Homeless International

BRIDGING THE FINANCE GAP IN HOUSING AND INFRASTRUCTURE

INDIA: Options to manage and mitigate critical risk in the project portfolio of the Indian Alliance

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The Alliance[1] has a well-developed process of building capacity at community level, investing in pilot demonstration projects and then using these demonstrations to work in partnership with the state to scale up solutions. The process is summarised graphically in Figure 1.

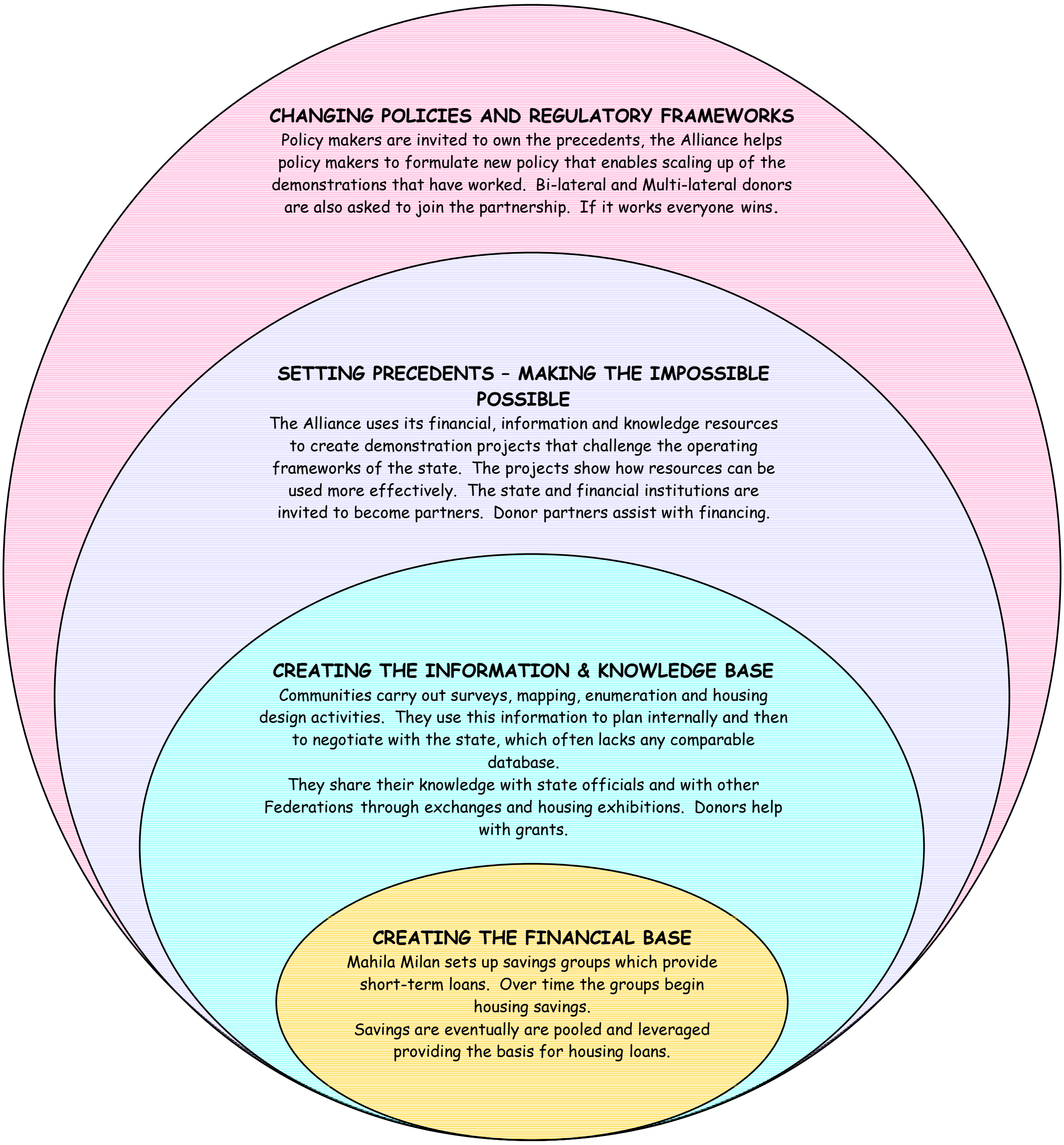

Figure 1 – A summary of the Alliance Process

As the process takes place a safety net structure has been built up through linkages between different levels of the Alliance's operations. This structure represents a classical example of connectivity between local action and global systems. It is represented diagrammatically in Figure 2 below.

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[1] The Alliance is made up of SPARC, NSDF and Mahila Milan.

