finance societies mortgage financing which is in turn refinanced/guaranteed by a number of government, joint, and private sector financing sources. Mostly for housing development and not plotted development, particularly recently. Primary Actor: Cooperative members themselves or, as a variant, private developers who use the cooperative vehicle.

1. **Year Established** - Housing cooperatives are allowed under state legislation which was mainly promulgated in the 1950s. State-level Apex Cooperative Housing Finance Societies, the primary source of cooperative funding for housing, were mostly set up in the 1960s. The cooperative housing phenomenon has grown rapidly and is found throughout India.

2. **Description** - As mentioned previously, in the "bottom-up" format a group of citizens on their own initiative form a housing cooperative society. Usually having 75 to 250 members, the society becomes registered; then acquires land using its own funds; then approaches the Apex society for construction/mortgage finance. In the top-down variant, a private developer will form the cooperative, secure land and sanctioning, and then announce the project to the public. Those interested then become members of the society, and development proceeds with apex financing.

3. **Approach** - In the "bottom-up" format, co-op members take the initiative and make all management efforts, whereas in the top-down variant, it is the developer who takes over this role. In all cases, mortgage finance is usually readily available from apex societies at attractive terms; limits normally exist on the size of individual loans and/or on the cost of the housing unit.

4. **Financing** - Cooperatives purchase land using member contributions. Costs of infrastructure and housing are mostly (60-75 percent) financed by long-term loans from Apex Societies, with the rest coming from members. Apex Societies are refinanced mainly by the Life Insurance Corporation, but also by Government with Government guarantees.

5. **Status/Results** - Nationwide there is currently a total of three million members in 40,000 primary societies with 654,000 housing units completed and 315,000 under construction. In larger urban areas these units tend to be for Middle Income Group (MIG) and High Income Group (HIG) families. Most are housing estates on three to ten acres of land.

THE NON-GOVERNMENTAL ORGANIZATION (NGO) SECTOR

Partnership typology: In resettlement, slum upgrading, and sites and services schemes sponsored by HUDCO, state housing boards and/or development authorities aimed at improving the housing conditions of the poorest city dwellers, non-government organizations sometimes play a role in: (1) organizing beneficiaries, perhaps into cooperatives; (2) helping with repayment schemes; (3) providing representation vis-à-vis authorities; and/or, (4) delivering technical assistance.

1. **Year Established** - NGOs have a long history in India, and currently there are some 12,000 private voluntary agencies as well as 140 foreign-based voluntary agencies. The large majority of these, however, concentrate on rural areas, and only a few are devoted to human shelter or have housing as one of their program components.

2. **Description** - Of those NGOs with an urban housing component, most concentrate on slum upgrading, including helping Government with regularization of tenure, building improvement loans, and infrastructure upgrading. Some work with the local communities in an advocacy/assistance role. Only a handful of cases have been found of NGOs' involvement in slum resettlement or settlement programs.

3. **Approach** - In working with slum communities, NGOs have shown an ability to stimulate community development in ways that Government agencies cannot. Some NGOs have begun to recognize that the provision of shelter should be a more integral part of their activities.

4. **Financing Strategy** - Most funds for upgrading and resettlement are subsidized by Government, but an element of cost recovery from beneficiaries is normal. One of the strengths of NGOs is their ability to stimulate discipline in repayment of

loans. NGOs themselves usually rely on voluntary work by their staff or on donations for the funding of their projects.

5. **Status/Results** - One NGO-led resettlement scheme in the 1970s (Ahmedabad) and one NGO-assisted sites and services scheme (Madras) have been documented. Several slum upgrading projects have been either NGO-led or assisted. One NGO bank (SEWA in Ahmedabad) is currently trying to create a new housing program for its members. There are other isolated examples of NGO involvement.

CHAPTER FOUR

EVALUATION

In the previous chapter, examples of public/private partnerships in India have been briefly described and set into a typological framework for comparison. In this chapter, the seven main types or "models" are evaluated according to specific criteria in order to gauge their degree of success and their potential for replication.

The analysis in this chapter is based upon detailed information about Indian p/p partnerships gathered during the mission and written up as separate case studies. These case studies are presented as annexes to this report.

4.1 Evaluation Criteria

Partnership models have been evaluated against six separate criteria:

(1) **Timeliness:** For each model, how rapid has been the process of land/ housing development? In order to keep up with the pace of urbanization it is important that there are mechanisms which can quickly assemble, service, deliver, and colonize residential land.

(2) **Allocates Fully the Costs of Project Inputs:** How well does each model, in its formal structure, allow for the allocation of the full costs of the various inputs to development?

(3) **Mobilizes Private Resources for Urban Land/Housing Development:** Given that public funds for urban land development in India are insufficient to meet the magnitude of the task, it is important to assess to what extent particular models can mobilize funds from various private sources.

(4) **Reaches Lower-Income Target Groups:** To what extent does a model actually reach at least some of the vast number of poorer urban families who are largely excluded from existing formal land/housing development mechanisms?

(5) **Replicability:** How replicable is a model in the wider context of urban India, either state-wide or nationally? To answer this, three sub-criteria are assessed: (a) how well has it actually recovered the costs of land development so that the process can be sustained financially? (b) is the model easily repeatable in the prevalent political/regulatory environment? (c) how enticing is the model for the prime actor(s), so that it/they will be encouraged to take it up again?

(6) **Appropriateness of Mechanism:** Is the model appropriate for replication on a large scale to begin to meet India's needs for serviced urban land?

4.2 Matrix Evaluation of P/P Models

In order to give the reader a schematic overview of the evaluation process, Table 2 sets the seven main models reviewed in this report against the six evaluation criteria. This exercise is necessarily mechanistic. For a deeper appraisal, the reader will find in the following sections a discussion, criterion by criterion, of how the models compare to each other. This discussion will also help to identify common reasons for a particular model's relative success or failure, as well as significant constraints to its application, on a wider scale.

4.3 Initial Findings: Evaluation by Criterion

The present section briefly summarizes the principal findings from Table 2 for each of the criteria utilized in the evaluation of the seven p/p models.

4.3.1 Timeliness

As would be expected, the timeliness of project execution varies greatly among the seven p/p model types. Certain common elements, however, are discernible:

- Delays are evident across-the-board regarding local authority capacity to process legitimate exemptions under the Urban Land Ceiling Act (ULCA), to sanction land and housing schemes, and to provide off-site infrastructure;
- Once unencumbered of the exemption/sanctioning process, however, private developers have proven aggressive in successfully adhering to land acquisition, planning, design and construction schedules;
- Final occupancy of plotted schemes often languishes for years because of speculation and/or subsequent resales to other than the original target group.

4.3.2 Full Cost Allocation

With the exception of the Town Planning Scheme approach, all the other p/p development vehicles have a generally good track record of allocating all production costs to the end user. Given the extremely time-consuming nature of the three-stage TP Scheme sanctioning process, it is still premature to assess whether the 1985 Amendment to the Gujarat Town Planning Act has had the desired affects of: (1) recovering the costs of off-site infrastructure; (2) capturing escalations and fluctuations in costs during the plot reconstitution and on-site development phase; and, (3) moving toward a more market-oriented rate of interest for the repayment by installment of landowner contributions. It should be noted that, per the licensing terms of the large township development schemes (Gurgaon, Lucknow, and Madras), EWS and LIG units are purchased/marketed at less than full cost allocation. This explicit

TABLE 2
SUMMARY EVALUATION OF SEVEN P/P PARTNERSHIPS

EVALUATION CRITERIA	HARYANA	PARSHWANATH	LUCKNOW	MADRAS	GUJARAT T.P. SCHEME	COOPERATIVE SECTOR	NGOs\PVOs
TIMELINESS	LOW Acquisition through plot disposal rapid but plot build-up extremely slow and off-site infra slow	HIGH Following 5 yrs. to gain ULCA exemption, all aspects of development	POOR Very slow sanctioning process, poor performance on installing off-site infra.	N/A Start up delayed due to withdrawal of original applicants and political ambivalence	POOR 5-10 yrs. required for final sanctioning, even 3-4 yrs. required to gain access to site and to begin development	MEDIUM On-site development rapid but off-site infrastructure slow and deficient	Insufficient data to generalize
FULL COST ALLOCATION	HIGH All costs in theory allocated under stipulations of HDRUA	HIGH All costs allocated through developer to end-user except some major trunk infra costs.	MEDIUM-HIGH Initial LDA estimates of land/off-site infrastructure costs borne by developer probably low; all on-site costs allocated to end-users.	MEDIUM-HIGH All on-site costs allocated on x-subsidy basis to end user; off-site costs, if any, borne by MMDA	POOR 50-90% subsidy on total costs; 1985 amendment to T.P. Act should improve record	VARIABLE Depending on Govt's statutory ability to assess external development charges	GOOD But usually with explicit subsidy element
MOBILIZES PRIVATE RESOURCES	HIGH Mobilizes equity of developer and funds of commercial banks	HIGH Mobilizes equity of developer and savings of end-user.	HIGH All project costs, except EWS units, mobilized from developer equity, end user installments, and commercial financing.	HIGH Mobilizes developer equity, end user savings, commercial financing	MEDIUM Insufficient cost allocation and only 50% contribution of incremental value has diminished mobilization of land owner resources	MEDIUM Mobilizes co-op member savings	MEDIUM-LOW Stimulates savings of end users but requires public subsidy
REACHES LOWER-INCOME GROUPS	VERY LOW Plot size too large and targeted plots quickly raided for speculation.	HIGH All units reach those below median income & no apparent abuse.	MEDIUM-HIGH 40% of units allotted to EWS; about 20% constructed as LIG.	HIGH 75% of all plots/units allocated to EWS and LIG income groups earning less than Rs.1,500.	POOR Mainly serves middle to upper-income clientele; lower-income development has taken place outside of T.P. schemes	LOW Only middle to upper income housing	VERY HIGH Poorest reached with little abuse
REPLICABILITY COSTS ACTUALLY RECOVERED	MEDIUM-HIGH Good direct recovery but not time costs	High. Recovery of all costs that have been allocated.	N/A - No payment yet; questionable whether LDA can recover EWS payments	N/A No cost recovery yet	POOR Cost recovery not linked to development of scheme	VARIABLE Depends on DA's ability to recover off-site costs	HIGH Generally good repayment by beneficiaries
REPLICABILITY: FITS POLITICAL/ REGULATORY ENVIRONMENT	HIGH Assuming HDRUA-like Acts adopted & ambivalence to private developer overcome	Medium Developer passes through ULCA and other regs, but needs HUDCO support	LOW-HIGH Considerable swings in political acceptability; G.O. recently issued to facilitate private development	MEDIUM-HIGH Prior ambivalence of state political directorate, but G.O. approving concept expected soon	POOR Popular in Gujarat, but probably not applicable on large-scale in other states due to perceived bias in favor of landowner	HIGH Cooperatives favored by public bodies	MEDIUM-HIGH NGOs gaining acceptance esp. using co-op vehicle
REPLICABILITY: ATTRACTIVE TO PRIME ACTORS	MEDIUM Developer can achieve goals but more difficult for public authority	HIGH Shows that developer can make profit & aim downmarket	MEDIUM Developers skeptical re LDA capacity to deliver timely sanctions/off-site infra	MEDIUM Unclear if ULCA exemption sufficient incentive to overcome developers' concern re high % of EWS/LIG units	HIGH Perceived by landowners/developers as inexpensive, albeit slow, vehicle for gaining access to developable plots on urban periphery	HIGH Both co-op members & developers like co-op vehicle	MEDIUM NGOs find the effort very exhausting
APPROPRIATE MECHANISM FOR LAND DELIVERY	HIGH Must identify ways to curb speculation	HIGH Places most responsibilities on developer	MEDIUM Intensive public-sector role reduces effectiveness	MEDIUM-HIGH Good potential	POOR Very significant public sector role and poor performance in providing lower-cost solutions	HIGH Must move down-scale to produce lower-cost solutions	MEDIUM Will always be very labor-intensive

write-down in the price of units earmarked for lower-income households is recouped in overall terms by the developer by means of cross-subsidization with the MIG and HIG units that are sold at market prices. Finally, we understand that the Parshwanath Corporation sold its Phase I LIG units at prices that reflected all associated costs. Presumably, it will apply the same pricing approach to EWS units on Phase III.

4.3.3 Mobilization of Private Resources

All the p/p models do a generally good job of mobilizing private sector resources. These include the developers' own equity, the savings of the prospective end user, and the resources of commercial banks and finance companies for construction and mortgage financing. A developer will use his own capital and the initial installments of the end user to acquire land and commence on-site construction. Only when final sanctioning is in-place and it appears that the local authority is making headway with the installation of off-site infrastructure will the developer begin to draw down on prior commitments for construction financing. With respect to the TP Scheme approach as practiced in Gujarat, this model has missed an excellent opportunity to more fully mobilize the resources of private landowners for comprehensive land development. This model has historically allocated only 50 percent of the incremental appreciation in undeveloped versus developed plot value (estimated on the basis of minor improvements and administrative costs), rather than on the true market value of the reconstituted plot.

4.3.4 Reaches Lower-Income Groups

With the exception of the TP Schemes and cooperative approaches that to a great extent have not served a lower-income target group, it is too early to say whether the large-scale township schemes will be able to produce and allocate significant numbers of EWS and LIG shelter solutions affordable to a middle- and lower-income target group. While the potential is certainly there, the record to date is not particularly encouraging. For example, sanctioning of the EWS part of the Lucknow scheme has been delayed for over two years due to LDA-requested changes in plot size and layout design. In Madras, it is unclear whether the exemption offered for land assembly under the Land Ceiling Act will provide a sufficient incentive to the developer community to offset its inherent reluctance to become involved in a scheme whereby 25 percent of the total units must cross-subsidize the remaining 75 percent of EWS and LIG units. Finally, plotted EWS and LIG development in Haryana (Gurgaon) will most likely reach only a fraction of the intended lower-income target group. This is due to speculative holding and/or to the resale of the plot by the original allottees. On the other hand, NGOs, which have a proven track record in India of serving a lower-income target group in many city-wide upgrading programs, have not been a major player to date in the delivery of new plotted land and housing solutions.

4.3.5 Replicability

4.3.5.1 Actual Cost Recovery

The prognosis is bright for cost recovery where the private sector is responsible for marketing and overseeing the repayment of the allotted units. Time did not permit a determination of how the local authorities are faring with the recovery of their own investment in EWS and LIG units. However, international experience would tend to indicate that it probably is not very good. At a minimum, however, it is clear that the local authorities will have to initiate new accounting procedures that maintain separate bookkeeping entries for those funds collected from private developers for land acquisition and the provision of off-site services. Currently, the local authorities deposit these funds into a general revenue account, thus unlinking the funds from the purpose for which they were collected, namely to finance the acquisition of land and the construction of-site infrastructure. This often results in the local authority falling behind in payments to the private landowner and delays in the installation of services.

4.3.5.2 Fits Political/Regulatory Environment

Many state governments envisage that housing cooperatives will continue to be a major supplier of land and housing in the 1990s, although financing at the apex state level will not be as readily available as in the early-to mid-1980s. State governments have continued to register and, in some cases (Delhi for example), to provide for the allotment of publicly-acquired land to cooperatives. This trend will continue in the near term. On the other hand, the TP Scheme approach, while popular in Gujarat, is not universally applicable at the national level due to its perceived bias in favor of the private landowner. This leaves the large question mark surrounding government's intentions to involve the corporate developer in the large-scale delivery of serviced land. While central government's Draft Housing Policy and the National Commission on Urbanization encourage the activities of legitimate private developers, there exists an ambivalence at the state level regarding implementation of this proposal. This ambivalence has manifested itself in a series of Government Orders (G.O.s) that alternately support or hinder the participation of the private develop in local authority development schemes. While still requiring additional time for further discussion and maturation, the acceptance of this policy shift appears to be gaining momentum with decision-makers at the state level.

4.3.5.3 Attractiveness to Prime Actors

The success to date of the Parshwanath scheme in Ahmedabad shows that a private developer can deliver lower-income shelter solutions and still make a reasonable return on investment. On the other hand, not enough time has elapsed to say with any certainty whether the large-scale development approach used at Gurgaon, Lucknow and Madras will ultimately be able to efficiently and effectively deliver subsidized EWS and LIG units to a local authority on a sufficiently profitable basis to warrant the participation of private developers.

