Homeless International

BRIDGING THE FINANCE GAP IN HOUSING AND INFRASTRUCTURE

INDIA: SPARC – a Case Study

"RISK TAKING IN URBAN DEVELOPMENT
A PILOT CASE STUDY OF TWO SHELTER RELATED PROJECTS FROM MUMBAI, INDIA"

By Ruth McLeod

January 2000

TABLE OF CONTENTS

RISK TAKING IN URBAN DEVELOPMENT
A PILOT CASE STUDY OF TWO SHELTER RELATED PROJECTS FROM MUMBAI, INDIA

1. INTRODUCTION

This case study examines the management of risks taken by a range of stakeholders in seeking to develop safe and secure housing for slum and pavement dwellers in Mumbai, India. The stakeholders are diverse, and the methodology used to examine the risks taken and how they are managed and mitigated, has been developed as dialogue with the main players has taken place and our insights have deepened. The study constituted an initial pilot in a broader investigation into how significant gaps in the provision of financial services to the poor can be addressed. Two specific projects initiated by SPARC and the (Indian) National Slum Dwellers Federation (NSDF) are described and explored. The first, Kanjurmarg, comprises the resettlement of over 900 families previously living in shacks along the central railway track in Mumbai. The second, Rajiv Indira-Suryodaya, is a slum rehabilitation project initiated by NSDF and SPARC with two co-operative housing societies in Dharavi, Mumbai's largest slum.

A wide range of people participated in the study including Jockin Arputham, Sundar Burra, Andrew Cowan, Celine D'Cruz, Derek Joseph, Sheela Patel, Richard Platt, Vivek Ramkumar and Aseena Viccajee. However, the final report was written by Ruth McLeod in consultation with Sheela Patel, Director of SPARC.

1.1 KEY BACKGROUND INFORMATION ABOUT HOUSING IN INDIA

While 20% of the Indian population lived in urban areas in 1970 [1] urbanisation is expected to increase, resulting in 36% of the population living in urban centres by 2015. The urban population growth rate is currently estimated at 2.8%. In 1995 average life expectancy was estimated at 61.6 years and the country was ranked 139 out of 174 countries in UNDP's Human Development Index.

In India, housing is considered a state/province responsibility and housing delivery and facilitation policies vary between states. Interventions at national level rely on the provision of model policies and financing of agencies such as the Housing and Urban Development Corporation (HUDCO).

Devolution is a continuing trend within India as a result of the 73rd and 74th amendments to the Constitution which were passed in 1992. The amendments were designed as a vehicle to support community participation in both financial and decision-making processes at local level. An objective to ensure at least 33% representation by women on local bodies was included.

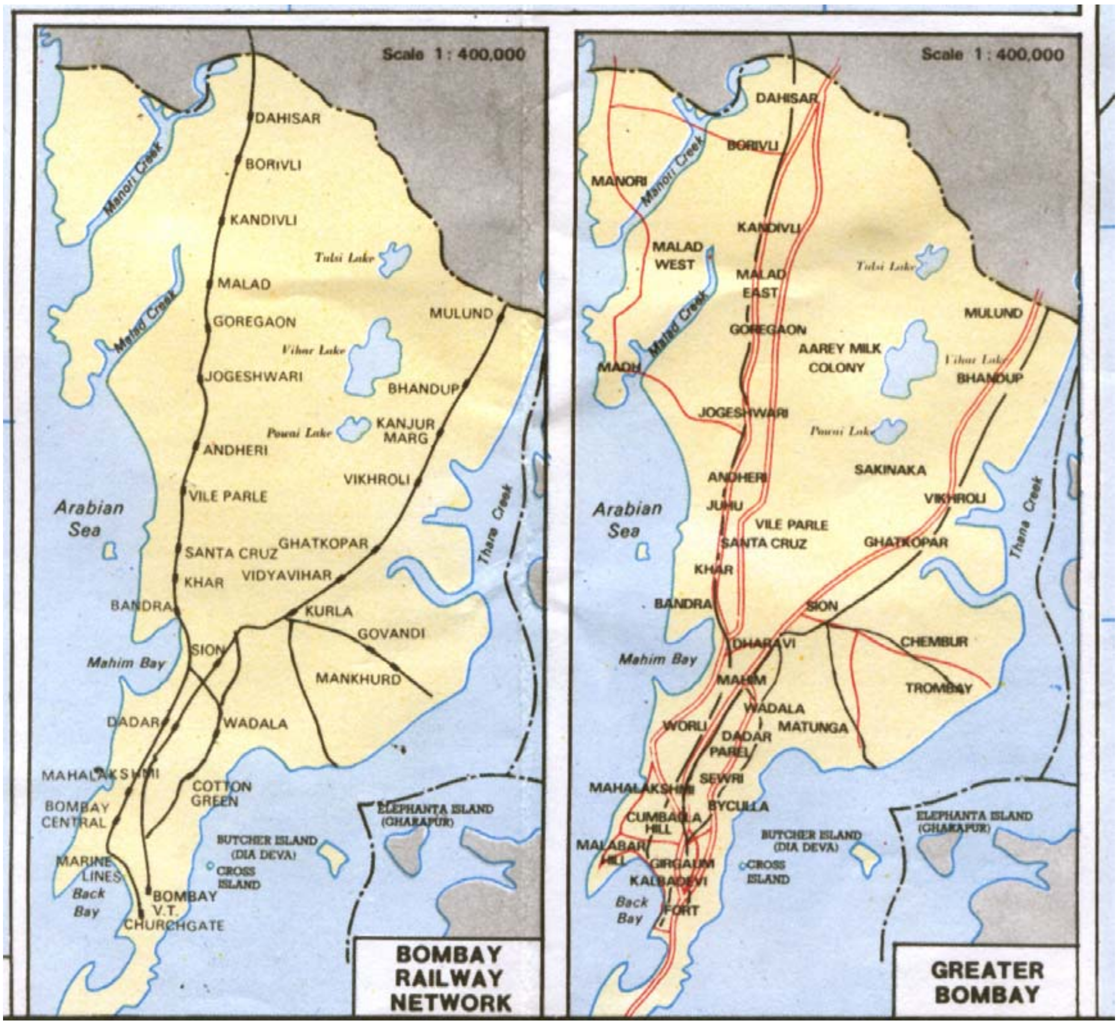
The housing stock deficit in India is huge and increases each year. It is estimated that between 30% to 45% of citizens reside in informal and illegal structures in urban areas.

1.2 THE CITY

Mumbai– the financial capital of the country and the state capital of Maharashtra, is accommodated in 437 square kilometres. This massive urban centre is inhabited by 12 million people of which over 50%

[1] UNDP (1998) Human Development Report

reside in slum settlements. The slum settlements, more than 50% of which are on privately owned lands, occupy only 4% of the total land area of Mumbai, illustrating the extremely dense nature of these settlements.



The prosperity of Mumbai was based on the development of the textile mills in the 19th century. The docks and railways developed around the textile trade and all the mills were on the Eastern side of the island, linked by rail to the docks. The mills have now either closed down or are in the process of closing down. Many of the mill owners have diversified and gone into other businesses. The textile mill land will soon be available for alternative development and is reputedly the largest potential re-development in the world today in terms of the value and extent of the land. There has been a general policy of reducing density in the city with commercial and office development restricted. The city continues to grow northwards and absorbs the hinterland as transport improves.

1.3 THE KEY PLAYERS

Within this case study a central role is played by an alliance made up of the Society for the Promotion of Area Resource Centres (SPARC), the National Slum Dwellers Federation (NSDF) and Mahila Milan (MM). A history of the development of the Alliance, which provides a contextual background for the study as a whole, is provided as a complementary history chart. Brief descriptions of each organisation are given below:

1.3.1. <u>The Society for the Promotion of Area Resource Centres (SPARC)</u> – an Indian NGO, based in Mumbai and working in 32 cities in six states and one union territory to provide professional support to the National Slum Dwellers Federation and Mahila Milan. SPARC is a registered voluntary organisation established in 1984 as a vehicle to explore ways to:

- Create and strengthen peoples organisations to focus on priority issues identified by local communities;
- Explore innovative ways to find solutions to address poor communities' priorities in a way which ensures that they are driving the solution;
- Engage the State, the City and others in the strategy to bring in resource and policy changes for sustainable solutions. This strategy is now creating the basis for dialogue with Government and Municipalities.

SPARC has recently formed a Section 25[i] Company called Nirman which, it is anticipated, will take over the specialist role of construction development and marketing, in the future.

1.3.2. <u>The National Slum Dwellers Federation (NSDF) –</u>a national organisation of leaders of informal settlements around India. Community leaders, disillusioned with welfare-oriented interventions, set it up in 1974. The NSDF sees itself as a voice of the urban poor, focuses on securing land tenure and basic amenities for its members, and organizes them in the cities where they reside. As its work and presence in cities is acknowledged by city and state officials, NSDF has begun a dialogue on policies related to slums and informal settlements. In this way NSDF acts as an umbrella for the separate Federations that exist within different cities and that occupy land controlled by different authorities. The federations are presently organized on the basis of cities (e.g. the Pune Slum Dweller Federation) or on the basis of the ownership of land that groups of slums presently occupy. For example there is a Federation of Railway Slum Dwellers, who all live on land owned by the Railway Authority and there is a Federation of Airport Slum Dwellers who all live on land controlled by the Airports Authority.

1.3.3. <u>Mahila Milan (MM) –</u> meaning "women together " - is composed of collectives of women from the slums where NSDF has membership. Their process seeks to build skills for community leadership among women as a collective. Most groups start by beginning a savings scheme from left over money at the end of the day. They lend money to each other, account for transactions and gradually begin to absorb more and more households into their activities. Gradually they transact loans for housing and for income generation which SPARC negotiates for Mahila Milan and NSDF from external sources. Mahila Milan grew out of an initial group of pavement dwellers who began working with SPARC in 1984. Through NSDF, Mahila Milan collectives are able to gain recognition in their settlements, and are empowered to play key leadership roles. They manage community processes in cooperation with the traditional male leadership, in order to strengthen their joint capacity to face the outside environment. In this way, over time, women in communities are able to manage all the assets owned and controlled by the community, and, eventually, are able to renegotiate their relationships with other, more traditional, leaders.

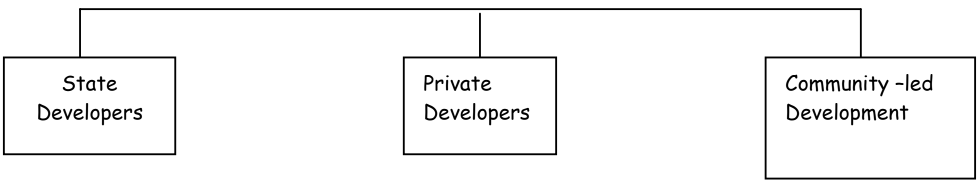
1.4. HOUSING & INFRASTRUCTURE POLICY IN MAHARASHTRA

1.4.1. Key Agencies

The Housing Department of the Government of Maharashtra works through three main agencies: the Maharashtra Housing and Area Development Authority (MHADA) established in 1970, the Slum Rehabilitation Authority (SRA) established in 1996 and the Shiv Shahi Punar Vasun (Rehabilitation) Project Ltd [ii]. (SPPL) established in 1998. The SRA has been particularly important in the development of the two projects which have each, in turn, contributed to the SRAs own capacity to support community led development.

There is a continuum of potential development scenarios with respect to slum rehabilitation and development in Mumbai, with SPPL operating at the State end, and Co-operative Housing Societies functioning at the other. At the moment there is little involvement by large private developers as the speculative profits to be made have been reduced as land and property prices have decreased[iii].

The Housing Delivery Continuum



1.3.4. The land issue

The housing delivery system is strongly affected by issues relating to land access and ownership. It is important to understand the inherent weaknesses in the land management systems in Mumbai in order to understand the bureaucratic complexities that slum dwellers must overcome in seeking to navigate the procedural requirements to achieve tenure, the right to build, and the various permissions to proceed with construction.

In urban India large tracks of land are owned by para-statals such as the Airports Authority, the Port Trusts and the Indian Railways. All these bodies are controlled by the Government of India and are not, therefore, directly accountable to local governments, municipalities or State Authorities. Land is also owned by Municipal Corporations, Housing Boards, Development Authorities and Improvement Trusts. Central and State governments have considerable powers to control development through planning legislation.

The development plans of the city do not recognise the presence of slums on land use maps nor, in relation to analysis of demographic growth projections, mark lands for use by the urban poor. Thus information about “encroachments” is incomplete at best and not known to the public. Over time slums on “private” lands have “obtained” protection against evictions and some amenities and services. Those on public or central government land do not get such benefits as the central and other government authorities must give a No Objection Certificate to secure agreement from the Mumbai Municipal Corporation.

Within Mumbai itself access to land for development is increasing as a result of the State's acceptance of the closure of the Textile Mills, amendment of the Land Ceiling Act[iv] and amendment of the Rent Control Act. The potential release of textile mill land onto the land development market, the development of the SRA legislation, and the growing strength of the local stock market all had an important influence on real estate prices within the city which fell over 40% between 1996 and 1998, the time when both projects were being initiated and designed.

1.3.5. The real estate market

Mumbai real estate prices have exceeded those in Hong Kong and Manhattan. However in 1996 following announcement of the SRA scheme and with the immanent opening up of the textile lands and expectations of a large supply of new land for development, prices began to drop dramatically. The situation was exacerbated by a liquidity crunch in the market. It was generally accepted that prices would level off, largely based on an increased provision of infrastructure and services and, by 1999 this appeared to have happened. However real estate demand within Mumbai is not homogenous, the effective demand for housing stock among different income groups varies, and prices are highly location specific. It will take some time before the market trends in housing become clearer.

