COSTS ASSOCIATED WITH ACCESSING LEGAL SHELTER FOR LOW-INCOME GROUPS IN NEW URBAN DEVELOPMENTS

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INTRODUCTION

As commercial demand for use of urban land grows, and as cities invest in major transportation and infrastructure development, resettlement of those living in informal settlements becomes an increasingly important challenge for municipalities and organisations of the urban poor. The development of new residential schemes presents a complex costing scenario requiring an understanding of the financial mechanisms that can be used for development, as well as the investment made by the poor themselves in the form of assets that have not conventionally been included in project cost calculations. This paper seeks to explore some of the issues involved in the hope that researchers will benefit from a broader perspective on the costing issues involved. An Appendix provides a checklist of questions that the author recommends researchers to consider.

A QUESTION OF DEFINITION

New developments occur in differing contexts and the borderline between slum rehabilitation (or redevelopment) and new construction can sometimes be blurred. New developments may be as a result of:

a) Resettlement of existing communities on new green field sites – as a result of formal resettlements or as a result of organised land invasions.
b) Resettlement of existing communities on brown field sites
c) Rehabilitation of existing communities on sites where their previous slums have been completely demolished and residents have moved into transit accommodation.
d) Provision of transit accommodation for existing communities as part of a longer term resettlement process
e) Green field development for households drawn from many different communities and settlements.

In the first four cases, options for community involvement in design, implementation and monitoring are substantial with associated potential benefits in terms of acceptability, social sustainability and cost efficiency. In the fifth case community involvement is far more problematic unless the project is designed by a broader people's movement or federation with the responsibility for selection of the households expected to become residents on the new site.

Researchers could usefully consider the costs of "illegal" brown and green site development as a comparative base for legal developments. If the costs of legality are non-competitive with those of illegality, the long-term sustainability of schemes may be questionable[1].

[1] In developing such a comparative analysis key cost elements – land, services, construction, finance and maintenance will need to be considered. The best information for such analysis will probably be obtained from detailed case studies carried out in illegal developments where residents are prepared to share information on the trade offs them make between different cost elements. For example they may spend less on up-front construction costs because they use recycled materials. Labour costs may be minimal because of access to skills available within families and the broader community that can be traded for other, non-financial benefits. The ideal would obviously be to compare the projected cost elements of a planned development with investments that

A QUESTION OF OWNERSHIP

Homeless International's experience suggests that new developments where future residents have a high degree of participation in, and "ownership" of the design, preparation, building and maintenance processes are likely to result in higher returns on the financial investments made, compared to cases where participation is minimal[2]. In addition, cash costs are likely to be far lower than when conventional contractor or developer delivery methods are relied upon.

The returns on financial investment can be calculated, measured or assessed in a variety of ways. For example:

a) The financial cost of project development, construction and management can be compared to the market value of the resulting real estate (i.e. the selling price in the local market that finished units can command).

b) The financial cost of project development, construction and management can be compared to the use value that the real estate that results has for those who benefit from it (e.g. savings made on repairs, maintenance, medical costs; increased income resulting from secure space and/or location of the development).

It is also possible to taker a broader perspective on costs that incorporate non-financial investments and returns. In this case project investment and returns may be considered as in points c) and d) below:

c) The financial cost of development, construction and management can be compared to the market value of the real estate that results, together with the value of other assets developed by organisations of the poor as a result of the project. Other assets include for example human capital, social capital, natural capital, physical capital, financial capital, institutional capital and knowledge capital[3].

d) The cost of the project in terms of financial investment and investment of other assets of the poor (e.g. human capital, social capital, natural capital, physical capital, financial capital, institutional capital and knowledge capital) can be compared to returns as identified in points a) to b) above.

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have been made by residents in settlements where they perceive their tenure to be secure despite their technical illegality. It would also be wise, when carrying out such case studies to consider different household formations. The investment choices made by female heads of household may be very different from those made by households with joint headship for example.

[2] This discussion is well illustrated by T.Baumann (2001) in a case study on the South African Homeless Peoples Federation in the Homeless International Bridging the Finance Gap in Housing and Infrastructure research project.

[3] For further discussion on the analysis of asset bases of the poor within the context of sustainable livelihoods theory see McLeod (2001b)

The benefits of project ownership by the poor are difficult to track if the assessment of investment and returns exclude non-financial factors. However non-financial assets are difficult to measure quantitatively because of their complexity and differences in the ways that stakeholders define the relative value of the assets concerned. Despite the difficulties involved, Homeless International believes that these issues deserve serious consideration within the research process. This is particularly so given a global trend of abdication of responsibility by governments for the development and maintenance of community assets. The inherent assumption within neo-liberal theory is that the agencies that will take on this role in future will be found through privatisation and the market. The existing and potential contribution of poor communities themselves remains largely invisible, other than in simplistic concepts of cost recovery or readiness and willingness to pay. Concepts of participation tend to be limited to notions of “sweat equity”, “regular loan repayment” or the provision of information that creates a database for others, over which the poor have no control.

Recognising the significant asset base of the poor and the investments that such an asset base make possible within new residential developments, is critical if the research is to result in a greater understanding of the real costs involved.

RESETTLEMENT OF EXISTING COMMUNITIES

Planning and building norms and standards play an important role in determining the cost of new site development. However there are numerous examples of negotiated modification in norms and standards both by the state itself and, increasingly, by organisations of the urban poor. Where organisations of the urban poor have proposed and negotiated for modified norms and regulations the solutions developed have usually proved considerably cheaper, and more acceptable. Plot sizes, road widths, and the size and location of open spaces can have a substantial impact on affordability.

Conventional planning models usually follow a linear sequence, which runs something as follows:

Land purchase layout registration of title infrastructure installation housing construction people move in.

Box 1 – the formal development sequence

Where development is led by organisations of the urban poor, the sequence of development is usually quite different. For example in South Africa land invasions, which have subsequently been regularised by the state, followed a sequence that entirely reverses conventional planning logic:

People lay out the site and move onto the land houses are constructed (albeit of temporary materials) basic on-site infrastructure is installed houses are improved incrementally incorporating permanent building materials the land is regularised legalised connection to trunk off-site infrastructure is organised.

Box 2 – the informal development sequence

The informal development sequence, which is essentially incremental, may take place over many years, allowing costs to be absorbed gradually as and when they can be afforded. In formal development the costs are concentrated in a short time period and a far greater up-front investment is required.