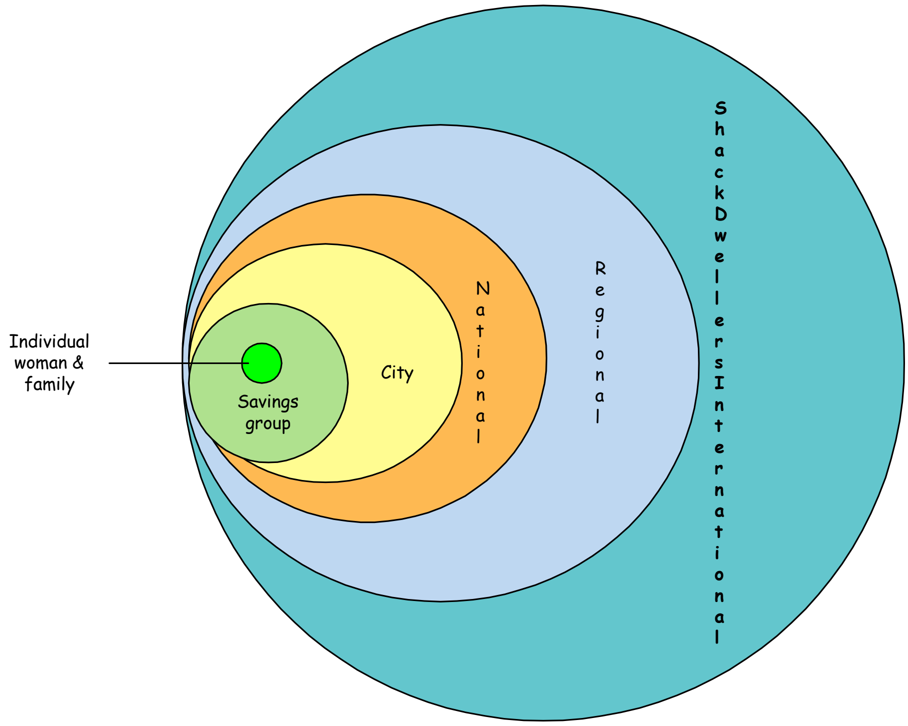


Figure 2 Safety Net formation and Linkage by the Alliance

In its work, the Alliance faces a huge and diverse range of risks, reflecting not only the vulnerabilities of the groups with whom they work, but also the significant investments required in moving from a small project-based player into a wider scope of activity that engages with the settlement development options open to state authorities. For an overview of the clusters of risk involved see Appendix 1.

HISTORICAL AND CURRENT USE OF DONOR AND LOCAL FUNDING

The Alliance has used donor funding, together with local funding and community savings to develop a range of financial products that it uses for different aspects of its work. These are summarised in Tables 1 and 2.

Table 1 Use of Foreign Donor Funds to support the Alliance Development Strategy

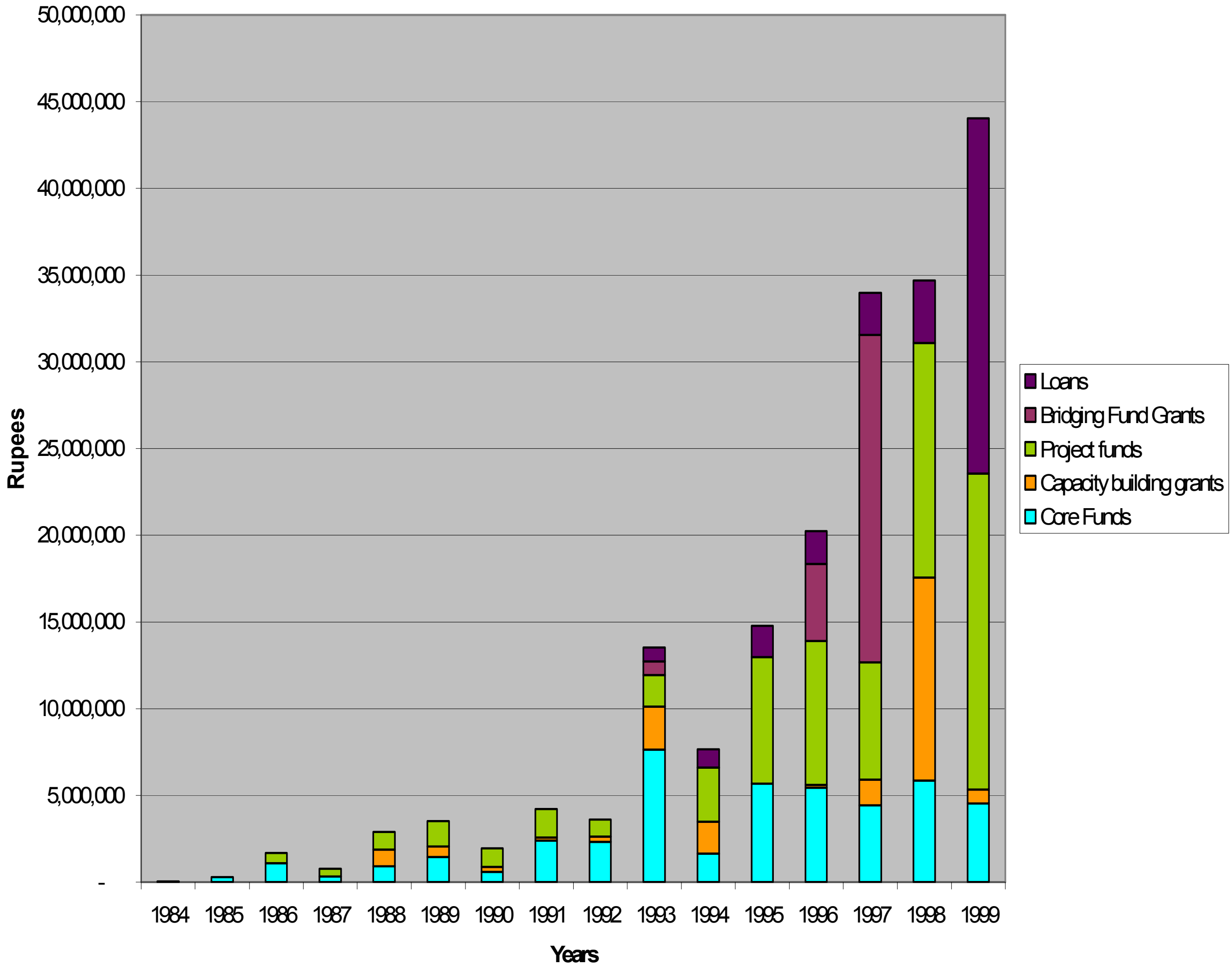
<table>
<tr><th>THE BASIC BUILDING PROCESS</th><th>GRANTS</th></tr>
<tr><td>Building the core capacity of the Federations
Setting precedents by implementing pilot demonstration projects.
Documenting the process
Understanding and sharing the process</td><td>Non specific (core) grants
Development grants (project specific)
Grants for Revolving Loan Funds
General Bridging Finance Grants
Research grants</td></tr>
<tr><th>SCALING UP IMPACT</th><th>PROJECT INCOME</th></tr>
<tr><td rowspan="2">♦ Working at scale in cities and states with state linked financing
♦ Working with agencies to share information and provide assistance under technical assistance agreements.</td><td>♦ Infrastructure contracts
♦ Transit housing contracts
♦ Consultancy contracts</td></tr>
<tr><td>LOANS
Organisational loans
♦ For income generation
♦ For housing
Project specific bridging loans
♦ Infrastructure
♦ Housing</td></tr>
<tr><th>SECURITY AND LEVERAGE</th><th>SECURITIES</th></tr>
<tr><td>Sharing the risk of pilot projects and scaling up successful approaches.</td><td>Guarantees
Community savings Deposits</td></tr>
<tr><td>Keeping the organisation secure</td><td>RESERVES (CORPUS)</td></tr>
</table>

