Government intervention and public–private partnerships in housing delivery in Kolkata

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Abstract

Public–private partnership (PPP) is the most prominent urban housing policy that has emerged in the last decade in India. Housing reforms in Kolkata, under the flagship of PPP has taken the city into a different league after decades of ineffective housing policy. This paper investigates the dynamics of PPP policy in Kolkata, where public housing agencies have assumed both facilitator and regulator roles within a socialist institutional setting to achieve a balance between market forces and the needs of the low-income people. At the performance level, the joint sector brings together the efficiency in production and technical and marketing expertise of the private sector with the accountability and righteousness of the public sector. However, and despite some reform attempts, at the operational level, major bottlenecks are identified including antiquated legislation, besides high municipal taxes, stamp duties and sanction fees. Housing production under the PPP model to date is impressive in terms of costs and quality, but minuscule in terms of numbers. It is still early to comment on the likely long-term success of such partnerships. However, given the huge housing stock deficiency, high proportion of low-income groups in the city and slow pace of regulatory reforms, it is argued that future success is contingent upon the inclusion of low-income communities, which comprise half of the population of Kolkata.

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Keywords: Public–private partnership; Public housing; Regulation; Low-income group; Kolkata, India

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Introduction

Public–private partnership (PPP) is the most prominent urban housing policy that has emerged in the last decade in India. Kolkata, the capital city of the State of West Bengal, has been in the forefront of housing market revival with its own PPP model, regarded nationally as highly successful (Jain, 2003; Rao, 2000a). Demographically, the city is one of the 10 largest urban agglomerations in the world, exhibiting some of the worst housing conditions, with statistically one-third of the current population living in slums. The World Development Indicators Report has projected the population to reach 17.3 million by the year 2015, an increase of 2.3 million over the present population of 14.96 million (World Bank, 2001). To sustain this demographic trend, the magnitude of infrastructure investment required is phenomenal, necessitating resource pooling from all sources, including the private sector.

With the accent on enabling policies for housing development, PPP has been widely advocated for housing and infrastructure development in India as part of recent housing reforms. The National Housing Policy (NHP) in 1994 marked a significant transition in the government’s position. It advocated increased participation by the private sector and emphasized government’s role in creating conditions to boost housing supply by eliminating legal and regulatory constraints and supporting appropriate infrastructure investments. This entailed a notable shift in the public sector role from direct housing provision to engaging the private sector in constructing, financing, operating and maintaining housing units. Deriving from international documents such as the Global Strategy for Shelter to the Year 2000 (UNCHS, 1992) and later Enabling Markets to Work (World Bank, 1993), subsequent policy documents like the Government of India’s National Housing and Habitat Policy (1998) emphasized the twin policy thrusts of simultaneously enhancing and changing the roles of the public and private sectors. Consequently, in response to international trends and severe domestic resource limitations, Bengal Ambuja Housing Development Limited, a joint venture company between the West Bengal Housing Board (WBHB) and Gujarat Ambuja Cements was formed in 1993, making West Bengal the first State to start a PPP in the housing sector in India. Whilst it is still early to comment on the outcomes of the partnership given the huge housing stock deficiency, high proportion of low-income groups (LIG) in the city and slow pace of regulatory reforms, it is pertinent to reflect on the overall policy to kick-start a performance review.

This paper seeks to reflect on the emerging concept of PPP in developing countries as an offshoot of enabling strategies for housing delivery (Section 2). In Section 3, the case of PPP housing schemes in Kolkata and key aspects of their implementation, such as the roles and relationships between partners, land supply, financial arrangements, target groups and affordability are discussed. The capacity of PPP to achieve an equitable distribution of housing resources is also examined, in the light of Kolkata’s socio economic condition in which four fifths of the population have monthly incomes of INR5000\(^1\) (US$110) or below (Table 1). Finally, in the conclusion, the main findings and outstanding challenges are reviewed. This review is expected to lead to a deeper understanding of the type of State intervention that is increasingly seen as requisite to achieve adequate housing supply in third world cities.

