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Assessing four pillars of housing reform in Kolkata: A zero sum situation?

Abstract

Since 1991, Kolkata has implemented housing sector reform based on wider economic reform. The paper reviews four pillars of the reform - public-private partnership schemes, privatisation of public rental housing, township development and finance sector deregulation. It is argued that, reform initiatives representing profound structural changes have a pro-market skew and fail to recognise the needs of the bulk of its population. It is argued that the new reform measures have been successful in reviving the housing market by attracting private and foreign investment and producing housing for the middle and upper income population, but have led to loss of safety nets. As a result housing reform in Kolkata stands at a zero-sum situation where the benefits of housing market growth have been offset by the failure to meet the broader social agenda. While a general consensus in favour of housing reforms is evident, there is a growing concern that broader ideology of housing the poor is being discounted at the altar of capital-driven development.

1. Introduction

The advent of liberalisation has altered the geopolitical histories or social realities of many cities in developing countries. Kolkata, in India is no exception. The city has embraced a provocative, and almost, radical discourse on housing policy since 1991. This, with associated changes in regulatory and legislative framework has prompted shifting priorities leading to a very different landscape in the city. Whilst the reform is a pragmatic response from a traditionally resource-starved state (attracting private local and global investment in real estate) it boosts the roles of the processes of globalization and privatization apart from raising the stake higher, generating a global-local tension in governance as it is often feared¹ (Roy, 2003a; D'Costa, 2005; Banerjee, 2004; Chakravorty, 2004). Interestingly, the new approach is as aggressive and revolutionary as the Leftist government's agricultural land reform in the 70s and 80s that altered the rural landscape in West Bengal forever. New measures introduced under housing reform may mirror national views (Planning Commission, 2002) and enabling principles endorsed by the World Bank (1993) and the UNCHS (1992), how far they are useful for millions of slum and pavement dwellers in the city is a pertinent question to ask.

¹ Roy (2003, p. 6) sees the 'New Communism' reflected in the ongoing urban restructuring in the city attempting to replace informal city with 'a bourgeois city, ordered and orderly' thereby jeopardizing the future of city's some 35% population. D'costa (2005) predicts in the fast liberalising city, inherent contradictions arising from the capitalist competition and consumption would in effect stymie the real.

This paper aims to investigate the opportunities arising from housing reform in Kolkata to the urban poor. This is done in a 'post-project appraisal' fashion by analysing four pillars of housing reforms in a greater detail. Whilst, at this stage, the analysis may only give a cursory view because the impact of reform is usually long-term, it is important to recognise those early indicators that represent the governance-approach relative to needs of millions of urban poor. Section 2 presents an overview of housing and urban context. Section 3 reviews the four major initiatives to discuss some striking contrasts and consequences followed by conclusion. The paper is based on the premise that despite a general consensus for housing sector reform, there is a growing concern that broader ideology of housing the poor is being discounted at the altar of capital-driven development.

2 Housing and urban realities in Kolkata: contrast redefined

Kolkata has always enjoyed geopolitical significance throughout 20th century. During the pre-war era the city was capital of India, British colonial headquarter and had a million population already by 1921. Subsequently, mounting demographic pressures², political turmoil, regional industrial decline and poor infrastructure led to poor living conditions of the majority population branding the city a 'premature metropolis' (Bose 1973). The city's status as the epicentre of labour and capital however remained unchanged despite attempts to disperse industrialisation to other parts of the State that included radical pro-poor land reform policies. Continuous onslaught of migrants led to rise in urban poverty (GOWB, 2004a), with, homeless and pavement dwellers taking refuge in an unregulated informal economy.