Table 2 FINANCIAL PRODUCTS USED BY THE ALLIANCE

A	Community savings	Form the internal revolving fund to pre-finance the economic and other short term loans
B	Short term loans for economic activities:	Presently obtained from RMK at 8% and on lent to community savings groups at 12% with compulsory savings of 12%
C	Grants for use as short term Bridging Finance and recycled on a Revolving Loan Fund basis (1-3 years)	Cordaid, Miserior and Citibank have provided funds. They are lent out at 12%. This remains the most strategic instrument to date for scaling up the Alliance's housing and infrastructure activities.
D	Short term project bridging loans (1 – 3 years)	Used for specific projects. Citibank has provided a 14% loan for the Rajiv Indira – Suryodaya project.
E	Long term Housing Loans (10 – 15 years)	HUDCO has given loans at 12 % for Mahila Milan and transit housing
F	Foreign currency Guarantees (1-3 years)	Most Indian organizations hesitate to give loans to NGOs and forex guarantees have been used to overcome their concerns. SELAVIP provided a guarantee to secure a HUDCO loan. Homeless International has provided a guarantee for a Citibank Loan.
G	State subsidies	Available from city and state authorities for particular purposes – e.g. post-cyclone reconstruction, sanitation provision etc. Nearly always payable as reimbursements.
H	State contracts	For work carried out on state sponsored projects, usually related to resettlement and to large survey work. E.g. MUTP II Railway resettlement and related transit accommodation in Kanjurmarg, Pune toilet programme.

The current project portfolio (see Appendix 2 and Appendix 3), is made up of both precedent setting and scaling up projects and the range of financial products is reflected in the changes in form and use of international donor funds and in the use of financing from the Indian financial sector. Figure 3 gives an overview of the changes in form of income since 1984.

Figure 3 Range of Alliance Funds received from International donors and Indian Finance Institutions 1984-1999



THE CURRENT AND PLANNED PORTFOLIO

The current work of the Alliance is focused on three significant initiatives:

THE MUMBAI URBAN TRANSPORT PROJECT (MUTP II) being implemented by the Mumbai Municipal Corporation together with the Indian Railways Authority with a loan from the World Bank.

THE RAJIV INDIRA – SURYODAYA SLUM REHABILITATION PROJECT in Dharavi[2] – the first community led rehabilitation scheme in Mumbai to be implemented under terms and conditions laid down under the State of Maharashtra's Slum Rehabilitation and Resettlement Act. The key state agency in this work is the Slum Rehabilitation Authority (SRA).

THE MAHARASHTRA COMMUNITY TOILET PROJECT – a project to build community sanitation facilities in Mumbai and Pune.

In each of these areas the Alliance is establishing important precedents, which the state has responded to extremely seriously. However to engage the state the Alliance has had to take significant financial risks and has been aided in doing so by Selavip, Cordaid and Homeless International in particular.

The most capital intensive of the areas being developed is that of projects being implemented within the framework of the SRA policy of the Maharashtran government.

CURRENT RISK AND THE RESOURCES NEEDED TO COVER THE PORTFOLIO

The current critical risks in the Alliance's project portfolio are concentrated in the SRA projects. These projects, at the moment would appear to benefit a relatively small number of households but entail the largest project expenditure and significant exposure in the financial, market, construction, organisational and political clusters of risk[3]. The SRA type projects that are currently planned have a total projected cost of US$16.6 million accounting for 62% of the total portfolio cost of US$26.7 million and 69% of the housing portfolio which amounts to US$23.9 million. Estimates of bridging requirements for the SRA projects amount to US$1.2 million in the first year and a peak of US$4.2 million in 2001/2. Estimates for SRA guarantee requirements peak at US$1.4 million in 2001/2. The discussion summarised here focuses initially on why this risk is worth taking and how it meshes with the broader objectives of the Alliance. Discussion then addresses the location of the risks involved in different risk clusters, the quantum of the financial exposure that needs to be covered, options for improved management of the risk, and potential mitigating measures that the Alliance can put in place to reduce its vulnerability. It should be noted that the Rajiv Indira-Suryodaya scheme, the Alliance's SRA flagship is also is the first community-initiated scheme out of 440 approved under the SRA.

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[2] Dharavi is a slum in Mumbai with a population of over 700,000 people. It is reputedly the largest slum in Asia.

[3] See Appendix 1 for the range of risk with which the Alliance is engaged.

THE LOCATION AND TYPE OF RISK

FINANCIAL RISK

The financial requirements for projected SRA, MM and Transit housing are provided in Appendix 2 and Appendix 3. The estimates for bridging and guarantee requirements are based on conservative assumptions namely:

- 40% of total project expenditure will occur in first the first 6 months with the balance spread evenly over the remaining project time.
- No up front contractor investment or credit from building material suppliers
- Profits from sale of residential and commercial space not assumed before 2002/3
- Income from sale of TDR not assumed until 2002/3
- Hard currency guarantees required for 20% of rupee project cost.