\(^1\) 1 US$ = 45.4083 INR (as of 27 May 2004).
Evolving PPPs in developing countries: a corollary of the enabling strategy

The fundamentals of new housing reforms in Kolkata under the flagship of the PPP make it imperative to discuss the principles on which it is based and the provider approach from which it aims to dissociate. The earlier provider approach where government was the direct provider of urban housing, had been questioned, particularly in terms of the scale of production achieved (Tipple, 1994; Keivani & Werna, 2001) and the financial resource constraints, quite apart from the inability of the construction industry and administrative systems to cope with rising demand (Chakravarti, 1998; Ogu & Ogbuozobe, 2001). These constraints resulted in gross incapacity of the government to deliver, mainly because the whole approach lacked a sound economic base due to the level of subsidies involved and failure to recover costs. In contrast, the primary objective of enabling approach has been to improve the efficiency of the housing sector by the public sector concentrating on eliminating constraints on both the supply and demand sides, noting that market friendly approaches are different from laissez-faire (Malpezzi, 1990; World Bank, 1993; Angel, 2000). While reliance on the market economy modifies the traditional role of the authorities, it also, somewhat paradoxically, broadens this role. It is expected that shifting responsibility for physically constructing dwellings on-to the market (including self-help schemes) would enable governments to concentrate on reforming and managing the legal, regulatory and financial policy frameworks (UNCHS, 1992) in such a way as to create a positive ambiance for the utilization of private resources. The World Bank (1993) and the UNCHS (1992) have suggested that, in operational terms, enablement will often take the form of partnership arrangements that join together government policy makers, government agencies, community based organizations, NGOs, private builders and/or households (Pugh, 1994, p. 358). The success of enablement therefore increasingly hinges on the degree of success of the partnerships that ensue from institutional change.

PPP has a long tradition in developed countries. Literature specific to PPPs in housing in developing countries, however, is relatively sparse and the concept is yet to have a separate niche in either the theoretical or the practical landscapes. As an offshoot of the wider enabling approach, PPPs are still emerging in developing countries and the extent of their use has depended, amongst other things, on the economic strength, prevalent political environment and housing tradition of a particular city. The limited emergence of PPPs can also be attributed to the constraints that have hindered successful implementation of the enabling strategy, including those

### Table 1

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<tr>
<th>Economic group</th>
<th>KMDA classification</th>
<th>% of households in CMA</th>
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<tbody>
<tr>
<td>Economically weaker section (EWS)</td>
<td>Up to INR1999 (US$44)</td>
<td>27.4</td>
</tr>
<tr>
<td>Low-income group (LIG)</td>
<td>INR2000–4999 (US$44–US$110)</td>
<td>53.3</td>
</tr>
<tr>
<td>Middle-income group (MIG)</td>
<td>INR5000–9999 (US$110–US$220)</td>
<td>16.4</td>
</tr>
<tr>
<td>High-income group (HIG)</td>
<td>Above INR10,000 (US$220)</td>
<td>2.9</td>
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*Source: KMDA (2000).*
related to the ability of the state to create an institutional framework for housing markets that can balance the profit-driven rationale of markets (Jones & Ward, 1994; Islam, 1996) and those related to the ability of users to make use of new finance and private sector arrangements. In developing countries, low levels of literacy and awareness and the abject poverty of majority of urban residents inhibit them from wider participation.

The enabling agenda has continued to be the central tenet of the Government of India’s housing policy and in successive State Five-Year Plans, thereby steering much needed reforms in the fiscal, legislative and financial sectors that could eventually put the private sector squarely in the center of the housing delivery system. So far the outcomes of housing reforms in different States have varied greatly as per their legislation/regulations on land, housing and partnerships.