The critical issue is how the decision regarding the development sequence applied is made, and who makes it. **Where project design takes place with no input from those who will eventually live in the development and an incremental process is excluded, the likelihood is that the resulting investment sequence will prove unnecessarily onerous for the poor who may be pressurised to sell out to wealthier households and move back to more vulnerable living conditions.**

Resettlement will often result in demolition of structures that have required considerable investment by the poor. In Bombay for example, SPARC estimates that railway slum dwellers have invested more than 50,000 Rupees in their slum housing. **The loss of previous household investment with relocation is an important factor to consider particularly where options exist for compensation by the state and/or landowners.**

HIGH RISE DEVELOPMENTS

In contexts where high densities rule out low-rise developments there will, of necessity, be a need for significant up-front investments requiring capital to which organisations of the urban poor rarely have access. This limits the capacity of organisations of the poor to take a lead in such developments. The case of the Rajiv Indira Suryodaya in India[4] is an exception made possible by a commercial bank loan provided directly to Co-operatives and the NGO they work with, and secured with a hard currency guarantee provided by UK Housing Associations.

In high-rise developments the cost profile of construction is very different from that in low-rise developments. Civil engineering components, particularly piling, require major investments in building materials and a significant expenditure on professional inputs. “Ownership” of the process by the poor themselves can be problematic unless their participation is planned carefully from the beginning. The end result may be high levels of on selling by the poor to better off households.

THE LIMITATIONS OF A COST-RECOVERY MODEL

As has already been pointed out, community participation in new developments has frequently been characterised by simplistic concepts of cost recovery or readiness and willingness to pay. Concepts of participation tend to be limited to notions of “sweat equity”, “regular loan repayment” or the provision of information that creates a database for others over which the poor have no control. Such an approach

[4] See McLeod (2000)

ignores a richer asset base that the poor may be able to contribute as a real and valid investment. Institutional capital and knowledge capital are particularly significant in this respect. Where this very real asset base is recognised, and networks of organisations of the urban poor are supported to facilitate learning and exchange of experience within cities, between cities, and between countries, successful approaches and methods can be shared rapidly and effectively, providing a basis for replication and scaling up.

INSTITUTIONAL (POLITICAL) CAPITAL
The organisational forms, relationships and processes specifically developed by the poor to increase their capacity to escape from poverty. This concept incorporates relationships that facilitate access to, and influence on, the structures and procedures that constitute the external policy and regulatory environment in which organisations of the urban poor operate. In effect this form of asset constitutes the political base of the urban poor's organisational influence.

Box 3 – Institutional (Political) Capital

KNOWLEDGE CAPITAL
The institutional knowledge created by the poor – a form of intellectual capital that has a significant role to play in the negotiation of partnerships and in the formation of collaborative arrangements with the state and with formal financial institutions. The production and collation of information by the poor, about the informal settlements where they live provides a basic example. This information has a tangible value for local authorities planning urban development. A more complex example is provided by the capacity of the urban poor to share learning and experience locally, nationally and internationally through exchanges and dialogue, a capacity that has been enhanced by the use of new information technologies that allow almost immediate sharing of information. It is this asset base that also constitutes the anchor for the development of the institutional (political) capital discussed above.

Box 4 – Knowledge Capital

New developments that fail to either incorporate investment in the development and growth of the institutional and knowledge capital of the poor, or that ignore it where it already exists, are likely to result in low levels of learning and replicability.

COMMUNITY CONTRACTING

In recent years there has been a growing interest in using community contracting as a means to ensure local participation in, and benefit from, development projects. The approach is advocated on the basis of local employment benefits as well as local "ownership" and responsibility for the infrastructure or other facilities that are created. However community contracting does not necessarily fit easily into the procurement policies that guide state, municipal, bi-lateral donor and multi-lateral donor procurement procedures and processes. When community organisations have to compete for contracts with private contractors and consultants they often find that the odds are stacked against them. Evidence of track record, financial robustness and the ability to post performance bonds and pre-finance developments can effectively preclude community bids. This is an area that is gradually receiving attention from agencies such as the World Bank where the balance between community participation and "free" competitive tendering has led to changes in procedure as the recent experience of SPARC in Mumbai demonstrates. Those few cases where procurement procedures have been amended have resulted from the strength and negotiating ability of Alliances such as the SPARC/NSDF/Mahila Milan partnership. It should also be noted that organisations of the urban poor need to have the internal capacity to manage contracts of this kind, a capacity that takes time and experience to develop, and that benefits from strong alliances with professionals.

Researchers should examine the basis on which contracts for delivery of low income and housing are to be procured and examine the degree to which these procedures undermine the capacity of organisations of the urban poor themselves to compete for available contracts[5].

Where new approaches to community contracting are being tried it is important to incorporate allowance for cost variations. Full and detailed costs of new approaches are difficult to predict and variations are almost inevitable. **If provision is not made within contracts for legitimate variations to be covered the whole project can be put at risk financially.**

THE QUESTION OF AFFORDABLE MATERIALS AND TECHNOLOGY

Where building standards and by-laws are highly restrictive concerning the materials and technologies that can be used in new developments, the resulting costs may make legal housing unaffordable to the poor. In many cases alternative materials and techniques can be shown to meet adequate performance criteria and to be affordable. However modification of standards and by-laws to reflect a wider set of options requires a considerable investment of time and energy by organisations of the poor and those who support them. Pilot demonstrations have to be paid for, as does the inevitably protracted process of modifying out-dated and inappropriate legislation. There has been some success in changing requirements for example in Kenya and India. Important work has also been done to develop technologies that can be used by the poor themselves to reduce the vulnerability of housing to natural hazards (Peru, Jamaica), and to improve housing conditions to control endemic diseases such as chagas disease in Bolivia.

Identifying and checking the affordability of building materials and technologies is an important step in ensuring whether the building costs of new residential developments will be affordable to those whom they are intended to benefit. Where changes are needed the real costs of negotiating them should be costed into the research and development process that precedes or accompanies project implementation.

OVERBUILDING

Experience on many self-build new housing projects has shown that households taking out housing loans will seize on the “once-in-a-lifetime” opportunity to build the house of their dreams – a house that may not be affordable. In Andhra Pradesh for example, women receiving housing loans found themselves under considerable pressure from relatives to build sufficient rooms to accommodate the

[5] Community contracting has been successfully developed in the case of both Pune and Mumbai sanitation programmes. In each case organisations of the urban poor operating at local level, support NGOs, local contractors and professionals have established effective working partnerships that have built on the strengths of each.

extended family. As a result the agreed designs were modified significantly increasing construction costs and requiring that the borrower took out additional, high interest loans from local money-lenders to cover the costs. The debt management crisis that resulted meant that loan repayments on the original loan became extremely vulnerable to default[6]. A similar phenomenon has been noted by Baumann[7] in South Africa. One way of tackling this problem has been to use the testimony of individuals who have made this mistake, and found themselves in difficulties as a result, to sensitise others to the issue. Another approach, promoted by Shack Dwellers International, has been to use housing exhibitions to demonstrate affordable unit design, size, technology and related costs. Housing exhibitions allow people to see what is possible and affordable prior to beginning construction.