Based on the current estimates and the above assumptions the maximum bridge financing required over the next two years for housing and toilet projects is $6,753,054[4]. The maximum requirement for Guarantee funding is estimated at $1,558,695

The Mahila Milan projects are secured with 10% deposits from all participants and have no requirements for external guarantees. Likewise, the Transit projects require no guarantees as costs are covered under specific project contracts with the state.

MARKET RISK

There are a number of particular concerns with respect to the SRA projects. The schemes are vulnerable to fluctuations in real estate and TDR prices and the price of TDR has dropped from Rs 800 per sq foot to Rs 450 per sq foot over the last year. This is almost certainly because of restrictions on the proportion of FSI that can be covered by TDR on any one site, which has restricted demand from developers. The actual price that the Rajiv Indira-Suryodaya TDR will command should be known by October 2000 following completion of the first block of rehabilitation units. The price of "for sale" units is estimated at Rs 2,200[5] largely because of the high quality of the Rajiv Indira – Suryodaya project. Assumptions in the modelling that has been done to estimate projected financial requirements include:

- Sale of "for sale" units at Rs 2,200/ sq foot
- Sale of commercial space at Rs 3,000/sq foot

CONSTRUCTION RISK

The elements of construction risk are complex (see Appendix 1). However the Alliance has built up impressive experience through its implementation of the Rajiv Indira-Suryodaya and MUTP II related schemes[6]. Relationships have been established with

[4] Current exchange rate is Rs46 to US$1.

[5] Interviews with NSDF leaders in Dharavi indicated that they could probably obtain a Rs2,000 per sq foot rate on the basis of local marketing (Rs200 higher than prevailing rates because of the quality). However they believed that the President of NSDF was in a position to obtain Rs2,200 rates because of his ability to negotiate institutional sales to middle income levels of personnel within the state bureaucracies with which the Alliance works.

[6] It should be noted that when the Rajiv Indira scheme was first presented to donors as a scheme to be supported there was serious concern about the ability of the Alliance to manage the complexities of a high rise building project on the marshy land on which Dharavi has developed. Homeless International advisors argued strongly for the recruitment of a professional project manager. This was resisted by the Alliance with an argument that such a solution would preclude later replication. Retrospectively it can be seen that the

contractors, architects and engineers who now understand the Alliance process and who are, to a considerable degree, committed to future support of that process. Members of NSDF have become accomplished project managers. The risks that are most significant now relate to areas over which the Alliance has little control – planning regulations in particular. As has been the case in the past, all the Alliance can do is respond to these as and when they arise. The Coastal Restriction Zone legislation has been a case in point with regulations introduced without any precedent of application. The Alliance was able to negotiate a satisfactory outcome to CRZ on the Rajiv Indira-Suryodaya scheme but it did cause delays in the granting of certificates of commencement, which in turn resulted in cash flow pressure because of delays in completion of rehabilitation units and consequent delays in certification of TDR.

POLITICAL RISK

The political risks are concentrated around the potential for significant changes in policy. Elections in February 2000 led, in Maharashtra, to the formation of a Coalition between The Congress and National Congress parties with a slim majority over the opposition BJP and Shiv Sena. Just after the coalition was formed the SRA policy was reviewed and, drawing on lessons learnt in its early implementation, strengthened in a number of ways with considerable input from the Alliance. However any major change in political power at state level could lead to the SRA policy being abandoned. The only option that the Alliance would have in this case, is the option that it has always had, to use its wealth of experience and its considerable base within an important voters constituency, to argue for a policy framework that makes sense for the Alliance's point of view, and that is operable from the point of view of the politicians and the bureaucrats.

ORGANISATIONAL RISK

SPARC has recognised that it needs to strengthen aspects of its administrative system in order to manage the range and quantum of financing that is now required. Compliance with the FCRA Act, with the Societies Act and with the Income Tax Act are particularly important in this respect.

WHY TAKE THE SRA -RELATED RISKS?

The slum settlements of Mumbai provide homes to approximately 50% of the city's 12 million population. More than 50% of the slums are on privately owned lands, and all the slums combined occupy only 4% of the total land area of Mumbai, illustrating the extremely dense nature of these settlements. In order to address the challenge of slum rehabilitation within these settlements the SRA policy was developed and adopted by the State of Maharashtra in 1996. The policy incorporates provision for resettlement where necessary but assumes that 80% of rehabilitation will have to take place in situ. Resettlement will be largely restricted to households living on non-residential land – i.e. on the pavements or along side rail tracks.

Alliance's argument was justified. They effectively broke down the role of project manager into a range of skills and responsibilities that could be handled by a team of Federation members supported by professionals who offered technical advice and training.

The starting point of the SRA approach is the recognition, within the policy[7], of the right of slum dwellers and pavement dwellers who can prove residence in the city on January 1 1995, to "avail of a permanent house". Its key innovation is that it provides a framework in which land development rights can be capitalised to finance slum rehabilitation.

The decision as to whether or not the Alliance should take the risks involved in demonstrating how slum dwellers can take the lead in developing rehabilitation projects under the SRA is heavily influenced by the projection that 80% of the anticipated rehabilitation will have to take place in situ. This precludes the less risky Mahila Milan type approach[8] because of the size of plots that would be needed to accommodate one-floor constructions. High-rise, high-density development is the only available option within settlements such as Dharavi.