The state of public sector housing in Kolkata and the rise of public–private partnerships

Public housing in Kolkata is supplied by multiple agents and organizations, such as the WBHB, the Kolkata Metropolitan Development Authority (KMDA) and other State construction and urban development departments. The supply of public housing formally began with the establishment of the WBHB in 1972. Since its inception the WBHB has constructed nearly 31,000 dwelling units and the Housing Directorate maintains additional 34,000 rental flats in West Bengal (Government of West Bengal, 2004). KMDA, which is a relatively new player in housing has less than 10,000 housing units to its credit, although it has greater contribution in other spheres of urban development like water supply, drainage, sanitation, slum improvement and upgrading projects. As over one million new households were formed over the 30-year period, the scale of public housing production remained extremely sluggish, implying approximately 1 unit of public housing constructed for every 13 new households. Equally dramatic has been the worsening housing quality situation in the city. As early as 1981, an estimated 66% of the total 2.0 million households in the KMA (i.e., 1.32 million families) were living in one-room units (of which 0.56 million were located in slums), indicating a high proportion of ‘overcrowded’ households. An additional 20% or 0.4 million families were living in 2-room units and only the remaining 14% (0.14 million families) in 3–6-room units (Chakravorty, 1991, p. 165). Twenty years later, the average-occupancy rate for a quarter of KMA households still stood at 7 persons per room with about 59% of families living in one-room units (Hasan & Khan, 1999, p. 104–105).

The continued qualitative and quantitative shortage suggests that government intervention in the form of a provider approach in Kolkata in the last three decades of the twentieth century, has only resulted in suboptimal housing investment, stifling the efficacy of the market to increase housing production. Even though housing investment across the Five-Year Plan periods increased in terms of the net amount allocated, it showed a marked decrease as a percentage of total planned investment. While public housing schemes suffered due to under-investment, the need for housing grew alarmingly. Das (2001) estimated that, even assuming a modest shelter of 250 ft\(^2\) and an average cost of \textit{pucca} construction at 350 ft\(^2\), the total investment required to provide shelter for all in the State would come to INR125 billion (US$28 million). This was a conservative estimate of the housing investment required in 1991, which obviously has increased significantly since then.

At the outset, the emergence of PPP in Kolkata stemmed from the colossal demand for housing, the State government’s dwindling budget, massive demand coming from the elite sections of
society for better quality of services and wider recognition of housing as a catalyst to boost economic growth. The average annual additional housing need in the KMA is projected to be 90,000 units by the year 2025 (Table 2) (KMDA, 2000, p. 73). This reflects the magnitude of additional growth in Kolkata, assuming that the current housing deficiency will not worsen and slight improvements in occupancy rate.

The WBHB adopted the idea of PPPs to address the cleavage between the demand for and supply of housing for all except the poorest 27% of households (Table 1). Following the enactment of West Bengal Building (Regulation of Promotion of construction and Transfer by Promoters) Act 1993, the new saga of PPP in the housing sector started. The influence of the concept has been so pervasive that every conceivable public authority in Kolkata is now contemplating partnership in some form or another.

PPP model is expected to boost macro-economic conditions of the city with its multiplier effects. According to Deb (2002), every rupee invested in housing adds 78 paisa to the GDP in India, which alone has forward and backward linkages with as many as 280 industries. The real estate/construction industry provides 16% of employment and is the second largest employer in India next to agricultural sector. The real estate sector has (therefore) tended to focus more on maximizing housing output as a way of maximizing revenue and a way to save the State from industrial recession. The link between the real estate sector and wider economy in the city is increasingly recognized and acknowledged by the State government. To maximize housing investment, the government has declared the housing sector as an infrastructure sector, thereby annexing tax benefits on investments. Concomitantly, the housing finance sector is undergoing a sea change. The housing sector has become a promising venture for commercial banks to channel their funds particularly due to low credit take up in the industrial sector. The fall in interest rates against housing loans has been phenomenal, accompanied by increased volume of housing loan disbursements (The Telegraph, 2003). Fig. 1 shows that while interest rates have halved in the last 5 years, total loan disbursements trebled across the country indicating a changing pattern of the real estate market in a society that has traditionally been sceptical about borrowing. PPP is increasingly regarded as a viable strategy in Kolkata where full privatization would be inconceivable in the State’s value laden socialist policy environment.

