

# **LENDING TO THE POOR: THE WORLD BANK IN URBAN DEVELOPMENT IN INDIA SANGHAMITRA NATH**

*Sanghamitra Nath (Student), Research Scholar*

Centre for the Study of Law and Governance, Jawaharlal Nehru University,  
New Delhi

---

## **Abstract**

In India, the politics of development took the shape of the World Bank influenced housing policy for the urban poor. It was a recipient as well as an accomplice to the politics of development.

Globalisation induced development brought opportunities and growth in metropolitan cities and towns, thereby, triggering large-scale urban migration. Since rapid urban migration surpassed rising demand for urban shelter, the government initially acted as the sole provider of subsidised housing for the urban poor. Due to multiple shortcomings, it withdrew from its role and became an enabler of World Bank's housing policy for the urban poor. The World Bank's attempt at urban development by lending to the urban poor for urban housing missed the point that the urban poor should be consulted for their views on their development. This paper uses a bottom-up approach to understand how the politics of development is countered by the subjects of development.

---

**Keywords:** World bank, urban development, India

## **Introduction**

Since time immemorial, cities and towns have been hubs of business, trade, and commerce. They are the loci of globalisation, development, and urbanisation. This holds true in India too. The opportunities and opulence that globalisation and development bring induces urban migration. Migrants from rural areas come to urban spaces in search of livelihood every year. In India, the rapid urban migration surpassed the rising demand for urban shelter. This exacerbated the crisis of urban housing particularly among the poor and lower-middle income families who not only made up the greater part of urban settlers in developing countries but also lacked the capacity to pay for decent housing (Rondinelli 1990: 153). The crisis of urban housing was partly resolved through occupation of pavements, and illegal

construction of slums or squatter settlements on public property, near places of work or business. The poor migrants in Olga Tellis case (1981) argued that encroachment of public property was not a choice but an economic compulsion for personal survival (Mody 2013: 80). Thus, the extent of urban housing deficiencies and the expansion of slum and squatter settlements across urban areas was (and is) a critical indicator of swelling urbanisation.

In view of the spread of urbanisation, the task of the government should be to enable poor families to access decent housing. Urban housing deficiencies, a by-product of globalisation and development, questioned the role of the state- whether it should be a provider of finished housing or a promoter of housing delivery system. By the end of the Fifth Five Year Plan, the national shelter policy shifted from the state being the sole provider of shelter to an enabler of World Bank housing policies. The shift implied a change from subsidized to non- subsidized or less- subsidized forms of accommodation. The policy shift meant a shift from *need-based to demand-based* approach to urban poor shelters (Wadhwa 1988). Hence, the state could withdraw from direct investment in housing programs as well as impose the market upon the urban poor for shelter.

The World Bank's entry revolutionised housing policies in India. Using the neoliberal paradigm, the Bank introduced free market and demand-based approach to housing loans for urban poor. This approach marked a shift from the earlier statist need-based approach where the poor were given finished constructions and subsidies. Thereby, the earlier schemes were designed to cater to the housing needs of the urban poor whereas the later schemes were geared to cater to demands for housing of the poor (Wadhwa 1988: 1762). The World Bank's attempt at urban development by lending to the urban poor was not unproblematic. The attempt was steered to re-organise on a global scale and re-produce social inequalities and vulnerabilities (Weber 2004: 189). The Olga Tellis case (1981) saw the inclusion of right to shelter as a fundamental right but left it to the government to implement the same. The withdrawal of the government from providing housing to private takeover of the task implied that the fundamental right had to be purchased in order to be accessed.

The urban poor were never consulted in matters of their own development. The shift from 'need based' to 'demand based' housing created the grounds for resistance among the urban poor against the global financial institution. This paper utilizes a bottom-up approach, as opposed to the usual top-down perspective on development, to understand how politics of development is countered by the subjects of development. It explores the nature of resistance to the Bank's endeavours in urban housing by the urban subaltern using the case study of Chennai.

## **Understanding Need-based Approach and Demand-Based Approach in Urban Housing Policy**

A reliable indicator of urbanisation is the growing urban housing sector. For a long time, India did not prioritise the housing sector. Housing was deemed to belong to social welfare sector rather than economic sector (Sivam and Karuppannan 2002: 84). Corollary, less financial resources were allotted to housing (Mehta and Mehta 1991; Gupta et al. 1993; Smets 1997, 1999). Before independence, there were no efforts to address the crisis of housing of marginalised groups. After independence and till the Fifth Five Year Plan (1974-1979), the government provided housing to the urban poor. Starting from the Sixth Five Year Plan (1980-1985) and particularly the Eighth (1992-1997) and Ninth Five Year Plans (1997-2002), the government withdrew from its role as a provider of housing. Around the same time, the World Bank entered the business of providing shelters to India's urban poor. The Bank, disgruntled with the schemes of subsidy, influenced India's housing policy which witnessed a gradual change from need-based to demand-based approach (Wadhwa 1988; Anand 1992). Put simply, there was shift from the "delivery of a packaged product to a progressive development model" (Sivam and Karuppannan 2002: 70). Now, the government assumed the role of a facilitator creating conditions for interaction between external finance and the target urban poor.