> When the Rajiv Indira Scheme was first considered the Citibank cost estimator noted that while Dharavi might be a slum, its property prices were likely to remain secure due to the advantage of its location for accessibility to the services and facilities of the main city. DT Joseph, the first Head of the SRA, also noted, within this context, that the SRA was positioned to play an extremely strategic role within the real estate market – " *there is a very delicate balance between state intervention and the market. It (the SRA) is trying to expand the role that communities needing houses can play. If the state is placed in the role of arbitrator, the market has to respond to the demands of the consumer".*

1.3.6. An overview of current housing policy

This section focuses in some depth on the current SRA policy because of its significance to the development of the two projects being considered. A concept of using land as a resource that could be leveraged for development was introduced in 1991 with the Slum Redevelopment (SRD) policy. The SRD enabled developers of slum lands not only to cross-subsidise the construction of 180 sq feet sized rehabilitation tenements for slum dwellers in situ, but also to generate profit for themselves in doing so. By 1996, with a number of minor amendments, the SRD had evolved into the Slum Rehabilitation Policy (SRA)[v]. The new scheme, based on recommendations from the Afzulpukar Committee[vi], recognises 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".

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.

At the time of writing the SRA policy is being reviewed by the new alliance government[vii] formed in November 1999. Within this review a number of strengths and weaknesses of the current policy are being examined. They are summarised in Table 1 below.

Table 1 – An Analysis of Weaknesses and Strengths of the SRA Policy[viii]

STRENGTHS	WEAKNESSES
Who has benefited?	
The evolution of the SRD, and later the SRA, however slowly it has taken place, has established the rights of poor slum households to live in cities, and has begun to explore options for how slum dwellers can improve their housing conditions.	Rights are only formally recognised after construction of rehabilitation housing is complete. This limits the capacity of cooperatives to access financing which requires certification of tenure rights.
The impact of investment costs	
Development options are theoretically open to all eligible residents of Mumbai.	In practice options are limited by the high investment costs and the technical difficulties of managing high-rise construction.
Market response	
The policy was designed to be driven by the market	The market has largely failed to respond because of the perceived high risks associated with the developments and the number and range of unknowns that existed as the SRA began to establish detailed systems and procedures
Market demand	
It has been recognised that more work needs to be done to determine effective market demand for new housing at the bottom end of the market. For example an estimated 60% of people with formal employment are currently living in one room tenements and are potential purchasers of larger units should these be made available in accessible locations and at affordable rates.	
Balancing the Macro and the Micro	
The first community led scheme under the SRA has been facilitated and a more detailed picture of changes needed to support work at the micro level is being built up as a result.	At the macro level further refinement is required. As yet the number of people who will be brought into the rates and taxes regime has not been factored into the potential impact of implementing the policy which is still seen as being "for the poor" rather than to the benefit of the city as a whole.
Procedures	
The Rajiv Indira-Suryodaya scheme is the first community led development scheme among 440 schemes approved by the SRA. The experience gained by the SRA as the project has developed has reduced the time required for cooperative registration and a number of other procedures required for permissions to be granted and development to proceed.	After 8 years of implementation of the SRD/SRA scheme only 5,000 slum dweller families have been rehabilitated to date. 35,000 households are involved in planned schemes. Many developers have made agreements with slum dwellers but the schemes are stalled and have been for over two years.
Implementation	
The SRA has begun to provide "one stop shop" services that provide the potential to speed up the process of registration and permissions that have previously been handled on a multi-agency basis with predictable delays and bottlenecks.	The schemes developed so far, have faced a range of delays and implementation problems, In many ways too much was expected too soon and insufficient allowance was made for resolution of the teething problems that the SRA would have to deal with as it developed knowledge through experience.
Infrastructure	
The focus of the SRA has been on housing provision. However the authority has also recognised the need for a broader approach to development that can accommodate area and city wide development plans. The Authority recognises the need to develop a role to facilitate community level development initiatives in line with broader development objectives for the city as a whole	The SRA policy places only minimal emphasis on the existing and projected need for infrastructure services and amenities. More attention should be given to infrastructure provision based on realistic demographic projections.

STRENGTHS	WEAKNESSES
Financing	
The SRA has supported innovative financing mechanisms where opportunities arose for it to do so. For example both the Commissioners have been extremely supportive of the financing arrangements for the Rajiv Indira-Suryodaya scheme. In addition the SRA has sought to facilitate collaborative arrangements with HUDCO, an agency with a specific remit to finance low-income housing.	The SRA policy assumed that financing of slum rehabilitation projects would be possible through a cross subsidy arrangement with developers. Developers would cover rehabilitation costs from profits realised on the housing they were able to construct and sell, over and above that required for rehabilitation. However the approach was designed at a time when housing prices were over-inflated. When the bubble burst and house prices plunged, the investment options for developers were seriously affected. At the same time other actors such as the housing co-operatives, formed at community level were unable to mobilise the development capital required to implement projects themselves. Financial institutions were loath to take the risk of lending directly to slum dwellers and there are legal restrictions on building the commercial property for sale before the free housing for slum dwellers is constructed. The co-operatives could, in theory, have pre-sold the commercial units but this was difficult when no scheme had, as yet, proved viable. (Pre-selling entails selling units in advance of completion - the more in advance the cheaper the price). This series of complex bottlenecks prevented the scheme being implemented at the scale anticipated.
Who takes on the developer's role?	
The leadership of the SRA have been supportive of ideas that have emerged from discussions and explorations with the SPARC/NSDF/Mahila Milan Alliance based on pilot schemes developed proactively by slum dwellers themselves with assistance from the alliance. As pilot schemes have been developed learning and experience have been shared in a way that has enabled the agencies involved to work in collaborative partnership.	There was an inherent assumption in the SRA policy that the main change agents would be developers. So, while developers were presented with a new challenge and the door was opened for communities to benefit from alternative development strategies, the real capacity of communities to become engaged in the process remained constrained. When the financial base of the developer's involvement was weakened no strong alternatives were in place.
Sequencing	
The Policy's most advanced feature is that it grants land security to the slum dweller. In so doing it also fulfils the twin goals of increasing housing stock and actualising the development plan for the city.	Under the current scheme a redevelopment has to happen before the rituals of awarding security of tenure take place. This limits the capacity of residents to leverage the tenure to which they have claimed to obtain up front development finance.
Should "free" housing be promoted as a central objective?	
The SRA has shown an increased recognition of the contributions that slum dwellers make to settlement development. It has recognised that participant contribution should not only be seen in crude monetary terms, but should include qualitative and quantitative inputs that include collective action to form co-operatives, to complete paper work, and to participate in managing and monitoring development as it takes place. When such contributions are translated into a cash value this contribution is large, impressive, and valuable. As the scheme matures there are also indications that financial institutions are becoming more interested in extending the finance necessary for residents to enter into longer term credit arrangements in order to make a direct financial contribution to the developments that take place.	There has been contentious discussion among policy makers, developers and professionals as to whether the rehabilitation housing developed as a result of the SRA scheme should be FREE or whether slum dwellers should make a financial contribution. This discussion rarely takes account of the fact that 50% of Mumbai's housing stock has been created, designed and built by the poor, and that their average investment in cash and kind over time is over 200,000 Rps per household[ix]. However the question of long term financial viability, especially if people who have come to the city since January 1995 are considered, suggests that a mechanisms that incorporates some level of payment may well make sense,

STRENGTHS	WEAKNESSES
Do people understand the scheme?	
The SRA has established procedures and taken steps to ensure that a range of agencies and organisations become active participants in the rehabilitation process. Its leadership has made a considerable effort to help people to understand the reasoning behind the policies that the SRA seeks to promote.	Within the state and official circles there are many who still do not fully understand the provisions of the scheme, and this is reflected in the level of public debate that has taken place. Confusion concerning the scheme has probably constrained participation at community level.
Learning from experience	
The Slum Rehabilitation Authority has demonstrated a willingness to make investments in constant dialogue with the wide range of people who have been involved in the projects it has facilitated to date. This has helped in developing an understanding of how the schemes can be improved from the perspective of the end users.	Policy development and implementation is a dynamic rather than static process. One committee or task force at a given point of time cannot design the ultimate strategy that works for all. As yet a process for on-going review of the SRA approach has not been implemented which limits the manner in which the agency and those who work with it can learn from the experiences that take place as the policy is implemented.
Information management	
The SRA has taken a range of steps to collate basic data and information from multiple sources in order to simplify and streamline the procedures involved in obtaining registrations and permissions.	The Management Information system of the SRA requires further strengthening. Information is needed to enable a matching of community co-operatives who are legally registered and with secure land tenure with contractors and developers who have demonstrated a capacity and willingness to work in effective partnership with co-operatives. Centralised information should also be available concerning: ♦ Land, space and affordability requirements of registered co-operatives ♦ NGOs and other agencies prepared and able to provide support services; ♦ Availability of appropriate financial services to effectively link financial demand for resources to available supply.
The role of SPPL	
The Government has introduced SPPL as a direct developer with the potential to work in constructive partnerships with other players.	There is a danger that SPPL's role as a direct developer may introduce an element of unfair competition and in practice undermine other players who have an important contribution to make. The degree to which SPPL's activities are seen as transparent and accountable will have a large influence on whether its role is seen as constructive.
Housing or urban development as a focus?	
If the slum rehabilitation process is to be sustainable it must develop strong institutional linkages to broader development plans. Increasingly there are attempts to devolve and decentralise municipal structures and yet the city also needs to look at itself holistically. Linking the perspective of the municipality and local grass roots initiatives is vital if processes and activities at different levels are to work in synergy rather than conflict. The SRA has positioned itself in a manner that can greatly facilitate this process.	The SRA Policy could be seen as a policy that simply relates to housing. This would severely limit its impact. Its provisions should be seen as providing an important base for integrating housing initiatives into the provisions that result from the 73rd and 74th Amendments, and to commitments towards devolution and decentralisation made by both national and State Governments, In other words, its work is as much to do with Governance as it is to do with the construction of more adequate shelter.

1.5.REGULATORY FRAMEWORK FOR NOT-FOR-PROFIT ORGANISATIONS

The regulatory context governing the work of the Alliance is derived from a range of specific legislative Acts.

1.5.1 1976 Foreign Contributions Registration Act.

All foreign contribution in excess of 1000 Rps and excluding UN monies has to be reported. In order to register an organisation must present three years of audited balance sheets.

1.5.2 1860 Societies Registration Act

Requires a minimum of seven individuals to register a society. In Maharashtra the charity commissioner doubles as the registrar of societies.

1.5.3 1950 Public Trust Act

A public charitable trust is usually floated when there is property, especially land and buildings involved. It requires a minimum of two trustees. The application for registration is made to the deputy assistant charity commissioner having jurisdiction over the region in which the Trust is to be registered.

1.5.4 1956 Companies Act (Section 25)

Requires a minimum of seven individuals to register with the application being made to the Registrar of Companies. Directors are elected every two years or so. The area of operation is not restricted to the particular region in which the company is registered. The main instrument is the Memorandum and Articles of Association.

1.5.5 National and State Co-operative Acts.

In this case the Maharashtra Co-operative Societies Act applies. Within the terms of this act a co-operator can buy a right to live in an apartment in perpetuity. The Society owns the land and pays municipal taxes and maintenance. The resident can also sell the right to live in the apartment paying a maximum of Rps25,000 to the Society. A hearing regarding transfer of this right can be had within a week.

1.5.6 The legal status of the Alliance

All the organisations in the Alliance are non-profit organisations but they are registered under different legal acts governing their activities. SPARC is registered under the Societies Registration Act(s) of 1860. The main provisions are: seven people who subscribe to the Memorandum of Association can register a society. The members must file a copy of the rules and regulations governing their activities with the Register of Societies. The rules of each state may provide additional requirements.

Nirman, a company that SPARC has set up to manage projects such as Kanjurmarg and Rajiv Indira in the future, is registered as a company under Section 25 of the Companies Act of 1956. Such companies can have Directors who are the Trustees. They can manage the company and get reimbursement for management but the cannot accept remuneration or share a profit. The main disadvantages are the cumbersome and bureaucratic reporting procedures under the Act.

Co-operatives whose members are members of NSDF are registered under the Co-operatives Societies Act of 1904. Each State and Union territory has its own laws covering co-operatives. Historically a disadvantage of the Co-operative Act has been the excessive degree of government control. In Maharashtra, Co-operative societies cannot be registered unless they have land, so NSDF and the societies have collaborated closely in the identification of land within the city of Mumbai. In order to register, a society must also have a No Objection Certificate or a land registration document from the Municipality. Rps20,000 also has to be kept on deposit with the Municipal Authority in order to cover future tax requirements for which the society may be liable. 70% of the society members have to approve the decision to register the society. The Director of Land Registration has to be asked to demarcate the site according to the sub-divisions required by the Society. This can be complicated as the land which a society occupies may only be part of a larger lot or include a boundary line and cover two or more plots. Recently the SRA has been authorised to provide one stop services for the registration of societies and at the time of writing the previously tortuous and burdensome process has been reduced to procedures that can be accomplished within 45 days.

1.6 REGULATORY FRAMEWORK FOR FINANCIAL INSTITUTIONS.

One of the aims of the study was to assess options for potential access to offshore credit by the Alliance. The main regulation governing such access is contained within two acts :

- **The Foreign Exchange Act**

- **The External Commercial Borrowings Guidelines** which are produced by the Government of India and which establish caps on borrowing by sector.

The relevant restrictions and options, based on information obtained from the National Reserve Bank of India (NRBI) are summarised in Table 2.

Table 2 – Restrictions and Options for accessing offshore credit.

1.6.1	All external loans require National Reserve Bank of India (NRBI) approval.
1.6.2	Loans cannot be used for speculative activity or investment in immovable property (i.e. land).
1.6.3	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.
1.6.4	Funds can be delivered in instalments rather than in a single payment.
1.6.5	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.
1.6.6	The rate of Interest on the loan should be competitive – LIBOR[x] + 2.5 for ten year loans. The most important question to be addressed is how the borrower will service the loan.
1.6.7	NRBI will need information on the Organisation that is intending to borrow, its objectives, its historical performance and its existing projects.
1.6.8	It may be necessary to go to the Ministry of Finance for approvals in which case Form ECB6 will have to be filled out.
1.6.9	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$5 million require a repayment period of five years or more.
1.6.10	NRBI does not deal with general lines of credit.
1.6.11	Withholding tax is normally charged at 15% of the interest on any loan. However agencies can apply for exemption from this tax.
1.6.12	Foreign banks can lend directly without NRBI approval.
1.6.13	The main risk recognised by the NRBI is in exchange rate fluctuations that will effect loan repayments.
1.6.14	There is currently no options market for rupees/US$. Forward buying is possible but only at a 5% annual premium

1.7 THE STAKEHOLDERS CONSIDERED IN THIS CASE STUDY

There is a range of stakeholders with an interest in both of the projects. As has already been mentioned a central role is played by the three agencies that make up the Alliance, namely SPARC, NSDF and MM, There are also a range of other actors who have a substantial interest in the success of the two projects. An overview of these stakeholders is provided in Table 3.