In the remainder of this section, we will discuss the present dynamics of public–private partnership in Kolkata in more detail, with respect first to the partnership arrangements including financial arrangements and target groups; second, land supply; third, affordability and finance; and fourth, the regulatory frameworks. In each case, suggestions are made for actions to relieve constraints or counter potential reversals of progress. The narrative revolves around the

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Estimated housing need in Kolkata</th>
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<tr>
<td>No. of existing dwelling units by 1991 at 5.18 persons/house</td>
<td>2.42 m</td>
</tr>
<tr>
<td>No. of additional dwelling units required between 1991 and 2021 and 4.5 persons per house</td>
<td>1.83 m</td>
</tr>
<tr>
<td>No. of additional dwelling units required between 2021 and 2025 at 4 persons per house</td>
<td>0.32 m</td>
</tr>
<tr>
<td>Total number of new dwelling units required</td>
<td>2.15 m</td>
</tr>
<tr>
<td>Annual average requirement</td>
<td>90,000</td>
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</table>

government aim of increasing the supply of housing rather than a detailed analysis of institutional performance or the roles of involved stakeholders.

**Major partners, projects and roles**

The major public sector partners in PPP schemes in Kolkata are State agencies like the WBHB, the KMDA and the private partners are large, reputable indigenous business groups with established financial credentials. The most mature of the PPP companies that are currently operational include Bengal Ambuja, Bengal Peerless, Bengal Shrachi, Bengal Development Consulting Limited (Bengal DCL) and Bengal IFB (with Indian Fine Blanks Industries). The business model for partnerships is based on the joint venture model, with the equity shares of public partners ranging between 11% and 49.5% depending upon the social content of the project (Mookherjee, 2003). The Ambuja and Peerless joint sector companies have even stated paying dividends in which the share of the state government is around 50%. The WBHB (amendment) Act, 1993 has made provisions for the majority of the Board of Directors of a PPP, including the Chairman, to be nominated by the State government (Bagchi, 2003, p. 54), which also oversees all contractual matters.

The integral component of such partnerships is a cross-subsidy approach, which is introduced first as an incentive for private sector companies to invest in housing, and second, as out of social concern to anticipate the potential impact of the PPP on the LIGs due to price deregulation. For that matter, prices of the housing units, their size, location, construction quality, the kinds of amenities like in-house shopping arcades, open space, etc. are all prescribed by the government. Under the PPP schemes, at least 10–15% of the total construction in each project is to be LIG or middle-income group (MIG) housing. The low- and middle-income housing is to be made available at lower prices and disposed of with ‘no profit’ or on the basis of ‘little profit’, whereas

Fig. 1. Total disbursement by housing finance companies and public sector banks in India. Source: The Telegraph (2003).
the prices of high-income (HIG) apartments can be set at the discretion of the private partners to capture the economic rents of the housing and services they are providing. As tapping the new demand for luxury units, fuelled by new wealth and the attitudes of a modest number of Kolkattans is vital to sustain any form of cross-subsidy, the government has been careful not to impose any compulsory subsidy on the private partners which could destabilize the financial viability of the partnership in the long term.

Udayan, located in the Eastern Metropolitan Bypass is the cornerstone project in the series initiated by Bengal Ambuja. It includes 1600 dwelling units spread over 1900 thousand ft² of built-up area. In the following year, Bengal Peerless Housing company’s Anupama was constructed with 1400 dwelling units, out of which 73% of units have been set aside for the low- and middle-income group (those with a gross monthly income between INR2500 (US$56) and INR7500 (US$167) (Table 1). KMDA’s housing-cum commercial Project, Hiland Park, in partnership with the Kolkata Metropolitan Group Ltd, is a more recent example. Hiland Park Phase-I consists of two residential towers of 25 and 22 storeys and a club house and is the first project of its kind to introduce high-rise urban living in Kolkata.

