



**Best Practices in Slum Improvement:
The Case of Ahmedabad, India**

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I. Executive Summary

The city of Ahmedabad in the state of Gujarat in western India is currently faced with the potentially contradictory objectives of attracting global capital while at the same time preventing marginalization of its low-income population. Approximately 41% of the city's population resides in informal settlements and 75% of the working population is employed in the informal sector. Over the years, the government has tried several different policies and schemes to address the issue of low-income housing, however, these have remained largely ineffective in addressing the systemic causes of slum formation and in meeting the basic services needs of the urban poor. Against this backdrop, this case study presents a slum upgrading program of the Ahmedabad Municipal Corporation that was initiated in 1995 and was able to achieve some success in improving the living conditions of the city's slum dwellers.

The objective of the Slum Networking Program (SNP) is to provide a package of physical improvements (individual water supply, individual sewerage connections, individual toilets, storm water disposal, paved roads, street lighting and solid waste management), and community development initiatives (assistance in the formation of community based organizations, increasing access to primary health care and education, support for income-generating activities, etc.) to slum households. The program is implemented through a partnership between the city government, the beneficiaries, NGOs, the private sector and a community based financial institution (SEWA Bank). The premise is that services should be provided only where there is a clear demand for them, and so participation in the program is voluntary and is secured by beneficiary contribution of a certain proportion (approximately 13 percent) of the cost of infrastructure and services provided. The city government also provides an assurance to beneficiary households that they will not be evicted for a period of 10 years following the implementation of the project. This provides a strong incentive for slum dwellers to invest in improving their living conditions.

The NGOs are responsible for building awareness about the benefits of participating in the program, assisting slum communities in setting up Community Based Organizations (one of the pre-requisites of participating in SNP), undertaking training and capacity building activities and improving the households' access to health, education and enhanced livelihood generation options. SEWA Bank offers housing microfinance products to enable the beneficiaries to save the contribution amount – an overwhelming majority of participants are able to save the required amount, but loans are also available for those who are unable to save. It is thus observed that this case represents a very specific type of housing microfinance: the type of account being savings and not loans, and the purpose being in-situ improvement and not new house construction loans. The private sector was instrumental in launching SNP in Ahmedabad – a textiles manufacturing firm called Arvind Mills first approached the Municipal Corporation with a proposal, which would improve the living conditions of its workers. During the pilot phase, the private sector contributed almost one third of the total costs as well as undertook the implementation of the project. Now, the role of the private sector is confined to financial contribution only.

This case argues that the design of SNP incorporates several financial and institutional innovations; however, a retrospective review of its implementation reveals mixed results. Over a

period of ten years, the program has benefited 10,000 households across 45 slums – this represents a mere three percent of the city’s slum population. The pace of implementation has been slow due to land related issues, capacity constraints and lack of sufficient political and bureaucratic will. Having said that, the program is considered successful in terms of improving the health and well-being of beneficiary households. Another consequence has been the increased participation of slum dwellers in the formal financial system, following their introduction to saving with SEWA Bank. The CBOs formed for participating in SNP have remained active in many slum communities, and in some cases, they have organized themselves around livelihood opportunities such as solid waste management. They play an important role in maintaining the assets created by the program, and provide a channel for targeted government subsidies or other development assistance.

The costs of providing infrastructure and services have increased since the inception of the program; however, the amount of contribution from beneficiaries and NGOs has remained constant. During the pilot phase, the beneficiaries contributed approximately 28 percent of the total cost of services provided under the program, whereas now they contribute only 13 percent. The city government meets the remaining additional expenditure. Thus, while the scheme was designed with a substantial proportion of beneficiary contribution, it is now highly subsidized by the city government.

To conclude, SNP offers an example of a relatively successful intervention in slum upgrading by the city of Ahmedabad. It provides lessons in institutional design and the partnership approach to basic service provision. It is important to recognize that the amount of contribution required was low enough for beneficiaries to save and not require loans. The presence of a community based financial institution, SEWA Bank, was critical in the success of the program since it was able to provide a savings facility to slum dwellers in contrast to most MFIs in India, which tend to be geared towards lending. While the program has faced constraints in scaling up, it has achieved a certain degree of success in a sector where improvements are extremely hard to bring about.

II. Section I: Case Study Purpose

The city of Ahmedabad, with approximately 41 percent of its population residing in informal settlements, currently faces the potentially contradictory objectives of attracting global capital while at the same time preventing further marginalization of its low-income population. The commercial capital of the state of Gujarat in western India, Ahmedabad is one of the most progressive cities in India in terms of financial, accounting and administrative reforms. It has also undertaken a series of measures to improve the living conditions of its poor and vulnerable population. This study focuses on one such measure – the Slum Networking Program – that has been designed to provide infrastructure improvements and community building support to slums in the city, while also guaranteeing that they are not evicted for ten years after completion of the program. It is implemented as a partnership between the city government, the beneficiaries, NGOs and a community-based financial institution. The program is based on the premise that services should be provided only where there is an expressed demand for them, and so beneficiary slums are required to demonstrate their willingness to participate in the program by contributing a proportion of the costs.

The purpose of this case study is to illuminate the financial arrangements that enabled this partnership approach to work in a sector that is traditionally considered the domain of the public sector alone – that is, basic service provision to the urban poor. The aspects that are addressed in this case are those of slum upgrading vs. new housing, public-private-NGO partnerships, and the financial design that enabled beneficiary contributions and government subsidies to work together. The case study argues that while the design of the program incorporates several innovations, it has witnessed mixed results in its implementation. Over the course of ten years, only 45 slum settlements (out of more than 1,000 settlements in Ahmedabad) have benefited from the program, which account for approximately three percent of the city's informal population. The slum communities covered under the program have experienced increased levels of health and well-being and have enhanced their livelihood generation capabilities. To some extent, the residents of these slum communities have also been brought into the formal financial system.

The case is laid out as follows: Section II provides some background information on India and Ahmedabad, the study city. This is followed by a more detailed discussion on the problem of informal settlements in Ahmedabad in Section III. The Slum Networking Program is detailed in Section IV, along with an explanation of the roles of the partner organizations as well as the financial design of the project. Section V and VI outline the results and impact of the program as well as lessons learned. Section VII concludes.

III. Section II: Ahmedabad: An Urban Profile

a. Country Profile

India is the world's largest democracy, with a population of 1.1 billion in 2007 growing at 1.58 percent annually¹. It is the fourth largest economy in the world in terms of purchasing power, and the twelfth largest measured at market exchange rates. The GDP in 2007 stood at \$2.9 trillion in PPP terms, and \$1.09 trillion at the official exchange rate. This amounts to an effective \$2,700 per capita in PPP terms, with a high level of disparity in the income distribution. On the one hand, India's economy has grown at a rate of seven percent since the beginning of the decade, and on the other hand, poverty, illiteracy and malnutrition remain persistent.

India's urban population is almost one-third of its total population, and the annual exponential rate of growth of the urban population over the decade 1991 to 2001 stood at 2.73 percent². The nature of urbanization is extremely uneven, with ten percent of its cities and towns accounting for 70 percent of its urban population. Gujarat, the Indian state in which our case study is located, has a level of urbanization of 37.35 percent, compared to an all-India average of 27.78 percent. Its rate of growth of urban population stands at 2.8 percent, slightly higher than the all-India average.

¹ The information in this section has been compiled from the CIA World Factbook, accessed at: <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>.