In 2003, the city had up to 6,000 *bustees*³ (Kundu, 2004, p.4) although unofficial figures are much higher. The housing needs statement by KMDA shows a current average annual housing need at 70,000 units, which is projected to shoot up to 90,000 units by 2025 (KMDA, 2000, p. 73). In effect this estimate is obscured by lack of recognition⁴ to those living in unauthorized settlements. Christensen (2004) predicts as many as five million people live on the streets or in cardboard or bamboo make-shift homes who don't feature in government record. Housing problem in Kolkata, however is not just quantitative, the city has some of the worst forms of qualitative deficiency ever found. About 37% households were found living in one room units and only 8.8% of households in five rooms unit in KMA while the KMC had

² Infrastructure pressure is largely attributed to the catastrophic population growth during the India-Pakistan partition in 1947 and then again, Bangladesh-Pakistan partition in 1971.

³ *Bustees* are legal entities having a three-tiered tenancy system; first the land owner; second the hut owner (Thika tenant who has taken a lease from the land owner) and third the *bustee* dweller to whom the hut has been let.

⁴ Roy (2003a, p. 27) asserts the government approach of these people for fear of 'giving a false legitimacy to their existence'.

49% and 8% respectively (KMDA, 2000, p. 70). A prolonged undersupply of housing has made the city an exhibition site for 'housing poverty'⁵.

Contrast this with demand for luxury apartments rising steadily from growing prosperity, consumer confidence and falling interest rates and the consequent 'changing skylines' (Chatterjee, 2000) in the city. Private sector has expanded to capture this growing sub-market as reflected from plethora of newspaper headlines, promotional brochures and advertisement hoardings promoting new housing development in the city. '*A new city has emerged*', claims a brochure for potential investors, '*where business pulses like a quartz watch 24 hours a day*'. Just outside the airport, on the billboards for new housing estates of Spanish Villas, promises '*the idyllic Catalanian countryside*' in Kolkata.

Kolkata today is full of contrast imageries - of *bustees* and skyscrapers, of human rickshaws and BMWs and incandescent vitality of wealth and dull, grimy misery of poverty. In the face of this contrast^{6[5]} it is pertinent to investigate how reform initiatives recognise the interests of two increasingly polarising groups. Scholars have warned of 'growing amnesia' of the poor (Kothari, 1993) and 'active construction of neoliberalism' (Roy, 2003, p. 2) alluding to a systematic *deconstruction* of social safety net which form the basis of analysis in the following section.

3. Housing reform initiatives in Kolkata

Housing reform in Kolkata covers the whole gamut of production, financing and management of new and existing housing and makes some significant structural changes. In fact, the reform brings together entities that have traditionally operated in isolation, boosts the role of private sector as a producer and financier while maintaining a strong state's role as a regulator. This naturally leads to greater expectation for the city that has over 80% population classified as low-income group or lower.

Public-private partnership (PPP) as the first pillar of housing reform in Kolkata is a significant policy breakthrough both politically and commercially in Kolkata as it combines efficiency and productivity of the private sector with the accountability of public sector. It also constitutes an effective form of public governance and conforms to

⁵ CMDA (2000) has categorised the population for the city of Kolkata in four different economic groups based on their general level of household monthly income as follows: up to INR 1,999 in the Economically Weaker Section (EWS); between INR 2,000 and 4,999 in the Low Income Group (LIG); between INR 5,000 and 9,999 in the Middle Income Group (MIG) and more than INR 10,000 in the High Income Group (HIG).

⁶ Hornsby (1997) called this 'hybridism' typical to any colonial port city consisting of a large native population and bazaar economy, and a small European population and firm-centred economy dividing the city into a native or 'black' town and a European or 'white' town. Nothing seems have changed so far in nearly a century long history.

the global economic trend. It is expected that that PPP would not only raise supply levels overall but also ensure bulk of new supply is targeted to the urban poor suggesting a perfect mix of balance of profit-making and welfare. However when set against the objectives of the reform, the outcome of PPP has been rather disappointing. The scheme has delivered 8,500 (GOWB, 2006) since its inception which equates to one tenth of projected average annual housing need in over a decade or so. Less than 20% of the total output has gone to the poor. This corresponds to a complete failure of the policy to meet its objectives to address the needs of 80% population.