It is observed that the State government has, with a view to its accountability to the wider community, adopted a restrained approach by taking measured steps and applying a great deal of caution in its choice of partners. Despite the flood of interested developers who could meet the minimum prerequisites, the State has less than a dozen private partners a decade after the introduction of the PPP. Whilst the private sector partners potentially include individual households, housing cooperatives, NGOs, voluntary organizations and private developers, so far, only private builders have been taken on board in partnerships in Kolkata. Expansion of partnerships and inclusion of the voice of low-income communities in the decision making process of the partnership is important to ensure that partnership arrangements do not lose their social commitment to the vulnerable sections of society.

Land supply

In recent years, urban land has been the principal tool used by the West Bengal government to achieve its aim of maximizing real estate activities in Kolkata. This stems from its growing realization that access to land is the precondition for increasing the housing stock and that can be achieved only by direct intervention by the government both at the State and Central level (Bhattacharya, 1998, p. 24). Kolkata has been experiencing soaring land prices in the last few decades, in tandem with sky-rocketing demand for buildable land and diminishing patches of empty land within the city limits, necessitating concerted action to combat the constraints of land and housing shortages.

The State government is tackling the land issue by introducing multiple township projects. Several townships are underway, including Rajarhat Township by the WBHB, East Kolkata and Baishnabghata—Patuli township by the KMDA and West Howrah and Dankuni townships by the Department of Urban Development (Fig. 2). Rajarhat Township, also known as New Kolkata, started in 1999 with the goal of accommodating three quarters of a million people in 3075 Hectares of land amidst modern office complexes and open spaces. The New town, part of nationwide programme that conceptualizes the creation of 100 new towns by the year 2021, is now serving as a hotbed for investments in new projects, with nearly 50% of the total land reserved for
residential use. The State-administered land disposal has basically two parallel approaches. First, up to 40% of the total residential land in New Kolkata has been reserved for bulk residential use primarily by the joint venture companies, and second, the remaining 60% of the land is being released to individuals and cooperatives as an incentive to sectors outside the main PPP. HIDCO (Housing Infrastructure Development Corporation), the nodal development agency for the New town has already disposed, through a lottery of 5671 serviced plots to individuals and cooperatives under Action Area 1 of Phase 1. Prices for the low-income group are cross-subsidized and are

Fig. 2. Locations of new townships in Kolkata.
fixed at INR822/m² (US$18/m²) compared to middle- and high-income plots, which are in the range of INR1494/m² (US$33/m²) to INR2392/m² (US$53/m²). Plots in the LIG category are sold on a leasehold basis for 99 years with restrictions on any transfer/sub-division/sub-leasing or sub-lettings of plots for a period of 5 years, whereas MIG/HIG plots are on a freehold basis and are thus free for market transaction to take place. Overall, the prices at which plots are offered for sale by the HIDCO are much lower than the prices for similar land parcels in the commercial market in and around New Town (for example, they range from INR3000/m² (US$66/m²) to INR14,000/m² (US$309/m²) for plots in the Salt Lake area). KMDA has started two similar but smaller projects—the East Kolkata township and the Baishnabghata—Patuli township, which are in their early phases.

The expansion of the housing stock in general and implementation of the PPP projects in particular has, however, been constrained by certain provisions contained in the premier land laws in the State, such as the West Bengal Land Reforms Act and the Urban Land (Ceiling and Regulation) Act (ULCRA). In spite of its good intentions, land acquisition and legitimate transactions in land are extremely cumbersome. The task of unifying the interests of all the stakeholders in the process is not a straightforward one, as it requires full agreement from the sharecroppers on sale, compensation payable and registration process. If a sharecropper does not agree to sell a plot, it remains registered in his/her name leading to fragmentation of the land and involving double transaction costs (stamp duty, registration costs, and other hidden costs). Moreover, the current stamp duty of 8–10% for transfer of land titles, when added up, considerably raises the acquisition costs and slows down the land assembly process.