² All data on urbanization for this section have been drawn from the *Oxford Handbook on Urbanization in India*, K.C. Sivaramakrishnan, Amitabh Kundu and B.N. Singh, Second Edition, 2007.

b. Socio-political context

India is a federal democracy with a three-tier governmental structure. Until the early 1990s, power was shared between the Centre and the States, with the Centre retaining responsibilities such as macroeconomic stabilization, international trade, foreign relations and defense, and the States being responsible for law and order, health, education and land rights. India has a fairly recent history of decentralization of power to local governments, which began with an amendment to the Constitution in 1992. While certain responsibilities have been effectively devolved to local governments, this has not accompanied a corresponding devolution of funds and functionaries. State and local governments, through a complicated system of inter-governmental transfers, finance infrastructure and service provision. Indian cities are currently under the strain of a rapid and uneven pace of urbanization that has not been matched by an increase in the levels of service provision in urban areas.

Despite the odds against Indian cities, Ahmedabad has achieved the status of being one of the most progressive cities and has been able to benefit from the reform process initiated by the central government in the 1990s. Ahmedabad is the largest city in the state of Gujarat and is the seventh largest Urban Agglomeration in India. It is located on the banks of the River Sabarmati. It was also recently granted 'megacity' status by the Government of India³. The Ahmedabad Municipal Corporation (hereafter referred to as AMC or the Corporation) is responsible for the civic infrastructure and administration of Ahmedabad. For administrative purposes, the city is divided into 5 zones, each of which is further divided into 9 wards. The AMC is headed by a Mayor, while the executive authority vests with the Municipal Commissioner, who is an official of the Indian Administrative Services and is appointed by the state government. The Indian Administrative Service is an all-India service of administrators or bureaucrats, and its officials hold positions of significant responsibility at both the central and state levels.

After a severe fiscal crisis in the early 1990s, the AMC undertook a series of reforms including accounting and property tax reforms. This led to an improvement in its finances, and in 1998, Ahmedabad became the first city in India to issue a bond for public subscription. After municipal bonds were granted tax-free status, it was again the first city to issue a tax-free municipal bond in 2002. The city government has a credit rating of A+. Today, AMC continues to remain a progressive institution and has undertaken budgetary reforms (ward-wide budget system, expenditure tracking system, monitoring system, etc) and has shifted many of its services (such as birth and death registration, property tax valuation, etc) to an e-governance platform⁴. The AMC enjoys a high level of autonomy in revenue use, as can be seen from the fact that it depends on the state government for only ten percent of its total revenue⁵.

c. The Prevailing Urban Dynamics in Ahmedabad

The textiles industry was an important driver of the city's economic growth and a major source of employment until the 1980s. With the closure of a majority of the textiles mills in the mid-1980s, the city was faced with widespread unemployment. It is surmised that a large number of these textiles workers were subsequently absorbed into the informal sector, in the absence of any effective government schemes to re-train or rehabilitate them. A survey by the Gujarat Institute

³ There are seven megacities in India, which are cities with population greater than four million.

⁴ This can be accessed at: <http://www.egovamc.com/>.

⁵ Bhatt, Mihir, *The Case of Ahmedabad, India*, 2004.

of Development Research found that in 1997-98, the informal sector accounted for 77 percent of the employment and 46 percent of the income generated in Ahmedabad⁶. More recently, the 61st Round of the National Sample Survey estimated the proportion of working persons in the total population aged 15+ to be 51.6 percent in 2004 – 2005⁷. Of this, the categories self-employed, regular employees and casual labor accounted for 19.2 percent, 24.8 percent and 7.6 percent respectively. This shows that formal sector employment remains low at 24.8 percent. The workers in the informal sector in Ahmedabad include daily wage laborers, construction workers, rag pickers, *bidi* (hand-rolled cigarettes) and *agarbatti* (incense sticks) workers, street vendors, domestic workers, ready made garments workers, embroidery workers, factory workers in industries like steel, glass, spinning, dyeing, and agricultural workers on the outskirts of the city.

In 2002, over 41 percent of the population of Ahmedabad city, comprising over 3.5 million people⁸, lived in informal settlements. While the census places this figure at 13.5 percent, the AMC itself has reported that the population living in slums is 21 percent and that in *chawls* is 20 percent⁹, amounting to 41 percent in informal settlements. While slums are illegal occupation of the marginal areas of the city by migrants and squatters, *chawls* were originally residential units built for workers in mill premises. The slums and *chawls* in the city are highly concentrated in the East zone (for further details, see Section III). This is partly due to an expansion of the city's limits in the 1980s, to include an eastern periphery that was largely unplanned and lacked physical infrastructure¹⁰. During this period, the proportion of the city's population living in informal settlements increased dramatically. The success of any slum improvement strategy in the city critically depends on its ability to tackle the slums in Eastern Ahmedabad.

IV. Section III: The Challenge of Informal Urban Settlements in Ahmedabad

Gujarat ranks fifth highest¹¹ among Indian states in terms of number of slums, after Andhra Pradesh, Bihar, Chhatisgarh and Delhi. The following are some indicative facts about the status, land use and level of physical infrastructure in Gujarat's slums:

- Only 27 percent of the slums in Gujarat are notified and 73.1 percent are non-notified, with 63.7 percent of households living in non-notified slums¹². This compares

⁶ Speech by Ela Bhatt titled *Up and Ahead: Urban Poor in a Globalizing City*, Urban Forum – World Bank Meeting, 3 – 5 April 2005.

⁷ National Sample Survey Organization, *Employment and Unemployment Situation in Cities and Towns in India, 2004 – 05*, NSS 61st Round (July 2004 – June 2005), NSSO, Ministry of Statistics and Program Implementation, Government of India, 2007.

⁸ Population of Ahmedabad available at the AMC website:

http://www.amcmegacity.com/amc_web/amc/amclink/statistical/populationdetail.aspx.

⁹ Gujarat State Urban Slum Policy, Draft Policy, accessed at: <http://www.cmag-india.com/download/Final%20Draft%20GSUSP.pdf>.

¹⁰ Davis, Jennifer, Massachusetts Institute of Technology, *Taking Urban Upgrading to Scale: Where are the Bottlenecks*, 2002.

¹¹ National Sample Survey Organization, *Condition of Urban Slums 2002: Salient Features*, NSS 58th Round (July 2002 – December 2002), NSSO, Ministry of Statistics and Program Implementation, Government of India, 2003.

¹² Here, a 'non-notified slum' is "a compact urban area with a collection of poorly built tenements, mostly of temporary nature, crowded together usually with inadequate sanitary and drinking water facilities in unhygienic conditions, if at least 20 households live in that area. Urban areas notified as slums by respective municipalities, corporations, local bodies, or development authorities were treated as 'notified slums'", according to the NSS. Having notified or non-notified status has important implications for the level of service provision in slums.

unfavorably with the all-India average, which is 50.6 percent notified slums and 49.4 percent non-notified slums (and only 34.9 percent of households live in non-notified slums).

- In Gujarat, 86 percent of notified slums and 68 percent of non-notified slums are on public lands (the corresponding all-India figures are 64 percent and 63 percent respectively).
- 81 percent of notified slums in Gujarat are *pucca* (permanent), 19 percent are semi-*pucca* and none are *kutch*a (temporary); whereas for non-notified slums these numbers are 30 percent, 69 percent and 2 percent respectively. All-India figures are: 65 percent, 30 percent and 6 percent; and 30 percent, 40 percent and 30 percent.
- 81 percent of notified slums in Gujarat have a *pucca* road within the slum, whereas only 20 percent of non-notified slums have the same.
- 81 percent of notified slums and 79 percent of non-notified slums in Gujarat are water-logged during monsoons, whereas the all-India figures are only 36 percent and 54 percent.
- The proportion of slums in Gujarat having access to underground sewerage is 83 percent for notified slums and 7 percent for non-notified slums. Across India, access levels are 30 percent for notified slums and 15 percent for non-notified slums.