Table 3 – An overview of stakeholders in the Rajiv Indira – Suryodaya and Kanjurmarg projects.

KANJURMARG	RAJIV INDIRA-SURYODAYA
Households	
Over 900 households who previously lived along the Central Railway track.	208 households who lived on the development site.
	24 Pavement dweller families living adjacent to the Rajiv Indira site. 136 other pavement dweller families living in the area.
Cooperatives	
24 Housing Co-operatives formed by members of the Railway Slum dwellers Federation	The Rajiv Indira Co-operative Housing Society, the Suryodaya Co-operative Housing Society
	Five other Housing Co-operatives that live adjacent to the Rajiv Indira Site.
Federations	
DVS	
The Railway Slum dwellers Federation	
National Slum Dwellers Federation	
Shack Dwellers International	
Local NGO	
SPARC	
International NGOs	
Technical Professionals	
Engineering Consultants	
Architecture Consultants	
Contractor	
Falak Construction	Falak Construction
Land Owners	
The Railway Authority	The State of Maharashtra
State Authorities	
Government of Maharashtra Urban Development Department	Citibank
The Housing and Urban Development Corporation (HUDCO)	The Maharashtra Slum Rehabilitation Authority (SRA)
The Maharashtran Slum Rehabilitation Authority	Homeless International
NGO Donors	
Bilance, a charity based in the Netherlands	Airways Charitable Trust, the charitable arm of a UK Housing Association
Homeless International, a charity based in the UK	Potential purchasers of commercial and residential units
Financial Institutions	
Potential purchasers of commercial and residential units	

2. THE PROJECTS

2.1. KANJURMARG

2.1.1 Introduction

The Kanjurmarg project has assisted families living by the Central railway tracks in Mumbai to relocate. The project provides an important example of the range and size of investments that communities, and the NGOs who work with them, are required to make in order to obtain the right to drive development themselves, and to access development finance from public sector agencies that have a remit to deliver services to the poor. It also provides an illuminating insight into the way that different stakeholders assume and manage risk. The project is taking place in two phases. The first comprises resettlement of families in transit accommodation. The second comprises the development of permanent housing under the SRA scheme. This study focuses on the first Phase in order to examine the complexities involved in the relocation process. The second project, Rajiv Indira-Suryodaya, has been used to explore the implementation of permanent housing development under the SRA scheme. As a result of the Kanjurmarg development the World Bank has requested that the Alliance take a lead role in relocating all of the railway dwellers expected to be relocated as a result of the MUTP II project (see 2.1.2.below).

2.1.2 MUTP II

The Kanjurmarg project developed within the context of plans to improve Mumbai's Transport system. When the project began negotiations with the World Bank had been underway for a number of years for backing of the Mumbai Urban Transport Project -II (MUTP-II) which is aimed at improving the efficiency of the city's rail and road systems. MUTP II includes an objective to increase the speed at which trains can travel within the urban area. At the moment, in areas where there are concentrated settlements close to the tracks, train speed is restricted to 15 m.p.h. Speeding up the trains requires steps to ensure safety which, in turn, necessitates tackling the dangers faced by 30,000 families living right beside the railway tracks. One way to tackle the danger is to relocate them.

Negotiations with the World Bank for MUTP II have taken a long time and are still not finalised. In the meantime the Railway Authority decided to proceed to lay the 5th and 6th corridors between Kurla and Thane, on the Central line, using its own resources. However in order to put in the new track 1,980 families had to be displaced. It was this displacement plan that catalysed the Kanjurmarg project and that led to the Alliance taking on the management of the largest relocation of railway slum dwellers that the city has seen to date.

2.1.3 Surveys and community organisation

SPARC and NSDF carried out their first enumeration of slum dwellers living on the railway tracks in 1988[xi]. During this process they helped to form the Railway Slum dwellers Federation and were therefore in an excellent position to provide assistance when a further baseline survey was required for MUTP II in 1995-6. During the 1995 survey process the Alliance assisted families to form savings groups and begin the process of forming co-operative housing societies – a necessary step if the communities were to be able to negotiate effectively with the authorities for resettlement compensation. During 1995 the co-operatives also began housing savings, usually saving between 200Rps to 500Rps per household each month. This was aimed at providing a basis for financing the creation of permanent housing solutions for the families involved.

One of the first steps that the Alliance took in working with the families who were to be relocated, was to work with them to identify two or three options for resettlement sites. The families wanted to stay nearby their track-side accommodation in order to maintain their economic base and their local contacts. The relocation would involve considerable dislocation to the physical conditions of their day-to-day lives. It was important that the stresses that this involved not be further exacerbated by disrupting the other livelihood strategies that families had in place. Fortunately, a plot of 2.8 hectares was located in the suburb of Ghatkopar, a few minutes from the existing location by the tracks, and agreement reached to relocate 900 of the 1,980 families to this land which, although requiring major in-fill, was ideally located for the families who were to be moved.

In March 1998 SPARC was appointed as the facilitator for the Kanjurmarg relocation and resettlement initiative and, together with the newly formed co-operative housing societies began planning for development of the new site. Twenty-seven co-operative societies were formed with agreement that the land would be transferred to the co-operatives as soon as they were formally registered with the authorities. The twenty-seven co-operatives also agreed that they would link to form a single Kanjurmarg Federation as the project developed.

2.1.4 Identifying responsibilities

The Mumbai Municipal Corporation agreed to provide the infrastructure for the development, the site was to be developed by SPARC, and the Railway Authority was to provide funds towards the infrastructure costs, amounting to 13,800,000 Rps, channelling the funds to SPARC via the SRA. SPARC and NSDF undertook to ensure that the 900 families would be moved to the new site by the end of May 1999.

2.1.5 Land Infill

The site required a major investment in a four feet infill as it was located on marshy ground which would otherwise have been subject to serious flooding during the monsoons. Initially the land was to be filled by the municipality at no cost, but when that did not occur and begin to delay the development, SPARC agreed to absorb the cost. The co-operatives contributed labour for the infill and also for the construction of an access road.

2.1.6 The accommodation

The first families moved onto the Kanjurmarg site in August 1998 . They have small tenement units of 120 square feet. The temporary units are smaller than the standard of 225sq feet laid down by the SRA but are to be used as a temporary basis until permanent "ground plus three" structures can be built in Phase II under the SRA legislation. The majority of families are living in ground floor transit accommodation but there are also 24 ground+1 structures, and 30 pitches without units where people have chosen to live in shacks they construct themselves rather than taking out an agreement for accessing the HUDCO loan taken out by SPARC (see 2.1.7).

Once all the families have moved onto the site, reserved space on the site is to be used to construct the first block of ground plus three permanent apartments of 225 sq feet each. Families will move into these and then some of the temporary units will be dismantled providing space for the next block of apartments, until the full development has been completed. It is anticipated that 60% of the materials from the transit accommodation will be re-used.

2.1.7 Finances

The financial arrangements for the development are complex because of the need to finance both the transit accommodation and the permanent developments that are planned. In order to cover the costs of Phase I a loan agreement was taken out with HUDCO. Families inhabiting the temporary units were expected to provide a deposit of between Rps3,500 and Rps5,000. SPARC entered into the housing loan agreement with HUDCO for a principal amount of Rps14,000,000. The total cost for Phase I is estimated at 29.7 million Rps with cash flow being financed by SPARC's own Bridge Fund and from a Bridge Fund provided by Bilance. The Alliance's administration and management expenses in developing the scheme have been met by a rehabilitation grant provided from Homeless International project funds. A projected cash flow for Phase I is provided as Appendix 2.

Families participating in the project were expected to provide a deposit of 5,000 Rps to be retained until the fifteen-year loan taken out with HUDCO has been repaid. Some, who had been unable to save the necessary amount, took loans from MM to make the deposit. Others settled in tent accommodation on plots where no formal transit accommodation had been constructed. However the majority provided the deposit which is kept as follows :

- 2,000 Rps as a deposit with HUDCO
- 500 Rps kept in a personal savings account
- 2,500 Rps kept with the Unit Trust of India for a ten-year period.

2.1.8 Infrastructure

When the people first moved there was no water. It took three months to get the connection. In the meantime water had to be trucked into the community. Each family provides 75Rps/month for electricity and there is a water bill every 6 months which is shared. Payments amount to approximately 10 Rps. The electricity comes via a single "communal" metre and is provided by BSES. Families with no refrigerators pay less than those with refrigerators. The charge for the electricity provided is 6.10 Rps per unit instead of the standard 1.5 Rps rate charged for household connections. The electricity supply is erratic as the fuse frequently blows because of overload leaving people frustrated at the lack of light. The authorities have however, somewhat bizarrely, provided individual telephone connection options to all the households despite a request, in this case, to provide a shared facility. Maintenance is the responsibility of the co-operatives who also provided labour for the 4 ft landfill and the road. A more appropriate electricity supply system is currently being installed.

2.1.9 Phase II Plans

Plans for the final development of the site are based on the construction of 1,500 apartments over a period of between three and five years . The balance not required by the co-operative members will be sold on the open market under the terms stipulated in the SRA legislation. Some of the for sale units will be commercial units on the valuable road frontage of the scheme. It is expected that many of the residential units will be sold to railway workers. The income raised is expected to pay for the cost of the development as a whole. Consideration is currently being given to the purchase of additional land adjacent to the site so that the scheme can be expanded to accommodate more families.

2.1.10 The building process

The construction of the scheme is being carried out by a contractor hired by SPARC and NSDF who also the contractor for the Rajiv Indira –Suryodaya site. Hiring a contractor enabled the construction process to proceed more rapidly than it would do with self-build, a requirement if families were to move onto the site within the ten month period stipulated by the Railway Authorities. However the Co-operatives on site purchase the building materials and supervise the work of the contractor. They have four organising committees, made up of members of the co-operatives, and responsible for coordinating the development. These are the Finance, Municipal, Labour and Purchase committees. Of the 200 labourers, 80 have been recruited from families living on the site. The skills they have developed as a result have already enabled many of them to obtain work on other building sites.

2.1.11 Land ownership

At the moment the land is held by the revenue department of the state government (i.e. The Collector) . However in the future the land will be transferred to the co-operatives who will give management rights to NIRMAN, the development company that has been set up specifically to manage the future developments taken on by SPARC and NSDF. The individual temporary units of 120 sq ft are owned by each family. However the final high-rise units will be provided to Societies on a lease basis between the state government and the co-operatives.

2.1.12 The Stakeholders

The project stakeholders range from individual households involved in the relocation right through to the State Government. The stakeholders have been identified in Table 4 together with brief descriptions of their role in the project.

Table 4 – Stakeholders in the Kanjurmarg Project and their role.

STAKEHOLDERS	ROLE
Over 900 families	Individual families[xii] contribute through their societies and the specialist committees appointed by the Societies, to management and monitoring of the scheme as a whole. Through their savings they help to form a pooled capital base which strengthens their ability to negotiate with the state. Women members of the household play an important role within Mahila Milan which acts as the anchor for savings activities and which also functions as a channel for emergency and income generation loans that support family livelihoods.
24 Housing Co-operatives formed by members of the Railway Slum dwellers Federation	The "owners" of the scheme and the people who will live in the final rehabilitation housing. They provide a deposit of 5,000 Rps and, through participation on the various community committees, participate in management and monitoring of the project. They also contribute unskilled labour.
The Railway Slum Dwellers Federation	Formed following the first enumerations carried out by the Alliance in 1995 and responsible for ensuring that the lessons learned at Kanjurmarg are used to help other railway slum dwellers to develop effective resettlement projects.
The National Slum Dwellers Federation	The umbrella Federation covering 24 cities in India. Lessons learned as a result of projects such as Kanjurmarg are disseminated throughout the extensive NSDF network so that the Federation as a whole benefits from local experiences.
Mahila Milan	The savings collectives that are established and managed largely by women, provide the financial security base that underpins the capacity of the Federations to take on the risks entailed in large-scale development project.
SPARC	SPARC coordinates the professional support services required by the Federations until they take over this role for themselves. It is as a result of their ability to transfer this role over the years that slum dwellers are now working in direct collaboration with engineers and architects on both of the projects considered in this study.
The Contractor	The contractor Falak Construction, has been hired for both the Kanjurmarg and Rajiv Indira-Suryodaya projects. The contractor's role and their relationship with the Alliance has been central in enabling the Alliance to take on the risks involved in the Kanjurmarg project. Their sensitivity to the needs of the societies and their willingness to work in partnership with slum dwellers is particularly important.
The Railway Authority	The agency that owned the land where the slum dwellers were located and that has provided 13,800,000 Rps as relocation compensation . This has been used to cover the infrastructure costs.
The Mumbai Municipal Council	The body with overall responsibility for the MUTP II scheme.
The Housing and Urban Development Corporation (HUDCO)	A government agency with a specific remit to provide housing finance for low-income households. In this case agreed to provide loans of 25,000 Rps per household.
The Maharashtra Slum Rehabilitation Authority	The SRA's role has been pivotal in the project which has been seen as a flagship by them as well as by the Alliance. The SRA can lay an important role in incorporating lessons learned from the project into the SRAs own policy and operational frameworks.
Bilance, a charity based in the Netherlands	Provided a bridging fund which was used to ensure adequate cash flow as the project was implemented. On the Kanjurmarg project 43% of total project cost was covered by the Bilance bridge funds with an additional 32% being covered by SPARC's own bridge funds.
Homeless International, a charity based in the UK	Through a grant for a rehabilitation project covered staff costs entailed by SPARC and the Federations in the development, management and administration of the project.