The Urban Land Ceiling and Regulation Act (ULCRA), 1976 intended to increase urban land supply by putting a ceiling on urban land holdings, reducing land speculation and acquiring surplus land for affordable housing. However, it has been ineffective, as large parcels of land came under litigation and were frozen due to the imposition of the law, resulting in sharp increases in land prices as an obvious outcome of under supply (Rao, 2000b). Whilst the annulment of the ULCRA, 1976 could certainly ease the shortage of large land parcels, it can be inferred from various ministerial statements that it is unlikely to be on the current political agenda of West Bengal. This is in sharp contrast to the Central government which has already formulated the Urban Land (Ceiling and Regulation) Repeal Act, 1999 and a few other Sates and is at odds with the operation of partnerships.

The access to and acquisition of developable land has been identified as a key problem since the inception of PPP schemes. Initially, joint venture companies’ attempts to venture into land acquisition on their own was challenged in the courts of law on ideological grounds, leading to a legal embargo while it was decided whether these companies, which are incorporated under the Companies Act could be considered to have a ‘public purpose’ as stipulated in the Land Acquisition Act given the inherent profit motive of private companies (Bagchi, 2003, p. 54). During the protracted court cases, the Supreme Court of India finally ruled against the objectors, enabling joint venture companies to acquire land for partnership projects in the city. Nevertheless, the government’s aid in accessing developable land remains a major attraction for the private partners. Access to a continuous supply of land will remain vital to sustain the private partner’s interest in housing delivery in the future. As an option to comprehensive land development, land for partnerships can also be obtained through different urban renewal schemes. Many traditional buildings in prime locations and along the main transportation arteries in the city are in
dilapidated condition due to under-investment, which can be potential sites for future real estate development for the partnerships.

**Housing affordability and finance**

Affordability and accessibility have been central concerns of partnership schemes in Kolkata. It is observed that purchasing a house under a PPP has generally become more affordable owing to government stipulations regarding minimum size and sale price for LIG units. The LIG units produced by the three major joint venture companies have costs ranging from INR365 to INR600 (8–13 US$)/ft² depending on the size, floor (for example, ground floor and top floor units are relatively cheaper than units on other floors), surface treatment and location of the estate. This is a significant drop when compared to the prices of similar units produced by the private sector elsewhere. At present, the cross-subsidy strategy appears to be working, in a context in which housing costs in the private sector in general have been rising for several years. While compelling, it is important to note that these results do not represent the full picture. The main argument for providing housing through a partnership rather than through sole private sector initiative is that housing is thereby made affordable and financially accessible to the poorest sections of society. When put in perspective, problems can be anticipated both in terms of affordability and accessibility. First, the low volume of new construction in the low-income category is likely to affect affordability. In Kolkata, housing affordability has in general been affected by increase in prices resulting from under supply rather than the worsening economic situation of its residents. In supply terms, the affordable housing produced by partnerships in the last decade has been a fraction of the demand. Moreover, the low-income group homes are generally more prone to real price appreciation because they are also affordable to other income categories. In the face of a very high demand, the prices of LIG units may not necessarily stay modest for very long unless production is substantially increased.