On most of the indicators listed above, slums in Gujarat fare worse than the average Indian slum. The problem is particularly acute in Ahmedabad, with approximately 41 percent of the city's population residing in informal settlements that are characterized by overcrowding, unsanitary conditions, insecure tenure and a high level of public health risk. There are two dominant types of informal settlements in Ahmedabad – slums that usually involve illegal occupation of the marginal areas of the city by migrants and squatters, and *chawls*, which were originally residential units built for workers in mill premises. The former tend to situate themselves along the waterways of the city or on vacant land, and to some extent are found along the riverfront and other low-lying areas¹³. Eastern Ahmedabad accounts for 47 percent of the slum units and 77 percent of the *chawl* units of the city. **Table 1** gives details on how many of the city's total housing units are slums and *chawls*, and how they are spatially distributed across the city.

TABLE 1
Details on locations of slums in Ahmedabad

	% housing units as		Distribution of units		
	Slums	<i>Chawls</i>	Total houses	Slums	<i>Chawls</i>
Walled city	7.93	2.74	10.55	5.59	1.30
East Ahmedabad (old limits)	15.99	38.84	43.75	46.72	76.46
West Ahmedabad	21.94	6.00	18.98	27.83	5.13

¹³ Bhatt, Mihir, *The Case of Ahmedabad, India*, 2004.

East Ahmedabad (new-old limits)	11.03	14.24	26.71	19.86	17.11
Whole city	14.97	22.23	100.00	100.00	100.00

Source: Mahadevia, Darshini, *Interventions in Development: A Shift towards a model of Inclusion*, In Kundu and Mahadevia (eds) (2002) 'Poverty and Vulnerability in a Globalising Metropolis Ahmedabad'. Manak Publications, 2002.

The policy response of the government to the problem of squatter settlements has varied over the years. The various schemes and programs of the government have proved largely ineffective in addressing the systemic causes of slum formation and in meeting the basic services needs of the urban poor. During the first few decades of India's independence, the government's approach was driven by the notion of 'slum-free cities', and this phase was marked by large-scale evictions and demolitions accompanied by resettlement and in later stages, attempts at rehabilitation. This proved unsustainable because resettlement often meant displacing the urban poor from their sources of livelihood and increasing the burden of transportation on their household expenditure, since the new housing was often situated in the city periphery. At the same time, new settlements would spring up to take the place of demolished ones in the city. The policies initiated in the 1970s demonstrate an acceptance of the failure of this approach, and broaden the focus of low-income housing policies to include slum improvement. The Slum Improvement Program (SIP), Sites and Services scheme, Environmental Improvement of Urban Slums (EIUS), Urban Basic Services Program (UBSP) and National Slum Development Program (NSDP) all reflect a better understanding of the integral nature of slums in the economy of Indian cities.

At the state level too, the government has taken steps towards improving the lives of slum dwellers. An instance is the Gujarat Slum Areas (Improvement, Clearance and Redevelopment) Act, 1973, which was subsequently amended in 1988. Among other provisions, the Act allows the government to improve the physical infrastructure in slums and to recover costs from slum dwellers. For implementation purposes, the Gujarat Slum Clearance Board (GSCB) was set up to take up housing projects for low-income groups. The GSCB was not able to successfully carry out *in situ* upgrading, and was able to construct only 16,700 new units of which about ten percent¹⁴ (according to official figures; the real rate is likely to be higher) are vacant due to their distance from the heart of the city. Following the recommendations of a committee under the Private Sector Restructuring Program, which was carried out with the purpose of reducing the state government's participation in the commercial sector and increasing private sector participation, the GSCB was shut down and all its assets and liabilities were transferred to the Gujarat Housing Board. Another program implemented by the state government in the 1970s was the Urban Community Development Program (UCD), which provided for a separate UCD cell in the AMC responsible for health, education and other community development initiatives for the urban poor. In addition, the state government amended the Bombay Municipal Corporation Act 1949 (under which AMC is constituted) to make it mandatory for the AMC to spend at least ten percent of its own revenue for improving basic services in slums and *chawls*¹⁵.

¹⁴ Gujarat State Urban Slum Policy, Draft Policy, accessed at: <http://www.cmag-india.com/download/Final%20Draft%20GSUSP.pdf>.

¹⁵ Dutta, Shyam, *Partnerships in Urban Development: a review of Ahmedabad's Experience*, Environment and Urbanization Vol 12 No 1 April 2000.

The approach of the AMC until the 1990s was one of tolerance towards informal settlements on public and private lands. It allowed activities such as hawking on public lands and did not enforce anti-poor legislations. During the mid-1990s, the AMC spent nearly one-third of its capital budget in improving the basic services and infrastructure in the slums of East Ahmedabad.

However, this outlook is changing now as Ahmedabad increasingly aims to attract transnational capital and gain international recognition for its progressive policies. This can be seen by some of its proposals, such as the Sabarmati Riverfront Development Project, which will affect a large section of slum dwellers who are living on the riverbank (an estimated 8,000 – 10,000 households), as evictions in the riverfront area are likely to increase. The city is also considering passing a ban on hawking¹⁶.

Another development at the national level that has cemented this change in outlook is the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched by the central government in 2005. The JNNURM is an ambitious program that seeks to incentivize the reform process in certain identified cities by providing grants to cities that implement fiscal and administrative reforms in their governance processes. JNNURM recommends that 20 – 25 percent of developed land in all housing projects (both public and private agencies) be earmarked for EWS (economically weaker sections) and LIG (low-income groups) categories with a system of cross-subsidization¹⁷. This has important implications for programs that aim to provide *in situ* improvements in slum settlements, as city governments perceive that their ‘targets’ of pro-poor expenditure are met with these new housing investments. As we will see in the following section, this has had some impact on the pace of implementation of the SNP in recent years.

Keeping in mind the complexities of providing shelter that is affordable and of a reasonable quality, and the historic inability of city and state governments to address the housing and basic service provision gaps, we now proceed to study a project initiated by the AMC which has attempted to improve the living conditions of slum dwellers and the overall environmental conditions in the city of Ahmedabad.

V. Section IV: The Slum Networking Program, Ahmedabad

The Slum Networking Program (SNP), also known as Parivartan (meaning ‘transformation’), has been recognized as an instance of international best practice in the area of shelter for the urban poor. It has received the Dubai International Award for Best Practices to Improve the Living Environment, and has been featured in several studies¹⁸ on innovative approaches to urban

¹⁶ Bhatt, Mihir, *The Case of Ahmedabad, India*, 2004.

¹⁷ Jawaharlal Nehru National Urban Renewal Mission, Overview, Ministry of Urban Employment and Poverty Alleviation & Ministry of Urban Development, Government of India, accessed at: <http://jnnurm.nic.in/nurmudweb/toolkit/Overview.pdf>.

¹⁸ Some of these are: Madhu Bharti, *Wealth and Well-Being Impacts of Slum Upgrading and Improved Service Delivery*, CEPT University, 2002; Acharya, Shrawan Kumar and Sonal Parikh, *Slum Networking in Ahmedabad: An Alternative Paradigm*, In: Kundu Amitabh and Darshini Mahadevia (Eds) (2002) ‘Poverty and Vulnerability in a Globalising Metropolis’ – Ahmedabad, Manak Publications, 2002; the Centre for Urban Development Studies,

housing micro finance in developing countries. In its design, SNP incorporates several financial and institutional innovations; however, a retrospective review of its implementation reveals mixed results.