### ***The concept of 'need'***

What is 'need'? The concept of 'need' refers to a product or a service in relation to the functions or goals it is expected to fulfil. Need may be defined in terms of essential utility, without reference either to income of the household or prices of the commodity, which is required by and large (Wadhwa 1988: 1762). Need is neither determined by choices in the market, and prices of goods and services nor dependent upon income. Need stems from an indispensable purpose. There are minimum three basic questions to ascertain whether a product or a service qualifies as 'need' (Wadhwa 1988: 1762). These are:

1. Whether the product or service is necessary
2. If yes, the quantity that is required, and
3. Who determines the need

In case of shelter services, expected objectives in needed shelter will shape the estimate of type and quantum of housing required. Under resource-stress, estimates could be used to prioritise 'needs' in relation to the objectives which should be fulfilled first and those which could be left for the long run. Moreover, needs may be determined by an individual or a household, planners or the government, and the society (Wadhwa 1988: 1762). In this paper, the perspectives of the planners or the government and

slum dwellers will be taken into account to understand politics of development from above and resistance to the same from below.

### ***The concept of ‘demand’***

The concept of ‘demand’ belongs to the discipline of economics. Here, demand belongs to the realm of free market economy. Demand is determined on the basis of consumer’s choice and price. Consumer’s choice need not include the judgment of society or benchmarks laid out by planners and/or government (Wadhwa 1988: 1762). Being a matter of choice, consumer may demand for some products and not for others. This means that the product does not have an essential property- life would not turn harsh in its absence. Fulfilment of demand requires the interplay of suppliers and consumers. The divergence between need and demand became the reason for government intervention

### ***Transformation from Need-based Approach to Demand-Based Approach***

In 1960s and 1970s, the ‘need-based’ approach to urban housing emerged as the product of planners’ and/or government’s perception of the needs of urban poor. Having recognised housing as a basic need, under this approach the primary objective entailed making urban housing affordable through subsidies and making credit on soft terms and direct price controls. At the macro level, the norm of housing was set at one dwelling unit per household. It would be impossible for the urban poor to avail of the prescribed standard norm unless they were offered subsidies. The planners realised that if the urban poor were to afford this basic need, they should be offered higher subsidies. Further, the capital cost of infrastructure would have to borne by the government and the beneficiaries could be levied user charges for maintenance or improvements. In short, the housing policies in this approach were not oriented to ‘capability to pay’ of the urban poor (Wadhwa 1988: 1763).

The ‘need-based’ approach was riddled with several loopholes. The housing schemes seemed to be based on the assumption that need for housing of a household was related to the income of the household instead of its size. By emphasising on the criterion of income of the household, the target group found the housing schemes unaffordable and unacceptable. These schemes helped the rich and middle income groups to misappropriate housing meant for the urban poor. The low income groups could be assigned smaller subsidies and consequently, smaller houses, while the rich could be allotted larger houses. Thus, the definition of ‘need’ had a distinct class bias and failed to ameliorate the housing conditions of the urban poor (Wadhwa 1988: 1762-3).

The aforementioned government failures to provide housing to the urban poor marked a shift from ‘need-based’ approach to ‘demand-based’ programmes. The shift relieved the government from “the major responsibility of providing housing to the poor themselves and reserve for itself the role of a mere ‘facilitator’” (Wadhwa 1988: 1764). The transformation was coupled with the dominance of institutions for housing policies. During 1970s, the Union government transferred the responsibility of all social housing schemes and housing needs of a state’s population (except subsidised housing for plantation workers) to the respective state governments (Wadhwa 1988: 1763). In the same year, the Housing and Urban Development Corporation Limited (HUDCO) was set up by the Union government under the supervision of the Ministry of Housing and Urban Poverty Alleviation . The HUDCO was entrusted with the task to cater to the financial needs of state housing boards, and agencies concerned with providing housing. All these institutions not only employed a ‘balance sheet’ approach to the issues of housing but were also interested in full-cost recovery. They reduced the quantum of subsidies based on the capability of state governments or cross-subsidisation by the housing boards.

After the entry of World Bank into India’s shelter programmes, the urban housing policy changed radically. According to Pugh (1990), the World Bank reinforced ‘capability to pay’ approach whereby it was argued that the “squatter area upgrading, very low standard serviced sites... housing solutions [we]re within or nearly within the means of poor households” (Wadhwa 1988: 1763). The urban poor, according to World Bank estimates’, could afford to expend 20 to 25 per cent of their income on urban housing (Wadhwa 1988: 1763). Thereafter, the World Bank shaped urban housing programmes both at the point of entry at the project level as well as through massive funds to route programmes via existing organisations. Needless to say, finances came at the cost of conditions imposed by the Bank. Gradually, urban housing policies moved away from subsidy or ‘need-based’ approach to full-cost recovery or ‘demand based’ approach.

### **The Changing Course of Shelter Policies: Revisiting Five Year Plans**

The planned housing policies took off only after India’s independence in 1947. The state recognised that the public sector ought to intervene directly and positively role in housing for the urban poor because *...it is not possible for private enterprise by itself to meet the housing needs of the lower income groups. The economic rent for even the minimum standard of accommodation is altogether beyond the means of the working class and a large section of the middle classes* (Government of India 1952: 209-210; Sivam and Karuppannan 2002: 71).