Providing information and support that prevents overbuilding by borrowers is important to prevent the development of an unmanageable debt burden, which may place household's future security in jeopardy.

MAINTENANCE

New residential site development may include significant up-front capital costs. However longer term maintenance costs is also an important factor in determining affordability. Where design leads to buildings that require expensive specialist maintenance the ability of resident organisations to control costs will be limited, unless the relationship that they have with such specialists has been carefully negotiated. Design that is sensitive to long term maintenance that can be carried out by resident organisations mitigates against breakdown and failure of the building or service involved[8]. A good example of such an approach is provided by the construction of communal toilet blocks by the Mahila Milan, National Slum Dwellers, SPARC Alliance in Pune, Mumbai and Bangalore[9]. The toilet blocks incorporate a caretaker's living space and also community meeting space. Small monthly payments made by residents are combined with income from rental of the community space for events such as weddings. The resulting income is used to pay for care-taking and maintenance. The provision for such income flows has enabled communities to negotiate and arrangement where the state provides up-front capital costs covering land and construction and the local community organisation takes on full responsibility for maintenance over a thirty year period. It is anticipated that this arrangement will reverse a pattern of rapid deterioration of such facilities which have historically been "maintained", by private contractors, or municipal employees, at considerable cost to the state. Such contractors often have no local accountability, and frequently receive payments whether or not the facility can be used by local people.

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[6] For further information see McLeod 1998

[7] Baumann (2001)

[8] This does assume that resident groups are willing and have the skills to take on the responsibility of managing maintenance.

[9] For further information see Homeless International 2001

Costs of maintenance are an important factor in long term affordability of facilities. Incorporating design features, which enhance local control of maintenance, is an important means of ensuring that facilities continue to perform adequately.

STATE SUBSIDIES

Where state subsidies are allocated for the development of new housing for low income households the means of subsidy delivery can be a constraint on the capacity of organisations of the urban poor to take the lead in development initiatives.

Capital Subsidies

In South Africa capital subsidies made available for the construction of secure housing were initially channelled either through developers or through banks. The South African Homeless Peoples Federation (SAHPF), working in alliance with the NGO, Peoples Dialogue on Land and Shelter, was able to demonstrate that the add-on costs of developers meant that the end product resulting from expenditure of the subsidy was considerable inferior to the result when organisations of shack dwellers themselves managed the same level of development finance[10]. Eventually, as a result of strong lobbying by SAHPF and Peoples Dialogue, the Housing Subsidies Act was amended to facilitate direct access to subsidies by organisations of the poor. However the bureaucratic requirements associated with subsidy applications continue to make access to subsidies problematic particularly in regions where the local Housing Boards are not sympathetic to community-driven processes.

In the case of South Africa the Federation and Peoples Dialogue has had to make a considerable investment in developing their internal management systems to interface with the state's capital subsidy system. They have also had to establish their own bridge fund – the uTshani Fund - because of the significant delays in obtaining subsidy allocations. Given that, even as a result of all this effort, the majority of Federation members remain unable to access the subsidy system and are dependent on loans (on which they pay interest) provided through the uTshani Fund, the jury remains out on whether or not capital subsidies have provided an overall benefit to the majority of the urban poor.

Where capital subsidies can only be accessed by formal financial institutions and developers the options for poor people to use such subsidies effectively are severely curtailed. Facilitating the development of capacity within community organisations so that they can manage capital subsidies themselves can provide an important means of creating more affordable and acceptable housing.

[10] For further details see Baumann 2000 – the South African Case Study from Bridging the Finance Gap in Housing and Infrastructure, Homeless International and Baumann 2001.

Housing Subsidies

In India subsidised housing has been made available for new residential site developments by the Housing and Urban Development Corporation (HUDCO). Subsidies are delivered through local state structures and have become closely associated with patronage by local politicians and high levels of corruption in the selection and monitoring of contractors hired to deliver housing units. The provision of such subsidies rarely results in a supply of housing that meets local demand by the poor and may seriously undermine local attempts to create housing delivery systems that are more sustainable in the longer term. In Andhra Pradesh for example, YCO, a local NGO, had to withdraw from offering housing loans in the urban area of Yellamanchilli when HUDCO introduced a highly subsidised scheme that reached a relatively small number of people, but that raised local expectations of cheaper housing. The situation can be further complicated when local officials require bribes for "delivering" such housing loans and where subsidies are reserved for particular caste groups, excluding others who may be just poor.

In Maharashtra, India, the state introduced an innovative mechanism for housing development under the auspices of the Slum Rehabilitation Authority. Slum and pavement dwellers were given land development rights on the assumption that developers would form partnerships with them, which would enable land development incorporating commercial components, resulting in "free" housing. Free housing was in fact made a requirement, making developments led by the poor themselves difficult to finance on a viable basis[11].

Where housing subsidies are available local officials may be as ignorant of the options as groups of potential beneficiaries and, in effect, there are no delivery mechanisms for such subsidies.

Subsidies in the form of housing delivered to the poor, rarely, if ever, meet the existing demand of poor households, and frequently skew the local market undermining alternative and more sustainable approaches.

Interest Rate Subsidies

Interest rate subsidies are a common means of supporting low-income housing developments. However it is widely acknowledged that this form of subsidy frequently ends up benefiting better off families. This is particularly the case when capital funds are based on salary deductions from those in formal employment[12]. In some cases however, lending institutions have used internal cross subsidy of interest rates, giving preferential rates to housing development and charging higher rates for business investment loans. CODI[13], in Thailand, provides housing loans to community organisations at 3%. This is possible because of an internal cross subsidy arrangement with other forms of loans attracting higher

[11] For further information on the complexities of the SRA mechanism see McLeod 2000.

[12] In Bolivia and Jamaica for example, such funds have failed to reach the poor and been demonstrated to deliver almost exclusively to middle income households with formal employment. See Ferguson 2001.

[13] Community Organisations Development Institute.

interest rates. The receipt of a loan by a community organisation rather than an individual also helps to prevent the kind of corruption that has been mentioned elsewhere.

It is also possible that loans intended for purposes other than housing end up being used for housing development. There is a growing body of evidence from Micro-finance practitioners that business loans are being used by borrowers to improve, extend and sometimes construct new housing. Women borrowers seem to be particularly interested in this form of investment. In this case however relatively high interest rates designed for loans that will result in short-term returns may be used for long-term investments and can create problems for borrowers. In Cochabamba for example, women taking out loans from BancoSol, at business rates, to pay for new housing, found difficulty in repaying loans.