If the Alliance is to stay true to its principle of developing solutions that work for the poorest of the poor, there is no option but to engage with the SRA policy because it is the only way, at the moment, that the rehabilitation needs of the majority of slum dwellers within Mumbai can be addressed. At the same time, as the state has no investment financing to offer, the only way that slum dwellers can take advantage of the options provided by the policy is to themselves access the development capital they need for rehabilitation. With negligible formal assets that financial institutions will recognise, a track record of construction of high rise units limited to the Rajiv-Indira-Suryodaya development, and a savings pool that cannot meet the capital costs entailed, the Alliance has no option but to look outside for the capital it requires. In other words it must either find a source of direct financing to cover the two to three year development costs involved or it must raise the guarantees that will persuade local financial institutions to release the necessary funding.

It could be argued that the private sector can quite ably deliver the solutions required. However private developer performance under the SRA has been weak, with only 440 schemes initiated. Many of these were approved but never, in fact, delivered. This lack of performance has been brought about by the slim pickings to be had by developers. Mumbai real estate prices fell dramatically in the 18 months following announcement of the SRA policy in 1996 due to a complexity of factors. In addition restrictions on the use of TDR have affected the TDR market. The complexities of arranging transit accommodation and organising households living in slum settlements have also acted as disincentives to developers with the result that although the Developers have considerable land holdings they have held back from any major involvement.

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[7] The policy was developed on the basis of recommendations from the Afzulpukar Committee, on which the Alliance was represented. SPARC estimates that the Alliance was able to influence nearly 60 of the main provisions covered within the SRA policy as a result of their input into the Committee's deliberations. The Alliance based many of its recommendations on its historical experience in implementing rehabilitation projects, particularly that of Markhendya, a development based in Dharavi where the Rajiv Indira –Suryodaya Scheme is also located.

[8] In the early 90's the Mahila Milan or MM type housing was initially considered to entail considerable risk. Jan Kalyan was an Alliance demonstration project, developed to house slum dwellers relocated by the State from along the railway tracks. It provided an alternative model that helped the Alliance to demonstrate how community led design and construction could deliver an acceptable, affordable and far cheaper product than the state had previously considered. The MM housing was delivered at Rs25,000, as compared to the Rs85,000 units delivered by the State within the PMJ project that was implemented during the same period. Five years later the market value of the Jan Kalyan housing exceeded that of the state delivered units. The MM model is now recognised by agencies such as HUDCO which provides long term financing for such schemes on the basis of a 10% deposit by participating households.

It could also be argued that the State could deliver as a developer in its own right. This has, in fact been attempted with dismal failure under the SPPL[9]. The SPPL has proved no more able than private developers to organise communities to the level required for their constructive engagement with the planned developments. In addition there have been inherent weaknesses in the management of state enterprises which are well recognised by both governmental and non-governmental stakeholders[10].

HOW THE SRA POLICY WORKS

The owner of the slum land or the co-operative society of slum dwellers or an NGO or any real estate developer having individual agreements with at least 70% of eligible slum dwellers is entitled to become a developer.

Each eligible family is entitled to develop 225 sq feet of carpet area and the SRA estimates that about 80% of eligible families will obtain permanent housing in situ rather than resettling in other areas. The policy stipulates that the developers who implement SRA projects with or on behalf of slum dwellers, should provide self-contained rehabilitation tenements of 225 sq. feet of carpet area absolutely free of cost to slum dwellers. A land development incentive is made available to developers based on the use of a Floor-Space Index ratio (FSI). The FSI determines the permissible ratio of built floor space to size of building plot and varies in different parts of Mumbai, with lower ratios being applied in areas where the real estate prices are very high and the State has an interest in minimising development density. For this purpose Mumbai has been divided into three geographical areas namely, Mumbai Island City, the Suburbs and Dharavi.

The FSI used on any land development cannot exceed 2.5 times the area of the available land. However when the FSI generated on the basis of people's eligibility within a scheme exceeds 2.5 the balance can be utilised by other projects under conditions stipulated within the Act. This additional FSI can, in other words, be transferred, and it is referred to as TDR (Transferable Development Rights). TDR is a commodity that can be purchased and sold and there is now an established TDR market within Mumbai which determines the going price for TDR at any particular point in time.

So the Alliance faces a difficult dilemma. It can avoid the risk of seeking to implement SRA based projects and accept that rehabilitation options will remain seriously limited within the city as a whole. Or it can engage with the state to develop options within the SRA framework but at considerable risk to its own reputation and financial security. The dilemma is compounded by indications that the SRA policy will become operable in all Maharashtran cities, not just Mumbai. Given the Alliance's raison d'etre, which is to support the development of settlements for the benefit of the poorest of the poor[11], choice of the latter option would appear inevitable. The issue is not whether to engage with the SRA policy, but how best to do it by managing and mitigating the risks involved.

The following sections focus on options currently being considered for managing and mitigating the risk that investment in the SRA projects entails.

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[9] Shiv Shahi Punar Vasun (Rehabilitation) Project Ltd

[10] See the Habitat II Agenda resulting from the 1996 UN Istanbul City Summit

[11] It should be noted that the day-to-day risks faced by poor people living in sub-human conditions are the backdrop to this debate. See Appendix 1.

OPTIONS FOR MANAGING AND MITIGATING RISK ASSOCIATED WITH THE PROJECT PORTFOLIO

A number of options are being considered to reduce the financial exposure of the Alliance resulting from the planned portfolio. These include:

- Negotiate for Kanjurmarg SRA project (23% of portfolio) to be recognised as component of the MUTP II project and forward financed by World Bank or put out to tender. If this works use as a precedent to negotiate with State for similar arrangement on Mahila Milan SRA project for pavement dwellers (15.3% of portfolio)
- Do not enter into new SRA agreements unless they are pre-financed in the manner suggested for Kanjurmarg and until the viability of the first SRA scheme – Rajiv Indira-Suryodaya can be assessed.
- Design construction phasing to ensure certification and consequent sale of TDR as early as possible[12].
- Ensure delays in receipt of loan finance do not exceed projections – negotiations with HUDCO will be critical in this respect. Alternative sources of long-term finance are also being explored (eg. ICICI) but a prolonged lead-time is anticipated before any firm arrangements will be made.
- Ensure Nirman and SPARC will be exempt from tax on profits under the Income Tax Act.
- Explore Options to gain exception from building material tax (approx. 17%).