The issue of urban housing for the urban poor was included in the First Five Year Plan (1951-56) itself.

*The basic problem was thus defined as an economic one in terms of the gap between affordability and housing costs (Government of India 1952: 209-210; Sivam and Karuppannan 2002: 71).*

With the First Five Year Plan, the state undertook responsibility to provide housing to low-income groups. In the beginning, the government was the sole provider of finished social housing schemes and various other programs through the subsidized Housing Scheme for Industrial Workers (1952), Housing for Low Income Group (1954), and Housing Scheme for Plantation Workers (1956). However, studies showed that houses constructed by public agencies for the urban poor were unaffordable and mostly appropriated by the middle- and higher-income groups. Besides, the total number of houses constructed by the public agencies under various schemes was too few to ameliorate the housing conditions of the urban poor. Thus, the First Five Year Plan failed miserably to meaningfully cater to urban housing for the economically weaker sections (Sivam and Karuppannan 2002: 71).

In the Second Five Year Plan (1956-61), the government adopted the view that slums were a painful sight in the urban landscape. It pursued the policy of slum clearance and rehabilitation of housing. The idea behind this policy was borrowed from the West which barely considered the root causes for emergence of slums and the problems of housing delivery (Wadhwa 1988). Like the First Five Year Plan, this Plan failed simply because “it did not take into consideration the situation of acute shortage of housing stock. On the contrary, it sought to demolish existing stock” (Sivam and Karuppannan 2002: 71).

In the subsequent Third Five Year Plan (1961-66), emphasis was laid on identifying causes behind disappointment in the previous housing programs. The shelter schemes reached out to only to a small segment of the total population of slum dwellers. In Delhi, the program could reach only 20.66% of the target population (Singh 1992). The problem with the shelter schemes was that they directed the construction of resettlement colonies in the peripheral areas of the cities, which (Rondinelli 1990: 158-9):

1. increased the distance between places of work and residence, and
2. increased the cost of travel between places of work and residence
3. rarely solved the housing problems of most of the poor and in many cases, only aggravated it

The policy of relocation overlooked the fact that slum dwellers preferred to live closer to workplaces (Jagannathan and Haider 1990) and maintain access to income-earning opportunities. Thus, they returned to places close to work and sold off whatever shelter they owned.

During the Fourth Five Year Plan (1969-74), the government of India initiated schemes for environmental improvement and up-gradation of slums, and sites and services. Based on theories of self-help advanced by Turner (1967, 1972, 1976), Mangin (1967) and Abrams (1964), these schemes had mixed success. For example, the sites and services scheme and squatter improvement program helped in income distribution to poor households in Chennai (Pugh 2000).

During the Fifth Plan (1975-80), housing schemes for high-income groups were included under cross-subsidisation. As a result, the State Housing Boards and Development Authorities were required to implement composite housing schemes incorporating all income brackets - economically weaker section, low income groups, middle income groups and high income groups. Again, the poor hardly benefited from this policy (Ansari 1989). Ansari (1989) found that the Housing Boards spent about 85% for middle income groups (MIG) and high income groups (HIG), and meagre 8% and 7% for low income groups (LIG) and economically weaker section (EWS) for housing respectively.

The shift in the government's approach to housing policy began in the Sixth Five Year Plan. Till the Fifth Five Year Plan, the government provided subsidized housing to select weaker sections of the society. It was still a need-based approach to housing for urban poor. From the Sixth Five Year Plan (1980-85), housing subsidy policy underwent change. The World Bank became involved in urban housing policy and launched sites and services schemes oriented “for direct public sector assistance for housing the EWS” (Sivam and Karuppannan 2002: 72). The public sector continued to provide subsidised housing to the weaker sections provided but on the capacity to repay. This approach was carried forward in the Seventh Five Year Plan (1985-1990) during which the National Housing Policy (NHP 1988) was formulated “reiterating more financial responsibility on the part of individual households” (Sivam and Karuppannan 2002: 73). With the Eighth Five Year Plan (1992-1997) and Ninth Five Year Plan (1997-2002), housing policies became greatly market-oriented, that is, markets would act like a facilitator instead of direct involvement in construction of housing (Sivam and Karuppannan 2002: 73). These Plan documents, inclusive of policy framework for legislative, fiscal and financial systems, transformed the role of government from the provider of finished housing to a promoter of housing delivery system in urban and rural areas. The role of the government now was that of an enabler to World Bank housing policies. Hence, it could withdraw from direct investment in housing programs.

Table1. Investment in housing over plan periods

Five year plan	Total plan outlay (million Rupees)	Total housing outlay (million Rupees)	Percentage of total plan outlay
First (1951-56)	19,600	385	1.96
Second (1956-61)	46,720	900	1.93
Third (1961-66)	85,790	1,100	1.28
Fourth (1969-74)	157,790	1,890	1.20
Fifth (1974-79)	394,260	4,940	1.25
Sixth (1980-85)	975,000	13,020	1.34
Seventh (1985-90)	1,800,000	24,530	1.36
Eighth (1992-97)	4,341,000	49,230	1.06
Ninth (1997-02)	8,592,000	NA	NA

Source: Government of India, Five Year Plans, First to Ninth, Planning Commission, New Delhi. Also, Sivam and Karuppannan 2002: 76

The shift from subsidy approach to market approach implied that the urban slum/pavement dwellers would have to partake of the market, however expensive it might be. Since the Sixth Five Year Plan, non-governmental organizations (NGOs) too found a role to play in community development programs (Sivam and Karuppannan 2002: 73).