Whilst, it has been argued that PPP has been successful in triggering a real estate boom in the city and its contributions to raising housing quality standards does not go unnoticed, it appears to have been the hostage of its own aspirations that clearly lacked methodological know how as to how to achieve what it intends to achieve. A public sector-led PPP scheme would, in theory, have a bottom-up approach, beginning at *bustees* and slums level and then grow upwards. Rather than bringing investment into areas where housing poverty is concentrated, PPP has, in fact, had an opposite effect by taking away some of the investments from them. This reflects a national trend which shows 1.8 percent of the total planned budget allocated to address the needs of the bulk of city's population during the 1990s (KMDA, 1992).

The sale of public rental housing in Kolkata as the second pillar of housing reform, has gained momentum since in the 1990 which primarily emerged out of a need to salvage the loss-making public rental housing⁷. The economic logic to privatizing PRH is almost incontestable, the policy ignores potential alternatives which would be equally fitting with neoliberal ideals. The corollary of this argument is that, a budding economy under liberalisation should widen its networks, partnership and not undermine the ability of a third sector to manage an organisation such as this. The policy also ignores the equity issues (La Grange, 1998; Hoffman and Koleva, 1993, Ho, 2004) associated with first, the permanent loss of affordable/accessible housing for the poor, and second, social injustice arising from selling units at throwaway prices to those who have enjoyed it for many years. This is an important issue given loopholes in the system have subjected PRH to widespread abuse. Majority households in KMDA are within the middle income category of KMDA with median income per month as high as INR 9,500^[7] indicating most beneficiaries not deserving housing subsidy (Sengupta, 2006). Third, the policy also ignores the opportunity to unlock hundreds of acres of prime land for redevelopment is lost, particularly in an era when half of Dharavi in Mumbai (Mukhija, 2003) is up for redevelopment. The sale of public rental housing in Kolkata has posed the biggest conceptual challenge to the incumbent Communist regime in Kolkata (Sengupta and Tipple, 2006). The efficacy of the sale policy within the liberalisation context should therefore be assessed in terms of how successfully it handles redistribution of this rare subsidy given that the inventory of PRH in the city is an essential part of that safety net in order to fend off possible negative externalities of the market.

⁷ In one example, the annual maintenance liability for all categories of flats maintained by Estate Directorate was INR 100 (US\$ 2.28) million which contrasted with INR 15 to 20 (US\$ 0.34-0.45) million rental earnings, thus causing the Directorate a net annual loss of INR 80 million. Kolkata Improvement Trust (KIT), the second biggest social landlord in the city earned between INR 3.8 to 3.9 (US\$ 0.086-0.088) million annually as rent from its 8,341 flats as compared to INR35 million spent on maintenance and service.

The third pillar of reform pertains to land supply system in Kolkata. Within the housing reform context, the government has justified the role of a dozen or so township development currently underway to be pro-poor with provision for low-income housing units. Kolkata has always had land supply problems and with an estimated 800 ha land needed annually to meet the need generated by annual housing need, new town policy seems logical. Township development has been the hotbed of investments today but, there is little evidence that beneficiaries of such a significant capital investment is reaching the poor. The combined share of EWS and LIG allocation Rajarhat development, by far the biggest and most regulated township development is 21%.

Studies on Rajarhat township have shown that both land development multiplier and land price to income ratio to be very high (Sengupta and Sharma, 2007). It is generally recognised that Indian metro cities tend to have high land development multiplier *vis-à-vis* other Asian countries, but the international comparison suggested the ratio to be substantially greater than the average figures recorded in the region and beyond. The outcome of the high land development multiplier and land price to income ratio is that developed land in the New Township is only available at a price that is beyond the reach of the majority urban population. Unfortunately the price of highly developed land to income ratio is high even with the government subsidy. In the New Town land made available at subsidized prices that could potentially cater to the LIG and EWS population is negligible which confirms a diminishing trend of LIG and EWS share in land development since Kalyani and Salt Lake development in the 60s and 80s. Another key but related aspect of the township development is also its exclusionary spatial planning which makes no provision to accommodate informal economy without which even those households fortunate enough to secure land will face problems encountered by some of the slum relocation policies implemented in the 1980's. *In the capitalistic mode of land supply, once the race begins, a variety of stakeholders join in, but the 'urban poor' and the 'low income groups' are excluded and allow the rich and powerful to improve their position in the market* (Kundu, 1997, p. 9).