A number of measures are being introduced to address organisational risk. A new accounting structure has been developed, and steps are being taken to ensure that personnel with the necessary skills are recruited to manage it[13].

The most important change in organisational terms however, is a recognition that the Alliance, as currently structured cannot manage the scale of operations that it is now envisaging. It is as a result of this recognition that a new Section 25 company Nirman has been established. Over the next three years Nirman will take on a range of the responsibilities currently handled by SPARC. The envisaged transition is summarised in Appendix 4.

[12] TDR certification by the SRA is needed before TDR can be sold. Certification is dependent on completion of rehabilitation units rather than "for sale" units. There is therefore a trade off between income from sales of housing units and income from TDR which must be managed in the context of movements in TDR and Real estate markets.

[13] Staff recruitment and retention in financial management posts is exceptionally difficult. Successful recruits become sensitive to the way in which the Alliance works which is very different from that in which formal financial institutions operate. However successful recruits are also in high demand by international development agencies and the growing micro-finance industry. They are therefore difficult to retain.

MECHANISMS FOR THE DELIVERY OF BRIDGE FINANCING AND GUARANTEES

A range of options for delivering bridge financing and guarantees have already been tried or are being considered.

THE PROVISION OF GRANT CAPITAL FOR USE AS BRIDGING FINANCE

The Alliance has used grant capital for bridging finance for some time. Capital grants received from Cordaid and Misereor have been used for this purpose and have effectively underwritten the MUTP II related projects and Rajiv-Indira Suryodaya.
This is the most flexible form of bridging finance entailing no risk to the Alliance.

THE PROVISION OF OVERSEAS LOANS FOR USE AS BRIDGING FINANCE

As yet this form of bridging finance has not been used but it is under consideration. Loans would have to be agreed by the Reserve Bank of India. An overview of the conditions and options of such an arrangement are summarised in Table 3

Table 3– NRBI requirements for external loans

1	All external loans require National Reserve Bank of India (NRBI) approval.
2	Loans cannot be used for speculative activity or investment in immovable property (i.e. land).
3	NRBI only administers small loans; larger loans would have to be approved by the Government of India. The limit on loans that NRBI can approve directly is currently US$10 million per organisation at any point in time.
4	Funds can be delivered in instalments rather than in a single payment.
5	Loans sourced from the Asian Development Bank under a special arrangement with ADB for support of housing programmes have to be issued through registered Micro-finance institutions.
6	The rate of Interest on the loan should be competitive – LIBOR[i] + 2.5 for ten year loans. The most important question to be addressed is how the borrower will service the loan.
7	NRBI will need information on the Organisation that is intending to borrow, its objectives, its historical performance and its existing projects.
8	It may be necessary to go to the Ministry of Finance for approvals in which case Form ECB6 will have to be filled out.
9	Loans agreed may have staged or bullet repayments but in either case the last instalment should be paid at least three years after the loan is extended. Loans of more than US$5 million require a repayment period of five years or more.
10	NRBI does not deal with general lines of credit.
11	Withholding tax is normally charged at 15% of the interest on any loan. However agencies can apply for exemption from this tax.
12	Foreign banks can lend directly without NRBI approval.
13	The main risk recognised by the NRBI is in exchange rate fluctuations that will effect loan repayments.
14	There is currently no options market for rupees/US$. Forward buying is possible but only at a 5% annual premium

The key issue, if such an arrangement is considered, is the way in which the foreign exchange risk would be managed. Cordaid has proposed making a 9% loan available but this would amount, in effect, to a 14% loan if adequate hedging were to be provided at the minimum available rate of 5% per annum. The Alliance is currently able to obtain 14% financing from Citibank with a 20% sterling guarantee on the Rajiv Indira-Suryodaya scheme. The extensive bureaucratic procedures that are likely with the NRBI suggest that the Cordaid offer is not a viable option unless the interest rate that Cordaid is suggesting is significantly reduced.

An additional option would be for Cordaid to assume the foreign exchange risk, with the need for local hedging consequently avoided. This may be workable but is likely to entail volume constraints. Cordaid is also considering a one-off arrangement fee of around 5% which would reduce the overall cost, providing they assumed the foreign exchange risk. In either case there are problems associated with scaling up, which is likely to be necessary if the growth of development led by the Alliance continues at its present rate because Cordaid's own resources are limited.

THE PROVISION OF LOCAL DEPOSITS AS LOAN GUARANTEES

HUDCO is currently extending finance on the basis of a 10% local deposit for participants in housing loan schemes. However, to date this arrangement has only been available for long term lending ranging from ten to fifteen years. There has been no provision for shorter term lending (one to three years) of the kind that would be needed for the SRA schemes.