### **The Right to Shelter: A Market- based Right**

The fulfilment of basic needs occupies an important place in the discourse on human rights. Basic needs range from food, clothing, shelter, education, health and more. Taking the issue of shelter for urban poor as the concern of this paper, the Supreme Court ruled in the famous *Olga Tellis vs Bombay Municipal Corporation* (henceforth referred to as *Olga Tellis*) that the right to shelter was a fundamental right. Consequently, the Supreme Court brought socio-economic rights under Part III of the Constitution, that is, it brought the non-enforceable ‘second generation rights’ under the umbrella of enforceable fundamental rights (Mody 2013: 78). The judgment of the Supreme Court not only reflected on the status of right to shelter but also provided a new socio-economic dimension to Article 21 (Sripati 1998: 413; Mody 2013: 78). Shelters were not free but needed to be purchased, be it for poor or rich. If accessibility to shelters was based on purchasing power, it provided the cause to resist macro policies of the World Bank and the state on urban housing for the poor.

Since time immemorial, cities or towns have been hubs of business, trade, and commerce. These cities or towns became the main drivers of economy as well as boast of creation of opulence. This was true in 1980s Indian metropolitan cities or towns. Metropolitan cities or towns were also sites of rural-to-urban migration. In Mumbai, lakhs of migrants came from rural areas in search of livelihood every year. Most of the urban migrants



were poor which largely explained their departure from rural areas in pursuit of wage work. They lived in slums near places of work or business.

The resistance to politics of development emerged when the then chief minister of Maharashtra, A R Antulay, ordered for slum clearance in July 1981. He announced that those migrants who failed to possess photo-passes would be forcefully deported to places of origin or taken away from Mumbai. The responsibility of slum clearance was with the Bombay Municipal Corporation (BMC) assisted by the Commissioner of Police. The Municipal Commissioner of Bombay resorted to Sections 312-14 of the Mumbai Municipal Corporation Act, 1888 (the BMC Act) to legally remove the informal shelters. Under Section 314, the Municipal Commissioner had authority to eradicate the encroachments without prior notice. In protest, the slum/ pavement dwellers in Mumbai submitted writ petitions before the Supreme Court of India to challenge the constitutional validity of Section 312-14 of the BMC Act (Mody 2013: 79). This case was known as *Olga Tellis vs Bombay Municipal Corporation* (Olga Tellis).

In the courtroom, slum/ pavement dwellers wished to reinforce the right to life and personal liberty under Article 21 of the Constitution. They argued that Article 21 was meaningful only when it included the right to livelihood. They had migrated precisely to earn the basic means of sustenance, “living on pavements close to their workplace as possible was vital to their survival” (Mody 2013: 79). What became apparent was that the petitioners in Olga Tellis used the argument for right to livelihood and not the right to live on pavements. Rather, the issue of encroachments on pavements was derived out of the right to livelihood. They resisted classification as trespassers, “since they occupied pavements not by their choice, but due to economic compulsion. The situation was of dire necessity and it compelled them to use public property for personal survival” (Mody 2013: 80). In defense, the BMC contended that the demolition drive was carried out in public interest. It asserted that “great care was taken to ensure that no harassment is caused to pavement dwellers by evicting them” and attributed the increase in crime rates and risk of traffic accidents, environmental degradation, spread of contagious diseases, and many dangers, to slum settlements across the city (Mody 2013: 80).

In the final judgment, the Supreme Court ruled in favour of BMC. It outlined that Section 314 of the BMC Act cannot be struck down for it provided autonomous decision-making authority to the Municipal Commissioner to evict illegal encroachments (Mody 2013: 82). It opined that no one had the right to encroach upon land earmarked for public purpose (Mody 2013: 82). However, the Hon’ble court agreed that eviction of slum/pavement dwellers led to loss of livelihood. For the first time, the court recognised that right to life included right to livelihood. It also ruled that the

statutory body should provide for alternative accommodation, implement socio-economic policies, schemes for rehabilitation, and positive measures for equal treatment of the neglected in society (Mody 2013: 83). Moreover, the court recognised right to shelter as a fundamental right, thereby, bringing socio-economic rights under Part III of the Constitution. Over the years, the judgment on Olga Tellis became an oft referred precedent in similar cases, *Ahmedabad Municipal Corporation vs Nawab Khan Gulab Khan, Shanti – star Builders vs Narayan Totame* (Mody 2013: 83).