Interest rate subsidies remain a contentious area of housing finance and have proved to have variable impact. Their strategic use within a policy environment that designs in incentives for housing development, combined with options for cross subsidy can provide a means of providing housing on a sustainable basis. However there are also dangers that without a strong investment in the creation of institutional capacity among the urban poor interest rate subsidies will ultimately benefit those who are better off.

Infrastructure subsidies

In India subsidies are allocated at national level for local use in infrastructure development. However according to Patel, such subsidies frequently remain unspent with local authorities unable to develop effective delivery systems for the infrastructure that is needed, particularly within informal settlement. In Pune and Mumbai initiatives by the Indian alliance of the National Slum Dwellers Federation, SPARC and Mahila Milan led to partnerships with local Municipalities that enabled communities to take a direct role in the installation of infrastructure, providing a means for nationally allocated subsidies to be used effectively. The experience of the Orangi Pilot Project in Pakistan has constructively demonstrated how state support of off-site infrastructure can be linked to community responsibility for on-site provision leading to important cost savings at household, community and state levels. However attempts to replicate the Orangi approach elsewhere have often been thwarted by the unwillingness or inability of the state to deliver. The importance of infrastructure subsidies, provided effective delivery mechanisms are in place, should not be underestimated. Decent infrastructure has huge benefits for cities as a whole not just the individual households who may be seen as project beneficiaries. The impact on urban health is particularly important.

One of the most contentious issues concerning infrastructure provision is how the costs of off-site and on-site infrastructure should be covered. This is particularly important in the case of water provision. There is a strong argument in favour of off-site costs being met by the state while project participants meet on-site costs. The recent enthusiasm by multi-lateral and bi-lateral agencies for cost recovery has sometimes led to a situation where the poor are expected to pay for off-site facilities that the rich obtain free. This results in significant affordability

problems for poor communities and significant inequity in the manner in which state urban resources are allocated.

Land Subsidies

Subsidies may be delivered in the form of land. In Phnom Penh for example the Municipality agreed to provide land for resettlement of slum dwellers. Other examples can be cited from India, Zimbabwe, Uganda, and South Africa. Where appropriate tenure arrangements are developed this can be an extremely effective means of catalysing the development of improved shelter for the poor and leveraging their available asset base.

In Thailand land sharing has emerged as an innovative means of providing a secure base for development investment by poor households. Where squatters have occupied privately owned land, the state facilitates a negotiation with the owner that enables the release of more commercially valuable land (e.g. adjacent to main roads) in return for the owner providing tenure security and investing in infrastructure provision on the remaining land.

In the cases cited above investments have been made in institutional development at community level that have reduced the risk of low income households using land subsidies for speculative gain. In cases where no such investment has been made land may be sold rapidly to those who are better off. This reality serves to reinforce our conviction that the formation of strong community-based institutions is critical for the long term sustainability of new residential developments.

Land subsidies are one of the most effective means of leveraging the resource base of the poor, encouraging significant household investment in housing development and providing a base for the development of sustainable livelihoods. This is an area in which the state can usefully intervene to great affect. However these benefits are contingent on prior investment in a strong institutional base that can safeguard community assets, which include land, for the benefit of those whom the project is intended to assist.

Internal Cross-Subsidies based on mixed developments

There are a number of convincing arguments to support mixed-use developments. Apart from provision of important services to communities – shops, production units, entertainment facilities, child care facilities etc. Profits derived from the sale, rental or other income from commercial development components can be used to subsidise other aspects of site development and maintenance. However such arrangements require careful viability assessment. People with skills in developing housing may have far fewer abilities in the area of commercial development and many community enterprises have failed as a result of enthusiasm in the absence of business sense[14].

[14] One of the common errors is to focus on the attraction of a specific product without adequate consideration of local market conditions.

Cross subsidies within schemes can be a useful means of ensuring affordability as well as providing the basis for sustainable communities. However careful analysis of commercial components is important and requires the use of appropriate viability analysis tools.

FORMS OF DEVELOPMENT FINANCE:

Homeless International has identified seven forms of development finance required for investments aimed at eliminating urban poverty. These are:

1. Grants for financing the economic and social base of communities– developing savings and loan systems, building up a community-developed and community-owned database of information
2. Grants, loans and guarantees for financing the development of pilot and demonstration projects – housing models, toilet models.
3. Grants, loans, guarantees and subsidies for financing scaling-up – moving from pilot level to settlement or city level initiatives which involve large numbers of people.
4. Guarantees, sureties and indemnities to cover risk management and mitigation – creating the “comfort factor” with banks, managing risks that may impact on loan repayments (death, loss of employment or livelihood base).
5. Credit and mortgage arrangements for refinancing residential developments.
6. Grants for financing learning, knowledge creation and capacity building during the scaling-up process.
7. Grants for financing promotion and the creation of new alliances.

Of these 3, 4, and 6 are by far the most difficult forms of finance for organisations of the urban poor to access. All three are important for new residential site development that takes place in a policy environment that emphasises scaling up rather than single project approaches.

Researchers should clearly identify the forms of finance that are currently available, and that are required, for scaling up of viable new residential site developments. Use of the Homeless International development finance typology may be helpful in this respect.

ACCESSING DEVELOPMENT FINANCE AND CREDIT

Financial institutions have a strong tendency to risk aversion, particularly when lending to poor households or to the organisations of which they are members. If banks do not want to lend to poor people they may use planning and building regulations to avoid doing so. For example they may require proof of building to certain specifications and designs which may not be achievable by, or affordable to the poor. Tenure requirements can be particularly onerous with requirements for clear land title rather than for evidence of alternative forms of secure tenure being stipulated by banks and other financial institutions.

One of the most difficult constraints in obtaining credit approval is the lack of familiarity that banks have with the processes of investment prioritised by the poor. Bankers refer to this imbalance in understanding as "asymmetric information" – the borrower knows significantly more than the lender about the likelihood of repayment. The lack of understanding by bank personnel means that they usually feel uncomfortable about lending. They frequently refer to this as the "lack of the comfort factor". Their discomfort may be based on a lack of knowledge but enlightenment, even if it occurs, is not sufficient to address the constraint. A historical lack of understanding is inevitably reflected in the absence of appropriate systems within banking institutions for delivery of financial services to low income groups. It follows that one of the most important investments that has to be made if access is to be facilitated, is the creation of internal procedures and systems within banking and other financial institutions that work for the poor.