Slum networking has two objectives – one of them is to upgrade the physical infrastructure in slums and to connect them to city networks of water supply and sanitation, and the other is to improve the socio-economic conditions of slum dwellers. It aims to improve the overall life and environmental conditions of the city through a series of improvements in its slums. SNP started out in 1995 as a partnership between the Ahmedabad Municipal Corporation (AMC), two city based NGOs (SAATH and Gujarat Mahila Housing Trust (MHT), which is a sister organization of the Self-Employed Women’s Association, better known as SEWA), the private sector (at the time represented by Arvind Mills, a reputed textile manufacturing firm headquartered in Ahmedabad), SEWA Bank and the beneficiaries. Participation in the program was voluntary, and slum communities were required to demonstrate their willingness to participate by contributing a proportion of the costs, as well as by setting up a Community Based Organization (CBO) with the assistance of participating NGOs. These CBOs would later be responsible for the maintenance of infrastructure services provided through the program. The slum communities were provided a package of physical improvements (individual water supply, individual sewerage connections, individual toilets, storm water disposal, paved roads, street lighting and solid waste management), and community development initiatives (assistance in the formation of CBOs, better access to primary health care and education, support for income-generating activities, etc.) for a contribution of Rs. 2,100¹⁹ per household, based on a pre-determined cost-sharing formula (details on the cost-sharing arrangements in **Table 2**). AMC led the project, played a key role in identifying potential beneficiary slums and coordinating between the different partners. It also provided 33 percent of the costs of infrastructure upgrading, 70 percent of the community development costs, and 100 percent of the costs of connecting the slums to the main city infrastructure. Most importantly, AMC would provide a guarantee to participating communities that they would not be evicted for a period of ten years following the project. A UN Habitat study (2003) stresses that providing security of tenure is the most effective means for alleviating poverty in slums²⁰. The NGOs – SAATH and MHT – played a crucial role in mobilizing the communities and building awareness about the benefits of participating in Parivartan, assisting the communities in setting up CBOs, providing training and capacity building, as well as acting as intermediaries between the beneficiaries and SEWA Bank. SEWA Bank played the role of the financial institution providing housing microfinance – in the form of individual savings accounts and loans in some cases – as well as financial literacy training for community members. During the pilot project, the private sector contributed towards the physical infrastructure costs as well as actually carried out the physical improvement work

Harvard University, *Housing Microfinance Initiatives: Microfinance Best Practices*, 2000; UNDP – World Bank, Water and Sanitation Program South Asia, *Credit Connections: Meeting the Infrastructure Needs of the Informal Sector through Microfinance in Urban India*, 1999; Water and Sanitation Program South Asia, *Working with Citizens to Improve Basic Services*, 2005; Jennifer Davis, Massachusetts Institute of Technology, *Taking Urban Upgrading to Scale: Where are the Bottlenecks*, 2002.

¹⁹ All amounts in the case study are quoted in Indian National Rupees (INR or simply Rs.). The conversion rate as on 30th June 2008 stands at: **\$1 = Rs. 43**.

²⁰ As cited in the *Interim Report of the Task Force 8 on Improving the Lives of Slum Dwellers*, UN Millennium Project, 2004.

through contractors. After the completion of the pilot, Arvind Mills left the partnership and AMC agreed to meet the private sector contribution in case there was no private partner.

Parivartan signified a departure from the current perceptions and mindset of the local government in several ways. First, the local body signaled that it was willing to relinquish the role of sole provider of services, and move towards becoming a facilitating partner.

The Cost-Sharing Arrangement for SNP

AMC calculated that the on-site upgrading cost was Rs. 6,000 per unit. Of this, the beneficiaries, the private sector and the AMC contributed one-third each. In addition, beneficiaries were required to contribute Rs. 100 towards maintenance charges, which would be held in a savings account with SEWA Bank in the name of the registered CBO. The AMC contributed an additional Rs. 3,000 per dwelling unit to meet the costs of connecting the improved infrastructure to the main city lines, Rs. 5,800 to provide individual toilets, and Rs. 2,000 to meet the private sector contribution in cases where there was no private sector partner. In cases where there were cost overruns due to delays in implementation, these were also met by the AMC.

In this way, the beneficiaries pay a total sum of Rs. 2,100 for receiving a package of services worth Rs. 15,900 (details in **Table 2** below). While the costs of providing this infrastructure for the AMC have increased since the inception of the project, the beneficiary and NGO contribution has remained the same in monetary terms, and AMC has met the additional costs. Thus, while it started out with equal contributions by the three partners, now the program is heavily subsidized.

TABLE 2
Project Costs and Contributions (per household)

Component	Contribution from (in Rs.)				Total (in Rs.)
	Community	Industry	NGOs	AMC	
Physical development (on-site upgrading)	2,000	2,000	-	2,000	6,000
Community development	-	-	300	700	1,000
Networking with city infrastructure	-	-	-	3,000	3,000
Individual toilets	-	-	-	5,800	5,800
Community corpus for maintenance	100	-	-	-	100
Total	2,100	2,000	300	11,500	15,900

Source: *Ahmedabad Slum Networking Program*, December 2005, submitted to the Human Settlement Management Institute for the Dubai International Award for Best Practices to Improve the Living Environment.

Second, it moved away from its historical distrust of slum dwellers by recognizing that they were willing to pay for services and play the role of active partners in the development process. Finally, the fact that the AMC was willing to provide informal tenure signified an acceptance of the failure of the resettlement and rehabilitation approach as it had proved to be unsustainable and too costly.

a. The pilot project: Sanjaynagar

SNP took off following the success of the pilot project in Sanjaynagar. Sanjaynagar was selected because most of its residents were employees of Arvind Mills, and it lacked basic infrastructure, as evidenced by the fact that 181 families were managing with barely

four public taps, a block of ten public toilets and one urinal²¹. The average monthly household expenditure was Rs. 2806²², and so contributing even Rs. 2,100 was a challenge. In this case, two-thirds of the residents were able to save and the remaining one-third took a loan of Rs. 1,600 from SEWA Bank. Later in the case study, it is seen that the bulk of the loans taken out for SNP were taken during the pilot phase, since beneficiaries in the later stages of the program were able to save their contributions and did not require loans. A separate entity was set up for the purpose of executing the project, the SHARDA (Strategic Help Alliance for Relief of Distressed Areas) Trust. The NGO partner, SAATH, was responsible for community development, and a local CBO was registered as per the requirements of the program. The AMC played the role of facilitator, and also contributed 70 percent of the capital costs and 80 percent of the design costs of the project²³. Its contribution was funded by soft loan assistance from HUDCO, however the value of the loan was not substantial (Rs. 3.5 million²⁴). The project was completed over a period of 8 months (August 1996 – April 1997), without any cost overruns. In fact, the costs per household came down to Rs. 5,211 due to appropriate design, the use of low cost materials and timely completion (in comparison to an estimate of Rs. 7,528 using conventional methods)²⁵. At the end, Arvind Mills had differences with the other partners due to a mismatch in the philosophy and working style of the partner organizations, and decided not to continue with the project. Interestingly, the project was initiated by the bureaucrats within AMC, that is, the Municipal Commissioner at the time was the key driving force behind the project. Similar support was not extended by the politicians, and the lack of political support for SNP has proved to be an issue in scaling up.

b. Outcome and Implementation

As of now, the program has been completed in 45 slum communities benefiting around 10,000 households, with work ongoing in another five slums²⁶. After the completion of the Sanjaynagar pilot and the departure of Arvind Mills, AMC decided to take up the execution of the physical works as well as meet the private sector contribution from its own resources. Thus, the next 10 – 12 slum areas were implemented by the AMC in partnership with the NGOs, with a private contractor carrying out the work. However, this was accompanied by inefficiencies, delays in implementation and cost overruns. In contrast to the 8 months taken to complete work in Sanjaynagar, in this phase work in a particular slum community could take up to two years to

²¹ Tripathi, Dwijendra, *Alliance for Change: A Slum Upgrading Experiment in Ahmedabad*, Tata McGraw-Hill, 1998.