The Supreme Court judgment assured that the municipal body would provide alternative shelter to the destitute. The judgment made the state responsible for provision of shelter but it did not specify how it would do so. The procedure was left at the discretion of the state. In the course of the Five Year Plans, the state's shelter policy shifted from being the sole provider of shelter to World Bank intervention, that is, from subsidized to non-subsidized or less- subsidized forms of accommodation. The policy shift had a significant impact on the urban poor: firstly, it forced the urban poor to enter the *market* for shelter, and secondly, it delineated a shift from *need-based to demand-based* approach to urban poor shelters (Wadhwa 1988). At the micro level, the urban poor experienced the entity called state through realities of slum demolition drives, role of the judiciary and introduction to capitalism. At the macro level, the World Bank found the urban poor as the source of bank income in the context of global crisis of capitalism (Weber 2004). With cognition that the new-found fundamental right to shelter contingent upon purchasing power, the stage was set for the urban poor to contest the politics of development.

### **Politics of Development: The World Bank and Urban Development**

The core function of the World Bank revolves around 'poverty reduction' worldwide. The objective behind the agenda of poverty reduction is development. According to Leftwich (2008), poverty reduction is rooted in politics. In this kind of politics, it is the task of the donors to

*identify, nurture, encourage and support those social and political forces which are necessary for forming the kinds of growth coalition which will demand, design and implement the institutional arrangements which will deliver pro-poor growth and social provision* (Leftwich 2008: 3).

Such politics includes activities ranging from cooperation, negotiation and conflict in decisions about the use, production and distribution of resources, then

*the politics of development is about changing not only how resources are used, produced and distributed, but also about how decisions are*

*taken about such changes and about the politics which sustain, implement and extend them (Leftwich 2008: 10).*

Poverty reduction is about politics and development. Using the logic of  $a=b$  and  $a=c$  then  $b=c$ , ‘politics of development’ may be defined as (Leftwich 2008: 10):

- (a) *When people change the way they use, produce and distribute resources, they also change their (social and political) relations – relations of power - with each other; and*
- (b) *When people change their political and social (power) relations with each other, they usually change the way they use, produce and distribute resources.*

An example of the above would be the Bank’s efforts in urban development, particularly financing housing policies for urban poor. Through the site and services (S&S) programme, the Bank intends to alter a state’s shelter policies, and concomitantly, the relations of power between the state and the people, the state and the Bank, and the Bank and the people.

The Bank constructed the urban housing policy through the lens of neo-classical economics. Earlier, the state housing policy aimed to replace earlier “‘unacceptable’ and ‘sub-standard’ living conditions with ‘acceptable’ and ‘formally planned’ solutions” (Anand 1992: 2045). It implied slum clearance followed by building apartments for slum dwellers (Anand 1992: 2045). However, the Bank heavily criticised the state sponsored huge subsidies and sought to reform the housing policy under neoliberal approach (Mayo et al. 1986). The neoliberal approach encouraged free markets, industrialization, and profit accumulation. In the context of housing policy, it meant the elimination of subsidies and the introduction of affordability-cost recovery-replicability model. Subsidies served as an index of measurement of ‘need’ for housing. Through subsidies, the need could be taken care of a wide base of poor urban migrant. With the introduction of neoliberal approach, the thrust was on ‘full cost recovery’ of the Bank or the ‘capability to pay’ of the urban poor. Thereby, the emphasis shifted from “potential for developmental roles by the state” to individual capacity (Anand 1992: 2045; Pugh 1990) as well as need based to demand based approach (Wadhwa 1988).

The question is, why should the World Bank involve itself in urban development in Third World countries? The business of urban development is part of the World Bank discourse on ‘poverty reduction’. However, the neoliberal approach to urban development (and urban housing policies in particular) aids in the “(re)-organization of global capitalism” (Weber 2004: 357). Like poverty reduction agenda, urban development becomes an instrument in liberalization of financial sector and re-production of social risk (Weber 2004: 357). The S&S programme for housing, contingent upon

increased access to credit, get embedded in private international commercial law. The “demand for credit” has two implications (Weber 2004: 377)

1. It produces social vulnerabilities for the urban poor who become the subject for neoliberal projects, and
2. It re-formulates ‘needs’ in terms of ‘demand’

While the first leads to global organization of poverty, the second indicates “banking on the poor” (Weber 2004: 380). The purpose of “banking on the poor” was precisely to mitigate and manage the crisis of global capitalism (Weber 2004: 379). The S&S programme for housing was tailored “Products and Services to the Needs of the Poor In the short-term” (Basu 2005: 4011) to bring the Bank closer to the urban poor. Hence, the urban poor were quantified and spoken of in “paramilitary terms: such as ‘the target population’” (Collins and Lappe 1979: 853). The poor were never consulted in matters of their own development. Further, development was perceived to be achieved “only by bringing in external resources. Foreign investment is thought of as essential. Everything should be done, therefore, to develop a favourable climate for foreign banks and corporations” (Collins and Lappe 1979: 853). Particularly, the S&S programme was merely financial in nature. There were no provisions for skill building among the target population for better repayment (Jha 2000). Lastly, the study of urban poverty was divorced from political, socio-logical and cultural factors. The study and measurement of urban poverty were relegated to economic and statistics.

Nevertheless, the Bank’s attempt to bank with the poor for its own interests was not unchallenged. The urban poor often refused to participate in the Bank sponsored politics of development or participated through local political party and party institutions. The next section will show how the politics of development is countered from below.