THE PROVISION OF OVERSEAS DEPOSITS/ASSETS AS LOAN GUARANTEES

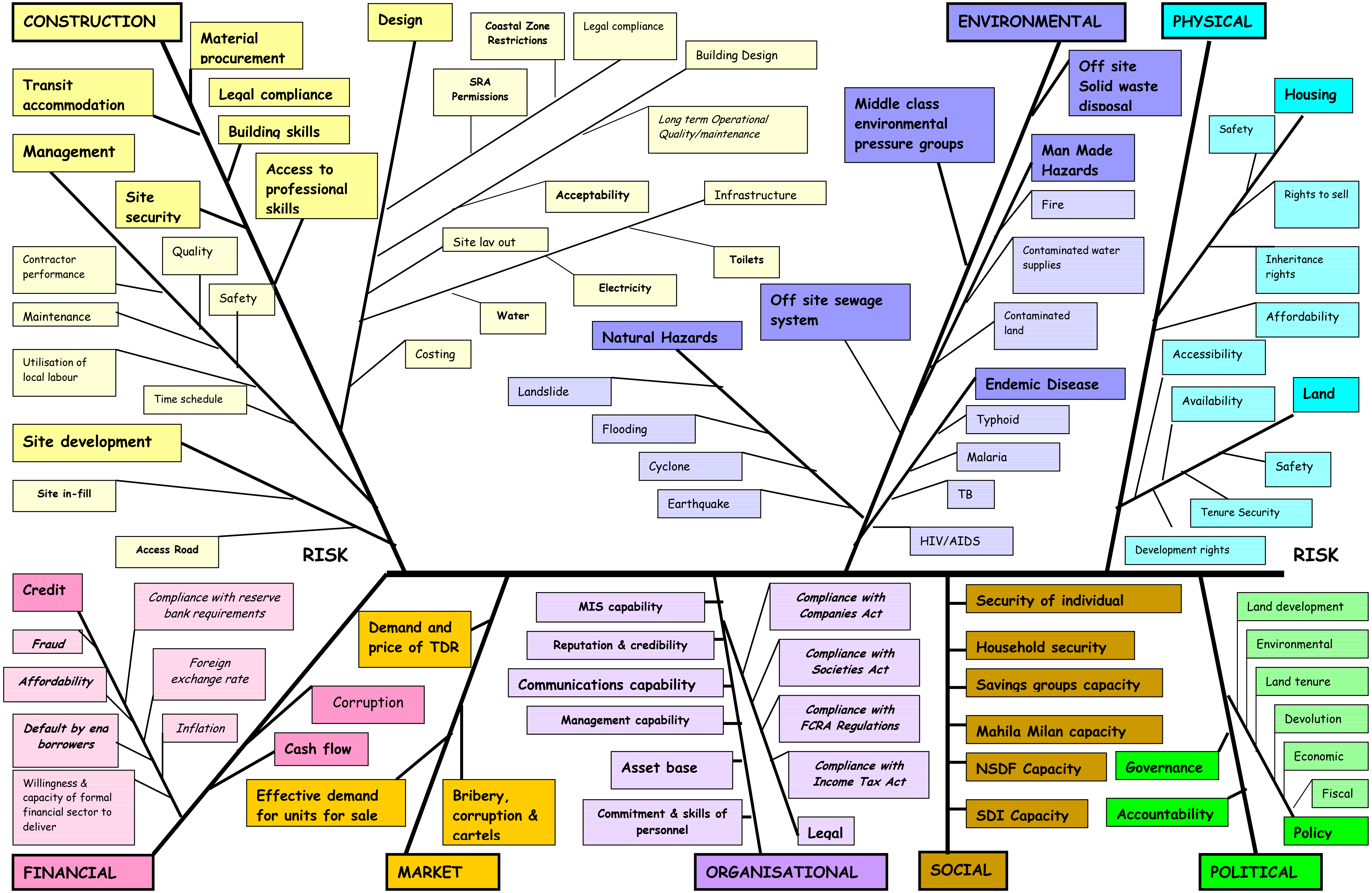
Homeless International has provided a 20% sterling deposit, amounting to £200,000 in London as security for the development finance required for the Rajiv-Indira-Suryodaya scheme which is being provided by Citibank. The lead-time for negotiating such arrangements is, however considerable, with an eighteen month time frame proving standard. The advantage of the Citibank scheme in financial terms is that no additional costs have been incurred in the form of guarantee arrangement fees and that the donor takes any foreign exchange risk.

THE PROVISION OF OVERSEAS LOANS AS LOCAL LOAN GUARANTEES

The advantage of this approach would be in the likelihood of attracting far higher levels of financing from more diverse source, and in the leverage options, providing relatively low rates of guarantee could be negotiated. However the approach would involve the same risks as those involved in direct lending and the bureaucratic constraints associated with both the loan and guarantee mechanisms. To offer real advantages this approach would have to offer a significant volume of finance and low interest rates.

The key question in considering all of these options is how much demonstration will be necessary before the local financial market is prepared to deliver financing in sufficient volume and at affordable rates. The question, at the moment, remains hanging. However it does need to be addressed, particularly by the agencies that have a specific remit to address the financing of housing and infrastructure and housing in low income and informal settlements. HUDCO and HDFC are cases in point. HUDCO has been subject to a political agenda that has constrained its development of long-term sustainable options and HDFC has demonstrated a persistent unwillingness to take significant investment risk despite its access to major subsidised funding sourced internationally for the purposes of supporting development in low-income settlements.