²² Ibid.

²³ Shukla, Shikha, *Ensuring Access of Urban Poor Communities to Basic Services: Ahmedabad's Experience*, In Water and Sanitation Program-South Asia (2005) 'Engaging with Citizens to Improve Services', 2005.

²⁴ *Ahmedabad Slum Networking Program*, submitted by AMC to the Habitat Settlement Management Institute for the Dubai International Award for Best Practices to Improve the Living Environment, 2005.

²⁵ Acharya, Shrawan Kumar and Sonal Parikh, *Slum Networking in Ahmedabad: An Alternative Paradigm*, In: Kundu Amitabh and Darshini Mahadevia (Eds) (2002) 'Poverty and Vulnerability in a Globalising Metropolis' – Ahmedabad, Manak Publications, 2002.

²⁶ As revealed in an interview with Mr. Anand Patel, Deputy City Engineer for SNP in June 2008.

complete. The NGOs then asked to assume responsibility for the process of infrastructure development as well, which the AMC agreed to. Therefore, the NGOs began to play an even greater role in the project – MHT and SAATH are now responsible for implementing the physical works as well as providing technical assistance to the beneficiaries as well as to the AMC. Another aspect affecting the pace of implementation of the project was the change in leadership at the Municipal Corporation, with the project almost stalled during the years 2001 – 04 when the Municipal Commissioner did not prioritize SNP (this is also borne out by the numbers in **Table 3** on page 19). During these years, in addition to the lack of political will explained in the previous section, even the bureaucratic support to the project dried up.

c. *Financial Design*

One of the reasons SNP has received so much attention has been its innovative financial design – the inclusion of beneficiary contributions, housing microfinance, savings, government subsidies and contributions from different partners all combine to make it a model worth studying. More importantly, participation in the program ensures the setting up of a community-based organization, which can then act as a channel for further development assistance through targeted subsidies or other means. According to the Ahmedabad Municipal Corporation website, “As on December 2005, the community members have paid a total of **INR 13,572,000 (US \$301,600)** to AMC as their contribution towards the services under SNP, something never done by slum dwellers anywhere else in India.²⁷” This has been made possible due to certain aspects of the program’s financial design that are described in the following sub-sections.

i. *Microfinance*

There is a tremendous unmet demand for shelter-related finance in India, which is partially met through loans from non-formal sources, and more recently through microfinance – in some cases using micro enterprise loans for housing purposes. A study on housing microfinance (HMF) in the 4 South Indian states²⁸, where MFIs are thought to be extremely active, revealed only a handful of organizations explicitly offering housing loan products. There have been a number of issues in offering HMF loans in India, including the legal matter of title, loan security, monitoring end-use or construction, and capacity to repay a non-income generating loan²⁹. Even in the face of these difficulties, SEWA Bank has demonstrated its success in this space, with almost half of its loan portfolio being used for housing purposes with an impressive repayment rate of 96 percent in 1999³⁰. In addition, SEWA Bank has the distinction of being one of the few urban housing microfinance successes in India, which is largely dominated by rural MFIs.

At the time of inception of the project in 1995, negotiations between the partners were characterized by distrust on both sides – the AMC had a historical distrust of slum dwellers and

²⁷ Accessed at: http://www.egovamc.com/a_city/amc/new_features.asp. Note that the conversion rate here is \$1 = Rs. 45.

²⁸ Habitat for Humanity India, *A Report on Low Income Housing in India: Challenges and Opportunities for Microfinance*, by the Centre for Microfinance at the Institute for Financial Management and Research, accessed at: http://www.habitat.org/housing_finance/pdf/low_income_housing_in_india.pdf, 2007.

²⁹ Young, Cheryl, *Housing Microfinance: Designing a Product for the Rural Poor*, Institute for Financial Management and Research, Centre for Microfinance Working Paper Series No. 19, 2007.

³⁰ As reported in *Housing Microfinance Initiatives: Microfinance Best Practices*, Centre for Urban Development Studies, Harvard University, 2000. Also, the proportion of delinquent loans in SEWA’s housing portfolio is calculated at 23 percent in 2002 in *Sewa Bank’s Housing Microfinance Program in India*, Cities Alliance, 2002.

was not confident of their willingness or capacity to pay, while the slum dwellers saw the administrative machinery as corrupt and inefficient and having made several unfulfilled promises in the past. To provide assurance to the Corporation, a mechanism was worked out whereby the physical works would follow a pre-determined savings and payment schedule. For the slum dwellers, interfacing directly with a widely respected community-based financial institution enabled them to develop greater trust and involvement in the process. In this way, SEWA Bank provided a mechanism which was acceptable both to the beneficiaries and the city government. Over time, a degree of flexibility was introduced into this schedule as work often did not proceed according to plan. This is one instance of the program responding to changing needs, a feature that is lacking in most government schemes because of low community involvement in implementation.

The key factor behind the success of SEWA Bank's participation in Parivartan has been its ability and willingness to provide the full suite of *microfinance* services, and not be restricted to *microcredit*, which is the prevalent practice in MFIs in India. Most of the beneficiaries of the program have only used the savings service of SEWA Bank, by setting up individual 'Panprakash' (PP) savings accounts. Of the total 10,000 beneficiaries of the program, only 70 loans were taken (46 in 1996, 17 in 1997 and 7 in 1999³¹). The remaining beneficiaries were able to save their contributions because of the slow pace of implementation, with the infrastructure upgrading work taking approximately 1 – 2 years in the later stages of the program. Thus, the microfinance aspect of Parivartan represents a very specific category of HMF – the type of account being savings and not loans; and the purpose being *in situ* improvement and not new house construction loans.

While the actual deposits in PP accounts represent a very small proportion of SEWA Bank's total deposits (approximately 3 percent in 2004 – 05), Parivartan participants are potential clients for other products – further home improvement loans, micro-enterprise loans, or general savings accounts. An overwhelming majority of these women are participating in a formal financial transaction for the first time, and there is a great deal of training and awareness-building involved for SEWA Bank. For the first 2 – 3 years of entering a new slum community, SEWA Bank is unable to meet its operating costs but its participation in the program is secured due to other considerations – partly due to the prospect of increasing its clientele and partly because of a certain Gandhian philosophy that teaches the institution and its members not to turn their backs on an economically deprived woman.

An informal conversation with a representative of SEWA Bank³² revealed that their portfolio from savings and loans in Parivartan areas recently crossed Rs. 10 million. According to a representative of MHT³³, there is also a lot of demand for tailor-made products such as roofing loans, which present growth potential for SEWA Bank. Besides opening individual accounts for the Parivartan beneficiaries, SEWA Bank also opens an account for the registered CBO where it maintains the corpus collected for maintaining the improved infrastructure. An estimated 20 CBOs are still active, and there is an instance of one CBO which has organized its members to carry out solid waste management in its neighbouring areas in exchange for payment from the

³¹ SEWA Bank website, accessed at: http://www.sewabank.org/activities/loan_housing.htm.

³² Interview with Kiran Shah, SEWA Bank in June 2008.

³³ Interview with Bijal Bhatt, MHT in June 2008.

AMC. In this way, bringing communities into the mainstream financial process enables them to enhance their options for livelihood generation.

ii. *Government subsidies*

The government's approach to shelter for the urban poor has seen several shifts over the past few decades, as outlined in Section III. Earlier policies favored eviction of slum dwellers from the city centre and resettlement in the periphery, which led to displacement from their sources of livelihood. This proved expensive and largely ineffective, as it alienated the slum dwellers who represented an important vote bank and new slum settlements sprang up in the city to take the place of those evicted. The government then realized that *in situ* upgrading was a more sustainable and cost-effective approach. Section III mentions the central government schemes that represent this shift in thinking. In particular, the National Slum Development Program (NSDP) aims to improve slums by providing physical amenities, community infrastructure, health care and social amenities. During the early stages of SNP, AMC obtained funds from the central government under NSDP (further details to follow).

