

GOVERNMENTS AND THE HOUSING PROBLEM:
THE CASE OF BIHAR STATE HOUSING BOARD IN INDIA

by

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Rajesh Kumar Pradhan

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Abstract

Field research was carried out on the performance of the State Housing Board during the periods between 1972 and 1985. Through extensive interviews and review of government documents, the research tried to determine why the organization failed to meet its stated goals of increasing the housing stock.

The study established a chain of causality linking the organization's changing image, political meddling, profitability of investment in land and the organization's performance.

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INTRODUCTION

Motivations and Objectives

Public sector institutions in developing countries, particularly the Parastatals, Boards, Corporations and the like, have increasingly come to be criticized for gross inefficiencies (Raj 1977, Chopra 1982). In part, this criticism is based on a trend of attacking public institutions in general. In part, it is based on a concern for fiscal efficiency amidst a time of deepening fiscal crisis of most governments or, a concern for low outputs relative to the investments made in these institutions. Whatever be the reasons for these criticisms, given the huge investments that have been made in these agencies, it is not surprising that studies are being made to establish precisely how these institutions have performed relative to their stated goals.

This thesis focuses on the State Housing Board in Bihar, India. It is an evaluation of this organization, established in 1972 to deliver housing and land in a cost-effective manner. We explain why the organization was not able to meet its goals.

Conceptual Framework

The performance of organizations relative to their stated goals has been the focus of evaluation in the field of organization analysis (Perrow, 1961; Pierce, 1968; Scott, 1981). The relevant literature has suggested three ways of looking at

organizations -- ie. the rational, natural and open systems perspectives; and has identified goals and criteria for evaluation that correspond to those perspectives. The rational systems perspective views organizations as instruments for attainment of its stated goals, and criteria for evaluation stressed are the numbers and qualities of outputs and economies in the use of inputs (Mannheim, 1950; Simon, 1957, 1964). The natural systems perspective views organizations as collectivities capable of achieving specified goals but simultaneously engaged in other activities required to maintain themselves as a social unit. In addition to the criteria used in the rational systems view, the criteria emphasized in the natural systems perspective include measures of morale of participants, and incentives for people in the organization to ensure its survival (Barnard, 1938; Clark and Wilson, 1961; Etzioni, 1961; Perrow, 1970). The open systems perspective views organizations as highly interdependent with their environments and as engaged in system-elaborating as well as system-maintaining activities. The organization's adaptive capacity to respond to problems, or its bargaining position, are considered to be important criteria -- reflected in the ability of the organization to exploit its environment to acquire scarce resources needed (March and Simon, 1958; Pfeffer and Salanick, 1978).

The organization that we will examine appears to have not met any of the goals that these three perspectives suggest:

the Housing Board's inability to acquire one of the key resources, land , explains its inability to meet its stated goals of high output of housing and serviced plots ; a low morale -- reflected in the 1985 petitions by the staff to the government to scrap the organization itself, suggests reluctance and inability of the organization to maintain its survival and, therefore, to meet its goals. We consider these and other goals espoused by people within the organization and we conclude that these goals were not even reasonably met. In terms of evaluating the organization's performance, we will attempt to explain why those goals were not met. In the evaluation, therefore, we do not attempt to put a normative or a measurable value on what the organization achieved (outcome, in the rational systems view), on how it was achieved (process, in the natural systems view) or on the capacity of the organization to acquire resources (structure, in the open systems view). By attempting to establish causality or, simply, explaining why things happened the way they did -- ie. why goals were not met, we emphasize another meaning of the word "evaluation" as used in evaluation research -- one which refers to understanding and appreciation (Hudson, 1975; Forrester, 1975).

First, we will examine factors that appear to have constrained the organization's performance. For example, we will focus on lack of direction or conflicting goals, lack of morale/individual incentives for participants in the organization and, constraints due to lack of coordination with

interdependent organizations and lack of bargaining power or, the capacity to maintain support from the environment for acquiring key resources.

In addition to these factors generated by the three perspectives on organizations, we will consider a specific factor that appears to offer a unique explanation for the Housing Board's performance: - namely, the extent to which the organization's changing image determined the organization's actual performance. We will observe that image and performance of the organization were positively linked: better image was associated with better performance and vice versa. In general terms, we will discuss the proposition that the image or the expectation of how an organization will perform in future, (from the perspective of people controlling inputs and benefiting from outputs), determine whether an organization is able to meet its stated goals or not.

Based on our general concern for examining the performance of public sector organizations, the central theme of our study is to explore the question, "why did the Housing Board perform the way it did between 1972 and 1985 and what explains the extremely poor image of the Board in 1985"? We begin the story in Chapter I by setting the context, and describe the factors that led to the formation of the Housing Board in 1972. Subsequently in Chapter II, we give an account of what the Board did between 1972 and 1975. We tell this story to illustrate the

five factors that seem to explain the Board's performance -- ie. lack of direction, incentives, inter-agency coordination, support from the 'environment'/ Board's bargaining power and Board's own image. In Chapter III, we re-examine the story by considering the extent to which each of these five factors really explain why the Housing Board could not meet its stated goals.

The key questions, then, are the following:

- (1) How did the Housing Board come into being, and how did it define housing as a problem? (Ch. I)
- (2) What did it do? (Ch. II)
- (3) What really happened? (Ch. III)
- (4) What are the implications of the story for future research and policy? (Conclusions)

Research Methodology

This research is based on personal interviews with key actors in the rise and the fall of the Housing Board. It was assumed that the Housing Board's direction was primarily influenced by its members in the leadership role. Consequently, the top management staff who have been with the Board between 1972 and 1985 were interviewed to identify, goals deemed important by them or their approaches to the housing problem. Field officers and middle level staff were interviewed to establish work incentives available to them. By speaking to several employees who have been with the Housing Board ever

since its formation, I tried to get indications of changes in staff morale and Board's image during different periods of the Board's existence. Interviews with the staff of interdependent organizations were conducted to assess coordination problems. Key personnel from the financing institutions were interviewed to determine why they continued to fund the Housing Board which clearly appeared to be performing poorly. Ministers of the ruling political party and members of the state judiciary told me about the extent to which Housing Board received support from the 'environment' in which it operated. Housing Board's reports were reviewed to document the organization's performance in terms of outputs produced, and three main project sites were visited to determine the validity of those claims. Finally, I spoke with some of the residents and private landowners in and around these project areas, to understand how they had been affected by Housing Board's projects and how they had responded to them.

CHAPTER 1

Since independence in 1947, Bihar has been one of India's poorest states. Patna, the capital city with a population of about a million and the focus of Housing Board's activities, is described in contradictory ways. For example, one hears of Patna's ancient glory, its strategic importance in the colonial past and its current status as a fairly flourishing city. But, Patna is also scorned as a somewhat rural, dirty place, with predominantly poor people and a growing shelter problem. Patna's concentrated physical growth and high population density, exacerbated by certain geographical constraints, reinforced the city's poor image. The capital city's semi-urban/semi-rural look became one of the concerns of the state government.

Various attempts were made to change this image. In the field of housing, several agencies were established. For example, the Housing Department was set up in the state secretariat during the late 1940s to implement public housing projects and distribute housing loans to individuals. The Cooperative Department was established to extend loans to the private housing cooperatives. Patna Improvement Trust (PIT), a local government body set up in 1952, implemented housing projects and provided extensive infrastructure services exclusively for the city of Patna. Finally, the department of Local Self Government (LSG) was established at the secretariat

level to coordinate the activities of the Local government bodies with that of the Housing department.

Despite good intentions, these organizations contributed little to either the housing stock or to the image of the city. For example, while the Housing Department had started innovative schemes similar to today's site & services projects, implementation problems, wrong interest payment calculations and discrimination in loan distributions resulted in low output (20000 tenements in 20 years), incomplete projects and a bad name for the organization. The Cooperative department also had little to contribute in terms of output. Only those private housing cooperatives formed by influential senior government officials benefited -- by securing government loans and by using the machinery of the State government to make land acquisition somewhat easy and at minimum cost (Housing Board Report, 1973). The Patna Improvement Trust (PIT) met with a fate similar to that of the Housing Department: it was commended for its slum-upgrading and site & services type approaches, and at the same time it was charged with extensive diversion of public funds, construction irregularities and the like (PIT Commission report, 1969).

Disenchantment with the performance of these organizations, concern for a growing image problem and a housing problem, set the grounds for a performance-oriented housing organization to emerge. It is not surprising, therefore, that when Housing Department approached the Life Insurance Company

(LIC) for loans for housing projects, the LIC Chairman stressed that loans would only be provided to a statutory/semi-autonomous agency which is led by a competent engineer. At the same time, in 1970, India's primary housing finance institution, the Housing and Urban Development Corporation (HUDCO), was established at the Central level with the explicit objective of financing semi-autonomous housing agencies. At the state level, too, an important event occurred: the popular ministry was dissolved and Bihar came under President's rule (1). More importantly, Bihar came under the leadership of Governor D.K. Barooah who was later to play a key role in formation of the Housing Board.