Most institutions lending to the poor focus on retail lending to individuals. Housing finance institutions usually require that evidence of compliance to tenure requirements be provided. In reality, in densely populated urban areas, options to develop long term housing solutions by individual households are extremely limited. The solutions that are necessary can only be developed when poor households combine their resources and plan collectively. In this situation exemplified by resettlement and new site development, organisations of the urban poor require development capital on a wholesale basis. This is rarely available and, where it is, the credit rating criteria used by financial institutions can be prohibitively onerous. When organisations are expected to demonstrate their credit worthiness by meeting conventional banking requirements, which are based on financial and physical assets, they are likely to have their loan applications rejected. **The challenge in this context is to provide systems of collateral that recognise alternative assets as representing security against default on repayments.** It is arguable that the social and institutional capital of organisations of the urban poor should be recognised as constituting a reliable form of collateral. However dialogue with financial institutions has only just begun and at the moment there are few examples of successful borrowing on this basis[15]. To exacerbate the situation financial institutions may be constrained in lending to organisations of the urban poor by regulatory frameworks that require onerous provisioning[16] for lending that lacks conventional collateral. The end result can be that lending to the poor becomes too expensive and complex a proposition for banks to consider even if they want to.

As long as formal finance institutions remain highly risk averse when lending to the poor, investment in low-income housing development with finance sourced from local financial markets will be restricted. For this situation to change a significant investment has to be made in familiarising banking staff and their institutions with the factors and systems that minimise risk of loan default by the urban poor.

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[15] For a longer discussion on this issue and the use of international guarantees to create the "comfort factor" required by banks – see McLeod (2001a).

[16] Provisioning requires that financial institutions retain specified reserves to cover the likelihood of loan repayment default. The less secure the loan is considered the higher the level of provisioning usually required under stipulations of local Banking Acts.

THE PRICE OF FINANCE

Financing for new residential developments has a price. The way in which the price is calculated will vary in detail between providers but is basically determined by of a number of key components:

- The interest rate applied to the loan (including the use of simple or compound interest rates).
- The term or period of time over which the loan will be extended.
- The timing of repayments (e.g. weekly, monthly, quarterly, annually).
- The requirement for a deposit, held against the likelihood of default.
- The cost of managing exchange rate risk where foreign exchange is involved.
- The cost of arranging any required guarantees.
- Arrangement costs (application process, viability assessment, risk assessment, legal arrangements.
- Management costs (including loan recovery process).
- Technical assistance provision.
- Risk factors (including provisioning costs).
- The form of the loan (e.g. a draw down facility rather than an up-front cash payment, a bullet repayment rather than a regular repayment of capital and interest).
- The extent of the loan (e.g. for use to cover partial rather than full development costs).

When loans are negotiated with financial institutions, the way in the price of the loans is determined should be carefully examined[17] in order to establish the real cost to the borrower and to identify specific areas in which alternative assessments can be provided. In addition when project financing is being negotiated consideration will need to be given to the provision of a grace period preceding the beginning of repayments.

MANAGING RISK

Development initiatives are associated with significant risks that have to be managed. This is a complex area, particularly as risk assessment is, by its nature, subjective. However Table 1 identifies a number of key risk areas that researchers should be aware of[18]. Risks assume varying significance for different stakeholders and an understanding of these varying perspectives is important in understanding the investment decisions that different groups will make.

AREA OF RISK	KEY FACTORS
FINANCIAL	Inability to repay loans and maintain necessary cash flow
CREDIT	Inability to persuade Banks and Financial Institutions to lend at affordable rates with acceptable terms and conditions

[17] For example an apparently low interest rate may translate into a higher rate in practice if interest is applied on a balance reduced annually rather than quarterly.

[18] For a more detailed analysis of risk see McLeod (2001a)

ECONOMIC	Inflation and project cost escalations.
NATURAL HAZARDS	Earthquakes. Cyclones. Drought. Land slides. Flooding, Fire Major direct impact on end borrowers.
POLITICAL	Urban, housing and infrastructure policies subject to change with political administrations
CORRUPTION AND BRIBERY	State and Local Authority planning and regulatory systems based on pay-offs rather than transparent decision making
ORGANISATIONAL RISK	Management structures and systems inappropriate and/or ineffective in supporting implementation of project portfolio. Loss of trained personnel attracted by jobs with higher pay.
CREDIBILITY RISK	Reputation of implementing agency vulnerable as a result of inadequate performance in terms of expectations of communities and requirements of regulatory system

Researchers should analyse the main risks associated with financing residential developments from the perspective of each of the key stakeholder groups.

INSURANCE

Lenders will usually require evidence that an investment project is adequately insured. This can be a costly exercise and ranges from coverage of site safety through to insurance against loan default. At a household level there are strong arguments for arranging life, building and household contents insurance. Sometimes this can be organised through group policies, but as yet, the area is relatively undeveloped by local insurance providers and requires far more attention[19].

Researchers should identify the insurance requirements of financial institutions and identify options for household level insurance to secure property and loan repayment capacity.

THE ISSUE OF TAXATION

When poor families participate in projects that result in legal developments they will inevitably be drawn into the formal taxation framework. This has important implications in terms of long-term as opposed to short-term affordability and is a critical element in the trade off between informal survival strategies and formal development strategies. If projects are to succeed in addressing poverty, the benefits of formal citizenship must be assessed, by the poor, as exceeding the costs of leaving the camouflage provided by residence within informal settlements.

Researchers should explore the forms and cost implications of taxes that will affect project participants when they resettle and be sensitive to the trade off assessments that the poor themselves will carry out.

[19] SEWA in India is currently exploring the establishment of an insurance service for its extensive membership and YCO in Andhra Pradesh has managed to secure group insurance for members of Swayamkrushi, the mutual co-operative bank that it has established for members of its women's savings and loan groups.

CONCLUSIONS AND RECOMMENDATIONS

17.1 New residential developments can take a range of forms including:

- resettlement on green field sites
- resettlement on brown field sites
- resettlement in transit accommodation
- complete reconstruction of existing sites with transit accommodation being required as part of the process
- new green site development for residents who are completely unknown to each other.

17.2 Researchers could usefully consider the costs of “illegal” brown and green site development as a comparative base for legal developments. If the costs of legality are non-competitive with those of illegality, the long-term sustainability of schemes may be questionable.

17.3 Recognising the significant asset base of the poor and the investments that such an asset base make possible within new residential developments, is critical if the research is to result in a greater understanding of the real costs involved.

17.4 Where project design takes place with no input from those who will eventually live in the development and an incremental process is excluded, the likelihood is that the resulting investment sequence will prove unnecessarily onerous for the poor who may be pressurised to on-sell to wealthier households and move back to more vulnerable living conditions.

17.5 The loss of previous household investment with relocation is an important factor to consider particularly where options exist for compensation by the state and/or landowners.

17.6 High-rise developments have a cost profile that can create particular difficulties in project “ownership” by the poor resulting in high rates of on selling by the poor to better off households.

17.7 New developments that fail to either incorporate investment in the development and growth of the institutional and knowledge capital of the poor, or that ignore it where it already exists, are likely to result in low levels of learning and replicability.