2.2 RAJIV INDIRA-SUROYADAYA

2.2.1 Background

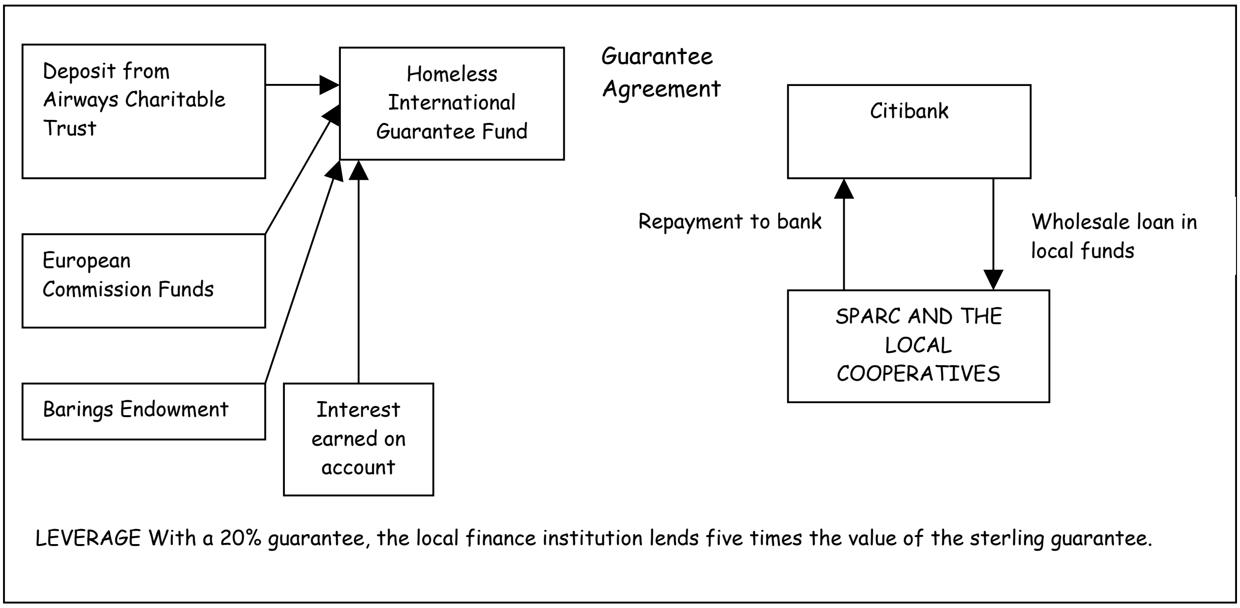
The Rajiv Indira Co-operative Housing Society was formed in 1994 in Dharavi, reputedly Asia's largest slum. Most of the residents work in factories, tailoring, and small informal businesses. A few are government employees. The society began with 48 members and is chaired by Mr Shanmugan who has taken a leading role in developing the project. The society members lived, until recently, on a plot of approximately 1,800 square metres located by the Mahim-Sion Link Rd on the edge of Dharavi. Access to the site was limited and the area is surrounded by slum housing inhabited by members of six other co-operatives. The society members are currently living in transit accommodation nearby while the site is being developed.

An initial project was planned in early 1997, with 52 rehabilitation flats and 36 additional flats being constructed for sale. In addition it was envisaged that a bank would be constructed for lease on the ground floor. The total development cost was initially estimated at approximately £500,000 with construction taking 2 years. Since that time, and in response to opportunities that have arisen, the project has more than doubled in size and will benefit many more families.

2.2.2 Forming a range of financial alliances

Homeless International entered into discussions to support the scheme in 1997 and began negotiations with Citibank which had already entered into a support partnership with SPARC as part of the bank's corporate responsibility activities. The initial proposal to finance the scheme was based on a model that reduced the financial risk to Citibank by incorporating an assured sale of at least six apartments into the early stages of the project financing. A UK agency – Airways Charitable Trust - agreed to provide the necessary Funds to pre-purchase six apartments. As negotiations proceeded and as proposals for the scheme were submitted to the SRA for authorisation, the scenario changed. Citibank suggested that a standard Guarantee arrangement, with Homeless International taking the top slice of the risk (i.e. the first 20%) ,would be simpler to arrange and could be agreed locally without a procedural requirement to refer to Citibank headquarters or to other agencies in India. A draft agreement was consequently drawn up and agreed in principle. The guarantee mechanism is summarised in Figure 2.

Figure 2 – How the Guarantee Fund works.



Financing for the initial stages of construction, which began late 1998 , was drawn from the bridging funds of SPARC and to some extent were also covered by the contractor who was willing to use his own building material credit arrangements.

An official launch of the scheme was held in February 1999, at which time Citibank handed over to Jockin Arpuratham , the President of the NSDF, a cheque for Rps3,000,000 for the project. However at this stage written agreements between SPARC and the Co-operatives and Citibank, and between Homeless International and Citibank, although agreed in principle, had still not been formally been signed. The delay in signing resulted from delays in formal registration of the Rajiv Indira Co-operative Housing Society. The documentation concerning registration of the co-operative was referred by the SRA, in error, to another authority. There were also difficulties in ensuring that all those entered into Appendix II of the submission met the requirements laid down under the SRA act because as there were problems in their proving residency in the area on January 1 1995.

2.2.3 <u>The construction process</u>

While the financial arrangements were being negotiated the Co-operative members moved off the site into transit accommodation and construction began with Falak Construction working under the supervision of a team led by a member of the NSDF, Mr Muthu, and Mr Shanmugan from the Co-operative. A well know consultant engineer, Shirish Patel provided additional assistance in training NSDF representatives in quality control methods for the project which introduced a number of engineering standards not previously seen in Dharavi. NSDF also provided their own engineer to provide assistance on a day-to-day basis. The construction process began with a massive piling exercise that drew in visitors from co-operatives all over Dharavi. Testing apparatus of the kind required by the consulting engineers had not been seen in the area before and the amount of steel being used to meet specifications laid down in the plans created much discussion and controversy among Federation members because of its relatively high costs. There was a general consensus that by the time the building reached plinth level "*it would support a 25 floor structure and probably be the only building left standing in Dharavi if an earthquake really did occur".*

2.2.4 <u>Expanding and redesigning the project</u>

In July 1999, Citibank financing for the scheme was still not in place. However, following the highly publicised launch of the scheme and as a result of the local visible progress of the development, adjacent co-operatives in the area became seriously interested . They began to discuss how their own plans for development might be developed in a way that could build on the experience and success of Rajiv Indira and to explore potential collaboration with NSDF. This was particularly important in the case of the Suryodaya B Co-operative (SB) because the land that SB occupied potentially provided an access road for the Rajiv Indira development. The lack of an access road had implications for the price at which any of the units developed in the scheme for commercial sale could be sold. However, until then members of SB had been reluctant to enter into a formal agreement with Rajiv Indira as they had been stung once before by a deal with a developer that turned sour. They began to reconsider following a visit to the site by Gautam Chaterjee, Head of the SRA, who was keen to treat the area as a general development area rather than as a discrete housing development for one co-operative.

At the end of July the SB Co-operative agreed to join the development. As a result planning began again in order to incorporate buildings that could accommodate the additional 129 families who are members of the SB Co-operative and who have been living in a transit camp for the last five years after their previous scheme collapsed. An access road from the main SM Link Road has been planned with the for sale residential units and commercial units of both the Rajiv Indira and SB housing schemes being relocated on the road frontage in order to increase their market value. A diagram of the development is provided below.

Figure 2 – A map of the area where the Rajiv Indira-Suryodaya project is located

A total of 208 rehabilitation units are envisaged with 42 for sale apartments also being planned. A balwadi[xiii], office and recreational centre will also be developed, as will space for six commercial shops and a bank. A summary is provided in Table 5.

Table 5 – Buildings for construction in the Rajiv Indira – Suryodaya project

	1A Building	1B Building	2A Building	2B Building	2C Building	Total
Rajiv Indira Rehabilitation Units	76					76
Suryodaya Rehabilitation Units	3	64	65			132
Balwadi, recreational area, office etc.	5		5			10
Large residential units for sale				28		28
Small residential units for sale					14	14
Bank				1		1
Shops				6		6
	84	64	70	35	14	267

It should be noted that the new plans change the boundary of the scheme and have entailed negotiations with the SRA over planning restrictions applying in the Coastal Zone[xiv]. As far as can be determined at the moment the scheme should meet the requirements of any restrictions though no official sanction has been provided via the SRA.

2.2.5 Financing the expanded project

At the time of writing the financing plan for the project has been completely redesigned. The total cost is now anticipated to be 106,600,000 Rps (£1.5 million) with peak cash requirements of 70,000,000 Rps (£1 million). The sterling guarantee provided by Homeless International will increase to £200,000. Projected income to the scheme is accounted for by 34% from TDR sales, 51% from sale of apartments and 15% from sale of commercial space.

Specified percentages of the total TDR available to the scheme can be sold only as identified construction milestones are reached. This presents significant demands on cash flow management. Current cash flow is supported by funds from SPARC's own bridge fund with administrative and management costs being met from the Homeless International and DFID supported Rehabilitation grant.

A summary viability analysis and cash flow for the project can be found in 1

2.2.6 The Stakeholders

A summary of the stakeholders and their roles is provided in Table 6 below :

Table 6 – Stakeholders in the Rajiv Indira – Suryodaya Project and their roles.

STAKEHOLDERS	ROLE
Families belonging to the Rajiv Indira and Suryodaya Co-operative Housing Societies	Individual families[xv] contribute through their societies and the specialist committees appointed by the Societies, to management and monitoring of the scheme as a whole. Through their savings they help to form a pooled capital base which strengthens their ability to negotiate with the state. Women members of the household play an important role within Mahila Milan which acts as the anchor for savings activities and which also functions as a channel for emergency and income generation loans that support family livelihoods.
The Rajiv Indira and Suryodaya Co-operative Housing Societies	The "owners" of the scheme and the people who will live in the final rehabilitation housing. All the SB members and over half the RI members have arranged their own transit accommodation.
The National Slum Dwellers Federation	The umbrella Federation covering 24 cities in India. Lessons learned as a result of the Dharavi project are disseminated throughout the extensive NSDF network so that the Federation as a whole benefits from local experiences.
Mahila Milan	The savings collectives that are established and managed largely by women, provide the financial security base that underpins the capacity of the Federations to take on the risks entailed in large-scale development project.
SPARC	SPARC coordinates the professional support services required by the Federations until they take over this role for themselves. It is as a result of their ability to transfer this role over the years that slum dwellers are now working in direct collaboration with engineers and architects on both of the projects considered in this study.
The Contractor	The contractor Falak Construction, has been hired for both the Kanjurmarg and Rajiv Indira-Suryodaya projects. The contractor's role and their relationship with the Alliance has been central in enabling the Alliance to take on the risks involved in the RI-SB project. Their sensitivity to the needs of the societies and their willingness to work in partnership with slum dwellers is particularly important.
The Mumbai Municipal Council	The body with overall responsibility for the MUTP II scheme.
The Maharashtran Slum Rehabilitation Authority	The SRA's role has been pivotal in the project which has been seen as a flagship by them as well as by the Alliance. The SRA can lay an important role in incorporating lessons learned from the project into the SRAs own policy and operational frameworks.
Homeless International, a charity based in the UK	Has negotiated an interest free loan from Airways Charitable Trust in order to guarantee the project. Will provide the additional guarantee required itself. Also responsible for documenting the project. Through a grant for a rehabilitation project covered staff costs entailed by SPARC and the Federations in the development, management and administration of the project.
Airways Charitable Trust	Has provided £100,000 deposit to the HI Guarantee Fund specifically to support this project.

2.2.7 Existing and possible contractual agreements

One of the features of pilot projects is that implementation often precedes the formal documentation that records agreements reached between the parties involved. When a project begins to emerge there are no precedents in place and no formal institutions are committed to the process which relies, in its early stages, on the dynamics of people on the ground designing and pushing solutions that make sense to them. The harder they push the more a space is created where dialogue and negotiation can take place with the formal authorities. As this process, in turn, is reviewed, many of the flaws, weakness and lost opportunities that occur in the early stages of grappling with a new approach emerge. For outsiders, it is easy to say that the initial moves made and risks taken were "inadequately handled" or "not properly thought through" but there is a *catch 22* in requiring that everything has to be sorted out before things begin.

The Rajiv Indira-Suryodaya project is a classic example of a project where written agreements follow verbal "in principle" agreements which are negotiated as the complexities of the work unfold. While some of these agreements will eventually become standardised, they are, at this stage, tentative. Nearly all the agreements have had to be negotiated and drafted from scratch entailing a learning and experimentation experience for all the parties involved. The map below attempts to show the legal framework for the project that exists and includes agreements that are in place as well as some that are currently being negotiated. It also shows, as hatched lines, agreements that it is envisaged will be put in place on later schemes once the role of Nirman, SPARC's Section 25 Company, has been further developed. Bracketed wording indicates areas where terms and conditions are still unsure.