The Formation of the Housing Board

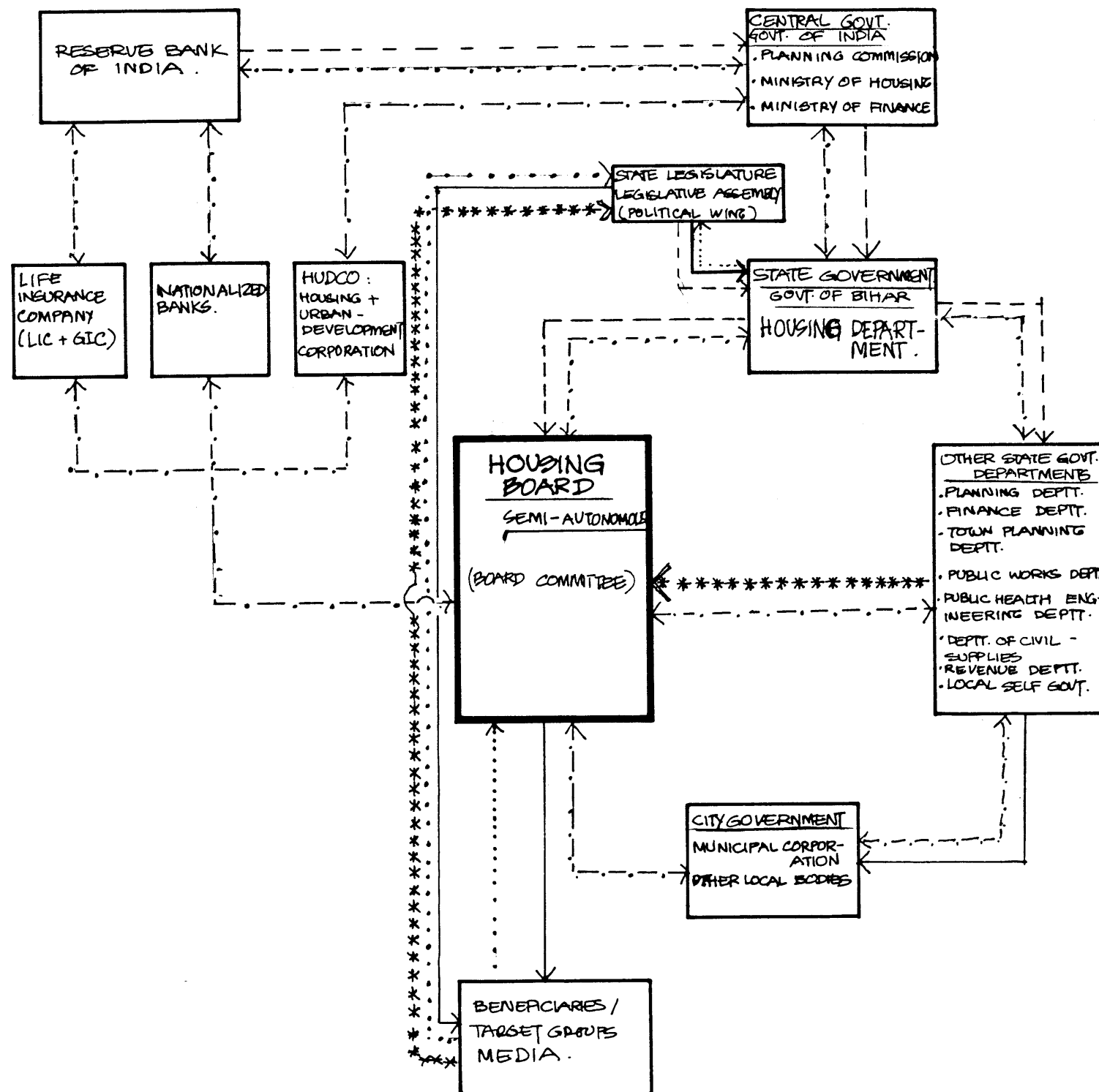
The Governor was known to consider housing as an important area of government intervention and chose it as one of the sectors where he wanted his impact felt. His position as the temporary head of the state (1) brought him in close contact with the senior officers of the housing and urban development related organizations. Among these officers, he seemed to have been fairly impressed by the qualifications and reputation of the Special Officer at the Public Works Department, Mr. P. J. Prasad, particularly by his versatile experience in the field of engineering and housing. The Governor's interests coincided with those of the LIC Chairman and the HUDCO, and the Governor issued an ordinance in 1972 to set up the Housing Board with

Prasad as its first Chairman and chief executive. The ordinance had to be renewed every six months as it was not an Act of the legislature. The Governor's special powers allowed him to override the protracted legislative-style decision-making involved in the setting up of government institutions and appointing institutional heads. Soon after the Housing Board came into being, the state election was announced ; the President's rule ended; and the Governor relinquished his special powers to the newly elected Chief Minister from the Congress party.

Six months passed and the Housing Board Ordinance lapsed (2). The ruling congress party allowed the ordinance to lapse because it wanted to reconstitute the Board with a political appointee as the Chairman with Mr. Prasad as the technical/administrative head in the no.2 position. This is actually quite a common phenomenon, particularly strong during the formative stages of a new ministry, which must retain the support of the members of the legislative assembly (MLAs) by offering them chairmanships of public sector undertakings/ parastatals and boards. These positions not only supplement income of the MLAs but also include benefits such as staff-cars, official residences, peons and other amenities. Mr. Prasad strongly protested the ruling party's move, but the Governor's Ordinance was allowed to lapse. Thus, the Housing Board ceased to exist and Mr. Prasad went back to the PWD. Governor Barooah, however, considered this development to be a personal

humiliation, also because he belonged to the same political party as the state Chief Minister. Besides, being Prime Minister's direct nominee, the Governor's allegiance lay more to the Centre than to Bihar's elected ministry. So, Governor Barooah expressed his extreme displeasure to the state Chief Minister in categorical terms. As a result, within a month the Housing Board was re-created and Mr. Prasad was reinstated as the Chairman of the organization.

Having survived the first crisis, the Housing Board structured itself in the institutional environment. Being a semi-autonomous institution, its formal link with the state government was through the state secretariat's Housing Department which could only give broad policy directions to the Housing Board. Housing Board's semi-autonomous status was further enhanced by the fact that the state's ruling party could control Housing Board's activities only indirectly -- by pressurizing Housing Department in the legislative assembly. The following chart illustrates the institutional environment and describes the linkages and responsibilities of the interdependent organizations.



Description of Linkages and Responsibilities

<u>LEGEND</u>	----->	LINE OF CONTROL (Authority)
<u>FOR</u>	----->	DIRECT ACCESS (Broad policy direction)
<u>THE</u>	<----->	INFORMAL ACCESS (Consultation)
<u>PRECEDING</u>>	FEEDBACK (Reporting)
<u>CHART</u>	*****	REPRESENTATION (On Board Committee)

Central Government

Technically, Housing is the responsibility of the state governments, but central government can exercise some leverage through:

Planning Commission and Ministry of Housing -- sets very general policy guidelines/housing strategies.

Reserve Bank of India -- Sets limits on market borrowing for all institutions.

Ministry of Finance -- issues public bonds for the national financial institutions supplying funds(loans) to the Housing Board.

Housing and Urban Development Corporation (HUDCO); Life Insurance Company (LIC); General Insurance Company (GIC); Nationalized Banks -- supplying project-specific loans to the Housing Board.

State Government

In principle, any guideline from the state government agencies and the legislature to the Housing Board, must be addressed through the Housing Department. For coordination purposes, most of the following agencies are represented on the Housing Board Committee:

Housing Department -- ensures the compliance of administrative rules and state's broad policy guidelines. Provides some funds as administrative grants. Represents Housing Board in the state's legislative assembly (the cabinet).

Planning Department -- advises the state government (the executive and the legislative branches) on funds to be allocated on the housing sector in general.

Finance Department -- issues Five Year Plan funds (and loans) allocated by the state government to the Housing Board.

Town Planning Department -- advises Housing Board on Master Plans.
Public Works Department (PWD)/Public Health Engineering Department (PHED) -- advises Housing Board on infrastructure/construction technicalities.

Department of Local Self Government (LSG) -- represents the local government bodies such as the Municipal Corporation which are responsible for Housing Board projects' maintenance and property-tax collection. The LSG also advises on local land-use and infrastructure plans.