4.3.6 Appropriate Mechanism For Land Delivery

Ultimately the question must be asked as to whether a particular p/p model serves as an appropriate mechanism in the Indian context for the delivery of land and housing. Firstly, the TP Scheme approach has clearly shown itself not to be widely applicable in urban India for the large-scale provision of serviced land. It is simply too time-consuming and cumbersome due to its heavy reliance on public sector interventions. On the other hand, the township scheme, a true opportunity for public/private collaboration, has a good potential for meeting the nation's needs regarding serviced land. Only careful monitoring and evaluation of the results of the four projects that are now in the implementation stage will indicate whether this approach can effectively and efficiently provide sufficient quantities of serviced land for a wide spectrum of socioeconomic groups. Finally, the cooperative sector has historically shown itself to be a major provider of middle- and upper-income housing. The question remains as to whether cooperative activities can be redirected to ensure the provision of shelter at the lower end of the income scale.

4.4 Common Ingredients for Success

Based on the previous section's summary evaluation of the seven public/private models, several common factors appear to be present where success has been achieved to date:

- **Reliance on Expertise of Private Developer:** The relatively large and "institutionally" savvy private developer has proven successful at negotiating land development projects. He is able to move his development plans through the cumbersome and complex maze of bureaucratic regulations and often openly hostile socio-political environment found at the state and local levels. While often requiring significant time to achieve his objectives, the private developer has proven tenacious at obtaining exemptions for land assembly under the Urban Land Ceiling Act and at obtaining sanctions for his schemes. He has shown that he can prod the local authority to install the required off-site services, or get permission to provide them himself. With those project elements that he controls directly, the private developer has shown that on-site construction and marketing/sales can be successfully organized on a phased basis in order to minimize financial risk. At least in one case (the Parshwanath scheme), a private developer has shown that he can also produce shelter solutions for lower-income families at a profit.
- **Access to Public and Private Funding Sources:** One of the prime ingredients that a private developer must bring to a p/p collaborative effort is his ability to identify and mobilize financial resources from a number of sources. Examples of successful, or potentially successful, partnership arrangements exist only where

sufficient financing has been identified and where the private developer's determination and reputation, in conjunction with the public sector's political will, can motivate the participation of the needed funding sources. In the present context, access to formal sector financing sources (such as HFIs, commercial banks, HUDCO and NHB) is crucial to sustaining project development. The private developer will resort to using his own equity capital, as well as the initial installments of prospective purchasers, during the early stages of project development. But in the final analysis, all the developers currently active in large township schemes have been able to obtain commercial sources of construction and mortgage financing.

- **Political Support:** Two of the more successful partnerships were launched or received much-needed assistance at a critical juncture in their development cycle through the personal intervention of a highly-placed, public sector official. It is doubtful whether either of these schemes would have come to fruition without this support. These individuals were willing to risk their own credibility to further the goals and objectives of the collaborative venture.
- **Utilization of Cooperative Framework:** The cooperative sector has shown that it possesses a unique legal and organizational framework to facilitate the financing and delivery of serviced land and housing. State and local authorities have tended to look favorably on the registration of new cooperatives and on exempting them from the restrictions of the Urban Land Ceiling Act. Successful private developers have traditionally used cooperatives as a "front" for their normal development activities. Many of the developers involved in the p/p partnerships evaluated in this study continue to use this vehicle as a legitimate means to spatially organize the allottees of their schemes, as well as for the legal, organizational and marketing activities inherent in delivering units to members.

4.5 Common Constraints or Limitations

The evaluation of the seven partnerships shows certain common areas of difficulty that have limited the effectiveness of a wider application of the partnerships as a primary vehicle for the delivery of serviced land. The following sections briefly describe each of these constraints or limitations.

- **Difficult Political Environment at the State Level:** Partnership activities have been adversely affected and/or curtailed due to the lack of a sustained commitment on the part of state governments to the participation of private developers in the provision of serviced land and housing. This ambivalence is caused primarily by changes in the policy environment due to normal rotations in a state's key political leadership. Collaborative arrangements that have been agreed to, or even initiated during a favorable climate, are often paralyzed or delayed when a new individual is appointed to a key post. These attitudinal shifts toward private sector participation invariably create additional delays on an already very time-consuming sanctioning process at the local level.

- **Limited Capacity of Local Authority:** Most local authorities are ill-equipped to play the pivotal role assigned them in the delivery of serviced land. They do not have the capacity to manage the review process of a developer's plans and designs on a timely basis, nor do they possess the latest technical know-how to ensure the provision of a range of affordable and socially acceptable shelter solutions. Furthermore, most local authorities lack a sufficient resource base to uphold their end of the collaborative effort with private developers to acquire land and to provide off-site infrastructure (case of Lucknow DA). This situation is aggravated by poor accounting and financial management practices that do not permit the local authority to maintain separate records on the funds collected from private developers for land acquisition and off-site infrastructure. These contributions are normally deposited in a general revenue account, rather then a separate development fund earmarked for a specific capital project. Having lost track of these funds, or having used them for other purposes, the local authority faces delays of years in the installation of external civil works. To combat this constraint, local authorities will have to be significantly strengthened through the provision of technical assistance and training if they are to successfully carry out the roles assigned to them in the delivery of serviced land.
- **Limited Access to Medium and Small Developers:** The public/private partnerships identified and discussed in this study are heavily biased against the participation of the small- and medium-sized developer. The complexity and time-consuming nature of the formal sanctioning process, as well as their lack of a "proven track record" and sufficient influence with local decision-makers, have dramatically limited the participation of the smaller developer in collaborative efforts with the public sector. This bias in favor of the larger developer must be rectified if India's enormous needs for serviced land are to be met in a formally planned and organized manner. While this constraint will have to be studied further, the risk to smaller builders and developers could be reduced, while experience is gained by either earmarking smaller projects for this category of developer and/or by requiring that a certain percentage of a larger project be subcontracted to a smaller builder (i.e., private/private partnership).
- **Sophisticated Financial Arrangements:** The financial arrangements involved in packaging a public/private partnership are quite sophisticated and difficult to pull together. The private developer requires expertise in mobilizing resources from multiple sources. These include his own equity and the initial installments of prospective buyers, as well as access to commercial and public sector lines of credit. The requisite "proven track record" and the inherent financial risks involved in this type of venture are yet another factor that limits participation to only the largest developers. Much effort has gone into structuring the financing for the limited number of partnerships evaluated in this study. Discussions with private developers indicated that those partnerships currently in the implementation phase have experienced lengthy delays in securing formal sector construction and mortgage financing. The rather limited nature of this conclusion, however, suggests that further research is required.

CHAPTER FIVE

OPPORTUNITIES FOR P/P PARTNERSHIPS

What opportunities are there for p/p partnerships to take on a larger role in India's urban development? The previous sections have shown that there are existing models which have many positive elements and characteristics but which operate under numerous constraints. What seem to be the best paths to explore? What modifications and reforms might make the most promising existing models more successful? What of new proposals aired by local observers? Finally, are there mechanisms that have succeeded elsewhere which might work in the Indian context? A first, perhaps presumptuous, attempt to answer these questions is made in this final chapter. (Note that integrated in the following discussion are many ideas and proposals expressed verbally and in the literature by Indian professionals.)

5.1 Multi-Pronged Approach Necessary

Public/private partnerships in urban land development are a relatively new concept in India. There are as yet not enough examples of the phenomenon with sufficient track records to make anything approaching definitive statements about the path these partnerships should take. Furthermore, India is vast, with hundreds of growing cities—each with its own physical, economic, political, and legal context. What works in one may not work in another.

In other words, in approaching the idea of p/p partnerships, it is best to keep as many options open as possible. Any partnership formula that has proven successful in one state deserves to be examined for possible application in another. There is no reason why all should not, at least initially, be encouraged. Only in this way can a "stock" of experience and knowledge on the most appropriate forms be built up.

5.2 Opportunities for Township Schemes and Guided Land Development

Based on the results of this very short and cursory survey of p/p partnerships, it seems that there is a good potential to extend and improve on the Township Scheme/GUD models. The three Township models and the incipient Madras GUD model reviewed all have common ingredients for success and, most importantly, for replicability. This conclusion is drawn from the above Evaluation section. However, this section also points to some constraints which limit their greater application for efficient urban land development. In the following paragraphs some tentative suggestions are made on how to begin to tackle these constraints and improve the partnership process.

5.2.1 Improving Land Servicing Functions of Development Authorities

Perhaps the single greatest constraint or bottleneck in the Township model is the weak role in the partnership played by the public sector development authorities (DAs). In every case reviewed they have been unable to live up to their side of the partnership arrangement. The most glaring shortfall has been in the rapid provision of trunk infrastructure, but also in timely bureaucratic decisions/approvals. It seems that there is a wide scope for making these institutions more efficient. For example, the finances of DAs are, to put it bluntly, usually a mess. Although the statutory holders of land development rights, they never seem able to generate surpluses and frequently find it difficult even to meet recurrent costs. The most serious effect is that, although DAs receive large payments of external development charges from developers, these funds at best only trickle back into a specific Township's off-site infrastructure, with most disappearing into the DAs' larger budget needs. This leads to an obvious question: why not allow separate cost-accounting of each township scheme? Payments from developers and returns from direct land sales would go into a discrete fund, to be spent only for the townships's improvement. If this is not possible, why not let developers themselves execute certain off-site infrastructure elements in return for a rebate on EDC? There are other ways DAs could be made more efficient in promoting Township development—in better and more logical estimations of what EDCs should be, in more timely response to developers' petitions for approvals, in more clever marketing of their own lands, etc. The opportunities for improvement are vast.

5.2.2 Land Assembly Options

There are two main options for land assembly of the private portion of a township scheme. Either the developer is licensed or allowed to purchase land directly from landowners (Haryana, Madras, and Parshwanath cases), or he purchases it from the DA which has acquired it under the Land Acquisition Act (Lucknow case). There are merits and problems with both options, but the subjective reading is that, given the financial weakness of DAs and the usually low and tardy compensation paid to landowners, allowing the private developer to assemble land is the preferred approach. The landowner gets a better deal and cannot subsequently complain, and potential delaying litigation is avoided. (Of course this may cause a problem for the DA, since the better price paid by developers creates envious landowners whose land has been expropriated by state government for the DA's own parcels of the township.)

This preferred "developer option" in land assembly has one drawback. There usually are a few landowners who hold out, making efficient parcel assembly difficult. One proposal aired would be for a DA to agree to use its land expropriation powers on these holdouts, assuming that a developer has been able to acquire say 75 percent of the required site. Another proposal is that, assuming the DA is to expropriate all the required land, that the developer pay into a fund the total amount of compensation awarded, to be immediately transferred to the court for disbursement in full to landowners, rather than in installments.

5.2.3 Streamlining Approval Processes

The efforts and time expended by developers to wade through the complicated approval/sanctioning processes translate into higher costs which they will pass on to the end users or, if they cannot, will make them loathe to ever repeat the township partnership experience. This issue is perhaps the most often identified constraint. Many developers have proposed that there be "single window" sanctioning, automatic exemptions, and the "green line" concept. All of these proposals are good, but lethargy in bureaucracy has its own internal logic, and one cannot expect overnight successes. But <u>any</u> improvements would be welcome, and they could be then used as model examples to be repeated elsewhere.

5.2.4 Reducing Political Ambivalence Toward the Private Developer

In all three Township cases, an underlying distrust of the profit-seeking private developer, sometimes stirred up by political maneuvers and the media, have caused costly delays and even halted development. Higher-level officials and their politically-appointed masters have on these occasions become ambivalent, and the bureaucrats under them defensive and even obstructive. Removing the ingrained prejudices towards the private developer in the eyes of the public and officials will, in the Indian context, take years. But one area where progress could be made for the developers themselves is to project a better image. Developer Associations, as existing in Ahmedabad and recently formed in Uttar Pradesh, could be such a vehicle. Not only do Associations allow developers a forum and united front, but they can become self-regulating bodies with perhaps codes of ethics which would cut out those unscrupulous "fly-by-night" operators that have given developers a bad name in the past. Support for Developer Associations could pay a large dividend.

5.2.5 Discouraging Vacant Land Speculation

Vacant land speculation, and the resulting non-development of plots in Township Schemes, is a intractable problem in India and, it might be added, throughout the Third World. Of the Township cases reviewed, the best remedy was simply not to have plotted development, with all units being built but expandable (Parshwanath case). This, however, cuts out the owner-builder, an important producer of housing in India, especially at the lower end of the market. A careful mix of plotted and built development, which at least brings life quickly to a township and attracts the true owner-builder, could mitigate the speculative intent (see Lucknow/ ELDECO case). But only if other mechanisms are applied—for example a form of vacant land tax—could this problem be tackled at its roots. (A vacant land tax has frequently been proposed in the India context, but as far as is known the idea is a legislative one, to be applied city- or state-wide. Could not it be tried out selectively as a first step and applied to serviced plots created in specific Township schemes?)

5.2.6 Better Planning for Lower-Income Groups

In Township schemes where a reserve for EWS/LIG units is stipulated but the remaining units are market-free, there is little chance of these reserved units being taken up by the intended target population. The social gap, quickly reflected on the market, is just too wide. (Township schemes that are too far from the urban core or cheap transport in any event makes attracting EWS a non-starter.) However, when the social range within a township or colony is compressed, say to cover EWS, LIG, and some MIG (plus commercial) as in the Parshwanath case, then there is a better chance of take-up by the targeted population. In some of the Township schemes surveyed, most reserves for EWS housing are physical afterthoughts. Were they better integrated into the township layout, nearer perhaps to commercial/ transport corridors, they might be more attractive.

5.2.7 Financing Construction

There may be some scope for having loans earmarked for private developers participating in township schemes for constructing infrastructure and even, perhaps, land purchase. (This could also be said for Development Authorities, were they able to become efficient and credit-worthy.) Such potential financing might, in a "demonstration" manner, be a way of enticing them to create more down-market housing. HUDCO involvement with the Parshwanath Township is a case in point.

5.3 Cooperatives—A Complementary Vehicle for Development

Previous A.I.D. research in India has underscored concerns regarding housing cooperatives as an appropriate vehicle for the delivery of serviced land, particularly to lower-middle and lower-income households. However, our own field research, which is supported by international, including U.S., co-op housing experience, indicates that cooperatives organized by private developers are a valid public/private partnership model that has been successfully used in India. Housing cooperatives are individually too small and atomistic to be a prime mover in urban land development, but this does not mean that they cannot play an important role <u>within</u> larger models, particularly Guided Urban Development and Township Schemes. Cooperatives represent a well-tried legal framework and a very extensive institutional "infrastructure", particularly for housing finance. Furthermore, they are looked upon favorably by Government at all levels. Thus, to the extent that it is possible to stimulate p/p partnerships in GUD and Township Schemes, cooperatives will play a natural complementary role.

One area that needs more attention is how to use the advantages of the cooperative vehicle to reach lower-income demand for housing and land. Top-down restrictions on cooperative finance, such as loan ceilings, unit size limits, etc. and parallel incentives such as preferential interest rates, need to be much more carefully thought out. TA and training to the State apex societies in the area of collections and repayments might also be appropriate, particularly in light of our proposal to ask co-ops to move down the income scale. Perhaps the writing of model codes, to be used by State apex societies, would be a step in the right direction. But such imposed codes alone will not work; at the same time bottom-up mechanisms need to be developed which allow lower income groups to articulate their demands and enter the cooperative system. At present such groups are at a disadvantage compared to the better organized and more resourceful middle classes. It seems logical that an efficient point for intervention would be precisely in correcting this imbalance: assistance and training for co-op leadership could be given in organizing and managing lower-income urban cooperatives, in knowing how to push through the sanctioning process, in instilling financial discipline, and in raising awareness. But who would do this? NGOs are perhaps the most logical candidates, as is discussed in the following section. Government, and in particular the national level innovators (eg. HUDCO and NHB), can also play a role. The cooperative housing system itself can also contribute (although past efforts have rarely left the rhetoric stage). And lastly, as we have seen in one case study, private developers themselves can help organize cooperative shells for LIGs and even EWSs. Were top-down cooperative finance codes really to give financial incentives for lower income group housing, including perhaps construction finance, the private developers, even the smaller ones, could very well become key players.

5.4 Non-Governmental Organizations and EWS: an Untapped Potential

The current thrust of NGO/PVO efforts in the urban shelter sector—slum rehabilitation and house upgrading in all its aspects—will, given the obvious and overwhelming need, remain their main focus. NGO assistance or even a lead role in slum resettlement schemes can be considered a facet of this. NGO/PVOs' natural strengths in working with these slum communities in the articulation of their needs mean that they can perform a shelter-improvement service that no other institution can. Any and all support for these NGO efforts is laudable.