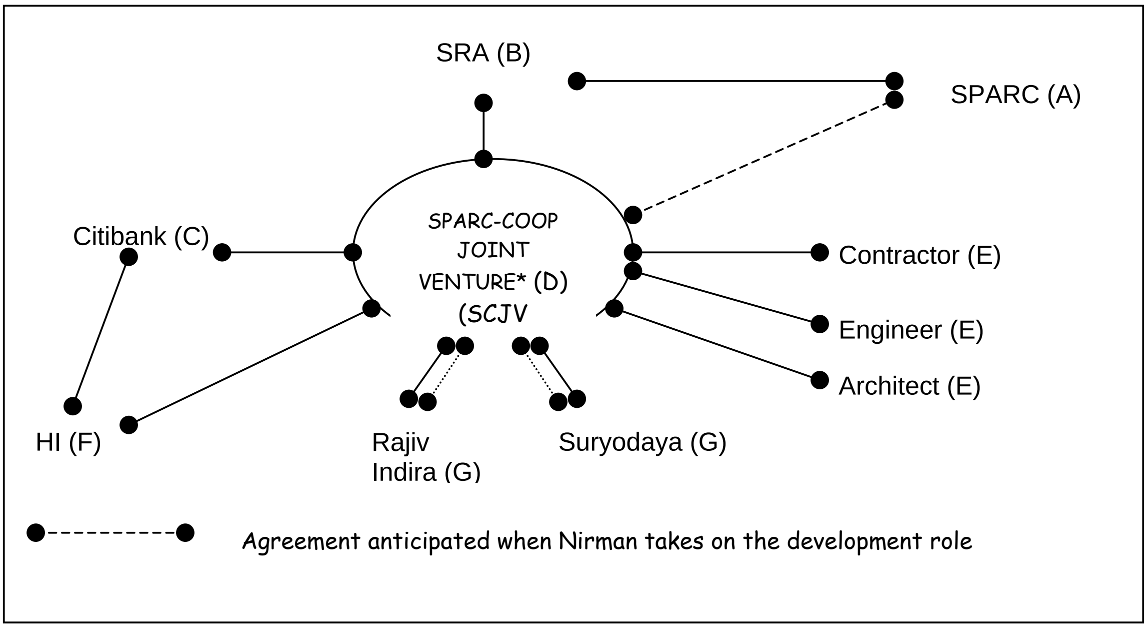


Figure 3 – A diagrammatic representation of the legal agreements for the project.

A. Management understanding SPARC – Joint Venture (Nirman).
There is agreement in principle that a proportion of any net profit realised will be retained by SPARC for investment in other Alliance projects that require up-front financing.

B. Agreement SRA –SPARC-Co-operative Joint Venture (SCJV)
Commencement certificate confirming availability of TDRs and approval of application of residents for TDRs; giving authority to SCJV to develop the land (ownership of which will remain with the Collector of the Maharashtra State Government); confirming that following completion of the development, the land will be transferred to RIHC and S2 [(other than the land for sale/commercial land)].

C. Loan agreement Citibank – (SCJV)
Fixed charge or lien over TDR certificate. [Step in right agreement with SRA in event of SCJV.] Guarantee with HI.

D. SCJV (Proposed for future projects).
Development agreement with RIHC and SB confirming fees chargeable by Nirman and profit share arrangement; that the first 20% of the net profit will be payable to the relevant Co-op [after any set-off of losses from the other scheme]; from 21-40% would be payable to [SPARC] and the remainder (41-100%) will be payable to Nirman. [Until Nirman has built up a level of cash reserves still to be specified of R# or # 2003 (whichever is the earlier), SPARC will agree to waive its entitlement to its arrangement fee.]

Loan agreement with Citibank.

[Land transfer from SRA in respect of commercial and sales units. Land tenure will be a lease for a period of # years with all management and insurance rights transferring to the Co-op].

[Sales agreements in respect of the commercial and sales units].

Building contracts and letters of appointment with the contractors.

E. Contractors & Professionals contracts and letters of appointment with SCJV.

F. HI.
Guarantee with Citibank and Information Agreement with Nirman in relation to development and cash flow progression and any potential call on the guarantee.

G. Rajiv Indira and Suryodaya Co-operative Housing Societies.
a. Development agreement with Nirman.

b. Land transfer from [SRA] in respect of re-settled land.

3. ANALYSIS OF THE RISKS TAKEN BY DIFFERENT STAKEHOLDERS

Risk assessment has conventionally been used by professionals working in low-income housing to determine the safeguards that are necessary to protect the interests of the formal financial sector. It has rarely been used to safeguard the interests of the poor when they enter into transactions with formal financial institutions whose processes they have had little chance to influence. Indeed formal finance institutions frequently use the symbolic constraints created by statutory risk mitigation requirements as a means of blocking the process of credit allocation to the poor.

Bankers sometimes express their hesitation in lending to the poor in terms of a low "comfort" level. Their discomfort generally increases when dealing with people who they do not understand, who are dependent on informal earnings and who live in the "wrong" location – i.e. an informal settlement. While there is an increasing recognition that repayment rates among low-income borrowers tend to be significantly better than wealthier borrowers, this "low comfort factor" has tended to persist, particularly with respect to medium and long term lending.

Analysis of both the Rajiv Indira and Kanjurmarg case studies indicates that the risks taken by low income families, and the NGOs that work with them, can be considerable when financing is sought from banks and state financing corporations. This is particularly so when housing schemes developed by the poor are subject to high levels of regulation and control by the state. In the case of Kanjurmarg, the extended delays in receipt of payments from the Railway Authority, and from HUDCO, left the Alliance in a situation where the project either had to be halted, at a time when communities where mobilised and ready to go, or funds had to be found to sustain the cash flow required for the project to proceed. Fortunately SPARC, having learnt from experience on previous projects, had persuaded Bilance, as one of its long-term funders, to provide a bridge fund to cover just such a circumstance. However SPARC still had to use substantial amounts of its own funding to ensure that the momentum of the project continued. Without this investment the families living by the rail tracks, and the various urban management authorities would have missed out on a scheme that is widely acknowledged as providing a new and effective model for resettlement in Mumbai.

So why does SPARC invest in this kind, and level, of financial risk taking? Not because of any ignorance or misunderstanding - the Alliance is well aware of the dangers entailed in the provision of, in effect, risk capital[xvi]. Nor because it enjoys risk taking for the sake of it – why add additional stress to a job that is already full of uncertainties and unknowns? The organisation takes on increasing levels of calculated risk because it considers investment of this kind to be a critical part of the value that it adds to the processes of NSDF and Mahila Milan. SPARC argues that if projects such as Kanjurmarg and Rajiv Indira-Suryodaya are not developed, then neither is the sustainable institutional capacity of the Alliance. It is this capacity which is needed for effective negotiations with the state and with the market to take place so that developments can take place within informal settlements to improve the living conditions of the poor. As Sheela Patel , the Director of SPARC puts it –

> "*Conventional approaches to housing development may provide individual loans for fifty or one hundred or even one thousand houses to be built, and, as long as the NGO that is financed*

builds the resulting houses efficiently, at the end of the project there will be fifty, or one hundred or one thousand houses . What will not necessarily be there is any significant capacity, institutionalised within the communities themselves, that allows for replication without repeating the same exercise in the same form again and again. So scaling up is limited ".

SPARC helps people to design and manage their own housing. The process becomes ritualised so that it can be shared within communities, within cities, within countries and internationally. The exchange process that supports this sharing eventually leads to a critical capacity which becomes institutionalised at the local level. So a decision to make an investment in initial risk taking is linked to a long term learning and sharing process from which many people will benefit. The short-term risk thus has a substantial long term pay off.

In the short term however the risk is real, and as pilot projects increase in size, may be substantial. The main risk is concentrated in two particular areas - implementation of the projects such as Kanjurmarg and Rajiv Indira-Suryodaya, which have no clear precedents to follow and, later down the line, loan recovery and repayment.

We talked to many people within the Alliance, to representatives of Citibank, to government officials and to people working in credit rating, in order to explore the perceptions that different stakeholders had of the risk taking involved in Kanjurmarg and Rajiv Indira – Suryodaya. We were particularly interested in the ways on which risk taking was mitigated. We have attempted to summarise the picture we have built up of risk taking in Table 7 which also summarises the main means that different stakeholders seem to have used to mitigate the risks that most effect them.

Before considering this table it might be sensible to consider the four areas of risk prioritised by representatives of ICRA, a local credit rating agency who told us –

> "*Our main concern would be in assessing the probability of financial loss as a result of the project rather than its severity. We want to see evidence of a strong cash flow and balance sheet. When we assess credit risk we talk to previous customers of the developer in order to get feedback".*

ICRA identified the following areas of risk that they would consider of particular significance:

- The legal risk – can all the legal requirements be met and the notifications be obtained?
- The agreement of slum dwellers – is this in place and can it be relied on?
- Effective Market – can the "for sale" and TDR components be effectively marketed ensuring sufficient returns to make the project viable ?
- The political risk – will there be significant policy changes that undermine the approach being used?

Table 7 – An OVERVIEW OF Risk Management & Mitigation

What is the risk?	How does the risk arise ?	Who bears the risk?	How can the risks be mitigated?	Who will be left with the benefits or costs of the remaining risk?
DESIGN RISK				
Site layout	Affected by planning restrictions and the level of cooperation between participating co-operatives.	Ultimately, the people who are going to live there. If they are unable to negotiate a solution that makes sense to them it is their quality of life that will be affected. In formal terms planners within the SRA who push the boundaries of the legislated standards may be putting their necks on the line by setting new precedents and changing the way that policies are implemented.	When communities plan sites collaboratively and discuss their ideas in detail with representatives of planning agencies so that a process of exchange, dialogue and negotiation takes place, everyone can end up owning the final decision taken because people have been given a real chance to participate from their own perspectives. When professionals engage in this process they can contribute useful technical information but they can also learn about the priorities that communities have for their own use of space.	The people who live in the settlement.
Site Development	Safety is a major consideration when in-fill is required or when major piling works are required.	The community takes the risk when the site is developed unsafely. Professional advisors and builders also take a risk particularly with respect to reputation but their lives are not often put at stake.	If communities can negotiate relationships with professionals who can share their technical knowledge in a way that helps communities to take sensible decisions risks can be reduced. Risks can also be reduced if the community has the skills to effectively monitor the quality of site development.	The people who live in the settlement.
Infrastructure	Provision of basic water, roads, sewage, electricity and phone connections have a significant impact on the quality of the housing provided and the marketability of the "for sale" units.	The residents take the risk. However so do the suppliers of infrastructure services. If the quality of service is poor the quality of bill payment is also likely to be poor. A key factor relates to the affordability of services.	Costs can be reduced when communities negotiate to contribute labour. Community level decisions about what kind and quality of infrastructure is needed mean that residents are more likely to "own" the decisions made and to invest in looking after facilities once they are installed.	The people who live in the settlement. The utility services.
Building design	Needs to be acceptable and appropriate for the end users as well as affordable. Needs to meet building standards. Needs to ensure safety	The residents take the risk. If the designs are not appropriate or affordable they are likely to move back into slum accommodation. The design also needs to be appropriate to the residents who are potential buyers – to be the right size, in the right location, with the right features. If it isn't no-one will buy and the scheme will fail financially leaving the developer with a net loss.	When communities lead the design process, as happens within the Alliance , the acceptability and affordability of the buildings planned has already been explored in advance of construction beginning. The Alliance's investment in processes that help people to design potential houses, first at scale in cardboard but later in full size models, helps people to take informed decisions. Modelling high rise building is more difficult because of the technicalities involved. In this case the sensitivity of the professionals and the builder, in explaining and exploring design issues is vital. Market research re. potential buyers helps to ensure that "for-sale" units are deigned to meet their requirements.	The people who live in the settlement. The developer will lose out through loss of sales if there is no demand for the units . If building standards are not met new precedents may be set and this may cause problems for planners.

What is the risk?	How does the risk arise ?	Who bears the risk?	How can the risks be mitigated?	Who will be left with the benefits or costs of the remaining risk?
Costing	If costing is inaccurate the project may fail due to inadequate cash flow and insufficient returns on the initial investment made.	The residents take a risk – if the scheme fails they may lose everything they have invested in the process including as well as the home that they originally lived in. The developer takes a risk – if the scheme fails they will lose money and reputation. The contractor takes a risk – if the costs escalate they may not be paid and their reputation may suffer.	Analyse costs in detail. Allow for contingencies and inflation. Ensure financial buffers in place to maintain cash flow and cover escalations. Identify sensitive cost elements and determine an acceptable variation. Include cost escalation clauses in all relevant contracts.	The developer takes the risk. If cost increases occur and are passed on to the residents then they too take the risk.
CONSTRUCTION RISK				
Construction Management	Poor construction management leads to time delays and cost escalation. Insensitive management leads to an exclusion of local people from the opportunity to benefit from the construction process itself.	The developer takes the risk of cost escalation which can jeopardize the project as a whole. The community takes the risk of investing in a project that is not managed to optimize their benefits.	Involve community committees in the planning, monitoring and evaluation process right from the beginning so that their priorities can be incorporated into the construction process. Ensure that the contractor is prepared to work in partnership with the community and will accept their monitoring and evaluation of progress in terms of quality as well as quantity.	If the project is delayed or abandoned the main risk is taken by the people within the settlement who have left their original homes. The contractor and developer can also be left with substantial risk.
Construction quality	Inadequate quality controls have implications for safety and long term maintenance and repair costs.	The community takes the risk of having to live in sub-standard accommodation and of "owning" for sale units that may not be marketable. The end result would be inadequate housing and financial debt.	Establish quality expectations prior to construction. Daily quality inspection and control by community teams that know the standards that are expected will allow mistakes to be spotted and rectified rapidly.	The people who live in the settlement. The contractor in terms of reputation.
MARKET RISK				
Selling price for commercial space	Affected by location of building and by demand and supply factors in local market	The most important relevant feature of commercial buildings is their accessibility. Roadside location improves marketability as does proximity to potential purchasers and users of the commercial services and products being offered.	Design and develop space for Banking facilities and small business units to meet identified local demand. Cost the provision of commercial space viably, so that returns can be used to support the development as a whole through cross-subsidy.	The owners and developers. The purchasers
Selling price for residential apartments	Affected by location of building, by supply and demand factors in local market, and by accessibility.	The developer takes the risk of high marketing costs and of potential non- sales.	If mortgage financing is made available with the sales demand is likely to be increased. Organising group purchase via an employer or trade union group provides sales efficiencies.	The owners and developers. The purchasers

What is the risk?	How does the risk arise ?	Who bears the risk?	How can the risks be mitigated?	Who will be left with the benefits or costs of the remaining risk?
Slum TDR price	Affected by general property development market and by demand from SPPL	The developer takes the risk of a fall in TDR price. Ultimately the financiers also take the risk should the scheme become financially unviable.	Strategic alliances with other developers requiring TDR e.g. a state developer such as SPPL or private developers.	The owners and developers of the scheme
Availability of financing for potential purchasers	Affected by response of housing finance providers e.g. HDFC and Citibank	If no financing is available the chances of selling the units are reduced unless "black" money is accepted.	The Alliance has made a clear decision to ensure that no "black" money is accepted into the project. Attempts have been made instead to locate purchasers from organisations such as the Railway Authorities who would be eligible for mortgage loans that could be repaid from direct wage debits.	The owners and developers of the scheme. The potential purchasers. Housing finance lenders.
FINANCIAL RISK				
Inadequate finance to complete scheme	Affected by poor costing and possibility of unforeseen cost escalations	The owners and developers take the risk of being unable to complete the scheme and not obtaining permanent housing. Guarantors take the risk of losing their guarantee. The lenders take the risk of non-payment. The contractor takes the risk of loss of money and reputation.	This risk has been mitigated by careful estimation and conservative cash flow projections. Detailed dialogue has taken place between the borrowers, the lenders and the guarantors. The contractor has a personal stake in the schemes and therefore a significant interest in seeing them completed.	The owners and developers, the lenders, the contractor, the SRA who will benefit from a model scheme that works financially..
Inadequate income to cover loan repayment requirements	Cost of loan may rise due to interest rate increase. Insufficient income from sales of commercial and residential space may lead to inability to repay. Delays in receipt of Government financing may lead to cash flow problems. Kanjurmarg co-operatives may fail to repay HUDCO loans.	If people are unable to repay their loans the project as a whole becomes non-viable. Either people will be forced to sell up and move out or the Alliance will develop a reputation for poor repayment with consequences for future borrowing prospects.	The borrowers are part of the Alliance's wider structures which are based in savings and loan groups that provide support for income generating activities as well as housing. Housing loan recovery is thus part of a networked system that offers various levels of safety net to the individual and family that may experience difficulties in repayment. This network can also apply moral pressure to repay where default is as a result of inclination rather than necessity.	The owners and developers. The lenders. The guarantors.