Recently the focus has shifted again, with schemes such as the JNNURM representing a more market-oriented approach to the development of India's cities. Launched in 2005, the JNNURM requires cities to prepare City Development Plans, which are essentially vision documents outlining a set of infrastructure projects, to enable them to access huge subsidies from the Centre (50 percent of the total investment requirement is met as a subsidy from the central government). While 30 percent of the total proposed investment is to be for projects targeting the urban poor, in most cases spending priorities are determined with virtually no consultation of the target population. Most state governments propose to meet their targets through new housing projects for low-income groups, rather than *in situ* slum upgrading³⁴. Even though this is an important step in meeting the country's estimated housing shortfall of 24.7 million units³⁵, the new housing or resettlement approach has not proved sustainable in the past. In addition, the estimated cost of a new unit is Rs. 250,000 compared to the cost of Rs. 20,000 for upgrading³⁶, and MHT's estimates reveal that even if the entire amount of JNNURM funding across the country goes towards new housing, only 1.5 million new units can be constructed. This has important implications for SNP, with a shifting of the priorities of the city government towards new housing and away from slum upgrading due to pressures from politicians and big developers, whose interests are better served through big projects. Another outcome of JNNURM has been increased demands from the private sector for land acquisition, which has arisen due to the focus on large infrastructure projects such as roads, flyovers, railways, etc, that are implemented through public private partnership (PPP). This additionally creates pressures on the city government to evict squatters, leading to an increase in demolitions of slums. Civil society organizations in different cities have been lobbying the central government to widen the JNNURM approach to include slum improvement programs, and to make the entire reform process more sensitive to the needs of the urban poor.

³⁴ Interview with Rajendra Joshi, SAATH, June 2008 and interview with Bijal Bhatt, June 2008.

³⁵ Ministry of Housing and Urban Poverty Alleviation (MHUPA), *Report of the 11th Five Year Plan (2007-12) Working Group on Urban Housing with Focus on Slums*, Planning Commission, 2007.

³⁶ Interview with Bijal Bhatt, MHT in June 2008.

The proportion of subsidy from the Central Government in the case of SNP has been insubstantial. The AMC accessed funding in the amount of Rs. 28.5 million³⁷ under NSDP early on in the program, of which 70 percent was a loan and 30 percent was a grant. The interest rate on the loan was 13 percent, and it has been fully repaid. Subsequently, the AMC has funded the entire contribution for SNP from its own revenues. As mentioned earlier, AMC had undergone fiscal reforms in the 1990s, and enjoys the distinction of being one of the few Indian cities to run a surplus on its revenue account for the past 5 years as well as a surplus on its overall budget. Since 1997 – 98, it has budgeted Rs. 1.1 billion for the project, of which only Rs. 100 million has been utilized (details in **Table 3**). Its prospects of accessing further funding for SNP under JNNURM are also high. While SNP continues to be a heavily subsidized program, with the AMC meeting almost 80 percent of project costs, this subsidy effectively comes from the city’s treasury and not the central or state government’s.

d. The Partner Organizations

This section outlines the roles and responsibilities of each of the partner organizations, and how they met their financial obligations for participating in this program.

i. Ahmedabad Municipal Corporation

As outlined earlier, the AMC performs the main coordinating role for SNP, it plays a crucial role in identifying communities for participation in the program, provides informal tenure to the beneficiaries, and meets a substantial proportion of the financial requirements. For this purpose, a special SNP Cell has been set up within the AMC to coordinate between different agencies, and to expedite the process of approval granting from different departments. Theoretically, the AMC also converges resources from state and central government schemes such as NSDP, ICDS, UBSP, Urban Community Development, Low Cost Sanitation, etc, however in practice it is seen that most of the funding for the program is provided by AMC itself. **Table 3** below provides an account of the amount budgeted and spent by AMC since 1997 – 98, consolidated by the Finance Department of the AMC³⁸ from budget documents.

TABLE 3
Amount spent on SNP, from AMC Budgets

Year	Budget (in Rs. millions)	Actual (in Rs. millions)
1997 – 98	108.1	1.64
1998 – 99	46.1	12.77
1999 – 00	51.9	13.09
2000 – 01	75.5	7.21
2001 – 02	70.0	4.43

³⁷ *Ahmedabad Slum Networking Program*, submitted by AMC to the Habitat Settlement Management Institute for the Dubai International Award for Best Practices to Improve the Living Environment, 2005.

³⁸ Source: meeting with Mr. Sukhadia, Finance Department, AMC, June 2008.

2002 – 03	104.1	2.36
2003 – 04	140.0	.79
2004 – 05	20.0	12.54
2005 – 06	130.2	21.56
2006 – 07	165.0	15.26
2007 – 08	120.0	9.39
2008 – 09	90.1	
Total	1,121.2	101.07

Source: AMC budget documents, Finance Department, AMC.

According to **Table 3**, a total of Rs. 101 million has been spent on the project by the AMC. Of this amount, Rs. 28.5 million was accessed under NSDP (30 percent grant and 70 percent loan, as explained earlier) and Rs. 3.5 million was provided as soft loan assistance by HUDCO. The remaining amount has been met from the Corporation's own sources of revenue. As mentioned earlier, the AMC has enjoyed surpluses for the past 5 years, and the value of its accumulated revenue surplus in 2005 – 06 stood at Rs. 2.77 billion.

While on the one hand, AMC has been spending only a fraction of the total amount budgeted for SNP, on the other hand, the budgeted amount is a very small proportion of its total capital expenditure, reflecting that slum upgrading is not a high priority for the AMC. This is illustrated by the fact that the proposed expenditure on SNP during the 5-year period from 2006-07 to 2011-12 is Rs. 1.2 billion, according to the CDP prepared by AMC to access funds under JNNURM³⁹. This represents a mere 2.3 percent of the total investment requirement of Rs. 51.1 billion calculated for the next five years for projects across the city.

One aspect of SNP that has the potential to enhance AMC's revenues is the collection of property tax in slums where the project has been implemented. The minimum property tax payable for a slum is Rs. 84 per annum if it lies within a water zone and Rs. 71 if it lies outside. The corresponding figures for a *chawl* having houses less than 25 sq. m. are Rs. 264 and Rs. 224 respectively. Even though all properties within AMC limits having permanent or semi-permanent structures are subject to payment of property tax irrespective of their tenure or land use, tax recovery from informal settlements tends to be low. Thus, the implementation of SNP provided an opportunity for the city government to start collecting property and water charges from new areas. However, this potential has not been realized – a study on 17 SNP slums and 8 control slums carried out in 2002⁴⁰ reveals that 69 percent of SNP slums regularly pay property taxes, in comparison to 70 percent for all slums. Thus, the impact of SNP on complying with property tax is not found to be substantial.

³⁹ Jawaharlal Nehru National Urban Renewal Mission, *City Development Plan Ahmedabad, 2006 – 12*, prepared by Ahmedabad Municipal Corporation and Ahmedabad Urban Development Authority with technical support from CEPT University, Ahmedabad.