Secondly, access to finance continues to act as a major constraint on home acquisition by low-income families. In particular, absence of any mortgage finance facility for potential buyers linked to the PPP schemes runs contrary to the partnership’s goal of availing affordable housing to those in need. In the private housing finance sector, eligibility criteria are often stringent and are heavily biased to persons having regular salaried income from employment or income from business with income tax return proof. The way finance institutions in Kolkata determine the quantum of a loan, based on monthly instalments up to 50% of net take home pay, is also seen to have an upper middle class bias. In practice, because of these cut off points, low-income buyers cannot obtain loans to cover the full cost of purchase and are hence forced into relying on more onerous private sources to fill the finance gaps. In this situation, it might be appropriate for PPP schemes to be accompanied by some form of incremental finance schemes for the low-income group. Tiwari (2001) laments the national trend, which reflects housing mortgage finance constrained by maximum loan-to-cost ratio and instalment-to-income ratios imposed by the finance institutions owing to the lack of fully developed mechanisms for sharing the risk of mortgage lending. Housing finance institutions need to look into these issues more pragmatically to enhance affordability and design housing finance to suit all income categories. The State government should ensure that the benefits of wider finance sector reforms trickle down to the low and MIG in a meaningful way.
Regulatory constraints

Builders claim that prices of dwelling units could be reduced by INR150–200 (US$3.3–4.4) per ft² if the clearances were expedited (Times of India, 2003). A similar observation is made on the building sanction fee for residential development in the metropolitan area. This is not to say either that all regulation is needed or that all regulation is inappropriate. Regulation has many facets and plenty of scope for refinement. Efficient regulations are those whose costs are in line with their benefits (Malpezzi & Mayo, 1997, p. 380).

The State government promulgated the West Bengal Building (Regulation of Promotion of Construction and Transfer by Promoters) Act in 1993 to initiate and regulate privatization. This Act is meant to control the building activities of the private promoters and protect the interests of property buyers. It gives guidelines on (i) safety of the structures (ii) transparent financial transactions and (iii) clear legal transactions. Without a legal base, it was difficult to gain public confidence in the safety and security of buildings constructed and to protect buyers against any loss owing to swindles or malpractices by promoters. However, since the promulgation of the Act, up to September 2004, only 382 promoters have been registered with Kolkata Metropolitan Corporation (KMC) although the number of developers engaged in real estate activities is far more than the number of those registered. This compares poorly with over 2500 buildings that have been permitted/sanctioned within the KMC area between September 1, 2003 to June 30, 2004. It is therefore important that the law is enforced properly on all promoters to both safeguard the public from malpractices and safeguard the housing industry from any accusations.

Attempts are also being made to create effective market information on developers and their projects. Independent assessments/grading agencies like ICRA-NAREDCO² (National Association of Real Estate Development Council) are providing vital inputs to buyers in their purchase decisions as well as to finance agencies in their credit decisions. As the grading is done in terms of Contractor, Consultant and Project Owner, besides the technical and financial aspects of a project, it provides a whole range of project-related information. The grading system leads to healthy competition and acts as a performance check, equipping buyers with information about the pricing and quality of the delivered product. Although these new concepts will take time to mature, they are relevant to establishing a quality assurance and risk control mechanism, given the widespread unauthorized and unregulated development prevailing in the city.

Government’s responsibility in partnerships is to ensure adequate prudential regulation and supervision. Their involvement as equal share-holders in the joint venture companies has facilitated the process of obtaining permits, clearances and registration of property. Traditionally these activities have been time intensive, resulting in all sorts of delays. To develop a property in Kolkata, builders require nearly 40 clearances from at least 15 departments such as sewerage, water, land survey, land revenue, fire and pollution (Times of India, 2003). Alongside plan approval time, there is an urgent need to rationalize stamp duty and building sanction fees. It is increasingly recognized that in order to speed up the PPP process, plans and projects need to be approved through a single window. Administrative fees could be altered to suit the nature and

²ICRA an independent Information and Credit Rating Agency established in 1991, has been promoted by a number of leading public sector banks and financial institutions, such as IFCI, State Bank of India, Unit Trust of India, General Insurance Company of India, Export-Import Bank of India, etc.
social content of a project. Less profitable projects could be exempted from administrative charges. Market performance may be improved by minimising the approval time, introducing the right kind of incentives and lubricating the right parts, without completely overhauling the whole system.