What is the risk?	How does the risk arise ?	Who bears the risk?	How can the risks be mitigated?	Who will be left with the benefits or costs of the remaining risk?
OPERATIONAL RISK				
Development falls into poor repair following completion	In the worse case scenario another slum will have been created rather than a sustainable shelter solution.	The residents	10 % retention is held on the contract for 12 months after completion. A maintenance fund for the rehabilitation flats is planned financed from a proportion of the profits realised on each project Purchasers are expected to form co-operatives whose responsibilities will include organising on-going maintenance and repair.	The owners/residents
SOCIAL RISK				
Other people take over the benefits	The people who the projects were intended to benefit move back to informal settlements and better off people take over	The co-operative members	The formation of the Federation and the creation of the co-operative housing societies is based on people within communities controlling their own development. The resulting "ownership" of housing created is reflected in processes for reallocation of housing should an individual need to move.	The founder members of the co-operative and their families.
Community capacity reduces when housing is complete.	Once the housing is complete the participants lose interest in working as a community.	The co-operative members	This is a primary task of the wider federation structure – to engage people in an on-going process of improving their own conditions and helping others to do the same. Community responsibility for maintenance and improvement is a core element of this.	Members of the wider federation structure
That the women who form the heart of the Alliance fail to retain the benefits within their family structures.	That women create the housing solutions but that these benefits are then usurped by men within the household to the disadvantage of women.	Women, most of whom will be members of Mahila Milan	This is a primary task of Mahila Milan – to ensure that women do retain and further develop benefits that result from their investments and commitment.	Women within households.
POLITICAL RISK				
Major change in state policy	That reversal or change in policy may undermine processes developed within the Federations. and the investments made so far.	The Alliance, the contractor, potential purchasers.	Engage proactively in dialogue with policy makers	The Alliance as a whole.
The Alliance is co-opted by others political interests and ceases to be accountable to its members.	When external pressures on the leadership are not resisted and the leadership becomes accountable to political interests other than those in whose name the Alliance was established.	The Alliance.	Constant exchange of information and dialogue about the issues of concern to members of the Federation as a whole. A culture of transparency. A process of accountability within the Alliance that effectively limits the discretion of individual leaders.	The Alliance

What is the risk?	How does the risk arise ?	Who bears the risk?	How can the risks be mitigated?	Who will be left with the benefits or costs of the remaining risk?
FORCE MAJEURE RISK				
By definition, events beyond the control of the owners and developers	Flood, fire, earthquake.	The owners- developers, the financiers, the guarantors	Ideally the schemes would be insured but this has not been possible. Engineering consultants contracted for the Rajiv Indira-Suryodaya scheme have designed the structures in line with earthquake resistance standards	The owner developers, the purchasers, the financiers, the guarantors, the contractor.
CREDIBILITY RISK				
Loss of credibility and therefore future ability to mobilise support	If the scheme fails all the main stakeholders risk loss of credibility.	The owners/developers, the SRA, the State Government, the financial institutions, the guarantors.	The creation of a series of inter-linked partnerships where ideas and information are shared effectively allows the skills and capacities of a wide range of stakeholders to be applied collaboratively enhancing the probability of success	All the stakeholders but especially those who would most benefit from the scheme's success.

3.1 ANALYSIS OF THE RISK MANAGEMENT AND MITIGATION STRATEGIES OF THE KEY STAKE HOLDERS

The Alliance manages and mitigates risk within a number of different relationships. The available evidence suggests that SPARC has managed this strategy extremely effectively and has applied internal rules to optimise the potential for forming win-win relationships. In analysing its own success and the features considered desirable within potential partner organisations, SPARC identified the following characteristics:

- A willingness to learn new ways (or develop new ideas).
- A desire to change.
- A capacity to learn.
- The ability to pass skills and information 'down-line.'
- The ability to absorb funds into new projects or programmes.

Within all its work SPARC places a clear priority on investing in the building of relationships. As Sheela Patel puts it - "*It is not efficiency that leads to the development of our relationships with agencies like Citibank. Our ability to break barriers comes from the way in which we manage our relationships. We never pretend to be more efficient or organised than we are but we do use our relationships with communities and external agencies to gradually link them together, to create a new form of capacity that benefits communities. Sometimes that process is problematic but we have learnt not to avoid contentious issues and we have a very long term view. Our first two projects failed because senior enough people from the agencies involved were not prepared to buy in, but that didn't stop us from continuing to take risks and now we have some very strong and constructive relationships that are helping us to move forward".*

The key stakeholders with whom SPARC has developed relationships include :

- Members of the participating co-operative housing societies
- SPARC and NSDF personnel
- State Agencies
- Construction Professionals
- Contractor
- Lenders
- Donors
- Purchasers
- Members of adjacent co-operatives in Dharavi.
- NSDF and MM nationally
- The wider SDI Network
- Other NGOs

3.1.1 Investing in partnerships with co-operative housing societies belonging to the Federations

The anchor of the Alliance's capacity lies in the community savings and loan system and the enumeration exercises that collect people and information as well as money. Investment in Savings and Credit provides a particularly strong foundation for the development of collective communication systems in which women play a key role. The capacity that results from this provides a way for people to move from individual to collective action and produces a scale of demand that makes it possible for state institutions to respond. This is particularly important in areas such as slum rehabilitation and the provision of sanitation systems, issues which cannot be effectively addressed on an individual basis.

The process is : develop an approach, test it, refine it and scale it up through the Federation network. It is this process that leads to institutionalisation as successful rituals are passed within and between Federations. The challenge is then to work with other institutions to create mechanisms that function effectively for the communities. Throughout, the Alliance emphasises building capacity at community level rather than efficient loan extension.

3.1.2 INVESTING IN RELATIONSHIPS WITH MEMBERS OF ADJACENT CO-OPERATIVES IN DHARAVI.

In order to increase the rehabilitation on a site that has low density other slum and hutment dwellers can be asked to participate. This is the case with Rajiv Indira – Suryodaya where 21 families living in hutments on the adjacent road have joined the scheme. In addition, as the scheme has taken shape, adjacent co-operatives have become convinced of the Alliance's capacity to make the scheme work. This awareness was catalysed by the wide publicity that accompanied the launch of the financing agreement with Citibank and Homeless International and further enhanced when the Head of the SRA, Gautam Chaterjee visited the area to examine broader development options. There are now strong indications that the Rajiv Indira- Suryodaya scheme which currently involves two co-operatives, will, over time, come to encompass far more.

3.1.3 INVESTING IN RELATIONSHIPS WITH SPARC AND NSDF PERSONNEL

The turnover of staff and activists within the Alliance is extremely low, reflecting high levels of commitment and continuity. The leadership of the Alliance has now worked consistently together for fifteen years. The Alliance provides multiple support systems to those who work within it. At an earlier stage of SPARC's development middle class graduates were regularly recruited but few stayed for any length of time. They frequently left for more lucrative positions with international NGOs or other development agencies. Increasingly it is the children of members of the NSDF and MM who are recruited into staff positions.

3.1.4 INVESTMENT IN RELATIONSHIPS WITH THE STATE AUTHORITIES

One of the Alliances principal aims is to make state policies more responsive, in practice, as well as theory, to the needs of the poor. Considerable effort has therefore been put into developing relationships with key policy makers, who are in a position to influence how resources are made available to the poor. This has involved a long-term investment on the part of a core set of individuals whose personal credibility is of immense importance to the success of the Alliances work as a whole. However personal credibility alone is not sufficient. The fact that individual leaders and representatives are visibly backed by a substantial and growing movement of slum dwellers, nationally and internationally, who are aware of their rights and able to articulate their priorities, makes the Alliance a formidable partner for any policy maker with an interest in promoting real change in urban management. In the case of both Kanjurmarg and Rajiv Indira the SRA in particular has a strong interest in ensuring that the projects succeed and the relationship has become increasingly strong over the last two years. This is exemplified by the impressive reduction in the time taken to register Co-operative Societies and by the collaboration evidenced by the decision to change the original Rajiv Indira plans into an approach that creates a broader development strategy for the area as a whole.

It is clear that the Alliance has the ability to influence the actions of local politics and bring about solutions to problems which impact upon the poorest members of society. This is exemplified by the central role they have played in the development and review of the SRA policy and in providing a model for relocation that can be incorporated into the MUTP II activities of the state government. The mapping of SPARC's activities on a historical basis (see the history chart) provides clear evidence of the ability of SPARC to influence at the political level and bring about positive benefits to the most marginalised in society.

3.1.5 INVESTING IN PARTNERSHIPS WITH CONSTRUCTION PROFESSIONALS

The main technical factors which bring uncertainty into the projects are those associated with the design and the construction of the buildings. For this the Alliance have used the services of qualified and experienced professionals. They currently relate to three private engineering consultancies and eleven architects. While the technical design of the projects is being supervised by architects and engineers to ensure that the structures are properly designed to meet the proposed end use. At the same time, members of the Alliance are being exposed to, and trained, in techniques of quality control and construction management. As people within the Alliance develop new technical skills they also share these with others. A guild structure that has built on this process is currently being developed to ensure that skills are further developed and that there is a structured way in which local people can benefit from employment when the Alliance takes on new developments.

3.1.6 INVESTING IN PARTNERSHIPS WITH LOCAL CONTRACTORS

Before a building proposal is agreed, the Co-operative Society, together with the Alliance, looks for contractors. The NSDF looks for contractors who:

- have a reputation for sincerity and getting a good job done
- are financially in a position to invest 20% in the development
- can obtain cement and steel at a preferential rate under the quota system
- can obtain 15 day credit terms.

The management and control of the construction process commonly forms a major area of risk in a property development projects. It is often due to these 'technical risks' that providers of long term funding will not consider financing a project until after the construction phase is over. In the case of both Rajiv Indira – Suryodaya and Kanjurmarg, the managers are from the Alliance – people like Mr Shanmugan and Mr Muthu. The manner in which management takes place is not necessarily the same as that in contexts where a project is coordinated by technically trained professionals, using standard project management techniques. The main differences probably lie in the way that supervision of the contractor is handled on a shared basis by stakeholders from within the community.

The same contractor is being used on both the Rajiv Indira and Kanjurmarg sites and is supervised by the local Federation with support from the Engineers who have a full time supervisor on site. The contractor in question has a substantial up front investment in the development of the Rajiv Indira site and is perceived by the Co-operative as very much a partner in the development. Contracts for the permanent units at Kanjurmarg have not yet been awarded. However the contract for the transit units has been awarded to Falak Construction as was the contract for the Rajiv Indira- Suryodaya project.

Jockin Arpuratham, president of the NSDF describes the relationship that the Alliance has with Falak construction – '*This is a new approach in dealing with contractors. Under this arrangement the contractor doesn't have to bribe anybody, manipulate anybody, compete with anybody, for which the contractor would usually pad the whole thing. The contractor can be guaranteed between 8 and 12 % profit. In any other scheme an overhead of between 10% and 15% is normally included. In material purchase they swindle between 10 and 20%. Then bribing is another thing. Here there are no cuts or bribes. The main thing is that under this arrangement he gets sufficient work to earn a sufficient amount. His inflow of work is very high with this. The degree of society control means a high proportion of local employment – e.g. security etc'.*

The contractors seem very satisfied with the relationship - Mr Vaseem, one four brothers who own Falak construction, provides a perspective from the contractor's view point – "*It's a difference experience altogether – earlier we used to work for private clients – we did the work, gave them lock and key and walked away. Now we are working with the people. There are no risks involved because we work as a team. I'm not a contractor here – I'm part of SPARC. I've been doing it two years. The staff that we have appointed can't boss people around. You're part of a team. You have to cope together and that means understanding. Our workers are gradually learning to understand Mahila Milan as we work together".*

"Our firm started in the 1920s when my grandfather came to Bombay. Many of the major land marks in Bombay, the company built the Income Tax Building, Kemps Corner, We are part of Bombay's heritage. My nephew and all are civil engineers. Now we are four brothers and we are all involved with SPARC and we don't need to work elsewhere. The main difference in this work is that everything is open here – we talk – our expenses are less. Sometimes in our other work we had to go through other channels in municipal departments. Here we avoid that and it's a big relief".