⁴⁰ Bharti, Madhu, *Wealth and Well-Being Impacts of Slum Upgrading and Improved Service Delivery*, CEPT University, 2002.

ii. *Private Partners*

During the pilot project, Arvind Mills contributed financially and was very closely involved in its implementation. This was due to 'enlightened self-interest', with the leadership preparing the firm to attract international customers by improving the conditions of its workers and the larger ecosystem they inhabited. After the exit of Arvind Mills from the program, the AMC managed to get small contributions from the private sector – Rs. 200,000 from the State Bank of India Staff Association and Rs. 1,000,000 from the Lions Club of Ahmedabad; however these organizations do not have any role in project execution.

iii. *NGOs: SAATH and MHT*

SAATH is an NGO that has been working in Ahmedabad's slums since 1989, with a mission to make human settlements equitable living environments and enable access to health, education, essential infrastructure services and livelihood options for vulnerable residents. The Gujarat Mahila Housing SEWA Trust (MHT) was set up in 1994 with the overall objective of improving the housing and infrastructure conditions of poor women in the informal sector. Of the 40 or so NGOs in Ahmedabad, only SAATH and MHT have played an active role in Parivartan. They have been responsible for building awareness about the benefits of participating in the program, organizing the communities to save and register themselves as CBOs, providing technical assistance to the slum dwellers and to the AMC, and acting as an intermediary between the beneficiaries and SEWA Bank. They have met their contributions (Rs. 300 per household towards community development) from their own resources, which amounts to Rs. 750,000 for MHT and Rs. 400,000 for SAATH⁴¹. Significantly, this has been a serious underestimation of the costs actually incurred for community organizing by both the NGOs, as evidenced by the fact that they have also contributed additional funds from their own resources amounting to Rs. 6.83 million and Rs. 1.26 million respectively during the period 2000 – 04⁴².

iv. *Beneficiaries*

So far, approximately 10,000 households in 45 slums have benefited from the SNP. Of these, only 70 took loans while the remaining were able to save their contribution of Rs. 2,100 with assistance from the partner NGOs and SEWA Bank. Till December 2005, the beneficiaries contributed a total of Rs. 13.5 million towards participation in the program.

v. *SEWA Bank*

Self-Employed Women's Association (SEWA) was formed as a trade union in 1972, with the objective of "strengthening its members' bargaining power to improve income, employment and access to social security."⁴³ One major hurdle faced by their self-employed women members was the lack of working capital and the non-ownership of assets, which made them reliant on borrowing from the informal sector. To free themselves of this dependence, SEWA members came together and set up the Mahila SEWA Co-operative Bank (popularly known as SEWA Bank) in December 1973, starting with 4,000 women contributing share capital of Rs. 10 each. A study of SEWA Bank's finances carried out by Cities Alliance describes the Bank as "an

⁴¹ *Ahmedabad Slum Networking Program*, submitted by AMC to the Habitat Settlement Management Institute for the Dubai International Award for Best Practices to Improve the Living Environment, 2005.

⁴² Ibid.

⁴³ SEWA Bank website, accessed at: <http://www.sewabank.com/default.htm>.

institution that is both visionary and financially sound.⁴⁴ It has been described as a pioneer in the field of HMF, being one of the first MFIs in the world to recognize the shelter needs of its clients.

As discussed in the previous section, the most important role played by SEWA Bank in Parivartan was to provide individual savings accounts to the beneficiaries and the CBOs, thus creating a mechanism that was acceptable both to the Corporation and to the slum dwellers. Most of the beneficiaries were not previously SEWA Bank clients, and in this way, SNP enabled the Bank to expand its reach to previously unserved areas. However, this expansion comes at a cost, since it requires intensive training for the women clients and the PP savings accounts do not lead to any immediate profits for the Bank. In most cases, this is the first formal financial transaction for the women, and against the backdrop of high illiteracy and a lack of awareness about the benefits of budgeting and saving, this presents a formidable challenge for SEWA Bank. However, once they have been working in a community for 2 – 3 years, their portfolio of general savings accounts and loans does increase, and the value of deposits plus loans in Parivartan areas recently crossed Rs. 10 million. To further support this view, Bharti (2002) finds that residents of SNP slums identify SEWA Bank as a new source for loans in 24 percent of cases, as compared to two percent across all slums.

VI. Section V: A Retrospective Review of Results, Impact, and Opportunities for Replication

Since inception, SNP has benefited a total of 45 slums with 10,000 households. This represents a very small proportion of the total number of informal settlements in the city, which stands at over 1,000. The government is currently considering a proposal to set up a Special Purpose Vehicle for implementation of the project in 149 slums over the next five years, at a cost of Rs. 1.2 billion⁴⁵. This section reviews the institutional outcomes of the partnership as well as the impact on service provision and socio-economic indicators in SNP slums.

a. The Current Scenario

Land Issues. The SNP cannot be implemented in areas where the land is under dispute or litigation, or belongs to a private entity, other government agencies or higher levels of government. This is because the AMC can only provide informal tenure in cases where it owns the land. In a random survey of 200 slums in the city, 56 percent were found to be on government land not owned by the AMC and would thus be considered ineligible for participation in SNP⁴⁶. In fact, only 23 of the 112 applications received for participation in the program until November 2000 had been approved by the AMC. In addition, other factors such as lack of political support and pressures on land due to an increased number of PPP projects in the city also impact the ability of AMC to obtain clearances for undertaking SNP in slum settlements located on land that is currently in high demand.

⁴⁴ *Sewa Bank's Housing Microfinance Program in India*, Cities Alliance, 2002.

⁴⁵ Jawaharlal Nehru National Urban Renewal Mission, *City Development Plan Ahmedabad*, 2006 – 12, prepared by Ahmedabad Municipal Corporation and Ahmedabad Urban Development Authority with technical support from CEPT University, Ahmedabad.

⁴⁶ Davis, Jennifer, *Taking Urban Upgrading to Scale: Where are the Bottlenecks*, Massachusetts Institute of Technology, 2002.

Capacity constraints. Certain constraints currently hamper the ability of SNP to scale up. While financial resources are not the constraint, human resources have proved to be a bottleneck. Since the two NGO partners are not working in all the slums of the city, it becomes imperative to work with other NGOs to expand reach. It has been observed that other NGOs in Ahmedabad are unwilling to come forward and work with the AMC on SNP, since they feel that it does not address the structural reasons behind urban poverty, inequality, land redistribution issues, etc⁴⁷. The fact that NGOs are required to raise their own resources in order to participate in SNP also restricts their ability to partner with AMC. In addition, the SNP Cell that has been assigned the responsibility of handling the project for AMC is understaffed, and is seen as something of a 'punishment posting' by bureaucrats in the city government⁴⁸.

Changing priorities of the city government. As is inevitable in long-term projects, outcomes are affected by changes in leadership and changes in spending priorities of higher levels of government. In the case of SNP, project implementation slowed down significantly during 2001 – 04 (as seen in **Table 3**), as the bureaucratic leadership in Ahmedabad did not prioritize SNP. Similarly, just as the idea behind SNP was conceived due to an acceptance of the *in situ* upgrading approach by the government, it might come to be rejected by new thinking on the way cities are planned. This phenomenon is being observed in Ahmedabad now, with projects such as the Riverfront Development Project being given greater importance by the city government, even though it will lead to large-scale evictions of slum dwellers.

b. Institutional Outcomes

Partnerships. The SNP has set in place a process whereby the Municipal Corporation is able to work with and rely on external partners for the purpose of basic service provision. Traditionally, this relationship has been characterized by an imbalance in power, however, over the course of this project, the city government has come to rely increasingly on the partner NGOs and the relationship is now based on mutual respect to a much greater extent than before. One bottleneck in scaling up this partnership is the absence of technically capable NGOs in Ahmedabad who are willing to come forward and work on slum networking.