In terms of the new land and housing dimension, NGOs have, until now, been absent. Here is where there seems to be a great potential. Not all slum/chowk dwellers are so desperately poor that they and their succeeding generations must be condemned to live in that environment. Some, if even a small fraction, are able to amass assets and otherwise acquire the income-earning capacities necessary to begin the move out. (This fact has been ignored by most policy-makers, who take the mechanistic and paternalistic view that slum dwellers are an amorphous mass, all of whom are uniformly poor.) Upward mobility does occur. Until now their only resource has been the informal route to unauthorized colonies and squatter settlements, a path becoming less and less a viable option. Can they not begin to enter the formal land/housing market, if even at the lowest end?

It is ironic that the Government does supply, either directly or through stipulations, EWS plots and units in new development areas. But with depressing regularity these units either do not reach the target groups, remain unoccupied, or are never built. (Granted, part of the problem is bad physical planning and inappropriate locations—see Section 5.2.6 above.) Obviously the supply is not being taken up by those who demand it. Could not NGOs, using the cooperative vehicle and perhaps with some financial assistance, help those upwardly mobile poor who are searching for a better housing environment to articulate their demand in the market?

If this sounds unrealistic or confusing, a concrete example may help: there is a long-standing voluntary association in Ahmedabad which has been organizing thousands of poor women workers in various trades. Their strong point is that they provide banking services to this otherwise unbankable group. Although the association has only considered the shelter sector as an adjunct to their main operations, some of their members have shown both a lively interest in <u>and</u> the financial capacity to acquire low-cost new land/housing units. While the association's efforts to date as an intermediary between the suppliers and demanders of shelter have not succeeded, it has been remarkably successful at providing small credits for the purchase of housing to its members. (See also Case Study on NGOs.)

How many such NGOs are there in India, especially those that help specific economic subclasses rather than a geographic community and which have a long record in banking services? Could not they be the element which until now has been missing in the equation? And could not they be helped, even if at first this requires intervention and/or financial support from the national level "innovators" such as HUDCO?

5.5 Town Planning Schemes and Land Readjustment

As the evaluation in this report shows, the Gujarat TP model does not appear to be replicable in other States. Nor does there seem to be much scope for application of similar models from international experience to the urban India context.

First of all, there is the fact that in Gujarat/Maharashtra, TP Schemes are a product of a long legislative history which has been applied nowhere else in India. The chance of the required fundamental legal shifts occurring in other states is very slim. Trying to advocate such a major effort is not justified, given the less-than-perfect record in Gujarat. And any other variant of the land readjustment mechanism would run up against the same problems—the cumbersome procedures which public authorities do not have the capacity to handle, the valuation problem, the land records problem. And the Gujarat model shows that the costs of basic infrastructure do not get paid for by the end user.

Although most Indian states are vested with strong land control/acquisition powers that make land sharing/readjustment less attractive as a development tool, this model could be tried, on a voluntary basis, in specific urban pockets. Some form of land sharing could be tried by local development authorities as an alternative to compulsory acquisition as a way to persuade recalcitrant landowners to participate in the land development process.

5.6 A Role for Women in New Colonies

Programs to house poorer families on EWS plots and core units in new townships and resettlement colonies most commonly fail because the units are resold at a profit. This, in market terms, is natural, given the lower priority put on housing by the poorest and the chance to convert what is a windfall asset. But in some cases this decision is taken by the male head of household, whose requirements may conflict with those of his wife and children. After all, the desire for homebuilding and a stable future is more likely to be the woman's prerogative. Could not this natural inclination be factored into the allotment process? In the simplest form, title to the unit could be put in the woman's name.

5.7 Other Possibilities

The concept of the joint-venture urban development company has been aired from time to time, largely on the part of the largest private developers. In this scheme, which takes its lead from similar ventures in the manufacturing sector, a jointly owned public limited company is formed. One formula is for 26 percent of the share capital to be contributed by a development authority, housing board, or other public sector entity, while 25 percent would come from a large private developer and the remainder raised from the public. The company would then undertake large township schemes. There is nothing wrong with this idea being carried forward, but it seems there would be a lot of details to be worked out, not the least of which would be a way to allay the natural suspicions among the supposed partners. This less-than-perfect relationship between private and public sectors, which has made the township schemes reviewed in this report fraught with ambiguity, would make such a proposed formula doubly so.

The Housing and Urban Development Corporation (HUDCO) has recently initiated a new lending program that could dramatically improve the results of the township development type of p/p partnership examined in this study. Under this new initiative, HUDCO lends to public agencies for the provision, operation and maintenance of urban infrastructure such as water supply, sanitation, sewerage and sewage disposal, drainage, roads and bridges, and solid waste management. To facilitate this new initiative, HUDCO has created a separate Urban Infrastructure Finance Wing for the processing of loan proposals. HUDCO envisages that the provision of long-term loans for upgrading and expanding urban services would take three forms: (1) integrated development of specific or entire areas of an urban center; (2) development of peripheral areas of a city or new township/growth centers; and, (3) support for innovative urban development schemes of public or private agencies including land development and urban renewal. While it is still too early to analyze the impact of the public/public lending that has taken place to date, this new financing initiative offers the potential for increasing the access of local authorities, and eventually private developers, to capital funds along with the concomitant assumption of much greater financial responsibility. This new source of funds could very well assist in bridging the gap existing between the local development authority and the private developer over the provision of off-site infrastructure for large township development schemes.

A modification of a French technique called "ZAC" (Zones d'Aménagement Concerté) might be worth exploring in specific, isolated cases where land is tied up in litigation and only the local development authority can resolve it. In the India context, the ZAC system is probably most applicable to joint development between a local authority and an institutional landowner. (The possible example of the excellently located Religious Trust Lands in Lucknow comes to mind.) Both the institutional landowner and the authority stand to benefit, and the land itself ensures sufficient collateral for finance. Although in France, ZACs are based on precise development legislation, in India it might be tried on a voluntary basis, perhaps involving as a third party a private developer and/or financial institution. Prime candidates for such an approach would be large tracts of urban land held by various public institutions (old warehouses, railway property, cantonments, airports, for example) whose current use is inefficient. This readaptive kind of development is definitely needed in some cities, and such a partnership formula might be one path to explore. Certainly, given rising urban land values and the premium put on good locations, everyone would stand to gain.

5.8 The National Level Innovators: Positive Roles for HUDCO & NHB

HUDCO and the NHB are the Government's established apex techno-financial institutions. They are already innovators in many areas; they are the logical choices to implement some of the suggestions made above. HUDCO and/or the NHB could:

- Assist State governments to improve the socio-political climate for private sector participation in more large-scale township and Guided Urban Development schemes;
- Establish finance/refinance windows to stimulate public/private partnerships, including the financing of the previously-mentioned off-site trunk infrastructure for DAs and water and sanitation authorities;
- Assist those DAs that are recipients of HUDCO/NHB lending to improve their financial management and cost accounting practices and procedures;

- Support partnerships from NGOs to form co-ops (direct or through Slum Clearance Boards and DAs) through a clearly targeted and transparent subsidy program;[3]
- Assist emerging private developer associations in the drafting of by-laws for membership certification (based on experience, plant and equipment, and resource base), codes of ethics, and guidelines for self-regulation.

[3]Subsidized shelter programs in India currently take the form of concessionary lending. Concessionary lending is the norm and may be expected to continue for some time, even though the successful Parshwanath Scheme enjoyed a form of concessionary lending/underwriting from HUDCO on Phase I.

ANNEX A

SCOPE OF WORK

The contractor will perform the following tasks:

1. Definition of Scope of Enquiry and Background Review:
Based on USAID's commissioned studies on land delivery processes, and on consultation with land experts in India, the contractor will define examples and typologies of public/private partnerships, and will review all relevant literature describing such partnerships, in particular by utilizing the sources described in the Land Information Survey Report.

2. Review the Partnership Processes:
To supplement or update information contained in the literature reviewed in the preceding task, the contractor will interview representatives of the main institutions and enterprises responsible for initiating and implementing the types of partnership under study. The contractor will also have discussions with academics and researchers with a knowledge of urban land delivery processes.

This task is likely to include field visits to several cities in India.

3. Prepare a Report:
Based on the preceding reviews, the contractor will prepare a report which, inter alia, will:

- Describe existing example of public/private partnerships in land development
- Evaluate these, against specified criteria, and discuss possible reasons for their relative success or failure
- Describe other forms of partnership that the contractor and/or Indian observers consider could be successfully implemented
- Identify the main constraints to replicating the successful projects and to initiating other forms of partnership.

4. Reports
The contractor will prepare a Draft Report, which will be submitted to USAID/India in five copies no later than two working days prior to the departure of the team from India. The contractor shall also submit one original copy and ten copies of the Final Report within three weeks of receipt of A.I.D. comments on the Draft Report. The original shall be submitted to RHUDO/Asia, along with five copies; the remaining five copies shall be sent to USAID/India.

ANNEX B.1

CASE STUDY OF THE HARYANA JOINT DEVELOPMENT MODEL, INCLUDING GURGAON TOWNSHIP PROJECT

Partnership Typology: Under a legislative act unique to the state of Haryana, certain planned areas are specially designated to allow private developers to assemble parcels of land that exceed the limits set by the Urban Land Ceiling Act (ULCA). In designated areas, the act provides for the licensing of private developers to assemble land directly from landowners and develop such land for residential purposes according to stipulations which include: (1) financial contributions to the development authority for attributable off-site infrastructure costs; and (2) the reservation of a portion of the developed land for lower-income housing to be allotted through the development authority. Primarily for plotted development. Prime mover: private developer.

BACKGROUND: THE HARYANA DEVELOPMENT AND REGULATION OF URBAN AREAS ACT

Haryana State, with the enactment of the Haryana Development and Regulation of Urban Areas Act (HDRUAA) in 1975, became the only State in India to formally involve the corporate private sector in the acquisition, development, and disposal of urban land. The Act and its 1981 by-laws stipulate that private developers must first apply for a license from the State Director of Town Planning, stating the details of the land and project intended. The land must be within a township/city development scheme which has been prepared by the Haryana Urban Development Authority (HUDA) and sanctioned by the State. The developer must also prove that he is *bona fide* and "has a good track record". The license granted has mandatory provisions, such as:

- the developer must pay external development charges to HUDA on a gross area basis (net m^2 basis for water) to cover the off-site costs of water, sewerage, surface drainage, roads, landscaping, and community facilities. Rates are set by the Act's by-laws and are periodically revised.
- the developer must reserve 20 percent of the created residential plots of land for LIG and EWS housing categories (plots below 55 m^2 in area), with such plots to be allotted to beneficiaries under a system laid down by HUDA (at what price?).
- the developer must reserve an additional 25 percent of created plots to be sold on a "no-profit no-loss" basis.

- the developer must pay other servicing/administrative costs to HUDA on a net m^2 basis.
- the developer must build certain community facilities and/or provide land for such free of charge.
- the developer must put 30 percent of the proceeds of land sales into a separate account to be used for development.
- the developer must maintain the completed colony for five years.
- the developer must return any excess profit to the State (a ceiling of 15 percent profit on total project costs is imposed).

To ensure compliance with these conditions the developer must take out a bank guarantee in favor of HUDA. The Chief Town Planner, in granting a license, may impose additional conditions at his discretion, such as a time limit for development.

The 1975 HDRUA Act has to date been applied in only a couple of instances in Haryana State. The most ambitious and visible of such schemes is Gurgaon Township, actually a satellite of the New Delhi metropolitan area. The Gurgaon case is particularly interesting because, of the total township area, half is being developed by private developers and the other half by HUDA itself, with HUDA responsible for overall planning and off-site infrastructure.

PROJECT CASE STUDY: GURGAON TOWNSHIP

1. Location and History of Gurgaon Township

Gurgaon city is an old town some 32 kilometers from Delhi on the national highway to Jaipur. Its 1981 population was 100,871, representing an annual growth of 5.6 percent per year over the 1971-81 decade and demonstrating significant urban expansion as a satellite of Delhi. Growth pressures in the area have been compounded by the nearby location of large manufacturing plants and by the 1975 ULCA, which put severe constraints on land supply within the Delhi Union Territory itself.

Anticipating rapid growth, the Haryana Department of Town and Country Planning prepared a Development Plan for the larger Gurgaon area with a 2001 target population of 500,000. The Plan envisages new urban areas on 4550 hectares, of which 2923 are to be primarily residential and the rest to be industrial, commercial, and public. New residential areas are to accommodate about 369,000 inhabitants.

Of the total new residential area, 51 percent is being developed by HUDA itself, with land acquired from farmers under the Land Acquisition Act. The rest is being developed by private real estate companies.

2. Public Sector Development

In the 1490 hectares of residential areas being managed by HUDA, almost all land is being developed as serviced plots. Land was acquired from farmers at very low prices by compulsory purchase under the Land Acquisition Act. Plot sizes range from 50 to 600 m^2, and are sold sporadically in lots to citizens who have signed up under a complicated registration process which includes, for EWS and LIG plots (50 to 125 m^2), income statements. Demand for plots has far exceeded supply at any one time, and vetted beneficiaries are chosen by lot. The prices for these lots are low by market standards, averaging Rs. 350/m^2 for larger plots in 1986.

3. Private Sector Development

The 1430 hectares in Gurgaon reserved for private development have been acquired by five main real estate companies, all of which are based in New Delhi. DLF Ltd. has acquired roughly 700 hectares, Ansal Group 470 hectares, and the remainder has been acquired by Unitech, Utility Builders, and ITC Group. As stipulated in the HDRUA Act, licenses for acquisition of separate discrete sections (usually ranging from 25 to 60 acres) had to be obtained. The first licenses were issued in 1980 and the licensing/acquisition process continued through 1984. Land prices negotiated between private developers and farmers were significantly higher than those set by Government for compulsory purchase. This led to the first of many frictions between public bodies and the developers.

Within each developer's domain, 20 percent of plots created were to be reserved for EWS and LIG categories (sizes ranging from 50 to 125 m^2) and sold at nominal prices set by HUDA. In addition a further 25 percent of plots (sizes ranging from 125 to 250 m^2) had to be sold at cost. The fact that in areas of Gurgaon developed by HUDA these norms were apparently only half-heartedly applied contributed to the climate of distrust. Also, hefty external development charges had to be paid to HUDA by developers, in spite of the fact that there appeared to be very little of this development. (By 1986 it was estimated that of all HUDA investments in trunk infrastructure, 70 percent went for roads and practically none for water, storm drains and sewerage.) Matters were not helped by the obvious discrepancy in the rates of land development. Whereas the residential sectors under private companies tended to be served with internal infrastructure quickly (one- to three-year average), in those sectors under HUDA the rate was much slower.

Conflict came to a head in July 1986 when the Haryana Government served over 200 show cause notices to most of the private developers, threatening to cancel development licenses. Developers were accused of non-compliance with conditions of the HDRUA Act, including non-payment of external charges, not submitting accounts, etc. The developers countered by raising court cases against the Haryana Government and, after a two-year period in which development works in Gurgaon were suspended, compromises were reached, and in 1988 licenses were restored and land development was renewed in a much better climate.

4. Gurgaon Township - Results to Date

Formalized land development in the Gurgaon area actually predates the 1981 HDRUA Act. One sector of 62 acres had been developed for serviced plots by HUDA in the 1966-74 period, and at the same time another 37 acres were developed by a private developer, DLF Ltd., also for serviced plots. Although plots in both areas had been disposed of by 1975, over ten years later less than 25 percent of plots had been built-up in either area and infrastructure services remained poor.

This earlier poor record of build-up has been repeated, at least so far, in Gurgaon township as a whole. The record of internal land servicing and disposal by private developers has been good, with perhaps 80 percent of their areas provided with infrastructure and sold as of 1990. But build-up on the sold plots is practically nil—perhaps only 2 to 5 percent of plots have any structures on them, and these are exclusively on the larger plots. And the situation on HUDA-developed land is even worse: due to inefficiency and financial constraints, less than half of their residential areas have been serviced and disposed of (and the level of the infrastructure and social services is very low), and to date there is virtually no build-up on plots.