### **World Bank Lending to the Poor: Countering Politics of Development** *Everyday Struggles of Subaltern: Sites and Services Schemes of World Bank*

The World Bank’s first steps into India’s housing policy commenced with the sites and services (S&S) programme. The Bank claimed that the S&S programme was highly suited to affordability considerations and practical requirements of job security of the urban poor. This programme was upheld as the epitome of tailored housing package- it closely represented an individual’s preference combination- which the urban poor would demand for and willingly purchase. During the early 1970s, the World Bank proposed the S&S schemes as the key to tide over the crisis of housing for urban poor in low-income countries. Within a span of three years (1972 and 1975), the World Bank invested a whopping figure of US \$ 106.3 million,

inclusive of credits and loans, in S&S programmes worldwide. World Bank's scale of sponsorship and professional approach hinged on full-cost recovery transformed the previous Indian concept of S&S so much so that "the entire concept of site and services underwent a subtle but significant change which left it looking very much like a component' part of the World Bank lending system, complete with costs, benefits and its own jargon" (Wadhwa 1988: 1765). However, the Bank sponsored programme did not find many takers. The housing constructions were either deserted by the urban poor or were obtained by higher income groups (Wadhwa 1988: 1765). The S&S programme proved to be quite a disappointment for the Bank.

The frustration of the programme was embedded in the Bank's flawed assessment of lending to the urban poor. On examination, researchers found that the Bank over-estimated the magnitude of affordability of the urban poor. According the Bank's calculation, the target poor could afford to pay 20 to 25 per cent of their income on housing (Wadhwa 1988: 1763). Since poor migrants wanted residence near places of work to save transportation costs, they would be willing to shell out for it. By giving overwhelming importance to location, the Bank overlooked that the poor earned their meagre wages mainly from the informal sector and spent most of the income on food and other basic necessities in a kind of lexicographic ordering (Wadhwa 1988: 1765). Further, the Bank delineated that the capital cost of services would be met by the government while the user-charges would be paid by the occupants.

The promise of locational affordability could not be kept by the Bank. The majority of preferred locations of the poor were near the main business centres of cities where the possibility of employment opportunities were high. In such locales, the land would be inevitably expensive and vacant land may not be available or if available, it would not be huge enough to chalk out plots for S&S projects (Wadhwa 1988: 1765). While trying to bank with the poor, the World Bank confronted with erroneous presumptions built into the S&S projects. The Bank's failure doubled when the urban poor refused to participate in the S&S projects. Even if they participated, they sold off the assets to return to old shelters. As said earlier, the poor's resistance to the politics of World Bank was not in the form of an overt movement. It took the form of everyday resistance, easily escaping visibility of the layman.

For the lower-income segments of India, there were two parallel systems to provide housing. These were the public and the private sector. Based on statistical figures, it was found that the public sector created not more than 16% housing stock in the country while the private sector constructed majority (84%) accommodation (Sivam and Karuppanan 2002: 70; Garg, 1989; Government of India, 1992). In the private sector, there were two types of housing- formal and informal. Houses were unaffordable in the

formal housing market, be it the public sector or the private sector (such as the World Bank), which forced the urban poor to seek housing from illegal informal private sector in rural or unauthorized colonies. What the S&S scheme could not do, the illegal informal sector did. The latter provided affordable housing to the urban poor by giving land for free or at low cost (Sivam and Karuppanan 2002: 80; Ansari 1989). Thereafter, the shelters were built by slum dwellers themselves from waste materials. Thus, the resistance against the international development institution manifested through dependence on the illegal informal sector.

### ***Turning to Political Parties: Case Study Chennai***

In the Indian city of Chennai, slums were a common site. From 1975 onwards, the World Bank attempted to transform the slum settlements in the city. By doing away with the costly in situ constructions near places of work of the urban poor, it aimed to put in place S&S model wherein slum-dwellers would be evicted from central areas of the city and relocated to the suburbs. Till 1986, the S&S projects provided large tracts of land with basic amenities to slum dwellers. It was left to the slum dwellers to construct their homes. Both the S&S projects and slum up-gradation projects accounted for more than 70% of total shelter lending (Buckley and Kalarickal 2006: 16-17; Raman 2011: 77). Like before, the S&S schemes were based on cost recovery and settlement tenure (Raman 2011). The Bank's policy prescriptions were governed by "technocratic neo-liberalism" which, in the case of urban housing, referred to "deregulation of markets, privatisation of municipal services, affordability, cost recovery and replicability" (Raman 2011: 77). Specifically, the Bank singled out Chennai to experiment its "new theories" (Pugh 1990: 186) and "new urban management initiatives" (World Bank 1984: v).

The Bank wished to re-orient land use planning and infrastructure provision in Chennai. It required the government to adopt the corporate management style- investment planning and efficient resource use- for urban housing (Pugh 1990: 178). It allocated a loan worth \$24 million to begin the first Madras Urban Development Project (MUDP I) in 1977. Another loan of \$42 million was offered to implement the second Madras Urban Development Project (MUDP II) between 1980 and 1988 (World Bank 1984: vi). Both MUDP I and II, allocated 65% of the funding to transport and shelter (Raman 2011: 77; World Bank 1989). In the third and last direct loan for shelter, the Tamil Nadu Urban Development Project (TNUDP), the World Bank allocated \$255 million to the state between 1988 and 1997 (Urban Development Report 2008; Krishnan 2007).