Housing production under the PPP schemes has seen a marked improvement in quality despite greater government flexibility with respect to regulation. This has been made possible by the proactive approach of the government, streamlining hordes of regulations as and when necessary. In practice, the quality of new housing units constructed by the joint venture companies is substantially better than those produced directly by either the government or the private sector within the same price range. The higher the level of services provided in public sector partnership projects, the less likelihood that private low-income housing providers can match it. Thus alongside the process of partnership, policies must also create powerful incentives to encourage private interests to find alternative ways of providing better quality housing.

Conclusion

The paper has discussed the implementation of PPP in response to the increasing severity of the housing shortage and the failure of public provision to keep pace with demand in the last 30 years of State housing programmes in Kolkata. The particular path of enablement that the government has adopted has led to a kind of partnership that is growing, oddly enough, despite the socialist institutional context. PPP is changing the way in which the government views its developmental role in society, in particular seeking to limit the extent of its investment while facilitating growth in the organizational strength of the private sector. As a by-product of a more general enabling strategy, the PPPs in Kolkata can be seen as illustrating the emergence of a liberalized housing market, relatively free from direct state intervention but rooted in the principles of social housing programmes.

The performance of PPP in Kolkata is apparent from the improvements made in the condition, quality and stock of housing as the joint approach brings together the efficiency in production and technical and marketing expertise of the private sector with the accountability and righteousness of the public sector. However, although housing production under the PPP model has been impressive in terms of costs and quality, it has been minuscule in terms of numbers. At the operational level, major roadblocks identified include, antiquated legislation and the high levels of municipal taxes, stamp duties and sanction fees. These impediments have considerably constrained land supply and slowed the development process despite some headway in enlarging the scope for tax benefits, rationalizing stamp duty and simplifying regulatory processes. The partnership approach is intended not merely to increase the delivery of housing for low-income families, but more importantly, to increase equity. We can observe that the type and total number of units supplied in the market so far are not proportionate to the size of each income stratum in the city. At a closer look, less than a quarter of their total housing production constitutes LIG homes. The true test of the partnership idea lies on the degree of inclusion of the EWS and low-income group, which together comprise 80% of the population in Kolkata. Thus, serious challenges lie ahead for the government.
First, and most importantly, the government must continue to ensure the primacy of State regulation so that the objective of mass affordable housing is not diluted. This is a difficult challenge given that the impact of regulations in the supply and distribution of housing has different meaning, in different context for different stakeholders in the society. What is important therefore is to maintain a balance, identifying and determining the baseline regulations to ensure that the original objectives of the partnership—economic growth and providing housing to low-income groups—both are met. Secondly, the government will have to pave the way for a constructive expansion of partnership to include community participation without stifling producer productivity and competitiveness. This will, however require the government to assume the role of a ‘moderator’, balancing market incentives with community interests over and above its dual role as a facilitator and an implementation agency. Along with policies, capacity building efforts will be needed to increase awareness and change attitudes to the formation of Public–Private–Peoples Partnerships (Jain, 2003). Thirdly, favorable prospect for partnerships in Kolkata has been possible with changes in wider economic arena. However, the real test of the state government’s business acumen will be seen in its ability to deal with the risks associated with fluctuating macro-economic conditions by maintaining policy principles while adjusting details without constraining competition in the production or supply of housing. The challenge for the private sector partners will be to minimize risks resulting from inclusion of affordable elements in housing provision, uncertainty of returns at market rates, and dealing with scores of other regulatory constraints such as protracted bidding processes or decisions on when to sell properties imposed by the project. Clearly, the above process is complex and depends upon government’s capacity and political determination to make greater commitments towards the whole society.

The foregoing discussion on PPP has been placed within the larger context of housing market conditions in Kolkata as well as the changing mode of housing delivery that is today reflected in the official thinking of the State. Whilst the government today may be hailed for announcing plans to address some of the failings of the provider regime it adopted over the last three decades of the twentieth century, PPPs should not be considered ends in themselves, but as means to one or more ends. In the meanwhile, the city will need to hedge its bet and continue to identify and exploit new opportunities.

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