Department of Civil Supplies -- supplies subsidized cement and steel to Housing Board (not represented on Board Committee).

Revenue Department -- acquires land for the Housing Board.

With its responsibilities and its institutional role clearly established, the Housing Board set out to tackle the problem of housing.

Housing Board's goals, or its approach to the Housing Problem

"Operative goals designate the ends sought through the actual operating policies of the organization; they tell us what people in the organization actually are trying to do, regardless of what the official goals say are the aims" (Perrow, 1961).

In evaluating the performance of the Housing Board, we are concerned with the operative goals espoused by members of the Housing Board Committee between 1972 and 1985. Five goal statements or problem-definitions emerged from documents and interviews with the top management at the Housing Board. The first of these was accompanied by extensive statistical data on Bihar's low urbanization rate, low urban unemployment rates coupled with, high unemployment rates in rural areas, high population density and very low rural productivity. The statistics was used to state that informal-bondage or semi-feudal relations in the villages had prevented rural labour from migrating in the past. Large scale finished urban housing was considered to be an ideal incentive for potential rural in-migrants and, therefore, a solution to the problem of low rural productivity. Construction in general, together with the untapped traditional and informal sectors of employment in urban

areas, were seen to be highly labour absorbing. It was argued that Housing Board should take a comprehensive view of a state-level problem and, therefore, provide housing for the potential in-migrants on a large scale.

The other goal statements were not supported by any study or data and we found them to be mostly intuitively argued cases.

For example, one of the arguments merely stated the need for large scale intervention and neither analyzed the housing problem per se nor identified any particular target group for policy. According to this argument, the problem was defined as lack of resources, which, if provided, would solve the housing problem. This approach was probably the most undefined of all, but it provided its advocates a sense of purpose in doing something because they assumed that without the government intervention people were incapable of taking care of their housing needs.

Some Housing Board leaders saw the problem as one of dealing with people's insatiable desires and changing tastes in housing, and with the "unreasonable" demands causing housing shortages which were impossible to satisfy. The proponents of this view blamed the speculative private sector which catered to these desires and which fuelled expectations by trying to provide modern "dream houses". Accordingly, Housing Board's role was to put necessary check on people's desires and expectations by providing traditional, indigenous and modest

shelters with the possibility of upgrading them in distant future.

Some of the Housing Board leaders also empathized with the problems of the low/middle class urban dwellers. These dwellers were understood to have been caught up in 'formal sector' jobs, having no time to organize resources to build their own houses. Because of the resulting shortage, Housing Board's role was seen to be that of providing fully finished houses so that people could devote the time and energy saved to things considered more important and productive than housing.

Some members of the Board Committee considered rural immigrants as contributing to the problem of housing. Housing was such a basic need for the migrants, that their illegal and haphazard building activities, in and around public land, were found to obstruct implementation of efficient Master Plans. It was argued that provision of infrastructure to these unregulated developments was problematic and these areas were predicted to become slums. As a result, the proponents of this view gave little priority to the shelter part of the housing problem and primarily advocated increased land supply, planned land subdivision and the provision of efficiently laid out infrastructure.

The similarities, differences and contradictions among these approaches/goals are self-evident. While two of the five goals did not advocate policies towards any specific target group, the remaining differed in their prescriptions. For one

approach, housing for the rural-migrants was the primary concern; for the other, housing of the rural-migrants created environmental problems and, therefore, this group's shelter-building activities was to be regulated in a stringent manner. Another view focused on an entirely different group, the urban 'formal sector' employees. There were also strong agreements. For example, all the five approaches required a high output of either serviced land or housing units -- that is, the primary goal of the Housing Board was to significantly add to the urban housing stock. These views also reflected a faith in the capacity of the Housing Board to achieve those goals.

In the following section, we describe what the Housing Board did as a result of believing in these goals.

CHAPTER 2

The performance of the Housing Board between 1972 and 1985 can be grouped into four parts, corresponding to reconstitutions of the leadership structure as much as four times during that period. The story about the changing leadership, in brief, is as follows: between 1972 and 1975 the Housing Board continued under the leadership of the first Chairman. The events surrounding this appointment and reappointment were described earlier. In 1975, a member of the legislative assembly (MLA) from the ruling congress party was appointed the Chairman of the Board, replacing Mr. Prasad who was the Governor's nominee. Since Mr. Prasad resigned in response to this change, another officer with a technical background was appointed the Managing Director as the no.2 person in the organization. In 1978, the Managing Director was replaced by an administrator/bureaucrat from the Indian Administrative Service (IAS). Surprisingly in 1982, the Chairman from the ruling political party was removed from the Board, the top two positions were merged and the IAS bureaucrats started to hold jointly the posts of the Chairman and the Managing Director. Then, in terms of leadership structure, the Housing Board reverted to its original format with the bureaucrats displacing the technocrats in the organization.

What follows is a brief description of the performance of the organization during these periods of changing leadership.

The description also examines the role of several factors -- ie. lack of direction; incentives; coordination; support/bargaining power and image -- that seem to explain why the Board was unable to meet the various goals mentioned earlier.

(a) 1972 - 1975

With the Housing Board's creation in 1972, its dissolution in six months and subsequent re-creation, the attention of Bihar's political leaders, its bureaucracy and the media, turned to the battle over the appointment of Housing Board's chief. Governor Barooah's direct involvement in an area outside his official domain, attracted further public attention on the Housing Board. When the controversy was resolved, the organization and its Chairman, Mr. Prasad, were perceived to be enjoying the blessings of a strong political leadership. As Mr. Prasad recalls, "...with the desired level of political support and autonomy in the maze of interdependent institutions, we were able to begin in a professional way".

The Chairman was fairly clear about the general direction of housing policy for he had been a strong proponent of housing for the rural migrants. As a professional, however, he felt the need to have a better estimate of the distribution of housing demand in the state and, consequently, he initiated a state-wide Demand Registration Process. The process required people who wanted housing to declare their incomes and deposit Rs.50 (about \$5.00) in nationalized banks. The turnover was

quick and encouraging for the Board: about 85% of the 58000 that responded wanted houses as opposed to plots, and 50% of the applicants preferred Patna to any of the other towns in the state. With these indicators of housing preferences, the Board approached the state government and the financial institutions, the Housing & Urban Development Corporation (HUDCO) and the Life Insurance Company (LIC), for financing housing projects.

The Board decided to temporarily shelve its goal of helping the rural migrants in order to impress the financial corporations (for funds) by presenting and publicizing smart-looking housing projects. The media attention that the organization received was a strong incentive for the technical staff to prepare efficient and good-looking housing designs. The financial institutions were impressed and the Board obtained the necessary finance to carry out the demonstration projects. With the Housing Board showing so much activity, the government and the Reserve Bank allowed the Board to issue two public bonds at good rates -- an allowance fairly unprecedented for new public agencies in Bihar. Commercial banks were also tapped by the Board for a cheap credit line, in exchange for cash advances that were paid by people to participate in the demonstration projects. With finances in place, the Board turned its attention to obtain the land necessary for those projects.

In this area too, the Housing Board's image worked in getting the necessary support of the Revenue Department, the organization responsible for acquiring and disposing of land.

About 600 acres of land was delivered within one year for the Housing Board's first demonstration project (the Lohianagar housing scheme in Patna). Most private land-owners were compensated for their land, the compensation price being based on the price of similar land that had been sold in the recent past in an adjacent area. The swift coordination between the Housing Board and the Revenue Department was primarily made possible by the personal relationship between the heads of the two organizations.

The Board did not encounter any problems in justifying these demonstration projects in the National Five Year Plan (of 1974 -1979). According to the Chairman, the national housing policy guidelines which the Board's project had to satisfy were written in such general terms, and the monitoring of those policies was so minimal, that guidelines could always be met. The 2000-unit Lohianagar housing project had been divided into several phases for implementation purposes. In addition to the housing, the Housing Board was responsible for the primary infrastructure -- ie. developing land/land-filling, laying the entire sewage network and providing water, electricity and roads in the project areas. Each phase of the project included a range of housing options, but it was essentially a mix of group and detached housing, quite conventional, with few plot subdivisions, mostly unaffordable to the lower-income groups (earning upto \$100 per month). Since the national and state housing policies included a large variety of housing strategies

(3), the Housing Board got an implicit approval to proceed with their Lohianagar project. According to the Chairman, it was the intention of the Housing Board to implement this demonstration project in order to gain support for housing rural migrants which was considered less attractive and less visible by the political and the financial institutions.