Appendix 1: Mapping of the Major Areas of Alliance work which generate risk



Appendix 2: Overview of Financial Requirements of Current and Planned Projects as of August 2000

Type of product	Cost per unit	Estimation of requirement in 2000-2002	Total Project Cost (Rs 000's)	Type of financing needed	Amount Needed		
					C	D	F
Transit Housing	Rs 20,000 to Rs 25,000	1. 3,100 houses for pavement dwellers @ Rs 20,000 per house in Mahol.	77,500	C for initial development D, E and F if SRA based follow up occurs to be implemented by Alliance H if scheme is contracted out by State	15,500		
		2. First Transit camp at Kanjurmarg	22,850		Done		
		3. 2,500 houses @ Rs 25000 per house in Bombay under MUTPII. Communities have the contract to build the houses.	62,500		12,500		
Mahila Milan Type of houses	RS 30,000 to Rs 55000	1. 1,000 houses in A.Pradesh	45,000	C until long term finance is received from HUDCO	18,000		
		2. 2,250 houses in Sholapur	101,250		60,750		
		3. 500 houses in Pune	49,750		25,870		
		4. 500 houses in Bhubaneshwar	22,500		13,500		
		5. 110 houses in Cuttack (tribal)	4,950		2,970		
SRA projects	200,000 per house tenement	1. Rajiv Indira and Suryodaya in Dharavi	87,335	D, E, and F			
		2. 5 projects in the making in Bombay	173,750			72,975	14,595
		3. Milan Nagar	168,750			54,000	10,800
		4. Kanjurmarg	252,585			106,086	21,217
		5. Pune	49,750			25,870	5,175
		6. Cuttack	4,950			13,440	2,688
Infrastructure projects	35,000 per community toilet block	1. Bombay contracts for toilet construction	84,000	D for 2 years covering 15% of the project cost.	12,600		
		2. Pune contracts for 43 toilets and a similar contact will come later	23,000		3,450		
		3. Bangalore contract currently under negotiation.	23,000		3,450		

C: Short term (grant based) project bridging finance D: Short term project bridging loan E: Long term housing loan F: Guarantee
G: State subsidy H: State contract

Appendix 3: Summary of Spread of Projected Bridging and Guarantee Requirements Across Projects

PLANNED ACTIVITIES	Model	# rehab hholds	% of total rehab house holds	Total project cost	Loan source	Est. delay in receiving loan funds	% of housing portfolio cost	Cumulative Bridging need 2000/2001	% of bridging need 2000/2001	Peak Bridging need 2001/2002 Qu 2	% of bridging need 2001/2002	Guarantee 2000/1	% of Guarantee need 2000/01	Guarantee 2001/2	% of guarantee need 2001/2
Rajiv Indira - Suryodaya	SRA	234	2%	87,335,000	Citibank		7.9%					14,000,000	58%	14,000,000	22%
Surrounding coops Dharavi	SRA	500	4%	173,750,000	HUDCO	1 year	15.8%		-	52,125,000	17%			14,595,000	23%
Mahila Milan Nagar	SRA	500	4%	168,750,000	?	1 year	15.3%	33,750,000	18%	54,000,000	17%			33,750,000	54%
Pavement dwellers resettlement Mahul	Transit	3,100	24%	77,500,000	HUDCO	6 months	7.0%	31,000,000	17%						
First railway transit, Kanjurmarg	Transit	914	7%	22,850,000	HUDCO		2.1%								
Railway slum dwellers resettlement	Transit	2,500	19%	62,500,000	HUDCO	6 months	5.7%	25,000,000	13%						
Kanjurmarg	SRA	914	7%	252,585,000	?	1 year	22.9%			75,775,500	24%				
Pune River Bed	SRA	200	2%	49,750,000	SPARC	I year	4.5%	19,900,000	11%	25,870,000	8%	9,950,000	42%		
Sholapur Beedi workers	MM	1,250	10%	56,250,000	HUDCO	1 year	5.1%	22,500,000	12%	33,750,000	11%				
Sholapur Mathadi workers	MM	1,000	8%	45,000,000	HUDCO	1 year	4.1%	18,000,000	10%	27,000,000	9%				
Guntoor	MM	1,000	8%	45,000,000	HUDCO	6 months	4.1%	9,000,000	5%						
Bhubaneshwar	MM	500	4%	22,500,000	HUDCO	1 year	2.0%	9,000,000	5%	13,500,000	4%				
Cuttack (Purighat)	SRA	200	2%	32,000,000	HUDCO	1 year	2.9%			9,600,000	6%				
Cuttack (tribals)	MM	110	1%	4,950,000	HUDCO	1 year	0.4%	1,980,000	1%	2,970,000	1%				
TOTAL HOUSING PORTFOLIO		**12,922**	**100%**	**1,100,720,000**			**100.0%**	**170,130,000**		**294,590,500**		**23,950,000**		**62,345,000**	
Total	SRA	2,548	20%	764,170,000		1 year	69.4%	53,650,000	29%	217,370,500	70%	23,950,000	100%	62,345,000	100%
Total	MM	3,860	30%	173,700,000		1 year	15.8%	60,480,000	32%	77,220,000	25%	-	0%	-	0%
Total	TRANSIT	6,514	50%	162,850,000		6 months	14.8%	56,000,000	30%	-	0%	-	0%	-	0%
Total	TOILET			130,000,000				16,050,000	9%	16,050,000	5%		0%		0%
TOTAL PORTFOLIO		12,922		1,230,720,000	-	-	100.0%	186,180,000	100%	310,640,500	100%	23,950,000	100%	62,345,000	100%

Appendix 4: Planned Change in Roles And Responsibilities Across The Alliance

FUNCTION	2000/2001				2001/2002				2002/2003			
	NIRMAN	SPARC	NSDF	M. Milan	NIRMAN	SPARC	NSDF	M. Milan	NIRMAN	SPARC	NSDF	M. Milan
ESTABLISHING THE CAPACITY												
Establishing Federations												
Strengthening Federations												
Organizing Federation rituals												
Developing financial base in communities												
Management of foreign donor core grants												
Management of loans for micro-finance												
Developing pilot/demonstration projects												
SCALING UP												
Project design & development												
Project Management												
Project marketing												
Management of foreign donor bridge funds												
Management of foreign donor & local FI project loans												
Management of foreign donor guarantees												
Management of HFI loans												
Provision of TA to other organisations												
CHANGING POLICIES												
Policy dialogue at city level												
Policy dialogue at state level												
Policy dialogue @ international level												

[i] Inter Bank Borrowing Rate