Given the very large size of Gurgaon Township it is perhaps premature to criticize the project. Development, including build-up on individual plots and occupation of units, takes time. And there are indications that HUDA has begun to increase the pace of off-site infrastructure provision (trunk sewer lines have been laid and a sewerage treatment plant is under construction). This will help improve the climate of confidence in the township and hopefully the rate of settlement will accelerate in the future.

GURGAON TOWNSHIP SUBCASE:
ANSAL GROUP COLONIES

Some of the features of land development in the Gurgaon context can be best elaborated by following the efforts of a single private developer in developing his share of the township:

1. Background: the Ansal Group

The Ansal Group is probably the largest private real estate developer in India, with a wide range of projects to its credit throughout the country as well as abroad. The Group, headquartered in New Delhi, is composed of ten different companies whose activities include real estate development, finance, construction, and management.

2. Entry into the Gurgaon Township Scheme

Ansals was the second private developer, after DLF Ltd., to begin operations in Gurgaon Township. In 1982 interest was expressed with HUDA and, due to its reputation in the country, Ansals quickly was able to obtain the first of several licenses for land development.

3. Land Acquisition

Even before licenses were issued for a particular area, Ansals had approached land-owning farmers in some of the most promising locations of the areas of the township designated for private development. (The preferred areas for all developers were those closest to New Delhi and, in particular, near to the main Delhi-Jaipur highway.) Good prices were offered to farmers in order to speed acquisition and avoid hold-outs. The stamp duty of 14 percent of land value was paid on all purchases. To purchase land legally, a single company could hold no more than 29 acres (Haryana agricultural land ceiling). Thus each of Ansals' ten companies would acquire parcels. When a sub-colony (roughly a neighborhood) area was assembled a separate license would be requested. (HUDA, to maintain control, preferred to issue several licenses over time for smaller parcels rather than once-off licenses for large tracts.)

4. Colony Schemes

Ansals, upon approval from HUDA, aimed to create two separate colonies, each on about 500 acres and each to contain about 4000 families. In both cases 90 percent of development is for serviced plots and 10 percent only for house construction. Plot sizes range from 50 to 800 m^2. Smaller plots (below 250 m^2) are as per HDRUA Act. Social and commercial facilities are also being built. Colony details are:

Palam Vihar: Started in 1983. Total area of 545 acres. To date 470 acres licensed for development under 15 separate licenses. Of licensed areas 95 percent of plots have already been sold off, but only 2 percent have construction. Most houses have been constructed but so far only 6 percent have been occupied.

Sushanblok: Started in 1985. Total area of 575 acres. To date 453 acres licensed for development under 11 separate licenses. Of licensed areas 92 percent of plots have already been sold off but as yet there is no build-up. Fifty percent of houses have been built and sold but no occupation has taken place as yet.

5. Financing

Ansals, as a large corporate group, financed most of its upfront costs from its own sources, especially the costs of land purchase and external development charges. Yet even Ansals has resorted to short-term finance from commercial banks for the heavier infrastructure costs. This has imposed on them the necessity of rapid plot sales to reduce loan exposure. Sequential development on a neighborhood by neighborhood (license by license) basis has thus been an attractive mechanism.

6. Infrastructure and Community Facilities

Water is provided for each neighborhood through tubewells, pumps, overhead water storage, and distribution lines. Water quality is poor (brackish). Eventually, perhaps in ten years, HUDA will bring treated river water to the colonies, at which point the tubewells and pumps will become redundant.

Internal roads, stormwater drainage, landscaping, and street lighting are all provided as per Haryana town planning specifications. Ansals is fortunate that a large railway culvert runs near the site, into which it channels stormwater drains.

An internal sewerage network, all by gravity due to site slopes, has been provided.

The Haryana State Electricity Board is responsible for power provision. Internal distribution is actually built by the developer under contract from the Board.

The developer has already built one school and one social club and is obliged to either build, at its own cost, all other social facilities, or to make serviced plots available at no cost to the relevant institutions.

7. Off-site Infrastructure and Relations with HUDA

Until recently, off-site infrastructure serving the two colonies, a HUDA responsibility, has been slow in being provided. This is in spite of the fact that Ansals has paid in full external development charges of Rs. 3.72 lakh per gross acre, amounting in total to Rs. 416 million. Over the years, due to pressure from the developer, HUDA has started to respond better to the needs of the colonies.

8. Plot Allocation

As per the licensing agreement, Ansals must sell the EWS and LIG plots at a nominal HUDA-set price which is Rs. 100 per m^2. The developer itself does the selling of these plots, being monitored by HUDA. Prospective beneficiaries must be from Haryana, not have other property, not have incomes exceeding Rs. 1500/month for EWS and Rs. 2500/month for LIG (current norms), and attest to such. As valid applications far exceed plots, beneficiaries are chosen by lot.

For the no-profit no-loss plots (125 to 250 m^2), the current selling price is Rs. 500/m^2, as agreed with HUDA. These are sold on a first-come first-serve basis and are usually sold out quickly. These plots, however, have fared no better than previously developed sectors with respect to build out.

For the remaining 55 percent of larger plots, Ansal revises prices monthly and varies them depending on location. Currently prices start at 950 Rs./m^2. Demand is slack but sufficient.

9. Project Profitability

Despite all the delays and hassles, Ansal is able to make a respectable profit on the two colonies. The mandated profit limit is 15 percent, but how this is calculated remains obscure.

Ansals loses heavily on the EWS and LIG plots, breaks even on the middle size plots, and recovers losses and un-accounted overheads and makes its profit on the larger plots. It also makes a good profit on the houses it builds and, especially, on its built commercial premises. It does not have an expressed strategy of holding plots off the market for future sale, but "sometimes this happens".

10. Project Maintenance

Ansals is required by the licensing agreement to maintain the colonies for five years following completion. However, the definition of when "completion" occurs is under dispute; until now HUDA has not signed off and the extension of the Municipal Council into the Township is years away.

ANNEX B.2

CASE STUDY OF THE LUCKNOW DEVELOPMENT AUTHORITY MODEL, INCLUDING ELDECO PROJECT

Partnership Typology: Under a Government Order (G.O.) issued by the State of Uttar Pradesh, the State's twenty development authorities were empowered to provide land on a license basis to private developers for land development and construction of houses in planned areas and as per master plan norms.

BACKGROUND: STATE OF UTTAR PRADESH INITIATIVE TO INVOLVE PRIVATE DEVELOPERS IN LAND DEVELOPMENT

In 1987, the State Government of Uttar Pradesh took the policy decision to involve the private sector in the development of shelter for all socioeconomic groups, including low-income and weaker sections. To execute this directive, it issued a Government Order (G.O.) to the State's twenty development authorities laying out the terms and conditions for this initiative.

The Lucknow Development Authority (LDA) was the first DA that voiced interest in implementing this new State policy directive. It had preliminary discussions with seven developers from Delhi and Uttar Pradesh who had "proven track records" as developers of land and housing. From this preliminary short list, the LDA selected three developers with whom to proceed in the negotiation of development licenses—Ansals Housing Finance & Leasing, Ltd., and Unitech Ltd. of Delhi, and ELDECO Housing & Finance Ltd. of Uttar Pradesh.

The novelty of the LDA model in the Indian context is that it is the only example identified by the team whereby a public body enters into a licensing agreement to allot public land to a private developer for the joint public/private development of a range of shelter solutions. In this specific case, the LDA allotted large sections of land to the three developers from a new township it was developing on the southern periphery of Lucknow. The main features of this joint public/private land delivery model are as follows:

- Developer reimburses the DA for the raw land price of the entire site (marketable and non-marketable);
- Developer pays/reimburses the DA for the installation of the external development works (roads, sewerage, storm water drains, etc.);
- Seventy percent of the total plots must contain dwelling units;

- Forty percent of the total plots must be for EWS households;
- Developer sells the EWS units to the DA at a below-market, pre-determined price;
- Registration, allotment and cost recovery of the EWS units are the responsibility of the DA;
- Allotment of the other houses/plots is done by the developer.

To ensure compliance with the above conditions, as well as the timely completion of site works, the developer is obligated to furnish a bank guarantee (performance bond) to the DA in the amount of 25 percent of the estimated cost of internal development.

To the team's knowledge, the 1987 U.P. Government Order encouraging the private sector development of public lands has only been applied in a couple of cases. These include the LDA model examined in this case study, as well as the recent land development activities in Ghaziabad, a fast-growing urban area strategically located near the border with the Delhi Union Territory. The limited application of the provisions of the G.O. is due primarily to the dramatic swings in the political acceptability of private sector participation in public sector land development at the State level. The State official most responsible for the current private sector initiative left his post shortly after a series of negative articles on the subject appeared in the local press. His replacement issued a new Government Order canceling all future private sector participation in development authority housing projects. This new directive effectively shut down the LDA township scheme for one and one-half years. During its visit to Lucknow, the team learned that only very recently had a third G.O. been issued that again permitted the private development of DA lands.

PROJECT CASE STUDY: LDA SHARDA NAGAR TOWNSHIP

1. Location and Status of Sharda Nagar Township

The LDA's Sharda Nagar Township is located along the Rae-Bareli Road on the southern fringe of Lucknow's built-up area. It is contiguous to and immediately to the south of Lucknow's miliary cantonment.

The LDA has been developing this township for a number of years. Several blocks of EWS and LIG housing are already developed and occupied. However, the township, even the existing part, has a very new or incipient look about it. This image is caused by an almost total lack of on-site development, particularly surfaced access and secondary roads.

With respect to the licensing arrangement covered by the G.O., the LDA allotted approximately 800 acres of this township to the three developers selected for the program—Ansals, 400 acres; Unitech, 200 acres; and ELDECO, 200 acres.

2. Private Sector Development of Township Scheme

As mentioned previously, the LDA has divided the private sector portion of the township into three sectors. The individual developers, through a licensing arrangement, purchased their respective parcels from the LDA at an initial sum of Rs. 40 per square meter, which subsequently has increased to Rs. 100 per square meter. The developer reimburses the LDA not only for the marketable land, but also for land reserved for roads, public facilities and open space. In addition to raw land costs, the developer also paid/reimbursed the LDA for the estimated cost of external development, including access roads, sewerage, storm water drains, etc. The LDA initially fixed the price for this development at Rs. 37.50 per square meter.

The licensing agreement with the LDA stipulates that 40 percent of all units must be for EWS households. A site visit and subsequent discussions with two of the three developers indicated that no EWS units have as yet been constructed. This is due to the lack of final sanctioning of this part of the scheme by the LDA. However, although EWS units were not available for inspection during the site visit, a quick review of the proposed site plan revealed that the EWS units are not particularly well located with respect to the sector's main circulation arteries and commercial areas. The developer, who constructs the EWS units, is reimbursed by the LDA at a predetermined price. This price is mutually set between the LDA and HUDCO and is currently Rs. 18,000. The developers mentioned that this price covers the approximate cost of the unit, not including land and infrastructure. The developer is allowed to recoup the difference through a cross-subsidy from the non-EWS units. The plot size of the EWS units will vary from 27 to 36 square meters.

3. Sharda Nagar Township - Results to Date

The development of the Sharda Nagar Township is still very much in its early stages. However, it is obvious that the dramatic swings in the acceptance of private sector involvement in the project by the State's political hierarchy have had a negative affect on timely implementation. One of the township's three developers still does not have final approval for his development plan, while another had his plans approved and then had the approval order rescinded. While the country cries out for EWS-affordable shelter solutions, neither of these two developers has been able to reach agreement with the LDA for this portion of the scheme after nearly two years of negotiations. While site work limps forward, no developer can afford to assume the political and financial risks (potentially bad press and inability to forecast unit delivery date with any certainty) of being too far "out in front" of project sanctioning.

In addition to being tardy in project sanctioning, the LDA has also been very slow in complying with its agreement to provide off-site infrastructure (access roads and main storm drains) to the site. The site visit seemed to confirm that limited headway had been made on these two components. This is the case, although all three developers, per the terms of the licensing agreement, are paying monthly installments to the LDA on their share of the external development. The township is also experiencing delays with the provision of off-site electrical power supply, which is the responsibility of the Uttar Pradesh State Electricity Board.

The on-site development of roads, water supply and distribution, and individual waste disposal systems—the responsibility of the developer—while progressing slowly, has kept pace with the construction of the units. In fact, although difficulties continue to exist with project sanctioning and off-site infrastructure, the site already has a few occupants. Ansals has completed 100 units and occupied 15, while ELDECO anticipates getting sanctioning shortly and beginning the occupancy of the 400 units of its Phase 1. In order to begin occupancy of the site, the developers have installed a temporary, low voltage electrical network at their own cost. With the exception of one primary school, little attention appears to have been paid to the construction of public facilities and/or parks or recreation areas. One developer, Ansals, is in the process of constructing a large market *cum* commercial complex.

SHARDA NAGAR TOWNSHIP SUBCASE: ELDECO SCHEME DEVELOPMENT

The following discussion of ELDECO's experience to date with the implementation of one of the Sharda Nagar Township sectors sheds additional light on the difficulties encountered by the private sector during the period 1987-1990 in implementing its licensing agreement with the LDA.

1. Background: ELDECO Housing and Finance Limited

ELDECO was established as a private development company in Agra in 1975. It became a publicly-owned company in 1986. Its development activities are based primarily in the State of Uttar Pradesh, including commercial and residential projects in Agra, Kanpur, Ghaziabad and Lucknow.

2. Project Development: UDYAN I

ELDECO was allotted two non-contiguous parcels of land totalling approximately 200 acres in LDA's Sharda Nagar Township. ELDECO plans to develop the two parcels as separate sectors of approximately 1,200 plots each. The first sector is called UDYAN I. It consists of three phases of approximately 400 plots each.

Implementation of UDYAN I has proceeded slowly since project inception. Although the licensing agreement with the LDA called for ELDECO to gain possession of the raw land "soon after issue of the work order", almost one and one-half years elapsed before ELDECO was able to occupy the site. Since ELDECO still has not received sanctioning for this scheme, construction has obviously proceeded slowly. Clearly, the developer has placed itself at significant risk even for the limited amount of work that it has undertaken.

ELDECO is currently working on the first of UDYAN I's three phases. This phase does not contain any EWS units. ELDECO, however, has allotted a major portion of Phase I units to lower-middle and middle-income LIG/MIG dwelling units costing between Rs. 77,000 and Rs. 145,000. Approximately 100 units are under construction; none are occupied. All roads have been opened, with some having already received a low-cost bituminous surface over a crushed stone base. Construction is proceeding on a water supply system exclusively for Phase I that will include a tubewell, elevated storage tank, and distribution network. Each dwelling unit will have its own septic tank. Since ELDECO is readying the first series of houses for occupancy and is confident of finally obtaining sanctioning, it is installing a temporary electrical distribution system to serve Phase I. This measure is necessary since the State Electricity Board has not as yet responded to ELDECO's request to bring a high voltage service to the site.

3. Construction/Mortgage Financing

ELDECO is relying on a number of sources to finance its scheme. ELDECO has initially generated resources by the sale of plots. Plots are sold on the basis of a small downpayment with the balance being paid over 40 equal installments. These funds have been used to make partial payment to the LDA for raw land, external development and a portion of the on-site works. To complete on-site development, ELDECO anticipates drawing down the commitment for short-term financing (three years at 18 percent) that it has obtained from the Punjab National Bank (PNB). ELDECO plans to access this loan when it receives final sanctioning for the scheme.

Once again, in order to generate resources for on-site development, ELDECO has encouraged the sale of a percentage of Phase I units on a self-financing basis. The remainder will be sold on a "hire-purchase" basis. ELDECO estimates that approximately 250 of the 400 Phase I dwellings will be sold this way. The PNB will provide the mortgage financing for the hire-purchase units. Financing terms vary according to type of unit. The downpayment is a high 50 percent in all cases, with a repayment period of 15 years. Interest rates for LIG and MIG are 15 and 16 percent, respectively.

4. Project Profitability

The team's rapid visit to the site and its brief discussions with ELDECO do not paint a particularly bright future for the successful completion of this scheme. But perhaps not surprisingly, given the history of private land development in India, the developer is optimistic that this venture will be profitable. He is probably right. This optimism is based explicitly on the sale of developed plots that have appreciated in value over time, and implicitly on the developer's confidence that one way or another he will be able to hold the State and local authorities to the terms of his original licensing agreement.