Fractured Approach. The setting up of a separate cell within the AMC for implementation had certain implications. The cell was set up with the rationale of bringing in fresh talent, and experienced management and engineering professionals were hired to improve the efficiency of program execution. This has created a separate mechanism for service delivery which is disconnected from the existing UCD department, and other departments within the city government responsible for urban improvement activities. There is little or no co-ordination between the zonal offices dealing with land issues and the centralized SNP cell. In one case, this has led to the demolition of an SNP slum during the period of its informal tenure⁴⁹.

⁴⁷ Acharya, Shrawan Kumar and Sonal Parikh, *Slum Networking in Ahmedabad: An Alternative Paradigm*, In: Kundu Amitabh and Darshini Mahadevia (Eds) (2002) 'Poverty and Vulnerability in a Globalising Metropolis' – Ahmedabad, Manak Publications, 2002.

⁴⁸ Ibid.

⁴⁹ This is the slum of Machhipirna Chappra, as indicated in an interview with Bijal Bhatt, June 2008.

Financial inclusion. One of the critical factors behind the success of the project has been the presence of a community-based financial institution that was willing and able to invest resources in imparting financial literacy and ensuring high participation in the beneficiary contribution process. In many government sponsored community upgrading and housing loan schemes, this part of the process is left to a public sector bank which results in poor loan recovery rates due to a variety of reasons including inefficiency and inappropriate incentives. In this case, besides being able to secure beneficiary contributions and bring slum dwellers into the mainstream financial process, SEWA Bank has demonstrated that it can retain them in the system (as evidenced by the fact that 24 percent of residents in SNP slums identify SEWA Bank as a source for new loans).

Community Involvement. While much has been written about the fact that SNP beneficiaries are not merely mute recipients in the service delivery process, in reality the actual scheme has been top-down with little community involvement in deciding priorities for shelter improvement. In fact, only 23 of the total 112 slums who submitted applications for participation in the program were approved. However, the active involvement of the NGOs SAATH and MHT has ensured a degree of representation that is unusual for most government-subsidized programs. It has introduced flexibility and some degree of responsiveness in the operational aspects of the scheme; for instance, the schedule of savings and payments to the AMC has evolved over the course of the program.

c. *Impact on Service Provision and Socio-Economic Indicators*

A survey carried out in 2002⁵⁰, which details the impact of SNP on service provision and socio-economic indicators, finds an increased level of health and well-being in SNP slums as compared to other slums in the city. The following are some of the findings of this survey:

- i. Access to water supply and sanitation has shifted from the community level to the individual level.
- ii. Provision of underground drainage has reduced the incidence of flooding.
- iii. Solid waste management systems have improved the overall cleanliness of the slum communities, thus reducing public health risks.
- iv. Because of these improvements, 82 percent of households have reported a decrease in health-related expenditure.
- v. 58 percent of households have reported an increase in income levels.
- vi. Over 30 percent of households in SNP areas have undertaken home improvements such as improvements in roof, walls, subdivision of rooms, expansion in floor area, etc.

d. *Opportunities for Replication*

As seen in the previous section, the main reasons for the success of SNP can be listed as: the willingness of AMC to partner with the private sector and NGOs to provide basic services, its willingness to provide informal tenure to slum dwellers, its capability to provide the required financial resources even in the absence of a private partner due to its strong financial standing, the presence of a vibrant civil society movement with a long history of working with slum

⁵⁰ Bharti, Madhu, *Wealth and Well-Being Impacts of Slum Upgrading and Improved Service Delivery*, CEPT University, 2002.

communities, and the presence of a financial institution that provided a mechanism that was acceptable to both the beneficiaries and the city government. While the first two factors are somewhat dependent on the local political atmosphere, the financial provision can be met by a variety of mechanisms – better marketing of the project to potential private sector contributors, dovetailing slum improvement projects with other targeted government subsidies, and fundraising from international agencies. The challenge for replicating the successful aspects of SNP therefore seems to be replicating the mechanism for beneficiaries to save or borrow in a manner that makes cost recovery effective for the city government, and does not increase its financial burden due to high rates of default. In addition, much can be learnt from the aspects of SNP that proved to be challenges in scaling up: lack of sustained political and bureaucratic commitment, which also had an impact on obtaining clearances from other government agencies, staffing of the implementation cell within AMC, lack of interest from other NGOs, etc.

VII. Section VI: Summary of Potential Lessons Learned

The SNP offers an example of a successfully designed intervention in slum upgrading by the city of Ahmedabad. However, a closer look at its implementation offers several insights into the factors that caused the program to be considered a success but also constrained its ability to scale up. SNP has been able to achieve its stated objective of delivering basic services to the urban poor, thereby improving their health and well-being outcomes and enhancing income-generation. However, it has been unable to expand its reach beyond merely 3 percent of the city's slum population. It is important to keep in mind that the program was designed to improve service provision in slums, and that it hinged on the willingness of the city government to allow slums to perpetuate on city lands. SNP cannot influence land management and land redistribution policies, and therefore its expansion is dependent on other factors that determine land use priorities. Therefore, in addition to design factors and inefficiencies, external factors have also contributed to the inability of SNP to scale up.

There are lessons for financial design that can be gained from studying the experience of SNP. For one, the importance of the financial mechanism that ensures that the beneficiaries actually complete their contributions cannot be underestimated. There have been many instances of projects being stalled due to inadequate funds, especially with governments absorbing the additional costs of low levels of beneficiary contributions or loan repayment rates in many cases. Cost recovery can be the critical factor determining the success or failure of a program, and it ought to be designed in a manner that is appropriate to local conditions, manages to provide appropriate incentives, and does not end up being too costly for the government.

SNP also provides insight into the institutional mechanism for implementing government programs. For streamlining and professionalizing the implementation of SNP, it was decided to set up a separate cell within the AMC. This is often the case – governments are quick to set up parallel mechanisms for implementing specific schemes, which eventually lead to overlaps, redundancies and a lack of accountability. This is usually because of a lack of faith in the existing system and a common perception that it would be quicker to set up a new process that works than try to change the existing process. When setting up such a mechanism, it is critical to link it with other existing departments working on the same issues, while at the same time not losing the objective of providing the required autonomy to prevent delays, etc. In this case, the

SNP Cell should have worked more closely with the UCD departments in order to more effectively converge slum networking with the other development programs for the urban poor in Gujarat.

Finally, it is important to give SNP an increased level of visibility and recognition for it to take off. Once the bureaucrats working on it do not view it as a 'punishment posting' and are recognized for their work, their incentives for performance would increase. For instance, the BRTS (Bus Rapid Transit System) project of Ahmedabad has received a lot of media attention and a high level of support. An important factor that would improve outcomes for projects targeted to the low-income population is commitment at all levels in the political and bureaucratic chain of command. Also, rather than insulating the program from the local politicians, it might be a more useful approach to constructively engage with them and secure support on certain aspects where co-operation might prove fruitful.

VIII. Section VII: Conclusion

To conclude, SNP has been an instance of successful beneficiary participation in a low-income community upgrading project through microfinance. It is important to recognize that the amount of contribution required was low enough (Rs. 2,100) for beneficiaries to save and not require loans to participate in the program. The presence of a community based financial institution, SEWA Bank, was critical in the success of the program since it was able to provide a savings facility to slum dwellers in contrast to most MFIs in India who are limited by banking regulators from offering savings products and are focused on lending. The active participation of the NGO partners led to aware and participative communities, and introduced a degree of flexibility in the program since the NGOs were able to represent the beneficiaries' interests to the Municipal Corporation. While the SNP has been unable to scale up its reach, it has led to improvements in the lives of the communities where it has been implemented so far. Like other long-term government schemes, it has been susceptible to change in leadership at the city level, and to changing priorities of the state and central government. However, in a sector where improvements are extremely hard to bring about, SNP has been able to achieve success to some extent, and provides important lessons in how to forge partnerships and involve beneficiaries in basic service delivery.

IX. References

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