17.8 If provision is not made within contracts for legitimate variations to be covered the whole project can be put at risk financially.

17.9 Researchers should examine the basis on which contracts for delivery of low income and housing are to be procured and examine the degree to which these procedures undermine the capacity of organisations of the urban poor themselves to compete for available contracts.

Options to develop the capacity of organisations of the urban poor to manage development contracts should also be explored.

17.10 Identifying and checking the affordability of building materials and technologies is an important step in ensuring whether the building costs of new residential developments will be affordable to those whom they are intended to benefit. Where changes are needed the real costs of negotiating them should be costed into the research and development process that precedes or accompanies project implementation.

17.11 Providing information and support that prevents overbuilding by borrowers is important to prevent the development of an unmanageable debt burden, which may place household's future security in jeopardy.

17.12 Costs of maintenance are an important factor in long term affordability of facilities. Incorporating design features, which enhance local control of maintenance, is an important means of ensuring that facilities continue to perform adequately.

17.13 Where capital subsidies can only be accessed by formal financial institutions and developers the options for poor people to use such subsidies effectively are severely curtailed. Facilitating the development of capacity within community organisations so that they can manage capital subsidies themselves can provide an important means of creating more affordable and acceptable housing.

17.14 Subsidies in the form of housing delivered to the poor rarely, if ever, meet the existing demand of poor households, and frequently skew the local market undermining alternative and more sustainable approaches.

17.15 Interest rate subsidies remain a contentious area of housing finance and have proved to have variable impact. Their strategic use within a policy environment that designs in incentives for low-income housing development, combined with options for cross subsidy can provide a means of providing housing on a sustainable basis. However there is a danger that without a strong investment in the creation of institutional capacity among the urban poor interest rate subsidies will ultimately benefit those who are better off.

17.16 One of the most contentious issues concerning infrastructure provision is how the costs of off-site and on-site infrastructure should be covered. This is particularly important in the case of water provision. There is a strong argument in favour of off-site costs being met by the state while project participants meet on-site costs. The recent enthusiasm by multi-lateral and bi-lateral agencies for cost recovery has sometimes led to a situation where the poor are expected to pay for off-site facilities that the rich obtain free. This results in significant affordability problems for poor communities and significant inequity in the manner in which state urban resources are allocated.

17.17 Land subsidies are one of the most effective means of leveraging the resource base of the poor, encouraging significant household investment in housing development and providing a base for the development of sustainable livelihoods. This is an area in which the state can usefully intervene to great affect. However these benefits are contingent on prior investment in a strong institutional base that can safeguard community assets, which include land, for the benefit of those whom the project is intended to assist.

17.18 Cross subsidies within schemes can be a useful means of ensuring affordability as well as providing the basis for sustainable communities. However careful analysis of commercial components is important and requires the use of appropriate viability analysis tools.

17.19 Researchers should clearly identify the forms of finance that are currently available, and that are required, for scaling up of viable new residential site developments. Use of the Homeless International development finance typology may be helpful in this respect.

17.20 As long as formal finance institutions remain highly risk averse when lending to the poor, investment in low-income housing development with finance sourced from local financial markets will be restricted. For this situation to change a significant investment has to be made in familiarising banking staff and their institutions with the factors and systems that minimise risk of loan default by the urban poor.

17.21 When loans are negotiated with financial institutions, the way in which the price of the loans is determined should be carefully examined[20] in order to establish the real cost to the borrower and to identify specific areas in which alternative assessments can be provided. In addition when project financing is being negotiated consideration will need to be given to the provision of a grace period preceding the beginning of repayments.

17.22 Researchers should analyse the main risks associated with financing residential developments from the perspective of each of the key stakeholder groups.

17.23 Researchers should identify the insurance requirements of financial institutions and identify options for household level insurance to secure property and loan repayment capacity.

[20] For example an apparently low interest rate may translate into a higher rate in practice if interest is applied on a balance reduced annually rather than quarterly.

17.24 Researchers should explore the forms and cost implications of taxes that will affect project participants when they resettle and be sensitive to the trade off assessments that the poor themselves will carry out.

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ANNEX 1
SOME KEY COST QUESTIONS

This annex considers a number of key questions that researchers can incorporate in exploring the complexities of direct and indirect costs of new developments.

AREA OF COST	QUESTIONS
SITE DEVELOPMENT	
Site clearance & preparation	How will the positioning and topology of site impact on costs? (For example if the site is an in-fill costs are likely to be higher).
Layout	Are there significant differences in the way that the engineers and residents define parameters of efficiency? (Women's assessment of best spatial use given cost limitations is particularly important in this respect)
Plot size	Are approved plot sizes affordable? Do plot sizes allow for incremental housing expansion over time?
Circulation requirements	Are circulation requirements realistic and affordable[21]?
Public space requirements	How will the size, positioning, forms and use of public space allotments impact differentially on men, women and children? Has this been discussed? (For example playground and child care facilities likely to be prioritised by women and enable them to manage parenting responsibilities more easily resulting in consequent household savings).
Land use regulations	Can mixed use development be incorporated to facilitate home-based enterprises and investment in commercial ventures that may be used to support internal cross-subsidies in the scheme or to provide income for recurring costs e.g. infrastructure and building maintenance, school facilities etc.?
Location	How far is the site from income generation bases, schools, hospitals, markets etc. and what will be the impact on household transportation costs?
HOUSING	
House positioning	Does house positioning facilitate reduced costs e.g. through shared walls, infrastructure positioning, lighting?
House construction	Who determines the design and the building materials used? Do planning regulations preclude materials that are preferred and can be afforded by the poor? Do organisations of the urban poor have alternative designs that are affordable? Is the building process organised through contractors, through group managed building or through individual households and at what comparative cost? Who monitors building progress and quality control?
High rise	How has the design process for high rise development incorporated the preferences of residents? (e.g. for communal space, for special needs)
INFRASTRUCTURE	
Off-site infrastructure	Who will provide this, under what terms and conditions and at what cost? Are the residents expected to pay[22]?

[21] For example in Mumbai members of the National Federation of Slum Dwellers have questioned road widths based on required access for fire engines "because there are no fire engines". Planning for access by motor vehicles has led to suggestions that such access will increase demand from better off households resulting in pressure on lower income residents to move out.

[22] In many cities partial or full cost-recovery is expected from low-income residents while those living in wealthy neighbourhoods benefit from full subsidy.