As a fourth pillar of the reform housing finance sector in Kolkata has been subject to a major deregulation in the 1990s in line with international trend that recognises the need to develop sustainable supply of finance as part of set of policy measure for improving housing affordability (Buckley and Kalarickal, 2005). The focus now has shifted to enabling consumers to borrow public resources to shop the kind of housing they want. As the mortgage market liberalized and increasingly integrated with wider economy, Banks and housing finance companies have expanded rapidly (Smets, 1997; EPW, 2004; Sharma, 2004). As a result nation-wide interest rates have dropped more than half and loan disbursements have soared by 400% in the last 5 years.

But these development have not been equally relevant to the urban poor. Most finance schemes are targeted to city's expanding upper middle class population. Restrictions are levied on those without regular income and a cut off line is imposed at 50% of net take home pay. These criteria systematically keep the low-income and those within informal sector employment cannot obtain loans to cover the full cost of purchase and are hence forced into relying on more onerous private sources to fill the finance gaps. The government's attempt on '2% mandatory low-income loan' has been fiercely contested by the banks citing recovery problems. Since the finance sector deregulation in the 1990s, public housing suppliers have curtailed their financing role by abolishing

the payment options, which the purchaser had enjoyed in the pre-1990 era and have thus opted out of directly administering any financing schemes.

4. The aftermath of housing Reforms: A zero-sum situation?

As with the hybrid urban context of Kolkata outcomes of the neo-liberal housing reform are beset with contrasts. If the high quality tower blocks constructed under PPP have given a new lease of life to the sluggish housing market in Kolkata, the sale of public rental housing has heralded the beginning of the end of social housing in the city. If the new townships have successfully transformed urban fringes by being the concentration of housing and urban development investments they have also been the archetype of new spatial order that has excluded the low income community. Such contrasting outcomes can be articulated in two-ways. First, experience of the reform thus far suggests an inequitable redistribution the society's scarce resource that excludes the disadvantaged groups from sharing the benefit thereby negating one of the principal reasons for government intervention in land and housing sector. Second, the implication is manifested in the lost opportunities for *bustees* to improve in the form of investment flights and environment clean-ups⁸. In a city with a large marginalised population with little relevance to legal, formal system must learn to avoid greater social and economic exclusion by providing equal opportunities to the urban poor. Taken all together, it can be argued that Kolkata's housing thus far stands at a zero-sum situation^{9[9]}. The reform, whether through policy oversight or deliberately, systematically excludes a significant group of population from the housing system. The implication of which could be catastrophic.

The caveats in the process do not rule out the possibility of implementing reforms that are capable of safeguarding the interests of the poor. The reason being the new reforms in real estate sector in India, like the broader reforms in the economy are 'extremely different from the perspective of the past 30 years of government intervention' (Buckley and Kalarickal, 2005, p. 247). To succeed however, Kolkata needs to articulate the hybrid urban reality to focus on where the housing poverty is concentrated. This is also an important agenda for future research.

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⁸ In one instance, in the name of environmental improvement, *Operation Sunshine* was launched in 1996 to evict over 50,000 hawkers from the city's main streets and bazaars. Implicit in this campaign is the 'city beautiful' movement by sweeping out the poor from their shelter, those footpaths and pavements that they occupy when the shops close and nights set in (Banerjee, 2004).

⁹ The term zero-sum was first coined by mathematician John von Neumann and economist Oskar Morgenstern in their book 'The Theory of Games and Economic Behaviour' published in 1944. In game theory a zero-sum game is one in which each player has a clear purpose that is completely opposed to that of the opponent. In economics this situation means gains of one party is exactly balanced by the losses of another resulting in no net gain or loss.

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