3.1.7 INVESTING IN RELATIONSHIPS WITH FORMAL SECTOR LENDERS

SPARC has successfully negotiated a partnership agreement with Citibank. Citibank's involvement began at a philanthropic level when they became involved with the Micro-Credit Summit. This provided an opportunity that SPARC was able to turn to its advantage. The priority for SPARC was to engage Citibank personnel in its operations not just to receive grants for revolving loan funds. As the relationship developed more complex arrangements of collaboration became possible as illustrated by the Guaranteed loan financing incorporated into the Rajiv Indira project.

As is the case with many projects, the Alliance has been required to provide the development finance for the projects during the early stages of inception and design. In the case of the Rajiv Indira – Suryodaya project, Citibank committed themselves, subject to a 20% sterling guarantee provided by Homeless International, to providing traditional project finance to cover the costs of the development phase.

However to date no agreement has been finalised although Citibank, in good faith, has advanced a sum of Rps 3,000,000. The delay in reaching agreement on the loan financing can largely be accounted for by tortuous bureaucracy which the SRA itself is having problems sorting out, and by the fact that the project has changed significantly as additional adjacent co-operatives have agreed to collaborate in the project. The end result will almost certainly prove more viable and constitute an area development rather than a small site scheme. However most of the interim costs have had to be shouldered by the Alliance itself, and its ability to bear this risk constitutes a critical factor within both projects.

Once the loan agreement with Citibank is finalised the risk from the perspective of the bank will be reduced, with security being provided in the traditional form and additional security provided by the guarantee which will in effect take the top slice of the risk. A considerable part of the construction has already taken place, and the up front risk to the bank is already not as great as it might have been in the early stages of construction. All is not one sided though, and the Alliance has benefited from Citibank's early public commitment to the project in the form of promised project finance. Citibank's public statement of partnership has raised the credibility of the Rajiv Indira – Suryodaya scheme – people are now beginning to believe that the approach can work even if it is being implemented by people who would not previously have been seen as serious players in major physical development schemes. The interactions between a wide range of personnel and the involvement of third party personnel who have assisted with negotiations, have, over time led to the creation of familiarity and trust between the various actors. There is a laughter of recognition when they meet now that has replaced the more cautious interactions that characterised the early stages of their contact.

3.1.8 INVESTING IN RELATIONSHIPS WITH DONORS

In the Rajiv Indira-Suryodaya project a sterling guarantee has been provided by Homeless International which has, in effect, taken the top slice of the risk that Citibank is assuming in lending to the scheme. The guarantee funds provided are part of ongoing support provided by Homeless International to the Alliance since 1987

The Kanjurmarg project has relied heavily on bridge finance. Bilance, a donor from the Netherlands that has supported the Alliance's work for many years, has provided a Bridge Finance Fund of 11.5 million rupees. This is currently being used to support seven sites, including Kanjurmarg.

A capacity building grant made available by made available from Homeless International, and co-financed by DFID, has also helped the Alliance to finance administration and overhead costs associated with the development of both projects.

Over the last twelve years SPARC has invested in relationships with a range of donors and has increasingly been able to persuade them to become more strategic and flexible in the way that grant funds are used. This has inevitably involved risks. However donors who have had a long standing relationship with the Alliance, have learned through experience, that however chaotic and messy the process appears to be at times, the investment is worthwhile because the rules of the urban development game are slowly beginning to change as a result of this process. New spaces are being created for the poor to determine their own development priorities and new partnerships are being forged that enable these priorities to be transformed into projects that can be implemented on the ground.

3.1.9 INVESTING IN RELATIONSHIPS WITH POTENTIAL PURCHASERS

The situation with respect to potential sale of the units available on the Rajiv Indira/Suryodaya development is interesting and, again, has been strongly influenced by the relationships that NSDF and SPARC have established as a result of the two initiatives. In negotiating the complex bureaucratic requirements for the scheme it has become apparent that officials within the agencies responsible for the bureaucracy also need homes and have a strong interest in purchasing the planned units. Their interest has been strengthened by a perception that NSDF and SPARC have the capacity to arrange financial packages with Citibank and HDFC. As Jockin, President of the NSDF put it : " *We get requests everyday now from senior officials in the Railway Authority, the Collector's Office, The Deputy Collector's Office, the Police, the Income Tax office and others. The big bureaucrats who are approving our land and our building processes don't have houses themselves so they are interested. We can help them form their co-operatives, and get loans from Citibank. Citibank can deduct the repayments from the Government salaries, but they will have to have the capacity to pay 20% down. The 80% balance can come from lenders such as Citibank and HDFC*".

3.1.10 INVESTING RELATIONSHIPS WITH NSDF AND MM NATIONALLY

The Alliance has built its capacity through a process of exchange and sharing. Savings and loan systems have led to increased economic activity and household income, enumeration has led to the development of redevelopment, improvement and resettlement plans that have been designed by communities themselves and then negotiated with relevant state authorities. Lessons learned through applying these "rituals" in one location are shared in many other locations. Many thousands of federation members have been exposed to the processes involved and have developed new insights and skills as a result. At the same time developments have been anchored in the development of local resource bases within communities. As a result the capacity of the Alliance has become stronger and deeper, and the scale of its outreach now provides those within it with a series of buffers that help to mitigate against occasional failures .

3.1.11 INVESTING IN RELATIONSHIPS WITH THE WIDER INTERNATIONAL NETWORK

The Alliance and, specifically NSDF and MM, are active members of a wider international alliance of Federations that come together under the umbrella of Shack Dwellers International (SDI). SDI has a membership based in 12 countries with members sharing support, information and learning on a regular basis through a process of international exchanges. For further information on this refer to documentation on the community exchange process listed in the Bibliography.

3.1.12 INVESTING IN RELATIONSHIPS WITH OTHER NGOs

The Alliance's growing competence in managing relocation and rehabilitation projects has led to active partnership with State agencies and is now leading to requests from other non governmental agencies for collaborative approaches. For example during the research period SPARC was assisting environmentalists to develop a strategy for a relocation of 17,000 families from an environmental sanctuary in Maharashtra. The Environmentalist group had taken the Government to Court leading to a court order for the relocation of the families with the State providing Rps 7,000 per household for land. The state will provide infrastructure but the families will have to cover the cost of housing construction which is expected to range between Rps 25,000 and Rps 40,000.

4. WHAT IF …………..

The study began to examine options for co-operative housing societies such as Rajiv Indira and Suryodaya, within the context of the Alliance to access funding directly from international money markets. Discussions were held with a range of agencies to determine any obvious opportunities or constraints that would be encountered by the Alliance if it tried to make such arrangements in order to meet the rapidly increasing demand by communities for access to medium and long term credit.

The findings indicate that there is nothing, in principle, to prevent such an option. Indeed representatives of the National Reserve Bank of India seemed eager to help and the criteria laid down (see Table 2) would not, in and of themselves, preclude the kind and level of borrowing that the Alliance might contemplate. But ….. it has never been done – just as many of the tasks that the Alliance has taken on had never before been done. It may be the same old story - provisions made in a policy that never get tried in practice because the risks and costs of pushing policy application into new areas have been too daunting.

The advantage that the Alliance has in contemplating such risk-taking lies its own internal strength and capacity. It is clear that this can, and has been, leveraged effectively to bring other influential actors into partnerships that combine resources and thinking. The Alliance now has many friends among public policy makers. It has also begun, with Citibank, to create new relationships that could help in the financial obstacle course that the international money markets might represent for new comers.

The financial market within India is changing. Since 1993 Banks have been able to receive foreign deposits and, while the forward market is relatively undeveloped at the moment, there are signs that the market is likely to become deeper and more liquid . Inflation is at reasonable levels and economic growth, while not dramatic, seems steady. In Citibank's opinion, the Alliance's new company, Nirman, could probably hedge against exchange rate risk for three years. The cost of hedging is driven by local supply and demand with the current one year forward rate standing at slightly less than 5%. At the moment this only covers the exchange risk for rupee to dollar. A longer term hedge would range from 6.5% to 12% per year. However the main question is does the Alliance want to take this step of moving into the international financial markets ? What would be the advantages to them of doing so ? What might be the pitfalls ?

5. CONCLUSIONS

5.1 SUCCESS COMES FROM INVESTMENT IN PEOPLE, RELATIONSHIPS AND PROCESSES

The Kanjurmarg and Rajiv Indira –Suryodaya projects have emerged from initiatives taken as long ago as 1984 by SPARC, the Federation and Mahila Milan. As the Alliance has built up capacity and credibility its influence on public policy has grown, and its ability to act as a vanguard within urban settlement development has been recognised by a wide range of agencies. This has been a long-term investment and there have been no quick fixes. The relationships that have created the foundation for the success of the Rajiv Indira and Suryodaya projects take time to develop. They have not been built overnight and the trust within them comes from people working together and resolving difficulties together.

While other Federations, supported by the Alliance in a range of countries, have been able to develop significant capacity in a shorter time, it is arguable that this has only been possible because of the consistent and ongoing support of the Indian Federation which has ensured continuity within the wider network. It would therefore be unwise to believe that a simple replication of mechanisms could produce the same development results because it is not the mechanisms, in and of themselves that have made the difference. It is the nature and quality of relationships and knowledge that has been built up within the Alliance itself and between the Alliance and its allies.

It is these relationships that lie at the heart of the Alliance's risk mitigation strategy. The Alliance's investment in a widespread and diverse set of relationships spanning government officials, professionals and the private sector in India and internationally provides a good will buffer that, in a commercial form, would be reflected in its balance sheet.

5.2 BUILDING NETWORKS THAT SHARE RISK

The investments that the Alliance has made in activities that have entailed considerable risk have helped communities of the urban poor to force institutions within both the private and public sectors to review their own organisational capacities to deliver within the terms of their remits. This only happens when results can be demonstrated, not simply when intentions are declared. As the Alliance has built up a track record of risk-taking, demonstration and extrapolation to necessary policy change, so too have other agencies and partners been drawn into the process. SPARC has consistently negotiated with potential partners, be they financiers such as Citibank, donors such as Homeless International, or public sector agencies such as HUDCO and SRA, to become partners in the initial risk-taking investments that are necessary if new ways of working are to be found. The network of active partnerships is now substantial and far-reaching.

SPARC argues that if projects such as Kanjurmarg and Rajiv Indira-Suryodaya are not developed, then neither is the sustainable institutional capacity of the alliance. It is this capacity which is needed for effective negotiations with the state and with the market to take place so that developments can take place within informal settlements to improve the living conditions of the poor.

5.3 NEW KINDS OF FINANCING MECHANISMS

Given this context, it is not surprising that the financing mechanisms developed within the Alliance cannot be simplistically categorised. While the fundamental building block of savings and loans becomes established in an increasing number of urban contexts the process is adapted and changed to suit local conditions. As savings build up pooling takes place and the resulting capital is leveraged in various ways to increase access to external finance. Some of this external finance is used to provide bridging funds which enable projects to be developed to a stage where their achievements and significance becomes visible to policy makers and funders. The funds are also valuable as a way of developing the space that is needed for people to make mistakes and learn without being tripped up by red tape and bureaucratic expectations.

The Alliance consistently negotiates for group loans. This not only mitigates the risk of default by individual families but also provides options for using the available funds strategically. The funds are not simply revolved – they are "looped". For example a loan may be taken out that is initially used by one group who partially pay it off and the second phase of repayment may involve a totally different group of people. The funds are used to fill financial gaps at strategic points that individual savings and loans can't cover. When new processes are being developed and are still at an experimental stage this is where the financial resources come from to maintain the development process of the federations and to provide the necessary resources until the experiment becomes an approach that is strong enough to attract main stream funding. Loop funds provide a way to deepen the systems and, ultimately the sustainability of the Federation's capacity. However they are more complex to monitor and track than standard revolving loan funds because they are, in effect, community investment funds that flow through communities as opportunities arise for development initiatives to take place.

5.4 THE ROLE OF THE SRA

The role of the Slum Rehabilitation Authority and its openness in considering alternative approaches to rehabilitation have been significant. In particular the SRA has recognised that participant contribution should not only be seen in crude monetary terms, but should include qualitative and quantitative inputs that incorporate collective action to form co-operatives, to complete paper work, and to participate in managing and monitoring development as it takes place. When such contributions are translated into a cash value this contribution is large, impressive, and extremely valuable.

The SRA Policy could be seen as a policy that simply relates to housing. This would severely limit its impact. Its provisions should be seen as providing an important base for integrating housing initiatives into the provisions that result from the 73rd amendment and to commitments towards devolution and decentralisation made by both national and State Governments, In other words, the SRA's work is as much to do with Governance as it is to do with the construction of more adequate shelter.

5.5 CHANGING THE RULES OF THE GAME

Many of the delays in the two projects have resulted from the requirements and procedures of the formal financial sector. The Alliance has had to develop an understanding of the expectations of more formal institutions and, where necessary, to challenge them and suggest alternative ways of doing things. Because these changes are systemic they create further delays. However that is the cost of creating not only processes that work for the urban poor but also procedures and structures. However chaotic and messy the process appears to be at times, the investment is worthwhile because the rules of the urban development game are slowly beginning to change as a result of this process. New spaces are being created for the poor to determine their own development priorities and new partnerships are being forged that enable these priorities to be transformed into projects that can be implemented on the ground.

5.6 SOME IMMEDIATE RECOMMENDATIONS

5.6.1 The potential exists for the Alliance to negotiate direct off shore loans. In exploring this option it will be necessary to determine means of managing the exchange rate risks that will be involved and both these areas should be explored in more detail in Phase II of the project.

5.6.2 Information about the learning that is emerging from the financial mechanisms that the Alliance has developed should be disseminated more widely and specific documentation should be focused at bi-lateral and multi-lateral agencies.

5.6.3 The wider impact of the Rajiv Indira – Suryodaya and Kanjurmarg projects should be evaluated as families move into the schemes. In particular the impact of the projects at households level – on health, on employment, and on income generation should be tracked.

5.6.4 The legal architecture for formalising the agreements necessary in the two projects should be reviewed for appropriateness. Where new legal agreements have been negotiated and have the potential to be used by others, they should be made available with full annotation and, if necessary, with back up training and support.