ELDECO has a policy of holding a certain percentage of completed plots off the market. In this way, it can take advantage of the appreciation that is already being fueled by the public's expectations for the new township. ELDECO's profit is based on the ever-increasing difference between its development costs and its sales price. ELDECO estimates initial plot costs at about Rs. 320 per square meter (including raw land and on- and off-site infrastructure). In order to successfully enter the market and to generate revenue to initiate construction, ELDECO priced its first plots at a very competitive Rs. 350 per square meter. Those same plots today sell for Rs. 600 per square meter. ELDECO, on the other hand, claims there is little profit in the construction of units. It was impossible for the team to corroborate ELDECO's assertion that the sale of housing units nets a minimum profit of only 7-10 percent. However, this figure seems low.

ANNEX B.3

CASE STUDY OF GUIDED URBAN DEVELOPMENT: MADRAS METROPOLITAN DEVELOPMENT AUTHORITY (MMDA) MODEL

Partnership Typology: Guided Urban Development (GUD) was formulated as a component of the World Bank-financed Tamil Nadu Urban Development Project to overcome land acquisition difficulties and the shortcomings of the Urban Land Ceiling Act. GUD is a joint venture between the Madras Metropolitan Development Authority (MMDA) and private landowners/developers. GUD was formulated with a view to ensuring: (1) fair return on investment to the private landowner/developer; and, (2) availability of a relatively large proportion of serviced sites for allotment to lower-income families at affordable prices.

Although still in the conceptual stage, the following sections describe the guidelines for the programs implementation as set out by the World Bank and the MMDA. The final section provides the team's impressions regarding the status of GUD and its potential for timely execution.

BACKGROUND

Prior to the introduction of the concept of Guided Urban Development, the MMDA undertook its land development schemes through compulsory acquisition of land under the Land Acquisition Act (1894). Landowner opposition to compulsory acquisition often delayed project implementation for many years. In addition, discussions with MMDA officials indicated that the Tamil Nadu Urban Land Ceiling and Regulation Act (1976) has also not been particularly successful in providing access to land for a wide range of socioeconomic groups. Several reasons were offered:

- significant quantities of urbanizable land are registered as agricultural land, and thus not covered by the ULCA until a change of use is requested;
- developers do not perceive the ULCA's EWS exemption as sufficient incentive to develop for lower-income groups;
- much surplus land potentially available for lower-income development is tied up for years in court litigations.

Therefore, the intent of the formulators of the GUD was to overcome the inherent difficulties of compulsory land acquisition and the Urban Land Ceiling Act. The planners envisaged two principal objectives for GUD:

- ensure the provision of a high percentage of serviced plots for lower-income families at affordable prices (approximately 75 percent of total plots);
- provide incentives to the private landowner/developer to participate in the provision of lower-income shelter solutions by guaranteeing a fair return on investment (guidelines recommend profit of 20-30 percent).

1. Public/Private Sector Roles

Under the GUD concept, the key public sector actor, the Madras Metropolitan Development Authority, will be responsible for:

- formulating GUD guidelines and physical development standards that are patterned on those used on prior sites and services projects;
- advertising, evaluation and selection of private developers based on a pre-determined set of criteria;
- providing essential off-site infrastructure such as roads, water supply and access to electricity;
- purchasing the EWS and LIG plots from the developers at a fixed price, and marketing and allotting these plots to the target group.

On the other hand, the private developers will carry out the following tasks:

- carry out land assembly;
- provide performance bond not to exceed 10 percent of on-site development costs to guard against default;
- provide on-site services including water supply, sewerage, roads, drainage, street lighting, etc.;
- hand over project roads and open space to the MMDA;
- provide free of charge all land reservations for institutional use;
- construct primary schools specifically for EWS households;
- dispose of all non-LIG and EWS plots at prices fixed by the developer.

2. Evaluation Criteria

The MMDA will evaluate GUD proposals for private developer participation on the basis of the following criteria:

- land use efficiency and distribution of plots by type and location, including proportion of plots for low-income groups;
- plot prices;
- implementation schedule;

- overall financial feasibility of proposed development.

3. Principal Physical Development Guidelines

The MMDA will apply the following principal development guidelines to the GUD program:

- minimum project size of four hectares for proposed development; the assembled land can include:
  - vacant land subject to the ULCA within the Madras Urban Agglomeration (MUA);
  - land parcels not subject to the ULCA outside the Madras urban area, but within the Madras Metropolitan Area (MMA).
- minimum of 60 low income plots per gross hectare of land; the size distribution of these plots will be as follows:

CATEGORY	PLOT SIZE (m^2)	PERCENTAGE OF TOTAL
EWS A	30	20
EWS B	40	30
LIG	60	25
MIG	220	15
HIG	300	10

- 75 percent of total plots will be reserved for EWS and LIG households.

4. Project Financing

On-site development is the responsibility of the private developer. The MMDA is prepared to offset these development costs by offering the selected developers an advance of up to 50 percent of the estimated cost of infrastructure and on-plot costs for the EWS plots. This advance would carry an annual interest of 15 percent. While potentially interesting, most developers indicated that they would most likely opt for financing the on-site development from other sources. The GUD program permits developers to collect deposits from prospective LIG, MIG and HIG households for on-site works. However, the agreement limits deposits to one-tenth of the LIG and MIG plot costs, and to one-fourth of the HIG's. The developers envisaged for this program will also make use of their own capital resources, as well as to those of commercial financial institutions.

The costs of off-site infrastructure, if any, will be borne by the MMDA. Funds from the World Bank-financed Tamil Nadu Urban Development Project (TNUDP) can be used by the MMDA to provide off-site infrastructure and to purchase the low-income plots from the private developers at prices stipulated in the guidelines.

5. Compensation To Private Developers For EWS/LIG Plots

The private developer will receive compensation for the lower-income plots at the following rate:

CATEGORY	PLOT AREA (m^2)	COMPENSATION (Rs.)
EWS A	30	5,000
EWS B	40	8,000
LIG	60	6,000

The apparent discrepancy between the compensation paid for the smaller EWS versus the LIG plots is explained by the fact that the EWS plots contain a minimum sanitary core unit. These plots, therefore, are marginally more expensive than the LIG plots. The household income criteria used to allot the lower-income plots are revised annually in accordance with increases in the cost of living.

6. Results to Date - Guided Urban Development

The concept of Guided Urban Development was formulated for the State of Tamil Nadu, and particularly for the city of Madras, over two years ago. In the intervening period, no project has reached the construction stage. The MMDA has advertised the GUD concept on various occasions, and a number of developers have come forward to purchase the necessary application forms. Of the initially interested parties, two developers submitted proposals. Their projects, however, never came to fruition. The first developer was not able to obtain sanctioning for the scheme due to a problem with the land title. The second developer withdrew his application when the surplus portion of his land, for some unexplained reason, was taken under the terms of the local Urban Land Ceiling Act. The loss, or potential loss, of this land undermined the project's financial viability and the developer lost interest. In addition to these very specific project-related factors that caused the failure of the initial two projects, there are potentially far more difficult obstacles that the GUD concept will have to overcome in the future.

Two factors could eventually undermine the GUD concept. The first is the existence of a similar ambivalence, as witnessed in Lucknow, on the part of the State's political hierarchy to the participation of private developers in public sector land development schemes. Apparently, the entire concept of GUD is under review in the Chief Minister's office. MMDA officials are confident that a positive decision in the form of a Government Order approving the concept is imminent, and that the program will then move forward. The second constraint could be more difficult to overcome. The team was told that the local ULC Act is quite porous regarding the existence of loopholes and the potential for obtaining exemptions. The question arises as to whether the proffered exemption from the ULCA under Guided Urban Development will provide sufficient incentive to developers to enter into agreements whereby 25 percent of the total plots must subsidize the other 75 percent of EWS and LIG low income plots. Perhaps, following an affirmative decision on the part of State government to move forward with GUD and the preliminary indications of interest within the development community of a new advertising campaign, some modification will be called for in the percentage breakdown of EWS and LIG units.

ANNEX B.4

CASE STUDY OF PARSHWANATH GROUP, PRIVATE REAL ESTATE DEVELOPERS AND FINANCERS, AHMEDABAD (INCLUDING PROJECT MODEL: PARSHWANATH TOWNSHIP)

Partnership Typology: Parshwanath Group (PG) is the prime actor; it is a private corporate developer (construction company and housing finance company) aiming at the lower end of the housing market; it purchases land directly from land owners, organizes and develops schemes through housing cooperative societies, finances/refinances them through various public and joint sector financial institutions, with schemes sanctioned by local regulatory authorities.

BACKGROUND OF PARSHWANATH GROUP (PG)

PG started operations in 1967, specializing in medium size housing developments (not serviced plots) for LIG and MIG. It is a profit-making group, but its principals have, for social/religious reasons, always considered that their housing should have a social dimension—meeting the needs of poorer families.

PG is partly made up of Parshwanath Housing Finance Corporation (PHFC), a limited liability company with dividend-paying public shares. By law, the Corporation may only engage in housing loan activities. PG also includes a private construction company which carries out projects and, through ancillary units, produces building materials and components.

PG's operations are limited to Ahmedabad city (pop. 3.4 million) and its periphery. Over the years, it has concentrated on down-market schemes, mostly on the eastern fringes of the city where most of the industrial labor force resides. In 20 years it has produced over 17,000 houses in 125 projects. Most housing has been of the expandable row or tenement type; complete infrastructural and other services are provided. Examples of larger projects include:

Project	Land Area	No. of Units	Unit Sizes (Built Area)
Ambikanagar	30 acres	1400	37 to 73 m^2
Parshwanath Nagar	35 acres	1036	40 to 72 m^2
Adinathnagar	38 acres	1484	21 to 51 m^2

Almost all projects have been carried out under the cooperative housing umbrella. Residential units have been offered on a hire-purchase basis, under loan schemes from the Gujarat Apex Cooperative Housing Finance Society, and also on full payment from those who can arrange for other financing. Hire-purchase financing has been arranged internally through PHFC.

Housing costs are kept low by PG having its own ancillary building materials production facilities and through arrangements for steady supplies of cement, bricks, etc.

PG has managed to dominate the lower end of the formal housing market in Ahmedabad. Only one other developer, Nobles Construction, is understood to have ventured into this sub-market, with other developers (and their cooperative equivalents) having targeted higher income clients. For example, today PG is marketing units in the Rs. 35,000 to 60,000 range while most developers concentrate on selling units costing Rs. 120,000 and up.

The workings of PG in land acquisition and development, in housing production and financing, and on collaboration with the public sector are illustrated in the following detailed case study of PG's most recent and largest scheme, Parshwanath Township.

PROJECT CASE STUDY: PARSHWANATH TOWNSHIP

(A complete, self-contained township scheme on 67 hectares in 3 phases, ultimately to have 6900 EWS, LIG, and MIG expandable housing units for a target population of 35,000. No plotted development is envisaged.)

1. History of Project

Land Assembly

In 1981 PG was able to assemble a large tract of 169 acres of agricultural land at Naroda on the eastern fringe of Ahmedabad. This land had been designated residential by the Ahmedabad Master Plan in the same year. Land was purchased from nearly 100 farmers by offering what was then an attractive price of Rs. 15/yd^2 regardless of location or condition of the land. A few parcels could not be acquired because of tenure problems, but a reasonably cohesive site was assembled.

Planning and Sanctioning

Although from the first PG intended to create a down-market township, their plans were tentative. Nevertheless in 1982 they applied for exemption from ULCA (section 20/21), knowing the process would take some time. For three years there was no movement with their application. In 1985 PG, having gained market experience in smaller projects of a similar nature, undertook detailed planning of the project and in 1986 submitted proposals to the Ahmedabad Urban Development Authority (AUDA) for sanctioning and to HUDCO for support and possibly financing. Efforts were also redoubled to gain exemption from ULCA. Finally in December 1987 exemption was received, due mostly to the favorable attitude of both HUDCO and AUDA. The use of the cooperative vehicle, whereby the township was to be composed of several cooperative societies which would hold land titles, ensure a proper legal framework, and be responsible for post-project maintenance, also helped gain final approval for the scheme.

Financing of the Scheme

After lengthy negotiations with HUDCO, an agreement was reached in 1988 whereby HUDCO would both sanction a loan for Phase I covering part of construction costs, and would thereafter refinance, through PHFC, mortgages for beneficiaries. Numerous HUDCO stipulations were accepted by PG.

Implementation

Groundbreaking began in late 1988. In March 1989, following an intensive promotion campaign, bookings were accepted and the screening of applications began. By early 1990, after a construction period of only 15 months, all 1200 LIG and MIG expandable housing units of Phase I and their attendant infrastructure and social facilities were completed. Units were immediately allotted and occupancy began.

Current Status of Project

Currently (September 1990) all units have been handed over to the beneficiaries and over two thirds are occupied. Expansion of units by some beneficiaries has also been observed in MIG units. Site work on Phase II of the project has begun. HUDCO has, as of September 1990, sanctioned a construction loan for Phase II. The best possible terms for mortgage financing for Phase II are being pursued from various sources. Bookings are already being accepted for Phase II, and the response has been much quicker than that experienced for Phase I.

2. Project Location

The site was chosen after careful consideration of Ahmedabad's urban expansion and market forces. Low land prices in the area were also a factor. In Ahmedabad the explosive rise in land prices has been largely confined to the western, higher-income fringes. The eastern side, with its factories and poorer residential quarters, has experienced only moderate price rises.

The site is flat agricultural land lying just beyond the urbanizing fringe. It is remarkably close to the metropolitan agglomeration (approximately 8 kilometers from the city center and 1 kilometer from the main north-south bypass highway) and even closer to various centers of employment. The area has not yet been designated a Town Planning Scheme. The zone immediately to the west of it, which is partially built-up, is, however, currently in the preliminary phase of a Town Planning Scheme.

3. Project Layout and Phasing

The project conforms completely to local town planning regulations and thus exhibits quite high standards, especially for a lower-income residential complex. For example, the lowest level cul-de-sac roads have 6-meter rights-of-way. Overall net residential land represents 48.8 percent of the land surface with the rest devoted to roads, public spaces and facilities.

The township is to be executed in three phases, each of which will have a primary school. Within each phase there are two to three neighborhoods, each of which is a separate cooperative society bounded by district roads with its own water supply system.

4. Housing/Plot Types

Most housing units are single-story, expandable both horizontally (into back/front yards) and vertically (one additional floor allowed). All are of load-bearing brick walls with reinforced concrete slab roofs and tie beams. Finishings are basic but include all utility connections. Flats are also provided, some of which are above commercial premises (ground plus 2). Generally, EWS units have a WC and one room, LIG units have a bath, WC, kitchen, and one room, and MIG units have a bath, WC, kitchen, and two rooms. Unit details for the three phases are as follows:

House Type	Plot Area (sq. yds.)	Plinth (Built) Area (sq. yds.)	No. of Units
MIG			
A	90.1	47.8	1039
B	91.7	41.4	228
D	82.7	42.8	474
F	111.2	51.8	224
G (flats)	--	41.1	1032
		SUBTOTAL	2997
LIG			
C	83.8	28.7	166
E	47.8	25.6	2117
		SUBTOTAL	2283
EWS			
I	26.5	15.2	1411
		TOTAL	6691

5. Infrastructure and Social Facilities Provided

Infrastructure provision is comprehensive and, as observed for Phase I, is of high standard. Water is provided by deep tubewells, pumped to overhead water tanks and distributed to houses, as is the case throughout most of Ahmedabad. (Distribution is for five hours per day in three periods; each house must construct its own storage tank.) One water system is provided for each cooperative society. A complete sewerage system is supplied (including connections). Sewage for the entire township will be pumped to a collection sump, then processed and discharged into the nearby drainage canal. (For Phase I, sewage is directly discharged to the canal). Stormwater drainage for the entire area is provided by open roadside drains. Complete street lighting is provided as part of the project; however, power to houses is separately provided and charged by the Ahmedabad Electricity Company. There is extensive tree planting on all streets, and parks and green spaces are provided.

Social facilities are also comprehensive. One primary school is built by the developer for each phase and sold at cost to private educators. (The school for Phase I is built and already in operation.) In addition, at the township level, a community hall, club house, hospital, fire and police stations, and a temple are planned. Also a town panchayat building will be built and handed over at no cost to the eventual town administration. Finally, an existing mango plantation has been incorporated into the layout as a township park.

6. Project and Mortgage Financing

The developer is financing the project by phases to minimize exposure. For Phase I, HUDCO provided construction finance at 15 percent per annum for three years, requiring a 2:1 debt/equity ratio. For mortgage financing for Phase I LIG units PHFC offered 73 percent financing at 13 percent p.a. over 15 years, refinanced by HUDCO at 11 percent. For the MIG units 68 percent financing was offered at 15 percent for 15 years, refinanced by HUDCO at 13 percent.