The success of the Housing Board in procuring land and the the general expectation that it was capable of successfully implementing projects, appeared to have a positive effect on staff morale and implementation proceeded in a timely manner. However, the time arrived for the Board to be reconstituted because the Ordinance was about to lapse (Aug/Sep'75). With Governor Barooah gone, the state ministry moved to put a political appointee (an MLA) as the Chairman and change the previous Chairman's designation to that of a Managing Director in the no.2 position. The conflict thus triggered, resulted in the first Chairman's resignation and, in the appointment of a senior PWD engineer as Managing Director who was to serve under the politically appointed Chairman of the Housing Board.

(b) 1975 - 1978

With this division of power at the top, other changes were soon made in the composition of the Board's leadership structure. Three additional members of the legislative assembly of the ruling congress party were appointed in the Board committee in positions reserved for housing experts. Unlike the

previous chairman, the new managing director did not protest these appointments; instead, he focused on his designated responsibility to implement and plan projects identified during the earlier period.

The new managing director's larger goals were superseded by more immediate tasks at hand and he focused his attention on the implementation of the ongoing Lohianagar scheme. When he started to plan for the project's second phase, he began to notice unexpected developments in the project area. For example, private construction organized by housing cooperatives had started to mushroom, in complete violation of the Housing Board's plans. It was found that most of these cooperatives had been formed almost 'overnight' by individuals operating as builders or developers. These cooperatives, because they acted as a group or through political connections, resisted repeated warnings by Housing Board officials to vacate the officially acquired land. When these warnings turned into threats of forcible eviction, the cooperative members managed to obtain a stay order from the court on grounds that the compensation price paid by the Housing Board had been unfair (4). The Housing Board leadership reacted by establishing a committee to look into the matter. With a court stay order in place, no work could be comprehensively undertaken in the second phase of the project. The Board turned its attention to the completion of the first phase and the managing director started the process of acquiring land for the Hanumannagar housing

scheme in Patna -- another middle-income group (demonstration) project conceived of during the earlier period.

In this project, the managing director encountered an even stiffer resistance from the private land owners. They simply refused to give up their land. The private landowners petitioned to the Chairman of the Housing Board or other elected representatives on the Board committee (the MLA-housing experts) or even to the state housing minister on several grounds: that the procedures of the Land Acquisition Act had not been fully complied with; that plot measurements were wrongly taken; that certain plots or portions of plots fell outside the area notified for acquisition, or that certain areas were not at all needed for serving the "public interest" -- which enabled the Housing Board to acquire land under the law of eminent domain. In this case as well, the Chairman appointed committees to investigate the charges made by people. As a result of these investigations and litigations, the Hanumannagar project encountered severe delays in taking off. Though coordination with institutions supplying finance and construction materials remained unaffected, the managing director and his staff felt helpless in the legal battles and the image of an efficient organization began to crumble.

The state's senior bureaucrats blamed the managing director of the Housing Board for inefficient management and stressed the need for streamlining organizational procedures. The legislators shared these views and they appointed a

bureaucrat from the elite Indian Administrative Service as managing director in the no.2 position. The previous managing director went back to the Public Works Department to a more coveted position in the technical core. At the Housing Board, the position of the technical head slipped down to the no.3 position in the hierarchy. Amidst this reshuffling, the Chairman was also replaced by another member of the ruling congress party.

(c) 1978 - 1982

The new leadership of the Housing Board was more concerned with procedural guidelines than with fulfilling the earlier objectives of the organization. The managing director wanted to make sure that all procedural rules were complied with even at the expense of rapid project implementation. He focused his energies on allotment procedures as some of the flats and plots in the Board's first project were ready for occupation.

According to the guidelines, allottees were required to pay the final installment before they took possession of their houses or plots. When final payments were sought, the management encountered problems that it had been expecting. In most cases, periodic installments had not been made. As defaults had piled up, the individual's capacity to pay old and new dues had worsened. The managing director also found it difficult to deal with many defaulters who had started to live in houses or had started to build on plots even before formal

allotments had been made. The management was also aware of many occupants who had either never registered in the first place, who had jumped the allotment queue, or who were simply ineligible for the particular flats they occupied (as determined by income levels). Because many unauthorized allotments were made by the political appointees on the Board itself, the management staff did not know how to manage the situation most effectively. This dilemma created serious management problems because the managing director could not treat these 'irregular' cases differently. But he ended up doing just that because of political pressures from other Board members. Once precedents had been established, the management had no option but to indulge in lengthy negotiations and justifications with every faulty allotment case.

With these problematic cases piling up, the managing director's role was being reduced to a paper-pushing one because decisions would be postponed in favor of investigations (that would never be conducted). The reputation of the Board came to be known as an inefficient organization and few bureaucrats wanted to be associated with it. They felt that their career-resumes would be damaged, affecting their career mobility and dimming the prospects of being transferred to important positions in the state or at the centre. It is not surprising then that as many as five bureaucrats served in this position within the short period of four years. They would manoeuvre the state bureaucracy or the state ministry to have them

transferred. The reluctance of the organizational heads to stay with the Board for a long time, also led to a low morale among the staff in the organization.

However, the financial institutions seemed unruffled and HUDCO came forward to finance another large housing project -- the 2500-unit housing project in Bahadurpur, Patna. This project, too, had been conceived of during the initial years of the Board as a demonstration project, and contained the same mix of housing types. While funds from HUDCO and the other financial institutions kept coming, there was little progress on project-implementation because political meddling in land acquisition and resistance of the private land-owners continued. Surprisingly, at this time the state ministry decided to withdraw its appointed Chairman and let the bureaucrats take control of the organization. The posts of the Chairman and the Managing Director were merged and the Board reverted to its original format with the bureaucrats displacing the technocrats in the organization.

(d) 1982 - 1985

When the bureaucrats took control of the organization in 1982, political meddling in matters related to land acquisition and allotments almost stopped because most of the politicians were out of the Board. However, as a result of past performance, Housing Board's image in the public eye was at its worst and as a result of legal precedents established in land

litigations, the resistance of the private land-owners grew stronger. The media suggested that there had been political interference and huge misappropriation of public funds. The Board officials denied most charges but could not deny that output by early '80s had been very low, except for the few initial years. More embarrassing was the fact that most of the projects (the Lohianagar, Hanumannagar and part of the Bahadurpur housing project) that the Board claimed to have completed, were in a poor state of maintenance.

The Housing Board management blamed the Municipal Corporation for inefficient maintenance. The real story turned out to be otherwise: The Municipal Corporation was not willing to take the blame for maintaining projects with incomplete land filling, incomplete sewage network and incomplete roads. The image of both organizations suffered as scenes of choked sewage networks, littered garbage and boats plying in water-logged streets of project areas, marked the end of monsoons. The Housing Board pressurized the Municipal Corporation through the department of the Local Self Government at the secretariat which was the liason agency between state government and local government agencies. This led to Municipal Corporation doing ad hoc work -- partly because they could not refuse since they had become part of the state bureaucracy -- ie. the Corporation had been superseded because of its ineffecient performance, and partly, as the Corporation received very little tax money from the landowners and homeowners in the Board's project areas.

The result of incomplete projects coupled with a lack of maintenance was visible, and perhaps more damaging than what could be inferred from analyzing Housing Board's performance on paper. These projects stood as testimonies to thirteen years of Housing Board's performance and portrayed a sense of complete organizational inefficiency. The morale of the upper and the middle-level staff reached such a low level that fearing a government inquiry into the operation of the Board, they wanted to leave the Board as soon as possible and to go back to the various state government departments from where most had been deputed (to the Board). As a result, the Housing Board staff petitioned the Chief Minister in late 1985 to abolish the organization itself.

CHAPTER 3

Evaluation

On the basis of the field research, it is evident that Housing Board's goals, stated earlier, were not met. The reasons why these goals were not met also appear to be evident and we had identified several factors earlier that appear to be possible constraints. Our story revolved around those factors. We will re-examine the case study and try to establish the relevance and dominance of those factors or, the extent to which constraints were insurmountable. In other words, the purpose of the re-examination is to trace the source of inefficiency in the Housing Board. First, we will discuss the four factors that have also been suggested by the various perspectives on organizations. These are: (a) lack of direction; (b) lack of individual incentives; (c) lack of coordination with interdependent organizations, and (d) lack of adaptive capacity and bargaining power. We will then examine Board's changing image as a factor that appears to offer a unique explanation for the Housing Board's performance.

(a) Was there a lack of direction because of multiple-goals?

It has been suggested in the literature that in organizations having different and mutually contradictory goals, one would expect a lack of direction and, therefore, the organization's inability to meet those goals (Bales, 1963;

Litterer, 1969).