The ruling political party in Tamil Nadu at the time the World Bank began its operations in Chennai was Dravida Munnetra Kazhagam (DMK).

The secret behind DMK's rise to and stay in power was the policy of distribution of short-term goods and services which attracted a wide gamut of people in the state. The urban poor supported the DMK whose short-term projects gave jobs and investment "quickly" to their supporters (Subramanian 1999: 204-08; Raman 2011: 75). With the ruling party geared to strategically woo more voters, its state policies and bureaucracy were "made subservient to the party's needs" so that the poor could avail the state resources through formal and informal channels (Raman 2011: 75). In case of shelter policies, the urban poor could expect to win favours by supporting DMK.

In India, the housing policies were under the purview of the central government since independence. Scholars shared the opinion that India lacked a single housing policy or multiple housing policies rather there were evolving ideas "on the proper role of the state in intervening in urban land and housing problems" (Revi 1990: 87; Raman 2011: 75). At first, government of India set very high standards for housing and infrastructure for the poor, symbolic of the aspiration of western-style modernity. By 1970s, the central government fathomed that the policy of replacement of slums with high-quality modern homes was not a viable solution. It, therefore, retreated from the role of provider of constructed shelters to provider of conditions for self-help housing and in situ slum upgrading. The new official slum policy meant to "ameliorate the living conditions of slum-dwellers as an immediate measure" (Sridharan 1995: 292; Raman 2011: 75). By the late 1980s, policy guidelines of the National Commission on Urbanisation and the National Housing Policy clearly stated that "the state should only be a facilitator of housing, not a builder" (Raman 2011: 76). It must be remembered that the World Bank had already entered the domain of India's housing policy and the policy guidelines reflected what the World Bank required of the state- to be an intermediary between it and the poor.

The housing policies of the central government, if transferred to the states, could disturb the vote bank. In Tamil Nadu, DMK "strategically modified" the housing policies of the central government to retain the "support of key groups of slum-dwellers" (Raman 2011: 74). Though the World Bank needed the Tamil Nadu government to cooperate in realising S&S schemes, the latter stood by the state shelter policies which did not believe in eviction and resettlement. Instead, it pursued in situ tenement construction with "an informal tendency to protect and reward those groups of the urban poor (for example, fishermen) that the ruling party was trying to court for votes" (Raman 2011: 74). Corollary, the urban poor allied with the ruling party (and its vote bank politics) to thwart the initiatives of the World Bank. In order to identify themselves with the political party, the slum

tenements were named after the political leaders who built them such as “MGR” or “Kalaignar” (or “Amma” for supporters of AIADMK).

The state shelter policies were implemented through the Tamil Nadu Slum Clearance Board (TNSCB) created during the DMK regime. The TNSCB was established by the Tamil Nadu Slum Areas (Improvement and Clearance) Act of 1971. The TNSCB chairman was directly appointed by the (DMK) chief minister. The TNSCB chairman, Rama Arangannal, was bestowed with the “authority to allot plots and tenements owned by the board to ‘such slum dwellers whom he considered eligible’” (Raman 2011: 76). The Act did not clearly articulate the criteria for eligibility for tenement residents, “essentially giving the chairman the power to direct housing produced by the board to worthy supporters of the DMK, a power that the chairman used liberally” (Raman 2011: 76). During the early years of its formation, the TNSCB not only served as “a highly visible symbol of the DMK’s commitment to the urban poor” but also “as a vehicle of political patronage which funnelled goods from the state to ‘worthy’ voters” (Raman 2011: 77). As a result, the urban poor did not suffer from the fear of demolition, eviction, and resettlement. In short, they had a strong political recourse to counter the Bank’s drive for urban development. Consequently, the city became dotted with in situ tenements representing the alliance of advantage between the politically valuable slum dwellers and the ruling party.

The Bank made serious attempts to fundamentally amend shelter policies in Tamil Nadu. The Bank found the mushrooming slums “wholly irrational, and impractical” (Raman 2011: 77). Dubbing the phenomenon of burgeoning slums as a “crisis”, the Bank’s intervention sought to “rationalise” the state shelter policies (Raman 2011: 77). With the TNSCB acting as a weak partner, the shelter reforms were hard to come by. By the end of MUDP II, the Bank was fully aware of the obstacles to shelter reforms. Put in another way, democracy stood in the way of Bank’s approach to development. The urban poor resorted to the state government (DMK) and its allied institution (TNSCB) for protection of slums and were obliged in return for their votes.

## **Conclusion**

The objective of this paper was to study the resistance from below to the World Bank’s housing programmes. The paper provided a discussion on macro structures of power and the micro structures of resistance. It was found that the urban poor resisted either by refusing to invest in the Bank’s schemes or by allying with the regional ruling party to protect their interests. For the World Bank, the business of urban development in Third World countries like India entail “banking on the poor” to mitigate and manage the crisis of global capitalism (Weber 2004: 379). The national policy shift from



need based' to 'demand based' approaches to housing schemes not only helped the state to withdraw from an active role of a provider but also facilitated the World Bank to re-organise global capital. As the market became the site for the realisation of the fundamental right to shelter, it set the stage for the urban poor to resist against the production of risks and insecurities.