7. Housing Prices and Affordability

For Phase I, a LIG unit was sold for Rs. 37,000, with a required downpayment of Rs. 10,000 and monthly repayments of Rs. 270. A MIG unit was sold for Rs. 60,000, with a required down payment of Rs. 19,000 and monthly repayments of Rs. 545. HUDCO stipulated that these prices would remain fixed, with no price escalation allowed.

While these terms are out of the reach of the poorest families, especially those with irregular incomes, they are very attractive to a wide band of low and modest income families. These units are 'affordable' according to HUDCO norms for LIG and MIG. Moreover, every unit sold during Phase I would fall under the limits of beneficiary affordability according to USAID HG II definitions of median urban income.

8. Marketing and Selection of Beneficiaries

Advertisements in newspapers, street signs, and "the beating of drums" were vigorously used to inform the public of Phase I of the project. Complete information, including details of all financial obligations and surcharges, was provided at the site office for inquiring clients. Model homes were available for inspection. The obligation to join a cooperative was carefully spelled out. A complete application form was to be filled out (with assistance for illiterates) and a testimony had to be signed and certified that the applicant's income was correct, that he/she had no other property in Ahmedabad, etc. Applications that passed preliminary vetting had to be reviewed by a HUDCO-imposed committee which had as members the representative of the local HUDCO office, the Ahmedabad Chief Town Planner, and the landowner (e.g. the developer). For those who did not have sufficient regular salaries, a personal guarantee from a friend/relative with appropriate income/stature was required to ensure mortgage repayments.

An interesting feature of the plot assigning process was that vetted applicants could choose, from a map, which plots they wanted on a first-come first-serve basis. This allowed friends/co-workers/relatives to group themselves together.

9. Overall Project Cost-Recovery

Overall, superstructure and infrastructure costs of development are to be recovered from end users through the price of the housing units. (Power distribution costs are recovered separately, through a hefty connection charge of Rs. 1000-1500 per housing unit and consumption charges.)

What of attributable off-site infrastructure costs? Because the developers thought that off-site services were unlikely to be provided by the local authority within a reasonable time period, they provided them through on-site systems. Sewage is being collected via an irrigation drain that already existed. Water is from tubewells, as is common throughout the city. And off-site access roads are limited to one 1.5 km arterial, the costs of which are being met by the developers. Of course there are uncovered city-wide network costs, but in theory at least these are recovered through property taxes and other municipal revenues.

10. Overall Project Profitability

The developer states that he has been able to turn a 10 percent profit during the first phase, in spite of serious price rises in building materials during construction which he was unable to pass on since the prices of units were fixed.

This profitability was possible because of the very rapid rate of construction during Phase I and minimal exposure to unforseen events. The developer, as long as he is able to reset prices for each phase (to include, among other costs, his capital sunk into the land), is confident of maintaining profitability.

Interestingly, the developer has not attempted any internal cross-subsidization; he states that the price of each unit, with its imputed land cost, roughly pays for itself. And he has not resorted to any deferred selling of developed plots as an "ace in the hole". (He should, however, make a good profit on selling built commercial premises.)

11. Future Phases and EWS Housing

EWS housing is only to be included in Phase III, to start early in 1992. This will be a new venture for the developer, trying to make these units affordable to some of the very poor slum, chowk, and hutment dwellers of Ahmedabad. PG figures it can sell these units for Rs. 25,000 (in 1990 prices). If it can obtain concessionary refinancing from HUDCO or perhaps the Gujarat Housing Board (something which would set a precedent!) at the standard EWS terms of 5 to 7 percent p.a., then, assuming 25 percent downpayment, monthly mortgage installments could be as little as Rs. 125 to 150 per month. This would certainly be affordable for at least some of the very poor, especially if some way to reduce the downpayment required, perhaps through a house savings/loan scheme, were to be found. A well-established local NGO has many women members presently living in slums who have just about this capacity to pay. (See also NGO Case Studies.)

ANNEX B.5

CASE STUDY OF THE TOWN PLANNING SCHEME: AHMEDABAD, GUJARAT MODEL

Partnership Typology: The Town Planning Scheme approach has been practiced in the States of Gujarat and Maharashtra for seven decades. It is an area planning technique patterned on the concept of land readjustment. The Bombay TP Act (1915) provided the initial legal framework for the technique. Following the separation of Gujarat from Bombay, the implementation of the Town Planning Scheme concept is now covered under the Gujarat TP and Urban Development Act (1976). The act divides implementation into three phases—draft, preliminary and final. The preliminary phase plans and executes the replanning of the designated areas, while the final phase addresses issues regarding valuation and landowner compensation/contribution. The local authority gains access to the scheme area to begin on-site improvements upon state approval of the preliminary phase.

1. Background

The concept of the Town Planning Scheme (TP Scheme) is an alternative model for urban land development provided for in most State Town and Country Planning Acts. This alternative development vehicle, however, has been used most extensively in the States of Gujarat, Maharashtra and Kerala. Gujarat, and specifically the city of Ahmedabad, serve as the focus for the present case study.

The State of Gujarat is currently implementing over 100 TP Schemes, with 23 schemes ongoing on the eastern and western peripheries of Ahmedabad. The Ahmedabad Municipal Corporation (AMC) and the Ahmedabad Development Authority (AUDA) are the two agencies responsible for the preparation of TP Schemes in Ahmedabad. The AMC has begun 36 schemes in its old jurisdiction limits totaling 85 square kilometers and plans to prepare another 20 to 30 schemes in the new area of 90 square kilometers that it recently annexed on the city's eastern periphery. The AMC to date has been able to obtain final sanctioning on 23 schemes.

AUDA, working on the city's western periphery, has so far declared 27 schemes with an area of over 3,600 hectares. To date, AUDA has obtained final sanctions for five schemes and preliminary sanctions for about 18 more.

The approval of a TP Scheme involves a three-stage process whereby local authorities reconstitute a declared area in order to provide land for community purposes (roads, schools, open space, EWS housing) and to realign private plots.

Minimum road and street lighting networks are normally provided, with landowners being charged a betterment fee or contribution which is reduced by an amount equal in value to the serviced land handed over to the local authority.

2. TP Scheme Process

In Gujarat, the three-stage TP Scheme process involves draft, preliminary and final plans or schemes. This entire process normally takes between five and ten years to finalize in Gujarat. Although this is a significant amount of time, local authorities and landowners are very positive regarding this land development model. They believe it is cheaper, simpler and quicker than compulsory acquisition as a way for the public sector to gain access to land. The land allotted for community purposes vests in the local authority at the time that the preliminary scheme is approved by state government. The local authority takes possession of the allotted land and undertakes basic improvements (usually roads and street lighting). The landowners' compensation or contribution for improvements/loss of land is estimated during the preparation of the final scheme.

Following the sanctioning of the preliminary scheme and the carrying out of the basic improvements, many of the reconstituted plots (ranging in size from 2,000 to 11,000 square meters for the Memnagar Scheme discussed later in this case study) are purchased and subsequently fully developed by private developers and/or housing cooperative societies. With the TP Scheme, the developer or landowner is responsible for finalizing the development of the individual parcels. He negotiates the installation of the electric lines, supplies the site with water and provides for the disposal of human waste.

3. Financial Provisions

In theory, the TP Scheme model is a self-financing mechanism for the planning and servicing of newly developing areas. Unfortunately, this potential is not borne out in practice. The World Bank Land Management Study (1986) estimates that past TP Schemes in Gujarat have typically subsidized 50 to 90 percent of total development costs, depending on level of infrastructure provided. In addition to the financial losses due to delays in scheme approval, the Study points out that these subsidies were caused by the fact that the incremental value of the developed plot, on which the betterment fees are based, did not take into consideration cost escalations during scheme processing and implementation. In addition, the Study adds that no allowance was made for the provision of off-site infrastructure, for the charging of market interest rates on the repayment of landowner contributions, and for the earmarking by the local authorities of land for commercial and industrial uses.

Ordinance No. 13 of 1985 was proposed as an amendment to the Gujarat TP and Urban Development Act to address these perceived shortcomings. The following are the Ordinance's key clauses:

- reservation of up to 10 percent of the total scheme area for commercial and industrial uses;
- inclusion of an additional 20 percent of the aggregate cost of improvements for off-site infrastructure in areas adjacent to the scheme;
- incremental value of the reconstituted plot is estimated at the time of final scheme sanctioning, rather than as of the date of declaration of intention to make a scheme;
- interest rate of two percentage points above the bank rate published by the Reserve Bank of India will be applied to all contributions paid by installment.

Given the team's limited stay in Ahmedabad and the inordinate time required for scheme processing and implementation, it was not possible to determine if the changes in the TP Scheme's legal framework have improved this model's financial viability.

4. Results to Date - Town Planning Scheme Model

Several sources have closely examined the benefits and liabilities associated with the Town Planning Scheme as a model for the large-scale delivery of serviced land. (See World Bank, 1986; Mehta and Mehta, 1989; and Kop, 1990.) This annex will not repeat the analysis of these previous studies. Rather, our approach will be to review and weigh the findings and conclusions of these studies against the team's own assessment of the TP Scheme based on our site visit to Ahmedabad.

All the above sources point to the excessive delays encountered in scheme processing and implementation. The above-referenced documents, as well as our discussions with local officials, suggest at least two important reasons for these delays. First is the issue of the administrative bottlenecks encountered during implementation when the schemes have to be sanctioned on three separate occasions at the state level. Mehta and Mehta point out that the required state sanctions can take up to seven years. In many instances, this accounts for almost 50 percent of the time spent from scheme declaration to final sanctioning. The Mehtas' recommendation to devolve this sanctioning responsibility to the local authorities certainly deserves careful consideration.

The second major obstacle that constrains the TP Scheme as an appropriate model for land delivery is the poor state of land titling and registration records in India. While probably better in Gujarat than in most other Indian States, the lack of proper updating and recording of land sales and other land-related transactions, particularly on the periphery of the larger urban areas, is a prime factor in the inordinate delays experienced to date with the TP Scheme process.

Prior sections of this case study have reviewed the problems and issues associated with the financial elements of the TP Scheme approach. While still too early to make a definitive judgement, the 1985 Amendment to the 1976 Gujarat Town Planning Act has the potential for rectifying many of these problems. There exists, however, a more fundamental structural problem that will have to be corrected before the TP Scheme can be a truly self-financing land development model.

While analysts have underlined the large subsidy element of prior TP Schemes, many fail to note that the landowner contributions collected are not specifically targeted for project implementation. These contributions are simply deposited in the general revenue accounts of the local authorities. This practice, whereby contributions or payments made for specific infrastructure improvements are not directly linked to project implementation, is similar to the situation encountered by the team with the Lucknow Development Authority. In both cases, the public sector's share of the costs of overall scheme or township development is met from the general revenue budget. In Ahmedabad, as noted by the Mehtas, the TP Scheme implementation is completely unlinked from its prescribed source of funding. This causes long delays in project implementation, since the TP Schemes must depend on the local authorities' already very limited development budget after implementation.

PROJECT CASE STUDY:
MEMNAGAR TP SCHEME, AHMEDABAD, GUJARAT

1. Location and History

The Memnagar TP Scheme is situated along the western periphery of the Ahmedabad Municipal Corporation. The scheme is contiguous to the village of Memnagar. The area is well connected to the city via the Drive-in-Cinema Road. By the late 1970s, this area's excellent location made it a prime candidate for development. In order to avoid future problems of unplanned sprawl, the Municipal Corporation decided to designate the area as a Town Planning Scheme.

The area of the scheme is about 140 hectares. The area is bounded on the north by the villages of Memnagar and Ghaltodia, on the south by the Drive-in-Cinema Road and the Corporation limits, on the east by the villages of Memnagar and Wadaj, and on the west by the village boundaries of Memnagar and Thaltej.

At the time the area was designated as a TP Scheme, development had already begun to take place, especially along the Drive-in-Cinema Road. During the sanctioning process, development extended to the north and northeast of the Drive-in-Cinema Road.

2. Public Sector Role

The Municipal Corporation designated the area a TP Scheme in January 1976. The Preliminary Scheme was sanctioned in 1981, with the preparation of the Final Scheme beginning in 1981. The team understands that the scheme received final approval in 1987, a period of more than 10 years from initial declaration.

The scheme's overall land usage for the original and final layout is as follows:

ITEM	AREA (Ha)	PERCENTAGE OF TOTAL AREA (%)
Total Scheme Area	140.00	100.0
Original Plots	132.58	94.7
Original Roads	7.42	5.3
Final Plots	106.74	76.3
Proposed Roads	21.99	15.7
Reservation for Public Uses	10.11	7.2
Reservation for EWS Housing	1.15	0.8

From the pure standpoint of efficient use of marketable space, the proposed layout for the Memnagar scheme is excellent. The allotment for residential, circulation and open space/public facilities certainly meets international design standards. The scheme's design predates the 1985 Ordinance, so it is understandable why no land has been allotted to commercial and industrial uses. On the negative side, however, the appointed state planning officer failed to take into consideration the shelter needs of lower-income households in his final scheme plan. He chose to reserve less than one percent of total area for EWS housing versus the permitted 10 percent.

The Corporation's plans for the development of the reconstituted plots were minimal. They included only the construction of roads and the installation of electric street lighting. The cost estimates for the two improvements were Rs. 452,200 and Rs. 439,400, respectively. Table B.1 summarizes developed versus undeveloped plot costs, and their impact on landowner compensation and betterment contributions.

The table points out, at least at this preliminary costing stage, that the Memnagar Scheme anticipates the recovery of 86.8 percent of project costs through the betterment levy. This figure, however, probably grossly overestimates the actual percent recovered, since it does not include the final costs of construction nor the costs of any required off-site infrastructure (pre-1985 scheme). However, even at this stage, it indicates how the TP Scheme approach is weighted dramatically in favor of

TABLE 8.1. Memnagar - Financial Details of the Final Scheme	
Detailed Item	
Land-Related Details	
• Total area of original plots (hectares)	132.58
• Total area of final plots to be returned to owners (Ha)	106.74
• Area deducted as a percent of total area	19.52
Estimated Values	
• Average value of land before servicing of final plots (RS./m²)	29.37
• Total value of unserviced land (Rs. '000)	31,351
• Average value of land after servicing of final plot (Rs./m²)	40.26
• Total value of serviced land (Rs. '000)	42,977
• Ratio of serviced to unserviced values	1.37
Estimated Revenues and Deficits	
• Total increment between developed and undeveloped reconstituted plots (Rs. '000)	12,202
• Betterment levy @ 50 percent of the incremental value (Rs. '000)	6,101
• Average betterment levy per unit area (Rs./m²)	5.72
• Net Deficit (Rs. '000)	924
• Percentage of total costs to be recovered by betterment levy	86.8
• Net contribution by landowners after adjusting for compensation (Rs. '000)	180
• Average net contribution per unit area of final plots returned to the owners (Rs./m²)	0.17
Source: Mehta and Mehta (1989) as adjusted by PADCO.	

the landowner. The local authority would have to contribute over Rs. 900 000 from its own scarce resources to the scheme's development. On the other hand, the landowner has to make a net "out of pocket" contribution of only Rs. 0.17 per square meter, while the value of the developed land was estimated to have increased by Rs. 11 per square meter. Even this increment, however, does not completely reflect the true market value of the developed land.

3. Private Sector Role

Private sector development of the Memnagar area started even before the local authority announced that it intended to develop the area as a TP Scheme. Several housing cooperatives had already been formed on paper prior to 1976. However, the replanning of the area and the provision of roads and street lighting served to accelerated this process dramatically.

As described previously, the Town Planning Scheme concept leaves a significant portion of the "developed", reconstituted plots in the hands of the original owners. Most of these owners did not have sufficient knowledge and experience to further develop their plots for larger-scale residential or commercial uses. On the other hand, however, even the minimal level of improvements provided by the TP Scheme attracted the interest of professional developers. Individually, or through a registered cooperative, developers began to negotiate with the landowners for the purchase, or joint development, of the improved land parcels. In the case of Memnagar, these plots ranged in size from about 0.2 to 1 hectare, with the majority being smaller than 0.5 hectare. In most cases, these relatively small plots restricted the developer to the construction of multi-story, walkup flats, and to a lesser extent to blocks of adjoining townhouses.