We know from Chapter I, that the Housing Board also had different and contradictory goals requiring different housing strategies and addressing different target groups. For the proposition stated above to be true, we would expect the Housing Board to be implementing different housing strategies and, therefore, lacking in focus. However, the strategy that the Board adopted in 1972, essentially involving building conventional public housing projects, continued for the next thirteen years. More significantly, the Board did not change that strategy despite the fact that several options had been identified in the Housing Board Act -- the official document framed by the leadership in 1972 which identified policies or listed various housing strategies that the Board could choose from (3). For example, some of the options that the Act had identified included, Housing Board increasing housing stock by producing building materials/housing components or by focusing on land readjustment and land subdivision. We also know from the case study that the Housing Board was under no policy constraint, either from the state government or from the central government, regarding which strategy to adopt. Housing Board's semi-autonomous status enhanced its freedom to choose from the various options. However, neither anyone questioned why the other options were not even considered, nor was there an attempt on the part of the Board to plan for these other strategies in

the thirteen years; instead, what appears to have started as a demonstration/experimental strategy, was never abandoned. Given this evidence, we must conclude that the direction, however undefined, was clear for all the leaders at the Housing Board.

We found a similar consistency in terms of the 'target groups' that were to benefit from these housing projects. In all the projects examined, the official pricing of housing units indicated a definite bias. For a family belonging to Housing Board's designated economically weaker section (EWS) category, the cost of owning a unit was unreasonably high even if we assume an unrealistically easy interest free payment schedule: for example, the richest family in this income-category (earning about \$50 per month), was required to pay about 52% of this monthly income on a 5-year schedule or 26% on a 10-year schedule. The corresponding figures for the richest family in the Low Income category (earning about \$100 per month) was 60% per month on a 5-year schedule or 30% on a 10-year schedule.

On a more qualitative level also, the bias was evident. For example, throughout the thirteen years the application and allotment procedures that the Board used suggest an insensitivity towards the needs of either the rural migrants or the urban poor. The lengthy paper work necessary to complete these procedures required bank statements, references, and affidavits certifying incomes. We can assume that these formalities, written in legal jargon, would discourage the largely illiterate and relatively unresourceful individuals.

We believe that Housing Board's direction was not intended to benefit the higher-income groups (earning above \$200 per month) despite the fact that the housing units were more affordable to this group than any other income group. The higher-income groups had responded to the Demand Registration Process conducted by the Board in 1972 to assess housing needs of people in the entire state. The distribution of housing 'needs' in this process indicates that the 85% of the applicants from the higher income groups had preferred plots/land to houses of any kind. However, the Housing Board consistently pursued the strategy building housing units and as a result, about 75% of the applicants from the high income group had not been allotted land by 1984. We can also conclude that the powerful lobby of the high-income group failed to influence the Board's leadership to change the organization's direction.

Field research supported this view for we could not find any powerful coalition within the organization that seemed to favour a particular goal among the different organization goals stated earlier in Chapter I. It was also not true that planners, engineers or politicians on the Board conformed to different goals on the basis their professional affiliation. For example, one would expect the townplanners in the organization to favour the housing approach which advocated land-use planning/zoning in conformity with a master plan as opposed to the engineers in the organization who would favour a more 'engineering' approach of constructing houses. One would

also expect the politicians to favour the 'engineering' approach because of a high visibility of this approach. However, field research clearly indicated that there were townplanners, engineers and politicians who considered each others' approaches as acceptable solutions to the housing problem. We could not accurately determine why an organization with multiple goals pursued a consistent direction of building housing flats that were not even wanted by people who could afford them the most.

We can conclude, then, that there was no clear relationship between Housing Board's multiple goals and its inability to meet them because of a lack of direction.

(b) Was there a lack of individual incentives?

The literature on organizations has stressed that in organizations having few inducements, one would expect a low staff morale and, therefore, a high probability that the organization's goals would not be met (March and Simon, 1959; Price, 1968).

Lack of special incentives at the Housing Board for its staff to work efficiently, was not unique to Housing Board as other government organization in the state worked under similar conditions. At the Housing Board, therefore, there were neither special monetary inducements nor special promotional incentives for the upper or the middle management staff, if they worked hard to increase Housing's Board contribution to the housing

stock or if they fought for the cause of people that were not being addressed in Housing Board's projects. Nor were there any sanctions if these goals were not met. These controls remained unchanged throughout the period between 1972 and 1985. However, there were major changes in staff morale and degree of goal attainment during that period. We were told that staff morale was unusually high between 1972 and 1975 when the Board was successful in procuring large amount of land and in implementing the Lohianagar project in a speedy manner. To a large extent, the morale and the high output were due to the 'charisma' of the chairman of the Board during that period. Subsequently, the morale and output continued to decline almost steadily, even though several well-meaning individuals led the organization between 1975 and 1985. Given the same set of incentives that were available between 1972 - 1975, we find as many as seven executive heads (managing directors) serving in the organization in a period of seven years. We observe, therefore, no significant relationship between changes in inducements/sanctions, changes in staff morale and degree of goal attainment.

We cannot make an a priori judgement, in short, that if incentives and sanctions were increased, the goals that were espoused would have been met. Since incentives had remained invariant, this factor does not explain the particularly poor performance of the Board in the later periods.

(c) Was there a lack of coordination with other organizations?

In the literature on organizations, it has also been suggested that -- for an organization dependent on other organizations for approval of programs and supply of necessary inputs for goal attainment, a good coordination would lead to timely approvals and timely supply of inputs and, therefore, in an ability of the organization to meet its stated goals (Mooney, 1947; Price, 1968)

The mechanism through which coordination was achieved at the Housing Board was institutionalized. Heads of most organizations that were required to formally approve Housing Board's plans or that supplied key inputs, were Board members of the Housing Board and met in the Board meeting regularly (twice every month). Informal mechanisms and consultations were also used for this purpose. Despite these mechanisms, the case study suggests a lack of inter-agency coordination to some extent.

As far as approvals were concerned, we know from the case study and from the previous discussion on "lack of direction" that there were no policy constraints, either from the central government or from the state and the local governments regarding what the Board ought to do. Thus, lack of coordination with the State's Housing and Planning Departments was neither an actual nor a perceived constraint for the Housing Board.

On the other hand, lack of coordination with

organizations supplying inputs (finance and land), partially explains why the organization's goals were not met. We know from the case study and Housing Board's Accounts that, as far as finance is concerned, the funds that the Board had negotiated with the state government or the financial institutions, were supplied almost always in a timely manner. For example, the Five year Plan allocations and state government loans came in every year and project specific loans were also received every year from the financial institutions. Only when project costs rose more than estimated for, the supply of additional finance was disrupted because of cost revisions (Housing Board Accounts, 1972 - 1985). Delays in getting these funds may explain why the Housing Board could not complete its demonstration projects. We can conclude that as a result, the Housing Board could not expand its operations and, therefore, could not meet its goals. However, this is a only a partial explanation because we have not yet determined why project costs rose in the first place; instead, we have only discussed the effects of increases in project costs.

We find a similar partial explanation with respect to the supply of land. Land was one of the inputs common to all the housing strategies in the multiple-goals of the organization. Procuring land was one of the main problems for the Housing Board, either due to lengthy acquisition procedures or because landowners simply refused to part with their land. Since the procedures were lengthy and if coordinational

mechanisms did not work, it was extremely difficult for the Board to do anything considering that the Revenue Department had several other responsibilities besides acquiring land (such as collecting state taxes and manually updating a complex cadastral data base). Yet, the Revenue Department was never represented on the Board committee and the Board relied entirely on informal mechanisms (such as telephones and memos) to expedite land acquisition procedures. However, non-representation of Revenue Department and the reliance on informal coordination mechanisms remained unchanged till 1985, but there were major variations in the supply of land between 1972 and 1985. In the initial years, the largest amount of land was acquired in the least amount of time (about 600 acres in 1 year). In the period between 1975 - 1985, we would expect better coordination since the executive heads of the two organizations belonged to the same service cadre, the IAS, - whose members are trained to maintain a very close working network, and known to circumvent excessive bureucratic procedures for members of their own network. However, it took almost 10 years to acquire 1200 acres of land.

As in the case with finance, the relationship between lack of coordination between the two organizations and delays in the supply of land is evident and we can conclude that as a result, the Housing Board could not expand its operations and, therefore, could not meet its stated goals. However, this is also only a partial explanation because we have not yet determined why lanowners' refused to sell land during some

periods as opposed to others; instead, we have only discussed the effects of the phenomenon of refusal to sell land.

(d) Was there a lack of adaptive capacity and bargaining power?

It has been suggested in the literature that an organization exploits its environment to acquire resources needed for its programs, and if the organization does not have the capacity to respond to problems of acquiring those resources, the organization will be unable to meet its stated goals. (March and Simon, 1958; Hage, 1965; Pfeffer and Salnick, 1978).

It appears from the case study and the previous discussion that, except for the initial years, the leaders of the organization were either unaware of the nitty-gritty problems of acquiring resources needed, mostly land (poor feedback process), or that they were unable to exploit the political and the legal environment in acquiring those resources (poor bargaining power).