### References:

- Anand, P B, (1992), "India's Urban Housing: Theory and Policy", *Economic and Political Weekly*, Vol.\_, pp.2045- 2046
- Bank-fund Meetings, (1978), "World Bank, IMF and the Poor", *Economic and Political Weekly*, Vol. 13, No. 40, pp. 1693-1695
- Bartelt, David W., (1997), "Urban Housing in an Era of Global Capital", *Annals of the American Academy of Political and Social Science*, Vol. 551, Globalization and the Changing U. S. City, pp. 121-136 EPW
- Basu, Priya, (2005), " A Financial System for India's Poor", *Economic and Political Weekly*, Vol. 40, No. 37, pp. 4008-4012
- Burgess, Robin, Grace Wong and Rohini Pande, (2005), "Banking for the Poor: Evidence From India", *Journal of the European Economic Association*, Vol. 3, No. 2/3, Papers and Proceedings of the Nineteenth Annual Congress of the European Economic Association, pp. 268-278
- Collins, Joseph and Frances Moore Lappe, (1979), "Whom Does the World Bank Serve?", *Economic and Political Weekly*, Vol. 14, No. 19, pp. 853-856
- Denis, Eric, Partha Mukhopadhyay, Marie-Hélène Zérah, (2012), "Subaltern Urbanisation in India", *Economic & Political Weekly*, Vol xlvii, No.30, pp. 52-62
- Ghosh, Arun, (1987), "The World Bank and the Attack on World Poverty", *Economic and Political Weekly*, Vol. 22, No. 44, pp. 1844-1846
- Jha, Abhas Kumar, (2000), "Lending to the Poor: Designs for Credit", *Economic and Political Weekly*, Vol. 35, No. 8/9 , pp. 606-609
- Krishnan, L (2007), "Tamil Nadu Urban Development Fund: Public-Private Partnership in an Infrastructure Finance Intermediary" in G Peterson and P Annez (ed.), *Financing Cities*, New Delhi: Sage
- Leftwich, Adrian, (2008), *Developmental states, effective states and poverty reduction: The primacy of politics*, Geneva: United Nations Research Institute for Social Development
- Ludden, David, (2005), "Development Regimes in South Asia: History and the Governance Conundrum", *Economic and Political Weekly*, Vol. 40, No. 37, pp. 4042-4051
- Mayo, Stephen K., Stephen Malpezzi and David J. Gross, (1986), "Shelter Strategies for the Urban Poor in Developing Countries", *The World Bank Research Observer*, Vol. 1, No. 2, pp. 183-203

- Mehta, Meera and Dinesh Mehta, (1991), “Housing Finance System and Urban Poor”, *Economic and Political Weekly*, Vol. \_, pp. 1107-1114
- Mody, Zia, (2013), *10 Judgements That Changed India*, New Delhi: Shobhaa De Books by Penguin India
- Pugh, Cedric, (1990), “The World Bank and Housing Policy in Madras”, *Journal of Urban Affairs*, Vol. 12, No. 2, pp 173-96.
- Raman, Nithya (2011), “The Board and the Bank: Changing Policies towards Slums in Chennai”, *Economic & Political Weekly*, Vol xlvI, No 31, pp. 74-80
- Revi, Aromar, (1990), *Shelter in India*, New Delhi: Development Alternatives
- Rondinelli, Dennis A., (1990), “Housing the Urban Poor in Developing Countries: The Magnitude of Housing Deficiencies and the Failure of Conventional Strategies Are World-Wide Problems”, *American Journal of Economics and Sociology*, Vol. 49, No. 2, pp. 153-166
- Sanford, Jonathan E., (1989), “The World Bank and Poverty: A Review of the Evidence on Whether the Agency Has Diminished Emphasis on Aid to the Poor”, *American Journal of Economics and Sociology*, Vol. 48, No. 2, pp. 151-164
- Sivam, Alpana and Sadasivam Karuppanan, (2002), “Role of state and market in housing delivery for low-income groups in India”, *Journal of Housing and the Built Environment*, Vol. 17, No. 1, State and market: Governing low-income housing in Asia, pp. 69-88
- Sripati, Vijayashri, (1998), “Toward Fifty Years of Constitutionalism and Fundamental Rights in India: Looking Back to See Ahead”, *American University International Law Review*, Vol 14, pp. 413
- Wadhwa, Kiran, (1988), “Housing Programmes for Urban Poor: Shifting Priorities”, *Economic and Political Weekly*, Vol. 23, No. 34, pp. 1762-1767
- Weber, Heloise, (2004), “Reconstituting the ‘Third World’? poverty reduction and territoriality in the global politics of development”, *Third World Quarterly*, Vol. 25, No. 1, pp.187-206
- Weber, Heloise, (2004), “The ‘New Economy’ and Social Risk: Banking on the Poor?”, *Review of International Political Economy*, Vol. 11, No. 2, pp. 356-386
- World Bank, (1984), “Draft Project Completion Report: Madras Urban Development Project I”, Mimeograph, Chennai Metropolitan Development Authority Library, Chennai
- World Bank, (1988), “Urban Development Project – Tamil Nadu, Projects Database, Projects and Operations”, [Online Web], available at: <http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P009872>