On-site infrastructure installation	Planning regulations may require standards of on-site infrastructure that do not allow for incremental improvement, and which may be unrealistic and unaffordable to the poor. Who installs on-site infrastructure? Are there options for community contracts and labour contribution? How will quality control be monitored?
Maintenance	Provision for maintenance costs of on site infrastructure and for maintenance of high rise buildings requires special financing arrangements, ideally from the inception of the development. Has this been set up? How, and on what basis have the costs been calculated and projected?
Electricity services	What metering options exist to reduce costs through bulk usage?
Water services	What metering options exist to reduce costs through bulk usage?
Drainage services	What will they cost to install and maintain? Who pays?
Solid waste disposal services	What will they cost to install and maintain? Are there options for local control and enterprise?
CONSTRUCTION	Are there options for community contracts and labour contribution?
	How will residents be involved in construction monitoring and quality control?
	If community contracts are an option will there be a requirement for performance guarantees? How will these be provided? Where will working capital be obtained?
	What will be the costs of site security during the construction period?
	What options exist for cost reductions through use of alternative building materials and techniques?
	Are there options for incorporating training components during the construction process leading to improved post-project employment options?
TENURE	
Land sub-division and regularisation	The formal and informal costs can be prohibitive entailing multiple bureaucratic approvals, many of which may provide opportunities for state officials to extort bribes. What form of tenure is provided? Does the form of tenure protect the development from take over by better-off groups?
Housing unit tenure	What form of tenure is provided? Does the form of tenure protect the development from take over by better-off groups? What provision is made for inheritance/succession? Are women’s names included in tenure documentation? Under what circumstances can the unit legally change ownership?
ACCESS TO INCOME GENERATING BASE	What additional transportation costs will be incurred by households as a result of relocation?
	What options exist within the development for improved access to an income generating base?
	Will the scheme incorporate mixed use planning allowing for home-based and community-based businesses?
	What will be the costs incurred by households relocating businesses to the new site?
	What financial services are available to support business development at the new location?
	Have the costs of changing peoples’ income generation base been incorporated into affordability assessment?
HEALTH AND SAFETY	
Brown field sites	Is the land contaminated? If so what are the decontamination costs?
All sites	Have disaster mitigation steps been incorporated (e.g. against cyclones, earthquakes, fire)? If so in what form and at what cost?
	Has provision been made for prevention and control of endemic diseases (e.g. chagas disease in Latin America)?
EDUCATION	Where are local educational facilities located? What costs are involved (including transport)?

	What facilities will be available for on-site early child-hood education?
INSURANCE	What provision has been made for group life and building insurance and at what cost?
COSTS OF COMMUNITY ORGANISATION	What provision has been made for preparing residents to move and for helping them to organise, including establishment of savings and loan groups etc? What will be the costs of registering local community organisations?
COSTS OF COMMUNITY PROJECT PLANNING	What budget provision has been made for involving participants in project design and planning?
CHANGING STANDARDS AND NORMS	What community costs are likely to be involved in negotiating changes in standards and norms at local level? How will residents be involved in this process and at what cost to them and to the project?
THE COSTS OF DEVELOPMENT FINANCE	What provision has been made for the time and expertise involved in negotiating financing agreements with banks and other funders? Will a loan be available for the full development cost or only a part of the cost? What will be the loan term? What interest rates will be charged? What APR[23] will this translate into? What will be the repayment period (e.g. monthly, quarterly, annually etc.)? Will interest be changed on a compound or simple basis? Will repayment be in the form of a bullet repayment[24] or over the lifetime of the project? Will guarantees be required? If so what percentage guarantee will be expected? Will a guarantee fee be charged? Is provision made for adjustments in financing to cover cost variation? Will there be a grace period? If so for how long?
	How will loan affordability be calculated? Will a deposit be required? What will be the loan term? What interest rates will be charged[25]? What APR will this translate into? What will be the repayment period (e.g. monthly, quarterly, annually etc.)? Will interest be changed on a compound or simple basis? Will guarantees be required? Will there be a grace period? If so for how long?
THE COST OF LOANS TO RESIDENTS	What subsidies are available and to whom? What will the subsidies cost to access?
SUBSIDIES	

[23] Annual percentage rate reflects the actual charge made for the funds borrowed over a 12-month period.

[24] A bullet repayment allows the principal sum to be repaid at the end of the project with interest payments being made on a regular basis during the lifetime of the project.

[25] It is important to consider real interest rates as opposed to nominal interest rates. Real interest rate = Nominal Interest rate – inflation rate. Within this context it should be noted that the inflation rate that applies to poor people may be different to a countries official interest rate. It can be useful to make up a “basket” of costs that have a significant impact on the poor – for example the price of cement, staple foods, transport, cooking fuel etc.

ANNEX 2

A TYPOLOGY OF FINANCING REQUIRED FOR SLUM UPGRADING, RESETTLEMENT AND INFRASTRUCTURE PROVISION

This typology was developed as part of the Homeless International Bridging the Finance Gap in Housing and Infrastructure Research project funded under the KAR programme of IUDD, DFID. A check list for identifying sources and forms of finance availability is attached.

1. FINANCING THE CREATION AND EXPANSION OF THE ECONOMIC AND SOCIAL BASE WITHIN COMMUNITIES

In India, Cambodia, South Africa, Zimbabwe, Namibia, and other countries grant funding has enabled the creation of strong community organisations anchored in women-led savings and loan groups. Local groups develop the capacity to collate and use information about their own resources and to map and profile the settlements where they live. The basic building process usually takes around two years.

Forms of finance: Grants and direct loans.

Potential sources: Community Pooled Savings, Northern NGOs, Foundations, Bi-lateral Funders, Multi-lateral funders, Corporate Philanthropists, State Micro-finance support agencies,

2. FINANCING DEVELOPMENT OF PILOT AND DEMONSTRATION PROJECTS

With strong organisational capacity at community level, organisations of the urban poor are able to take on investment projects in slum rehabilitation, resettlement and/or infrastructure provision – toilets, sanitation, water, solid waste management, access roads, drainage. These projects demonstrate to the state and to potential financiers how the resources of the poor can be leveraged to create solutions that work for the poor as well as for the city as a whole[26].

Forms of finance: Grants, direct loans, bridging loans, guarantees.

Potential Sources : Community Pooled Savings, Northern NGOs. Foundations, Bilateral Funders, Multilateral Funders, State Finance Institutions, Commercial Banks, State and Municipal Authorities.

3. FINANCING SCALING UP

Once an approach has been tried and tested it may be refined. It is then ready for scaling up. This is a stage when the financing gap becomes very apparent. The funding required is usually too large (and sometimes too complicated) to be covered by standard NGO project financing. Direct loan funds, bridge-financing and guarantees are all likely to be necessary. The provision of investment from the regional development banks is particularly important for city and state level scaling up programmes.

[26] The Citibank loan, backed by a sterling guarantee from Homeless International, for the development of the Rajiv-Indira Suryodaya slum rehabilitation scheme in Dharavi is an excellent example of collaborative financing of a demonstration project linked to a major shift in policy at state level.