With the Board committee making all major decisions for the Board, one would expect an inefficient feedback process from the field level to the top. But field research shows that even within that centralized system, the feedback process was well institutionalized and appeared to work. For example, the regular Board meetings were forums where the recurrent problems of acquiring land were widely discussed (at least twice a month)

between the top management and the field staff, between the top management and the financial institutions and within the Board committee itself. At an informal level, discussion on these problems had acquired the status of gossip. The leaders, therefore, were fully aware of the innumerable problems that the organization faced. However, since the number of decisions to be handled by a few were large, we can expect delays in problem solving in the short-run, and delays in changing the problematic housing program itself in the long-run. As we saw in the case study, the leadership was able to do neither because of the way the political and the legal systems were manipulated between 1975 and 1985. We can conclude, therefore, that the capacity of the Board to respond to problems had little to do with feedback processes (which were working well); instead, it was limited by the political appointments and court stay-orders on land litigations during certain periods.

We saw in the case study that political appointments were made by the political party, in exchange for the support of the members of the legislative assembly (MLAs). The MLAs, in turn, were obliged to listen to appeals of the people who had elected them to power. Therefore, when the private landowners appealed to prevent land acquisition, we would expect the MLAs to interfere in land acquisition in some form or the other. This seems to suggest that certain goals of the political party and goals of the organization conflicted when the two systems came together. This conclusion does offer an explanation of why

Housing Board was unable to meet its goals. But as in the previous discussion, the explanation is partial because we have only examined the effects of fluctuating political appointments and have not determined why, between 1972 and 1985, five political appointments were suddenly made in 1975 (1 as Chairman, 4 as housing experts) and why most of them were removed in 1982 -- whereas we would expect the political party to continue to use the organization as a means of distributing favour.

If we combine the preceding argument with (c), where we discussed lack of coordination in ensuring supply of land, we find a similar partial explanation of why the Housing Board leadership was unable to respond to the problems of land acquisition. That is, though Housing Board's goals/programs had a legal sanction and the Board had the legal right to acquire land (power of eminent domain), it was unable to do so after 1975 because of the political appointments. However, resistance of the landowners continued to grow stronger even though most politicians left the organization in 1982 -- partly because of legal precedents that had been established earlier. The explanation is partial because we only know what the private landowners did; we also need to know why they refused to part with their land in certain periods as opposed to others.

(e) Did the Board's changing image determine its performance?

We will discuss the proposition that the supply of key inputs needed by an organization for goal attainment, is determined by its image -- ie. the expectation of how the organization will perform in future, from the perspective of groups benefiting from its outputs.

We know that the Housing Board's formation brought it to the attention of the media and gave the organization an aura of exclusivity -- enhanced by the reputation of its first Chairman and a notion that it had the blessings of the state's highest political office at that time. The Board's output during the initial years (as indicated by the land acquired) was relatively very high and, therefore, the Board was also perceived to be performing well. Two other unprecedented events reinforced this image: Board's ability to acquire the largest single funding from a financial institution (LIC) and the Board being allowed to issue public bonds. These achievements reinforced the Board's initial positive image and, therefore, it was expected to perform well.

We believe that this initial expectation determined the major events, the political appointments, around which the story was told and which seem to be responsible for the Board's image and its inability to meet the stated goals.

Since the organization was expected to perform well, we can assume that it was expected to deliver significant amounts

of valuable outputs, serviced land and housing. We can expect a political party to distribute favours to its members in exchange for their support. The Board, thus, was attractive to the political party because of the expectation that the organization would produce goods that the MLAs could capture or distribute among friends, relatives or most importantly, among people who helped them get elected to a position in the party. Since these were valuable benefits in addition to the amenities that normally came with a Chairman's position, we would expect the ruling political party to fight any opposition and appoint MLAs on the Board. Making appointments at a time when an organization is successful, would not be motivated by collecting kudos for the organization's performance -- partly because the contribution of politicians (particularly the MLAs of Bihar) to the functioning of organizations is well known to the public. Even a well-meaning MLA, unfortunately carries the image of a meddler in the efficient functioning of an organization. The political appointments, therefore, are more likely to be motivated by a desire to distribute favours. We can also conclude that the better the image or stronger the expectation that the organization would deliver the valuable goods, greater would be the tendency or greater would be the number of political appointments made. We can explain, therefore, the appointment of the Chairman and those of four others in 1975, in positions reserved for housing experts. In the case study, we also saw Housing Board's output to continuously decline after

1975 (associated with a declining image), with the organization showing virtually no activity around 1982. In other words, the organization was neither producing any valuable outputs nor was it expected to produce enough in future. With relatively few outputs forthcoming, we would expect the political party to remove its appointees and detach itself from an organization whose performance can be a political liability. Therefore, we can explain why the political appointees were removed from the Housing Board in 1982. This theory can be fully validated if we wait to see what happens if the Housing Board performs well in future.

This relationship between Board's changing image and political appointments is central to this discussion for it appears to establish a chain of causality that explains in a consistent manner, the performance of the Housing Board between 1972 and 1985. In addition, it completes the partial explanations that factors (c) and (d) offered earlier -- ie. it answers the questions,

Why did landowners refuse to sell land during certain periods as opposed to others? and,

Why did project costs rise?

Since we are suggesting a relationship between the theory just discussed and these two questions, we need to know the mechanism through which the phenomenon of political appointments and the phenomenon of people's refusal to sell land, interacted during certain periods to bring about increases in project cost. The

mechanism that we believe integrates these factors is the profitability of owning land or investing in land in and around the project areas; and the degree of profitability was influenced by the Board's changing image.

When the politicians were appointed in the organization, some of them from the land-owning class themselves, the private landowners started to appeal to these elected representatives to prevent their land from being acquired. Prior to these appointments, the land owners could not appeal to the technical staff as easily, because the technical staff, unlike the MLAs, were not elected to their positions and, therefore, were not obliged to entertain such complaints. In response to these appeals, the politicians typically instituted committees to look into the matter, which ended up being totally ineffective because of the political pressures. The landlords also expected a better chance of being granted a hearing by politicians on the Board than by politicians outside the Board: politicians outside the Board could not institute committees to look into land-acquisition appeals as easily, because matters relating to semi-autonomous organizations such as the Board, were outside the jurisdiction of the state's legislative assembly.

Through these appeals, the landowners either expected to obtain a higher compensation price than what the Board offered or, if successful in preventing acquisition, they expected to sell the land at a much higher price in future. For the landowners the latter potential benefit, however, would be more

attractive. Land prices would increase, firstly, with the Board's announcement to acquire land because of the expectation that the agricultural area to be developed, would be provided with infrastructure, primarily roads and extension of water and electricity trunk lines, thereby making commercial activity in and around the project area viable. Board's implementation strategy assured these expectations because the projects were first provided with primary infrastructure that required much less land than the housing which was supposed to follow. The expectation that after the provision of primary infrastructure Board's attempts to acquire land for building housing could be thwarted, would increase the attractiveness to own land in that area because the benefits of speculating or owning a commercially-viable property would accrue to the few landowners and not to the many allottees or tenants in a housing project. That is, by definition there would be an increase in land prices or in the rate of return of investing or speculating in land, over and above what would occur if infrastructure was provided and the Board was expected to acquire land efficiently for building housing. Since land was an asset and, therefore, a means of storing income, this additional increase in land prices would increase the attractiveness of owning land in the project area. This expectation would also be reinforced by the fact that property taxation by the Municipal Corporation was highly ineffective (5: for a general model on the determination of rates of return and increases in land prices due to Board's

inefficiency in acquiring land). The expectation that the Board would be unable to acquire land for housing was reinforced by the organization's poor performance as a result of political meddling in land acquisition. Thus, there was a clear relationship between landowner's refusal to sell land and the result of political appointments on the Board. This relationship is supported by the fact that despite Housing Board's incomplete projects, rate of increase in land prices in the project areas are well over that in the downtown and the posh areas of the city, after accounting for general inflation. (Annual compound inflation of land prices in project area was 27% versus an annual compound general inflation of 8.98% between 1972 and 1985).

The behaviour of the financial institutions can also be explained now. The increased attractiveness or the increased rate of return would also, by definition, encourage investments to be made and, therefore, we would expect the financial institutions to be investing in such projects. The investments would be particularly forthcoming if loan repayments were assured by the borrowing organization. Housing Board Accounts between 1972 and 1985 support this view. Not only were funds supplied regularly, loan repayments were made regularly, without any fail. When the returns from the projects were poor from the Board's perspective, we found the state government bailing out the Housing Board by making the interest and loan repayments to the financial institutions on time. We would therefore expect

the financial institutions, not to be particularly upset by the Board's image since any increases in rates of return would only serve their interests.