Although the plots were relatively small, each developer was faced with providing almost a full complement of services due to the initial minimal level of infrastructure provided by the TP Scheme. Since the Memnagar scheme was beyond the coverage of the city's piped water system, most developers supplied water to their sites through the sinking of tubewells and the construction of overhead storage tanks. Human waste was disposed of through individual or communal septic tanks. For electricity, the developer would negotiate directly with the State Electricity Board. This system of small, individual plot development is obviously quite inefficient, and could have been avoided through a more comprehensive and extensive provision of infrastructure at the implementation stage of the TP Scheme.

4. Memnagar TP Scheme - Results to Date

Almost ten years after completion of the improvements associated with the Memnagar TP Scheme, the project area is approximately 70-80 percent built-up, and in-filling rapidly. As would be expected of a pre-1985 scheme, the area has developed primarily for residential uses. A quick "windshield" survey of the scheme indicates that the majority of the residential development carried out to date has been for middle- and upper-middle income households. This upper-scale residential development is typical of the city's western periphery (as opposed to the heavy industrial/low income orientation of the city's east side). One could argue that the upscale nature of Memnagar is, in fact, typical of TP Scheme development in Ahmedabad in that it has historically failed to provide serviced plots for a range of income groups, including lower-middle and lower-income families.

The record of the Memnagar Scheme is not good with respect to the provision of shelter solutions for lower-income households. While the TP Scheme concept, as practiced in Gujarat, permits land reservation for EWS households of up to 10 percent of total area, the Memnagar Scheme allotted only 0.8 percent for this use. Of this total reservation, no EWS plots had actually been constructed to date, and it appears that at least one EWS plot had been used for other purposes. It is very doubtful if any of the EWS plots will be built on in the near term.

Finally, there was no sign that any of the public facilities (schools, health clinics, markets) had as yet been constructed.

ANNEX B.6

CASE STUDY OF HOUSING COOPERATIVE SECTOR

Partnership Typology: Bottom-up, top-down housing cooperative societies with funds collected from members acquire land either from landowners or public development authorities and develop land/housing for members, obtaining from apex cooperative housing finance societies mortgage financing which is in turn refinanced/guaranteed by a number of, but primarily public sector, financing sources. Mostly for housing development and not plotted development, particularly recently. Primary Actor: Cooperative members themselves or, as a variant, private developers who use the cooperative shell.

BACKGROUND TO THE COOPERATIVE HOUSING SECTOR

Cooperative housing, at least in the bottom-up form, is considered in India to be a third "sector", neither public nor private. It is a complicated and diverse subject, not easily put into categories or described as a "model". For this reason, an attempt is made here to give a general overview of the cooperative sector's role in urban land and housing development and delineate some of the actors and processes involved. Following this section, particular examples of cooperative partnerships or "vehicles" are briefly described.

1. Growth of the Sector

Although the cooperative movement in India goes back to the beginning of this century, the philosophical and legislative underpinnings developed only after Independence. In the Union system in India cooperative laws and control were made the responsibility of the individual states. Primary housing cooperative societies, and the state enabling legislation which controlled them, began to appear in the 1950s. The growth has been phenomenal: whereas there were in all India a total of 5500 primary societies in 1959-60 with 320,000 members, by 1984-85 it is estimated that there were 40,000 societies with total membership of roughly 3 million families (Khurana, p.19). Apex cooperative finance societies at the state level, which are to provide mortgage finance to the primary societies, were formed mostly in the 1960s.

For various reasons housing cooperatives became more popular in some states than others. By 1988, the greatest number of primary housing cooperatives were to be found in Maharashtra (7911), followed by Gujarat (6231), and Uttar Pradesh (2400).

Without a doubt the cooperative housing sector has contributed greatly to the housing supply. As of 1987 for all India a total of 654,000 units had been completed and another 315,000 were under construction. These figures include units produced in both urban and rural areas.

2. Legislation and Regulations Controlling Cooperatives

Since cooperative legislation is a state responsibility there is considerable variation in the legislative framework. However, in general all primary housing cooperative societies must have a minimum number of members (10 to 30), each must pay membership dues, and each cooperative must keep complete accounts. An elected management committee must be established. Primary cooperatives are non-profit corporate entities, and as such they can hold and transfer property, including land. To be legal a cooperative must be registered with a state-appointed registrar, and this registrar has the power to inspect the cooperative's operations, to discipline, and, if necessary, to disband a cooperative.

There are various kinds of primary housing cooperatives. The most common is the Cooperative Group Housing Society, in which the land title is held by the cooperative and members have occupancy rights to the individual housing units. Another type is the Cooperative Housing Building Society, where each member can obtain title to the land his house is situated on. Other formats exist, and it is possible for a multi-purpose society to engage in housing activities.

3. Cooperative Financing and Apex Cooperative Finance Societies

A primary cooperative wishing to develop a colony will elicit deposits and contributions from its members for land purchase and part of construction costs, normally 30 to 40 percent of total project cost. (Primary cooperatives are also allowed to issue shares to raise capital and open fixed deposits for members, but these mechanisms are severely constrained by Reserve Bank restrictions and are rarely used.)

To complete financing the primary cooperative asks for mortgage loans from the state Apex Cooperative Finance Society. Of any loans forthcoming, 6 to 10 percent of the loan value must first be deposited as share capital with the apex society. Loans from apex societies to primary societies are covered by first charges on the property (housing) being built by the loans.

Apex societies have a number of sources of finance:

- investments by State Government and other cooperative institutions;
- loans from Government, the Life Insurance Corporation of India (LIC), and other funding agencies like HUDCO, NHB, etc.;
- issue of debentures by Government.

Of all these sources, loans from LIC have been the most significant. Loans to Apex societies are underwritten by State Governments or have a first charge on the apex societies' assets taken out by their lenders.

Although there have sometimes been serious repayment arrears and defaults by primary societies (in Gujarat in the early 1980s, for example), no apex society has ever defaulted on repayment of its own loans from LIC or other institutions, primarily due to the strong backing by State Governments.

THE "BOTTOM-UP" COOPERATIVE HOUSING PROCESS

The "bottom-up" housing cooperative carries with it principles of cooperative action by like-minded citizens, where all contribute finances and volunteer, to the best of their abilities, to the organizing of the housing process. This philosophy is promoted by the National Cooperative Housing Federation in many forums, is supported by Government, and certainly is carried out in practice by many housing cooperatives It implies, however, that members have the capacities as well as the motivation to handle the many facets of the housing process. As has been pointed out, this tends to favor cooperatives composed of the educated middle classes.

In the generalized bottom-up housing cooperative process, a cooperative is first formed and registered by a group, often composed of professionals, co-workers, etc. A management committee and accounting system is set up, and cooperative by-laws are agreed upon.

The first hurdle (one which in some states has become a prerequisite for registration of the cooperative) is securing land. In New Delhi and some states, land can be acquired directly from Development Authorities, usually on below-market terms. Normally, however, the cooperative, perhaps through land agents, must locate and negotiate purchases themselves.

With land secured, layouts, building plans, and project costing must be carried out, normally through architectural firms. These plans must then be sanctioned by the competent authorities, a frequently arduous process.

Armed with land, sanctioned plans, and sufficient contributions of members, the cooperative then approaches the Apex body for financing. According to the prevalent rates, ceilings etc, the Apex society lends directly to the cooperative for project construction.

Actual construction is normally contracted to construction companies. Upon completion and as units are occupied, loan obligations are transferred from the cooperative to individual members, with their property becoming loan collateral. Individuals then continue installment payments.

The cooperative can either continue operating or can dissolve. The bottom-up cooperative will normally continue in order to maintain the estate or colony to a high standard. This is especially important if the colony's maintenance has not been taken over by the Municipal Corporation or if, as is frequently the case, trunk infrastructure is poor or insufficient. In the latter case the cooperative must lobby for utilities extensions or, as is very common, operate its own well-fed water supply and on-site sewage disposal.

THE TOP-DOWN VARIANT

With the "top-down variant", the whole process of creating a cooperative housing estate is carried out by a private developer. As an illustration of how the process works, the following steps describe the efforts of a private developer in Ahmedabad who only builds housing through the cooperative shell:

- the developer identifies suitable land (from a market and price point of view).
- he obtains it from the landowner, usually one or more farmers, by an option called "agreement to purchase" at a fixed price to be held for one to two years. Normally a downpayment of 20 to 25 percent is required. An important aspect in this arrangement is the reputation of the developer among farmers. Trust is important.
- in the name of the landowner(s), he makes preliminary application with the State Cooperative Registrar to form a cooperative (secured land is, in Gujarat, now a prerequisite to register a cooperative).
- with his preliminary application for a cooperative accepted, he then, again in the name of the landowner(s), applies to convert the agricultural land to cooperative housing, asking for an exemption from the ULCA under Section 21 (which in Gujarat means he must show intention of producing housing with 50 percent of the units under 40 m^2 and the remainder under 80 m^2).
- he prepares layout and house plans.
- in the name of landowner(s) forming a cooperative, he submits the project for sanctioning by the appropriate town planning authority.
- in the meantime, he completes formalities for forming the cooperative: he uses associates to reach the minimum required membership of 10 persons and ensures control of the management.
- upon receiving exemption from the ULCA (the most important official hurdle) he pays the landowner(s) the balance of the land price, with title to the land transferred to the cooperative "under formation". Land transfer stamp duty is then paid.

- registration of the cooperative can then be completed and all subsequent actions are made in the cooperative's name.
- upon approval of the layout/plans, the cooperative advertises the units and their prices and begins to accept bookings; prospective buyers are first obliged to become members of the cooperative.
- using initial payments from clients and his own capital, the developer begins construction.
- for those clients who can arrange mortgages, as soon as possible (even sometimes before construction is finished), title to the unit is issued by the cooperative in the name of the member, with first charge given over to the mortgage institution.
- for those clients without mortgage finance, possession of finished unit and title are given over upon completion of the installment payments.
- maintenance of the housing estate remains the developer's responsibility for one year. After this, it is up to the cooperative, with the developer completely withdrawing.

The advantages to the developer of using the cooperative shell is (1) that it is strictly legal, (2) the cooperative, rather than the developer, is exposed to late payments or heavy borrowing, (3) by being a cooperative, the project is more "acceptable" for obtaining permits and sanctioning, particularly as regards the ULCA officer, but also with other authorities and banks, and (4) as a cooperative, buyers of units enjoy a much lower stamp duty (4 percent versus 12 percent) upon resale. It should be noted that these advantages do not include access to Apex cooperative housing finance. While in some states this would be an important additional attraction, in Gujarat the Apex society is currently in financial difficulties, and anyway there is a Rs. 30,000 limit on mortgage borrowing.

How common is this developer/cooperative mechanism? It obviously varies from state-to-state and city-to-city, depending on the sympathies of public authorities. Officials of Apex and national cooperative institutions claim it is only a marginal activity of a few opportunistic developers, but the impressionistic reading is the opposite, that it is very common, particularly in the larger cities. Given the organizational and resource strengths of the developer on the one hand and the many steps involved in creating cooperative housing on the other, this is not surprising. It seems a natural match.

COOPERATIVES UNDER TOWN PLANNING SCHEMES

Gujarat and Maharashtra have had in the past the most active cooperative housing movements, and it is probably no coincidence that these are the two states which have relied on Town Planning Schemes for urban development. A review undertaken by the mission of Ahmedabad's Town Planning Schemes (see also the Case Study on Town Planning Schemes) shows that the planning mechanism largely produces small and medium size parcels of land within regularized Scheme areas. These parcels fit the needs of the 50 to 200 member cooperative, whether these be the bottom-up type or the top-down variant.

The popularity of cooperative housing in TP Schemes is illustrated in data obtained on the Memnagar Scheme located on the western near-fringe of Ahmedabad. When the draft planning for the scheme commenced in 1976, the original gross area of 132.6 hectares of mostly farmland was found to contain some 180 separately-owned parcels, of which 43 were already registered in the names of housing cooperatives. Of these 43 parcels, three already had housing built. And during the scheme planning process of four years, 13 of these cooperatives went ahead with construction. After the town planning scheme was finalized, it is estimated that perhaps half of all regularized parcels in the scheme have been developed as housing cooperatives, most of under the top-down variant.

The Memnagar TP Scheme example also allows a rough analysis of the size of regularized cooperative parcels. Of the 43 cooperative parcels, the largest was 3.9 hectares. Only 12 parcels exceeded one hectare in size. Eleven parcels were less than 0.5 hectares. The smallest parcel was 568 m^2. Overall the average (mean) parcel size was 1.04 hectares and the median parcel size was 0.65 hectares.

COOPERATIVES IN THE DELHI UNION TERRITORY

Housing cooperatives in New Delhi have had an active history. In the 1950s large areas were developed by cooperative building societies as serviced plots for members. However, in 1962 this form of cooperative was banned, as it was apparent that purely plotted development was open to widespread land speculation.

Subsequently all housing cooperatives have been of the group housing type. Up to the present over 500 cooperatives have completed group housing projects, representing a total 60,000 housing units. It is said that another 1400 cooperatives are awaiting land and/or sanctioning.

The situation in Delhi is unique in that land for cooperatives is made available by the Delhi Development Authority, usually at concessionary rates and with exemptions from the ULCA. Given the extreme excess of demand over supply for land in Delhi, pressure for land through this cooperative path is intense. Hundreds of registered cooperatives have been waiting for as long as seven years for land allocations. The registration of new cooperatives is currently closed. (In 1983, when registrations were temporarily accepted for a period of 45 days, over 2000 applications were received.)

It has been frequently said (although no figures have been obtained) that housing cooperatives in Delhi mainly cater to middle- and upper-class groups, and that these groups (both bottom-up cooperatives and variants) continue to monopolize the sector, applying effective pressure on authorities for land allotments and sanctioning of schemes. Certain facts tend to confirm this:

- the Delhi Co-operative Housing Finance Society (DCHFC, the apex finance body) has recently asked that the loan limit for mortgages to individual cooperative members be raised from Rs. 100,000 to Rs. 300,000;
- the built space of housing units currently financed by DCHFC averages 70 to 80 m^2 and, because of quite high planning standards (Floor Area Ratio of 1.33, 33 percent plot coverage), the built form is almost exclusively medium-rise apartment blocks;
- DDA has recently reduced land rates for cooperatives from Rs. 1375/m^2 to Rs. 925/m^2 and has agreed to reserve 40 percent of its serviced residential land for cooperative housing;
- DCHFC has appealed to the Lt. Governor of Delhi to immediately allot land for some 300 cooperative societies. (It is understood that a new township scheme of 600 acres near the airport has been reserved for cooperatives, but that DDA is behind schedule in land servicing.)

In sum, it appears that in Delhi the cooperative housing system continues to be a convenient forum for middle and upper class interests to use their "comparative advantages" to obtain land and meet their housing needs.

It should be pointed out that DCHFS is planning to start a loan scheme for assisting families in slum clusters for *in-situ* housing upgrading, using the cooperative mechanism and involving the slum wing of the DDA and Punervaas, a voluntary organization. (See Case Study on NGOs for details.)

COOPERATIVES IN TAMIL NADU

In Tamil Nadu, the apex Tamil Nadu Co-op Housing Federation (TNCHF) has undertaken a scheme which generalizes the concept of housing cooperatives and makes them more accessible to a larger cross-section of the population. Beginning in 1977 a network of 165 cooperative societies was set up in each Taluk (rural administrative district) of the state, open to anyone who wished to join. At first, only EWS housing was financed but recently LIG and MIG housing have been included. Financial assistance has been obtained from HUDCO and, for EWS housing, the Government of Tamil Nadu bears 25 percent of project costs. Similar Urban Housing cooperatives have been set up for Municipal Corporations.

These cooperatives are permanent, and they must have salaried staff. To date, the cooperatives have had a very good record of loan recovery, partly because each cooperative is ranked according to its credit rating, with incentives awarded for good standing.

COOPERATIVES AND LARGE TOWNSHIP SCHEMES

It should be pointed out here that the housing cooperative can fit well into large township schemes which have private corporate participation. In two of the township schemes reviewed by the mission—Lucknow and Parshwanath—such was the case, with private developers creating cooperatives for each residential neighborhood. The use of the cooperative vehicle in these two schemes is fully described in the relevant case studies.

CONCLUSION: MAIN STRENGTHS OF THE COOPERATIVE HOUSING SECTOR

The main strengths of the cooperative housing sector in the urban context can be summarized as follows:

(1) Primary housing cooperatives have a long history and are active throughout urban India. Over the years, a considerable "institutional infrastructure" has been developed to support them. This strength is most apparent in the structure created to provide mortgage financing to primary cooperatives through the state-level apex societies. These are, in turn, given considerable support by Government, including direct refinance and guarantee mechanisms.