The potential for leveraging the resources of the poor is significant at this level if the appropriate financing, procurement and community contracting processes and mechanisms can be established.
Forms of finance: Direct loans, Syndicated Loans[27], Bridging loans, Guarantees, Municipal Bonds, Project Bonds, State Subsidies.
Potential sources: State Finance Institutions, Government Authorities, Commercial Banks, State and Municipal Authorities Bilateral Funders, Multilateral Funders, Regional Development Banks.

4. FINANCING RISK MANAGEMENT AND MITIGATION

In a range of urban contexts communities and the NGOs with whom they work, are managing significant and substantial levels of risk in order to finance demonstration projects and to set the basis for scaling up. Two-year delays in delivery of contractually agreed financing are not unusual leading to an enforced creation of bridge financing. Security requirements from formal lenders continue to be onerous and it may take a substantial time to create the “comfort factor” that banks require before lending. In the meantime communities and the NGOs that support them have no option but to shoulder the multiple risks associated with financial investment in slum rehabilitation and resettlement. As the asset base of most support NGOs tends to be slim loans often require complex guarantee arrangements. Funds are needed to ensure that some of this risk taking is shared and not left completely on the shoulders of the poor. Funds are also needed so groups that have to take on significant risk commitments are assisted in the development of risk management and mitigation strategies that are viable given local conditions.
Forms of finance: Deposits, Guarantees, Sureties , Indemnities, Bridging Loans.
Potential sources: Community Pooled Savings, Northern NGOs, Foundations, Corporate Philanthropists, Government, Bilateral Funders, Multilateral Funders.

5. REFINANCING

Refinancing is needed to release the equity finance that is used to cover the capital costs in rehabilitation, resettlement and infrastructure projects, so that it can be re-used on other schemes. Refinancing from local financial institutions requires that negotiators are well prepared and assistance in this area is currently hard to come by.
Forms of finance: Mortgage Loans.
Potential sources: Building Societies, Mutual and Pension Funds, Government Financial Institutions, Commercial Banks

[27] Loans provided by a syndicate or group of lenders who create a special lending vehicle for the purpose.

6. FINANCING LEARNING, KNOWLEDGE CREATION AND CAPACITY BUILDING

As communities and NGOs invest in demonstration projects and in scaling up, their learning can be rapid and dramatic. Sharing the learning that takes place and the knowledge that is created is vital. However funding for documentation and exchanges that facilitate this sharing is scarce. City-level teams of Municipal authorities, slum dwellers, NGOs and private sector interests could use funding in this area to build on the basis of experience from other cities and receive ongoing support from people who have gone through the process before them.

Form of Finance: Grant

Potential sources: Community Pooled Savings, Northern NGOs, Foundations, Bi-lateral Funders, Multi-lateral funders, Corporate Philanthropists.

7. FINANCING PROMOTION AND THE CREATION OF NEW ALLIANCES

Urban slum rehabilitation, resettlement and infrastructure provision is of interest to many different stakeholders. Too often however the learning that is emerging from leading edge community driven processes is restricted to a network that is already part of the process. Funding is needed for promotional work with major local and international agencies to persuade them of the importance of the work that is going on and to enable them to find ways in which they can support it.

Form of finance: Grant

Potential sources: Northern NGOs, Foundations, Bi-lateral Funders, Multi-lateral funders, Corporate Philanthropists.

CHECK LIST FOR TRACKING SOURCES AND FORMS OF FINANCE

FORM OF FINANCE	USE	SPECIFIC SOURCE
FUNDS FOR BUILDING THE SOCIAL AND ECONOMIC BASE		
Community Savings	**Yes/No**	
NNGO Grants	**Yes/No**	
Bilateral Grants	**Yes/No**	
Multi-lateral Grants	**Yes/No**	
Corporate Grants	**Yes/No**	
NNGO Loans	**Yes/No**	
State Micro-finance Loans	**Yes/No**	
NNGO Equity Finance	**Yes/No**	
Private Sector Equity Finance	**Yes/No**	
FUNDS FOR PILOTS & DEMONSTRATION		
Community savings	**Yes/No**	
NGO Core Funds	**Yes/No**	
NNGO Grants	**Yes/No**	
Bilateral Grants	**Yes/No**	
Multi-lateral Grants	**Yes/No**	
NNGO Bridging Fund Grants	**Yes/No**	
NGO Loans	**Yes/No**	
State Bank Loans	**Yes/No**	
Commercial Bank Loans	**Yes/No**	
Bi Lateral Loans	**Yes/No**	
Multi-lateral Loans	**Yes/No**	
NNGO Guarantees	**Yes/No**	
Contracted project funding from Government	**Yes/No**	
FUNDS FOR SCALING UP		
NNGO Grants	**Yes/No**	
NNGO Bridging Fund Grants	**Yes/No**	
Direct Government Subsidies	**Yes/No**	
Contracted project funding from Government	**Yes/No**	
State Finance Institutions loans	**Yes/No**	
Commercial Bank Loans	**Yes/No**	
Regional Development Bank loans	**Yes/No**	
Bilateral loans	**Yes/No**	
Multilateral Financial Institution Loans	**Yes/No**	
Syndicated Loans	**Yes/No**	
Municipal Bonds	**Yes/No**	
Project Bonds	**Yes/No**	
FUNDS FOR LEARNING, KNOWLEDGE CREATION AND CAPACITY BUILDING		
Community Savings	**Yes/No**	
NGO Core Funds	**Yes/No**	
NNGO Grants	**Yes/No**	
Bilateral Grants	**Yes/No**	
Multi-lateral grants	**Yes/No**	
Corporate grants	**Yes/No**	
FUNDS FOR THE CREATION OF NEW ALLIANCES		
Community Savings	**Yes/No**	
NGO Core Funds	**Yes/No**	
NNGO Grants	**Yes/No**	
Bi-lateral Grants	**Yes/No**	
Multi-lateral Grants	**Yes/No**	
Corporate Grants	**Yes/No**	

FORM OF FINANCE	USE	SPECIFIC SOURCE
FUNDS FOR RISK MANAGEMENT & MITIGATION		
Community Savings	**Yes/No**	
NGO Core funds	**Yes/No**	
NNGO Guarantees	**Yes/No**	
NNGO Grants	**Yes/No**	
NNGO Hedge Funds	**Yes/No**	
Corporate grants	**Yes/No**	
Government subsidies	**Yes/No**	
Bilateral grants	**Yes/No**	
Multilateral grants	**Yes/No**	
REFINANCING		
Building Society	**Yes/No**	
Mutual and Pension Funds	**Yes/No**	
Government Financial Institutions	**Yes/No**	
Banks	**Yes/No**	