Since supply of finance was never a real constraint for the Housing Board, we only need to consider the dilemmas of land litigations. We are not suggesting that every litigation case was settled in the favour of the landowners; we are only explaining a general trend between 1975 and 1985 and though the politicians left the Board in 1982, so many legal precedents had been established that we would expect similar delays between 1982 and 1985. The behaviour of the developers who had formed private housing cooperatives would be motivated by exactly the same factors that was relevant in the private landowners' case. We would expect these developers to start construction on land that either the Board had managed to acquire, or on land that the developers themselves had managed to purchase from farmers as soon as the housing projects were announced to the public. Surveys in the project areas supported these trends. Most farmers who owned the agricultural land prior to Board's intervention said that they did not wish to go through the formalities of land acquisition and court procedures, and that they preferred to sell land to the developers who offered them higher prices than what the Housing Board offered. It is not surprising, then, that these developers formed housing cooperatives 'overnight', built minimal shelters rapidly to 'legitimize' their claim, and appealed to the politicians on the

Board to prevent land acquisition. The field research totally supports this trend.

We can conclude that Housing Board's poor image in the eyes of the landowners explains their resistance which, therefore, explains delays and increases in project costs as a result of those delays. The cumulative effects of this chain of events were the badly maintained incomplete demonstration projects that consumed most of the time, energy and money. The inability to get out of this cycle explains why the goals espoused by people in the organization were not met.

Housing Board's 1984 administrative report itself substantiates this claim. If we consider output relative to the number of housing applicants of even the first year (1972), the Housing Board managed to only satisfy 11% of the economically weaker section category, 17% of the low-income category and 10% of the middle-income category. The goals of providing housing for the rural migrants were never met. The goals of providing planned land subdivisions to prevent development of 'slum-like environment', were also not entirely achieved if we observe Housing Board's recent Bahadurpur project in Patna. Since the proponents of this goal had referred to the image and the unsafe 'environment' of slums, the Bahadurpur project fits the description. It is said that even the police is afraid to go in the project area after dark!

CONCLUSIONS

Several criticisms have been made about inefficiencies in public sector organizations in developing countries. It was beyond the scope of our study to enter the ideological debate over the usefulness of public institutions or to determine the degree of efficiency/ inefficiency in quantitative terms. This study has traced the source of inefficiency in one particular public sector organization. In other words, we have tried to explain a cycle of events that are likely to happen in a public sector organization delivering certain kinds of goods in a certain political environment.

We pointed out that when an organization uses a scarce asset such as land as a key input and attempts to redistribute it in the market after enhancing its value, groups which stand to benefit from the increased value of that asset determine the organization's output or its performance. In the case of Housing Board, the groups/institutions that benefited most were the ruling political party and the private landowners. (After waiting for a long time, the benefits that people got in the form of a piece of land or a housing unit were very few). When the organization was performing well, the political party used the organization to distribute favours. This process led to the deterioration in the organization's performance. And the party used this situation as well, to enhance its image by pulling out its members, distancing itself. For the private landlords, the

potential for substantial profits were introduced in a physical land area where there wasn't one prior to the organization's intervention. The result, by definition, was an increased demand (for land) and a shortage because land was simply an asset to be held for speculative purposes. A new kind of a problem was created: the organization was stuck with a difficult situation as the interplay between the organization and the two vested interests had kept prime land underutilized and away from alternative uses, and had hiked the price of land, thereby making subsequent intervention more difficult. For the organization, a certain kind of problem was created where probably there wasn't one. The criticisms, if any, ought to be directed less towards the organization and more towards the small group who benefited from the organization and public funds.

While this study has enabled us to answer why Housing Board performed the way it did, several other questions remain which can constitute the focus of further research. One particular question that remains unanswered is whether inefficient public sector organizations providing goods and services other than land and housing have experienced a chain of events similar to that of the Housing Board. This study, for example, has explained the chain of events linking organization's performance, political meddling, the organization's declining image and its inability to perform well subsequently. Future research could focus on semi-autonomous

public sector organizations delivering other kinds of goods, to establish why they performed poorly. In particular, did the organization's image undergo a similar evolution? How did this changing image affect the performance of the organization? Did political meddling create similar insurmountable constraints? Consequently, is the story of the Housing Board a generalized phenomenon regarding public sector organizations, or is it a story unique to organizations providing assets such as land -- (assets which are locationally unique, which provide a hedge against inflation and which allow the owner to capture significant unearned income).

Future research can also focus on success stories of public sector organizations delivering land. It would be useful to study such organizations and identify the forces responsible for success. For example, the Madras State Housing Board in India has been cited as one such case. Did this organization face similar political constraints? How were they overcome? Within this research agenda, it would also be useful to study the performance of public sector organizations which have been structured to operate more like private sector organizations.

We also observed increasing land prices to be a central issue in this study. Escalating land prices, among other things prevented Housing Board to operate cost-effectively. We attributed this escalation to speculation which was a function of the Board's image. Future research can carry out an in-depth analysis of the determinants of land prices. How are they

historically determined? Why does investment in land appear to be more profitable than investment in other sectors of the economy? More importantly, to what extent does government intervention, through projects of this nature influence land price increases? How much of this price rise is socially desirable -- ie. how much do land prices rise because government has added real value and how much do they rise because speculators are exploiting a situation created by government inefficiency? And finally, who loses on account of this price rise?

In addition to these implications for future research, this story also provides some lessons for planning and policy. In general, the groups for which organizations must plan and make policy, ought to be those who stand to lose in this political game. In the case of organizations like the Housing Board, planning and policy ought to be explicitly directed toward the losers, the low-income tenants and the like, and not in a circumvent manner as in the case of the Housing Board. Consequently, it appears to be a misplaced housing strategy, from the perspective of the Housing Board, to be doing image-building demonstration projects in the first place. As noted earlier, this strategy will most likely create a housing problem where one doesn't exist. From a policy standpoint, the vicious circle in the case study suggests that the Housing Board ought to focus its energies and resources to the problematic issue of land, which is clearly one of the key inputs in any housing

supply strategy. The housing policy, therefore, ought to be directed almost solely towards land (ie. a land policy). It could take the form of simply acquiring and redistributing land with the minimum of infrastructure, together with possibly an allowance or a credit scheme for that group --ie. a mix of demand and supply strategies that would not involve implementation problems of building housing projects. From an organizational point of view, land acquisition ought to be done by the same organization which ultimately redistributes it.

In suggesting these, we are assuming that there are always a few motivated individuals within organizations who would work to meet organization's goals even if there were not many incentives or sanctions.

END NOTES

1

According to the Indian Constitution's Articles 352-356, the President of India can declare President's Rule in the entire country or in any of its states. This declaration is made in situations such as: the ruling political party losing majority; ruling party's term expiring and delays in election; extreme internal security problems. In such cases, the President's nominee in the state, the Governor, takes over the executive powers (of a Chief Minister) and heads state's administration, in addition to carrying out a Governor's customary role as a symbolic head of state, advising the Central government occasionally on the state's political situation.

2

Under the President's Rule, the President of the country or the Governor of a state can issue decrees (Ordinances). These ordinances must be renewed every six months since they are not formed by the legislators of an elected ministry. Bills passed by the legislators are called Acts and do not have to be renewed like ordinances.

3

The housing policies/strategies of the central and state governments listed in the Housing Board Act are in as broad terms and as many as: economically weaker section housing; low-income group housing; middle-income group housing; rental housing; housing for industrial workers; land acquisition and development scheme; slum improvement scheme; town improvement scheme; land redistribution and land readjustment; infrastructure provision scheme; production of building materials/housing components etc...