(2) The housing cooperative model provides a completely legal vehicle for creating housing and/or plots. It allows citizens (including owner-builders) to directly enter the process, and it also allows private developers to use a convenient and legal "shell".

(3) Cooperatives are favored by Government. In the sanctioning of schemes, particularly in gaining exemption from ULCA, being a cooperative counts for a lot.

(4) Cooperatives allow a convenient way to provide for post-project maintenance.

(5) It appears that the cooperative vehicle is quite flexible, allowing various kinds of urban development partnerships amongst different actors such as corporate developers, NGOs, and a range of Government sanctioning and finance agencies. Many of the current innovative proposals in the field include as a central piece the use of housing cooperatives.

CONCLUSION: ARE COOPERATIVES A MAJOR CREATOR OF SERVICED URBAN LAND?

Cooperatives generally service their estates well and they certainly produce housing. But their small sizes (rarely more than 5 acres and 150 units) raise a problem. Since the cost ratio

$$\frac{\text{attributable off-site infrastructure and services}}{\text{on-site infrastructure and services}}$$

in project development increases dramatically as project size becomes quite small, the burden of paying for and implementing off-site elements becomes quite large. Also, the portion of land that must be reserved for off-site social facilities becomes greater. The question becomes: who then is responsible for all of these off-site elements? Furthermore, the atomistic process of land acquisition, sanctioning, and project finance under the cooperative system tends to promote scattered/random development within urban fringe areas.

This problem is not quite as severe as it sounds, mainly because of the common practice, where it is feasible, of each cooperative estate providing for its own self-sufficient water and sewage disposal through tubewells, pumps, overhead water storage, septic tanks, and soakaway pits. Such practices can of course be questioned on environmental and economic efficiency terms, but at least from a practical standpoint, problems like the water and sewerage components of off-site infrastructure are normally handled by cooperatives themselves.

Yet the issues of off-site development and scattered growth remain. In sum, it could be said that cooperatives only partially create urban land and tend to create it in an un-orderly fashion, if left to themselves. If, however, they are incorporated into logically planned developments, especially those of the Township type, then they become a useful component of the urban land servicing process.

CONCLUSION: DO HOUSING COOPERATIVES SERVE LOWER-INCOME FAMILIES?

A "recent study" carried out by the National Cooperative Housing Foundation (which this mission has not seen) found that country-wide housing finance from apex societies has gone to housing cooperatives in the following proportions (Krishnaswamy, p.40):

EWS & LIG	59 percent
MIG	38 percent
HIG	3 percent

It is not known how these figures were arrived at, nor whether percentages relate to total funds or number of loans. It presumably includes rural and home improvement loans, both of which fall by definition into EWS and LIG categories. In any event, from what examples have been seen of urban cooperative housing and criticisms in the literature (c.f. Gupta, 1990, pp.135-141), it seems that these figures do not represent the urban cooperative reality with its bias for MIG and especially HIG housing.

This is not to say that in some cases lower-income groups do not benefit from the housing cooperative sector, but only that in the past the system seems to have responded best to the pent-up housing demand of the educated middle classes. It is these groups which have the resources and political weight to best obtain what is, in effect, a scarce and rationed good. And while it would be naive to expect a fundamental shift within the cooperative sector to lower-income groups (if the example in Delhi is anything to go by, the opposite may be true), this does not mean that these groups could not garner a larger share of cooperative funds. It is a matter of what mechanisms should be used.

ANNEX B.7

CASE STUDY OF REVIEW OF THE NGO DIMENSION IN URBAN LAND/HOUSING DEVELOPMENT

Partnership typology: In resettlement, slum upgrading, and sites and services schemes sponsored/financed by HUDCO, state housing boards and/or municipal development authorities aimed at improving the housing conditions of the poorest city dwellers, a role is played by non-government organizations in (1) organizing beneficiaries, perhaps into cooperatives, (2) helping with repayment schemes, (3) providing representation vis-à-vis authorities, and/or (4) delivering technical assistance.

It should be pointed out that NGOs in India presently are not important actors in urban development processes. Only in very few cases have NGOs been involved in urban land delivery, usually in slum resettlement projects. This current lack of NGO "models" in urban land creation does not however preclude them from playing an important partnership role in the process. Thus this annex concentrates on looking: (1) overall, at the different facets of the sector, and (2) at a couple of specific examples of NGO involvement in shelter, in order to give the reader a first grasp of NGO potentials.

1. Background

The philosophical underpinning of private voluntary work in India is deep. Besides traditional Hindu and Moslem forms of community work and the importation of Christian missionary/charity movements during the British Raj, many of modern India's NGOs look to the philosophies of compassion and volunteerism propounded by Mahatma Gandhi. Private voluntary associations, societies, and trusts abound that are of various sizes, interests, areas of concentration, and modes of operation. It is estimated that presently there are 11,900 national voluntary agencies throughout the country, and in addition there are over 140 foreign-based voluntary agencies with programs in India. Sources of finance vary widely, with most relying on private donations and/or government grants. Foreign funding is considerable, estimated to reach Rs. 4.5 billion annually.

Most private voluntary organizations concentrate in rural areas. In fact, some NGOs specifically shun urban projects, seeing their role as correcting the exploitative relation of towns over the countryside.

Many NGOs that operate in cities tend to concentrate on specific slum areas. Programs in community organization, health, education, credit and income generation are the most prevalent. The shelter dimension has rarely been a major program component. At best it is usually part of comprehensive upgrading, although there appears to be a recent tendency to given shelter/housing more weight.

Some urban NGOs take a different approach, concentrating on organizing disadvantaged economic and caste groups to improve their savings potential, asset creation, and influence in the political arena. Some NGOs take an even more radical stance, seeing their main role as one of political advocacy, of empowering the exploited and disenfranchised.

2. NGOs and Shelter: Different Approaches/Philosophies

NGOs and shelter have been the subject of considerable debate (most prominently by an ICSSR Workshop held in New Delhi in 1986). Two different approaches to shelter seem to dominate. In the first, more traditional approach, the NGO sees housing as a commodity which should be supplied to those who lack it. The second, more radical approach sees housing as a social process which cannot be separated from the overall socioeconomic development of a community. These two differing points of view lead to two different ways of NGOs operating. The first can be called "NGO as small contractor", where the NGO fills a role in producing housing, usually in organizing the end-user community to meet bureaucratic requirements and financial commitments. This role can be seen, cynically, of doing for the state what it itself finds most onerous. The second approach sees the NGO as a "non-party political process" of raising social consciousness and demanding recognition from the state. Access to land and housing are only part of the rights denied to the poor and cannot be seen in isolation.

Most examples of NGO involvement in shelter tend to fall into the first category, if for no other reason than the fact that slum upgrading and resettlement are seen as mainly Government concerns. The CVG Shelter and Ekta Vihar examples described below are of this type. Other examples abound, such as the work of the Baroda Citizen's Council and VIKAS in Ahmedabad. The Ahmedabad Study Action Group's (ASAG's) involvement in Vasna (and other projects in South Gujarat) would put it somewhere in between the first and second category. Examples of the second category should include the SEWA approach (described below) as well as Unanyan's "Unintended City Project" in East Calcutta.

It must be mentioned that NGOs sometimes also work on specific aspects of the housing production process. Construction skills development for the poor (as with CODIAC in Madras) and the organized supply of building materials (Don Bosco Society, also in Madras) are examples.

3. Self Employed Women's Association (SEWA)

An offshoot of the Textile Labour Association, SEWA was established as a trade union in Ahmedabad in 1972 to organize exploited women workers to fight for their rights. It has since expanded into a number of cooperatives and also has a comprehensive savings/credit program through SEWA Bank. Its members come mainly from three economic groups: (1) small-scale vendors and hawkers; (2) home-based producers such as weavers, potters, and bidi makers; and (3) manual laborers who work on farms, in construction, as dhobhis, etc. These are among the poorest segments of urban society. The cooperative's basic philosophy involves a joint strategy of struggle and development.

SEWA as a trade union had 15,100 registered members in 1987, it sponsors 26 different production cooperatives, and its Bank has over 25,000 savers. Its coverage is both rural and urban but its base (roughly 70 percent of members) remains urban.

Housing has not been a central concern of SEWA, but it has noticed that a growing proportion of the loans its Bank provided to members have been for the acquisition/improvement of slum dwellings. These are women workers who have proven savings/repayment records and have themselves decided that improved housing is among their greatest needs.

In 1988 SEWA organized some 300 of these women who were bidi makers into a cooperative and approached the Ahmedabad Urban Development Authority (AUDA) for an allocation of EWS housing. After a period of negotiation, 110 EWS units located near the airport were to be allotted to these workers and their families. Payment and other arrangements were being finalized, only to find that the EWS housing had been canceled to allow for expansion of the airport runway.

SEWA is confident that, if EWS units are available, many of their members have the financial capacity to meet installment payments. For an EWS unit costing Rs. 20,000, beneficiaries could manage Rs. 4,000 to 5,000 downpayments and support up to Rs. 200/month mortgage installments. Contacts are continuing with AUDA and HUDCO. Also, SEWA has expressed interest in the EWS units which are to be part of the Parshwanath Township. (See separate Case Study.)

4. Action for Securing Help for All (ASHA) and Ekta Vihar

ASHA's work in the squatter settlement of Ekta Vihar serves as an interesting case of NGO-initiated slum upgrading and housing, one which has used the cooperative vehicle and has involved the active participation of government agencies. It has become, for New Delhi at least, a model project which has recently gained considerable attention.

ASHA, a private voluntary association, was started in New Delhi in 1988, primarily intended to provide both curative and preventative health services in some of the poorest squatter areas of New Delhi. Clinics have to date been set up in 20 different communities. One such community was Ekta Vihar, a poor squatter area of some 420 families, most of whom migrated from rural areas of Uttar Pradesh and Rajastan in the 1970s. It is situated on prime land in South Delhi which is owned by the Land and Development Office, an arm of the Delhi Development Authority (DDA).

ASHA started its clinic in Ekta Vihar in January 1989. It rapidly become apparent, as is often the case with health-oriented NGO activities, that no amount of health services will have a lasting impact in an area where environmental conditions are abysmal, and where there are no water or sanitation services and no proper shelter. Thus ASHA began to explore the possibility of an comprehensive upgrading scheme. Contacts with various government officials were made, including the Delhi Lt. Governor. It soon became apparent that were the inhabitants organized into a cooperative, Government might look favorably on the project. ASHA thus started the process of forming a multi-purpose cooperative in mid-1989, going through the quite arduous process of interesting the squatters, setting up accounts and by-laws, initiating registration of members and the collection of dues, etc. At the same time ASHA began what became a political pressure campaign to cajole Government into allocating the land, approving the upgrading scheme, and promising loan finance. Had ASHA not been led by a dynamic medical doctor it is doubtful the project would have gotten off the ground.

The scheme involved the provision of basic infrastructure to be supplied by DDA's slum wing, the subdivision of the land into 15 m^2 lots, the design of model houses, and loans of Rs. 5000 for housing construction. Loan funds were made available under a special arrangement with DDA's bank, the Oriental Bank of Commerce, carrying 4 percent interest over 10 years. (Requiring Rs. 50/month repayment, added to which are Rs. 30/month for dues, license fees for the land, etc. Given the extreme poverty and casual nature of work in the community, it will require considerable efforts to ensure continued good repayment.)

Work began very quickly, especially given the provisional nature of arrangements. At present all plots have been allocated and most houses are completed or under construction. And all this activity has taken place even though official registration of the cooperative only occurred in August 1990.

One interesting feature is that plots of land are being registered in the names of each family's mother/wife. In this way it is believed that the problem of plot resale, a very real possibility in such an attractive location, will be minimized.

The project has received considerable attention in official circles and the press. Three other such projects in Delhi are being started by other NGOs. The cooperative umbrella is now the accepted format, and in fact Government in Delhi has decreed that all future slum upgrading program beneficiaries must be organized into cooperatives. It almost seems that the formula "Cooperative + NGO + Slum Authorities + financial institutions" has suddenly been seized upon as a panacea. The case of Ekta Vihar shows that this formula can work, but only with strong NGO commitment and plain hard work with the community.

5. Vasna—An Experiment in NGO-Led Squatter Resettlement

In 1973 floods in Ahmedabad caused some 3000 families of hutment and slum dwellers to lose their shelters and be reduced from poverty to absolute destitution. The disaster focused attention on the plight of these people and relief efforts were mounted by Government. The Ahmedabad Study Action Group (ASAG), a private voluntary agency run by young professionals (mostly architects), submitted a proposal to the Ahmedabad Municipal Corporation which would focus on longer-term rehabilitation. Were an appropriate and affordable alternative to slums available, these people would voluntarily accept resettlement if they were involved in every stage of the process. There was an opportunity for a comprehensive approach which went beyond simple housing.

ASAG's proposed approach was accepted, and a 43 acre site some 7 kilometers from the city center was made available by the State of Gujarat. Oxfam provided a small amount of grant capital. The Ahmedabad Urban Development Authority agreed to provide all infrastructure for the site and some community facilities. HUDCO approved easy-term loans to beneficiaries. It was up to ASAG to organize the community and implement the project.

ASAG made every effort to integrate social action with the physical dimension of creating a new living environment. Thus, as well as developing appropriate housing designs and organizing the building process, emphasis was put on building community organizations, income generation schemes, education and training, community involvement in service provision, etc. Worker-cooperatives were generated.

Overall the project was successful, with resettlement running well. However, the project became a "political football": some corruption in plot allotment was uncovered, commitments for services were not kept, loan repayments were consequently poor, and in general relations between ASAG, the community and Government became strained. Communal tensions, common in Ahmedabad, also affected the community. Considerable re-sale of housing units took place. But despite these problems of the post-resettlement phase, Vasna has grown and matured.

The lessons of the project are many (see Shah, 1988, p. 79). Involving the community is certainly one of them, and the NGO role in this is crucial. But as pointed out: "A voluntary group might have temporarily succeeded in establishing a good working relationship with some official agencies for a while, but that is no proof of the government's openness or readiness to share responsibility and power with the people."

6. CVG Shelter Trust: Helping a Settlement Scheme Work

The Mogappair (East) Sites and Services Scheme was started in Madras in 1981, and by 1983 a total of 5062 serviced plots with sanitary cores were ready for allotment, part of which were to go to families being cleared from inner-city slums. CVG Shelter Trust, a voluntary organization, tried to help these people in the settlement process.

Quickly it was realized that CVG Trust's job was a difficult one. Not only were the settlers finding it far from easy to undertake build-out on their plots, but the sites and services project itself was substandard. CVG Trust's role became two-pronged:

(1) Pressuring for improved services: The S&S water distribution system did not work, there were no street lights, and schools, clinics and police stations had not been built. CVG Trust devoted considerable efforts to making continued representation to the concerned authorities, pressuring them to meet their responsibilities. In some cases (water and schools) the Trust provided temporary services directly.

(2) Helping Auto-Construction: Settlers were faced with difficulties in trying to build on their plots. They had no access to housing finance and building materials, nor were they versed in technical aspects and the building-permit procedures. CVG Trust tried to help, mainly by setting up a Resource Centre to provide technical assistance and building materials.

In this case the NGO came in as an intermediary or "sub-contractor". While the inhabitants of the scheme certainly benefitted from such an NGO effort, the NGO function appeared to be largely one of correcting what was a less-than-perfect Government S&S project.

7. A Potential for NGOs in Land and Housing Development?

The above examples of NGO involvement are only random samples taken from a very wide field, and it would be presumptuous to attempt conclusions without a much more exhaustive study. Even so, it appears that, while there is a great potential for NGO involvement in what it does best—promoting community organization and self-reliance—as part of a wider development partnership, this involvement is by no means easy. Donor agencies and Government must realize that there is no magic in the NGO role, that it requires tremendous commitment and lots of hard work, and that NGO capacities are not limitless. They must also realize that many NGOs no longer accept relegation to a secondary "subcontractor" role, one that only corrects the shortfalls of Government-sponsored programs. These qualifications should not, however, detract from the conclusion that there is a wide scope for many different formulae which involve NGOs, and that experimentation with different partnership permutations can only be welcome.

ANNEX C

PERSONS CONTACTED DURING MISSION

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Patel, J. C.
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ANNEX D

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