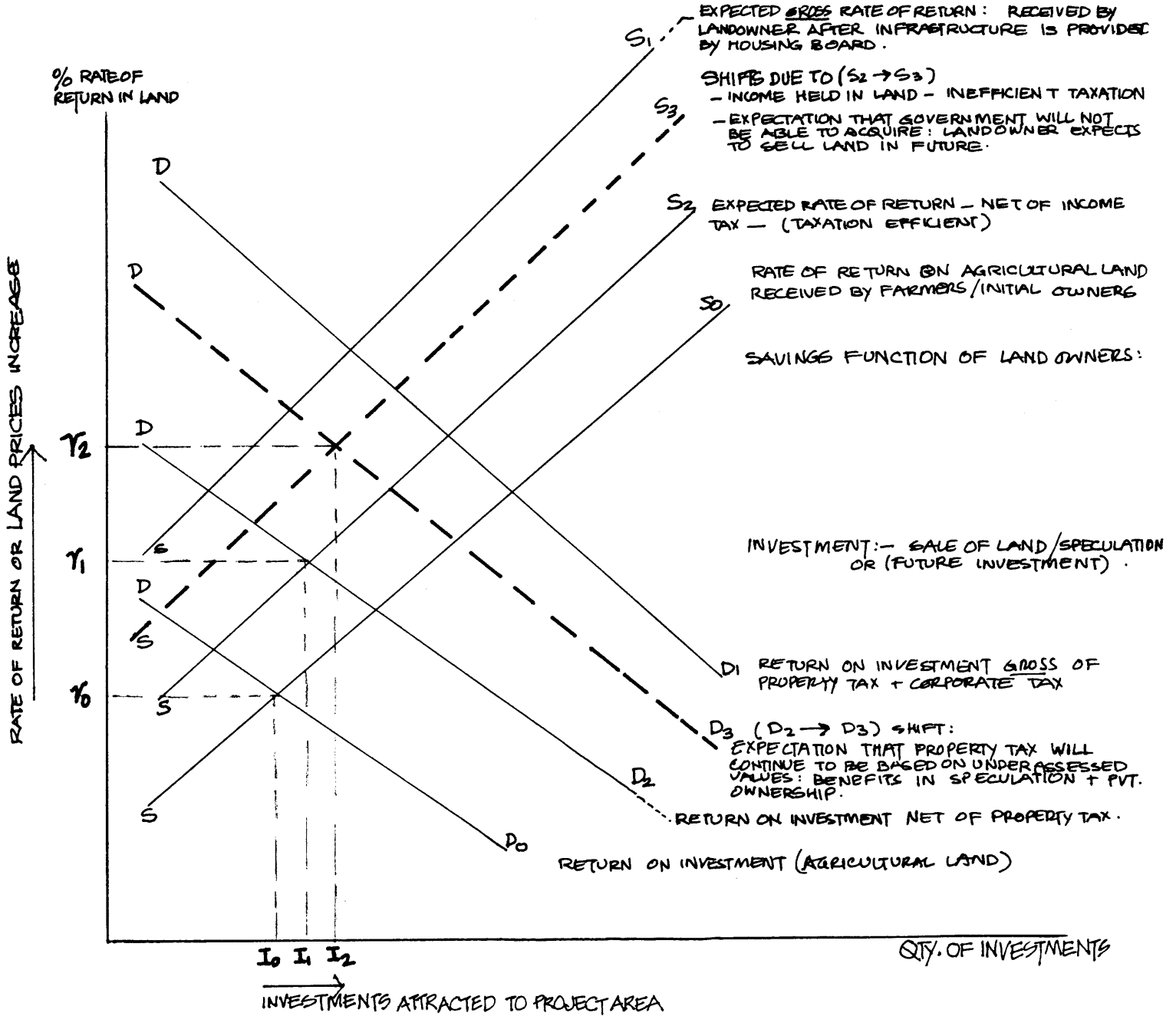
4

With Housing Board announcing its intentions to acquire land for a project, land prices in the project area were supposed to freeze and land sales between landowners prohibited. The compensation price that the Board (through the Revenue Department) paid for land acquired from landowners, was based on actual sales price of similar land in the vicinity in the recent past. The compensation price would always be lower than the market price because people reported a lower-than-actual sales price in order to save on stamp duty, transfer taxes and, most importantly, on the regular property taxes.

continued...

5

Determination of the rate of return of investment in land.



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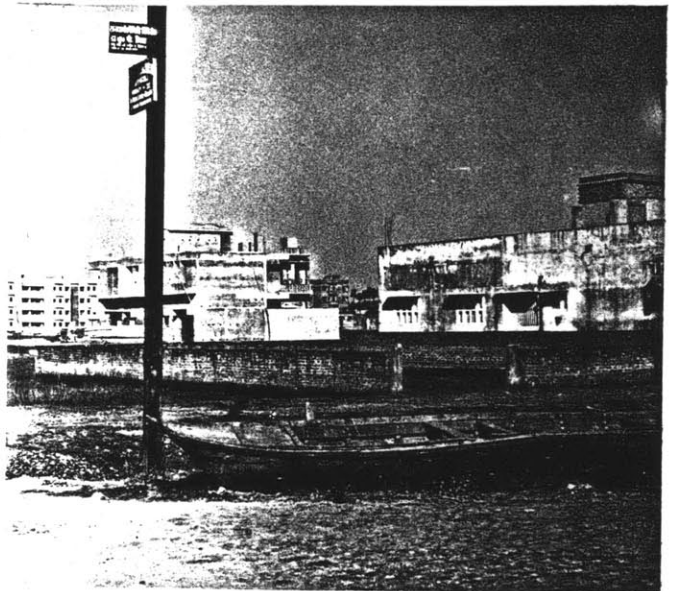
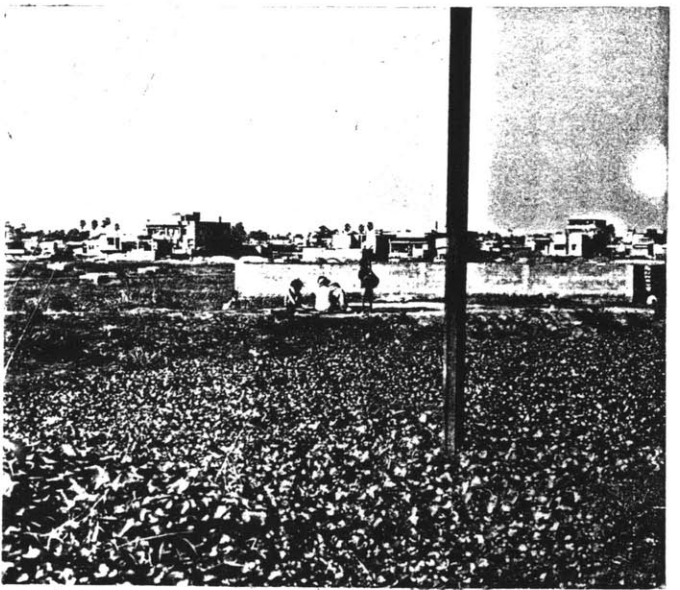
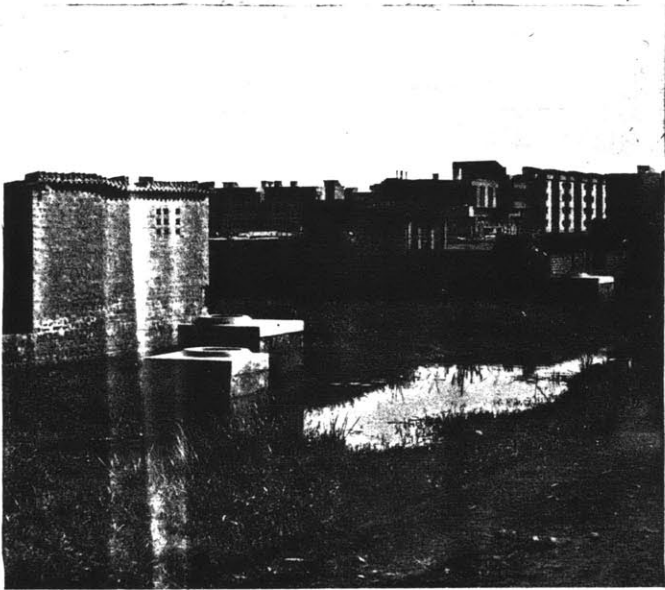
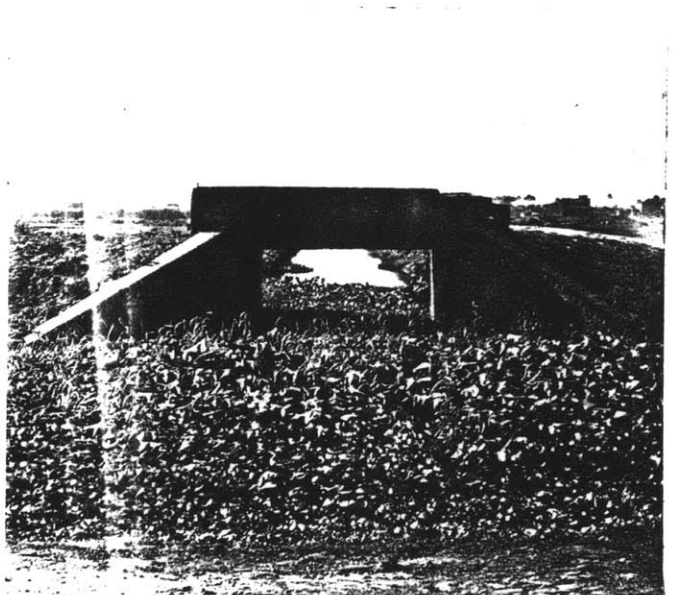
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