5.6.5 Creating solutions that work takes time and involves risks. At the moment the risks are being disproportionately shouldered by the poor and those who work most closely with them. It is more than likely that this will continue to be the case. However others can help. They can help by ensuring that buffers are in place to help communities to be able to mitigate the risks they take in investing in long term development. The most substantial buffers are those provided by the capacity of the Alliance itself. However financial guarantees and the provision of flexible bridging funds can also be extremely useful. These kinds of buffers should be built into development assistance because new approaches in infrastructure and housing development involve long term processes, rather than short term fixes.

NOTES

[1] See 1.5.4

[1] SPPL was set up by Government in 1998 as a special purpose vehicle to function as a private developer under the SRA scheme. Both SPPL and MHADA are eligible for HUDCO loans with Guarantees being provided by the State Government. SPPL has an additional competitive advantage in that, unlike SPARC, it can access not only Government guarantees, but also government land. However while SPPL may, in effect, have the largest land bank available it faces problems in organising people. In order to develop land under SRA approval, the developer must be able to complete Appendix II of the SRA Act, which comprises a list of names of the families participating in the project who must all be able to demonstrate that they were resident or on the electoral role of the city on January 1 1995. This has proved problematic for SPPL which has to deal with two kinds of situations:

- The property exists but has to be filled by people meeting the requirements of Appendix 2 of the Act.
- Communities exist that need assistance in planning SRA developments on land they already occupy.

The degree to which the State should be taking on a direct development role has proved contentious. Certainly the enabling strategy promoted by the UNCHS since 1986 would appear to preclude this and within recent discussions to review policy in Maharashtra the issue has yet again come to the fore front of discussions. Within an enabling strategy it is generally recognised that the role of the state is focused on ensuring that the legal and regulatory system governing land development, and housing finance provides a framework that helps the market and communities to work effectively together. In addition the State is expected to ensure that trunk infrastructure is in place so that communities can access basic services that they cannot develop themselves. Development itself however is seen as the responsibility of communities and the market.

[1] The major decline in real estate prices in Mumbai during 1998 was caused by a number of factors. – See section 2.1.6

[1] The Rent Control Act limited rent in many existing properties to less than Rs3000 per month unless the landlord lived in the unit him/herself. As a result 30% of apartments in South Bombay were empty in 1997 and locked. Pugri (meaning turban) is the right to rent under the Rent Control Act. This right can be sold. The Urban Land Ceiling Act limits individual ownership of vacant land in urban areas to 500 sq. metres. It is possible to get permission for additional land but this is conditional on provision of 20% of the total area for use by lower income groups. Most of the available vacant land is in the Northern areas of Bombay.

[1] See Guidelines for the Implementation of Slum Rehabilitation Schemes in Greater Mumbai, published by the Slum Rehabilitation Authority of the Government of Maharashtra. The SPARC/NSDF/Mahila Milan Alliance has had a significant impact on the content of the SRA policy having sat on the Afzulpukar committee that designed the policy, and having had the opportunity to incorporate within the policy lessons learned from previous schemes implemented by the Alliance

[1] 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 Markendeya, a development based in Dharavi where the Rajiv Indira Scheme is also located.

[1] The Congress and National Congress parties have formed a coalition in Maharashtra which has a slim majority over the opposition BJP and Shiv Sena

[1] Adapted from a presentation given to a review committee by Sheela Patel, Director of SPARC.

[1] See CLIC study of Kanjurmarg – DFID KAR project. An average house built along the railway tracks costs Rps15,000 in building materials and Rps 2,000 per year to maintain . The maintenance is repetitive as people must rely on temporary building materials. materials) In addition families must pay protection costs to Railway officials although this has reduced significantly since the Railway Slum Dwellers Federation was formed.

[1] Inter Bank Borrowing Rate

[1] Along the Beaten Track

Appendix 1 – Financial Viability of the Rajiv Indira – Suryodaya Project

FINANCIAL VIABILITY OF THE RAJIV INDIRA SCHEME, MUMBAI								Page 1
Scheme Name.........		***Rajiv Indira & Sarvodaya B***						
Site Database								
Number of Eligible Occupiers.....			213		Flat Size..................		225	sq. ft.
					Total Required..........		47,925	sq. ft.
Number of Flats for Sale...........			32					
Average sq. ft. Net Build Up Area………….			520		Total Required..........		16,640	sq. ft.
TDR for Sale in Flats................			0		Flat Size..................		225	sq. ft.
					Total Required..........		0	sq. ft.
Free Commercial in sq. ft..........			0					
Sale Commercial in sq. ft..........			4000					
Rent Commercial in sq. ft..........			0		Total Required..........		4,000	sq. ft.
Circulation Space (add %0) sq ft			15%		Total all uses...........		68,565	sq. ft.
					Total inc circulation...		78,850	sq. ft.
Cost Database								
			Free Flats	Free Flats	Sale Flats	Commer'l		
			Low Rsf	Hi Rsf	Hi Rsf	Hi Rsf		
	Construction*		575	625	575	575		
	Development Charges		180	180	180	180		
	Transit Costs		0	0	0	0		
	Survey/Engineer		51	51	51	51		
	Other		0	0	0	0		
			-------------	--------------	--------------	--------------		
	Sub-Total		806	856	806	806		
	Conting'Y.	5%	40	43	40	40		
			-------------	-------------	-------------	-------------		
	Total		846	899	846	846		
			=======	=======	=======	=======		
	Flats		129	84				
	* Based on useable space including circulation space							
	Interest Cost of Working Capital.................				14%			
	Working Capital (max) Required.................				57,940			
	Average Working Capital Required.............				38,627			
	Maximum Time Working Capital Required.				3	years		
	Local Authority Deposit For Each Free Flat.				20,000	Rs per flat		
	Maintenance Fund For Each Free Flat........				15,000	Rs per flat		
	Social Fund For Each Free Flat.................				5,000	Rs per flat		

FINANCIAL VIABILITY

Scheme Name......... ***Rajiv Indira & Sarvodaya B***

Receipts Database							
				Flats	Commer'l	TDR	
				Rs per s f	Rs per s f	Rs per s f	
	Sales						
	Sale Prices per sq. ft................			**2,500**	**3,500**	**850**	------------------
				=======	=======	=======	
	Leasing/Rental						
	Commercial Lease Premium.....				0		
	Annual Commercial Rental........				0		
	PV of Annual Rental................				0	transfer to annual charges	
	Discount Rate..........................				14%		
	Period of Discount....................				35	years	
					=======		

FINANCIAL VIABILITY OF THE RAJIV INDIRA SCHEME, MUMBAI Page 3

Scheme Name......... ***Rajiv Indira & Sarvodaya B***

Viability Assessment

				Rs in 000s		Rs in 000s				
	Receipts									
		Flat Sales..............		47,840						
		Commercial Sales....		14,000						
		TDR Sales..............		49,657				TDR Sq Ft	43,925	@1.33
		Lease Premium........		0						
				-------------		**111,497**				
	Development Costs									
		Free Flats..............		-47,784						
		Sale Flats................		-16,195						
		Commercial............		-3,893						

		Sub-Total................		-67,872						
		Working Capital Int...		-16,223						
				-------------		**-84,095**				

	Cash Generated By Scheme.....					**27,402**				
	Local Authority Fund Required.........................			-4,260						
	Maintenance Fund Required............................			-3,195	optional					
	Social Fund Required................			-1,065	optional					
	PV of Commercial Rents...........			0						
				-------------		**-8,520**				

	Margin Available..					**18,882**				
						=======				
						Buffer Calc				
	Margin Represents of Total Receipts.........................					**17%**				
						=======				
	Margin Represents of Total Costs.............................					**22%**				
						=======				
NB	If 20% TDR sold in advance then maximum financing required					**74,163**	000s rupees	equal to	**£1,090,639**	
	If 10% guarantee HI required @		68	**r per £**		**£109,064**				
	If 20% guarantee HI required @		68	r per £		**£218,128**				

SUMMARY OF VIABILITY		
INCOME		
Sale of residential units		54,000,000
Sale of commercial units		16,100,000
TDR sale		35,500,000
TOTAL INCOME		**105,600,000**
EXPENSES		
84 Units of Building1A		20,827,800
64 Units of Building1B		14,409,600
70 Units of Building 2A		15,760,500
34 Units of Building 2B		17,400,000
14 Units of Building 2C		6,942,600
TOTAL CONSTRUCTION EXPENSES		**75,340,500**
Surplus from construction activities		**30,259,500**
Less:		
Interest cost		12,377,218
Deposit with SRA (20000*218)		4,360,000
TOTAL OTHER EXPENSES		**16,737,218**
NET SURPLUS FROM OPERATIONS		**13,522,282**

Appendix 2

QUARTERLY CASH FLOW-KANJURMARG

	APRIL 1998 - MARCH 1999				APRIL 1999-MARCH 2000				2000-2001	
	Qu1	**Qu2**	**Qu3**	**Qu4**	**Qu1**	**Qu2**	**Qu3**	**Qu4**	**Qu1**	**Total**
EXPENDITURE										
Site Development	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000		11,800,000
Transit Housing Development		1,280,000	1,990,000	2,975,000	2,000,000	4,686,000	3,000,000	2,000,000		17,931,000
Total Direct Expenditure	**1,475,000**	**2,755,000**	**3,465,000**	**4,450,000**	**3,475,000**	**6,161,000**	**4,475,000**	**3,475,000**	**0**	29,731,000
INCOME										
For development and infrastructure costs	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	0	11,800,000
For housing costs	0	1,280,000	1,990,000	2,975,000	2,000,000	4,686,000	3,000,000	2,000,000	0	17,931,000
Total Income	**1,475,000**	**2,755,000**	**3,465,000**	**4,450,000**	**3,475,000**	**6,161,000**	**4,475,000**	**3,475,000**	**0**	**29,731,000**
Net surplus/deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Interest to SPARC Bridge Fund***	44,250	88,500	132,750	147,000	191,250	235,500	279,750	114,000	-36,000	1,197,000
Interest to Bilance Bridge Fund***	0	38,400	98,100	187,350	247,350	387,930	57,930	117,930	117,930	1,252,920
Total Interest	**44,250**	**126,900**	**230,850**	**334,350**	**438,600**	**623,430**	**337,680**	**231,930**	**81,930**	**2,449,920**
RESOURCED BY BRIDGE FUNDS										
SPARC Bridge Finance (Infrastructure)	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000		11,800,000
SPARC Bridge Finance (Infrastructure) reimbursed*				1,000,000				7,000,000	5,000,000	13,000,000
Cumulative SPARC Bridge Fund Use	1,475,000	2,950,000	4,425,000	4,900,000	6,375,000	7,850,000	**9,325,000**	3,800,000	-1,200,000	39,900,000
Bilance Bridge Finance (Housing)	0	1,280,000	1,990,000	2,975,000	2,000,000	4,686,000	3,000,000	2,000,000		17,931,000
Bilance Bridge Finance reimbursed**							14,000,000			14,000,000
Cumulative Bilance Bridge Fund Use	0	1,280,000	3,270,000	6,245,000	8,245,000	**12,931,000**	1,931,000	3,931,000	3,931,000	41,764,000

Infrastructure includes site development, drainage, roads, water, electricity and

*Reimbursement from Railway Authority

** Reimbursement from HUDCO loan financing

***Interest on cumulative balance of Bridge funds calculated at 12%

NOTES

[i] See 1.5.4

[ii] SPPL was set up by Government in 1998 as a special purpose vehicle to function as a private developer under the SRA scheme. Both SPPL and MHADA are eligible for HUDCO loans with Guarantees being provided by the State Government. SPPL has an additional competitive advantage in that, unlike SPARC, it can access not only Government guarantees, but also government land. However while SPPL may, in effect, have the largest land bank available it faces problems in organising people. In order to develop land under SRA approval, the developer must be able to complete Appendix II of the SRA Act, which comprises a list of names of the families participating in the project who must all be able to demonstrate that they were resident or on the electoral role of the city on January 1 1995. This has proved problematic for SPPL which has to deal with two kinds of situations:

- The property exists but has to be filled by people meeting the requirements of Appendix 2 of the Act.
- Communities exist that need assistance in planning SRA developments on land they already occupy.

The degree to which the State should be taking on a direct development role has proved contentious. Certainly the enabling strategy promoted by the UNCHS since 1986 would appear to preclude this and within recent discussions to review policy in Maharashtra the issue has yet again come to the fore front of discussions. Within an enabling strategy it is generally recognised that the role of the state is focused on ensuring that the legal and regulatory system governing land development, and housing finance provides a framework that helps the market and communities to work effectively together. In addition the State is expected to ensure that trunk infrastructure is in place so that communities can access basic services that they cannot develop themselves. Development itself however is seen as the responsibility of communities and the market.

[iii] The major decline in real estate prices in Mumbai during 1998 was caused by a number of factors. – See section 2.1.6

[iv] The Rent Control Act limited rent in many existing properties to less than Rs3000 per month unless the landlord lived in the unit him/herself. As a result 30% of apartments in South Bombay were empty in 1997 and locked. Pugri (meaning turban) is the right to rent under the Rent Control Act. This right can be sold. The Urban Land Ceiling Act limits individual ownership of vacant land in urban areas to 500 sq. metres. It is possible to get permission for additional land but this is conditional on provision of 20% of the total area for use by lower income groups. Most of the available vacant land is in the Northern areas of Bombay.

[v] See Guidelines for the Implementation of Slum Rehabilitation Schemes in Greater Mumbai, published by the Slum Rehabilitation Authority of the Government of Maharashtra. The SPARC/NSDF/Mahila Milan Alliance has had a significant impact on the content of the SRA policy having sat on the Afzulpukar committee that designed the policy, and having had the opportunity to incorporate within the policy lessons learned from previous schemes implemented by the Alliance

[vi] 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 Markendeya, a development based in Dharavi where the Rajiv Indira Scheme is also located.

[vii] The Congress and National Congress parties have formed a coalition in Maharashtra which has a slim majority over the opposition BJP and Shiv Sena

[viii] Adapted from a presentation given to a review committee by Sheela Patel, Director of SPARC.

[ix] See CLIC study of Kanjurmarg – DFID KAR project. An average house built along the railway tracks costs Rps15,000 in building materials and Rps 2,000 per year to maintain . The maintenance is repetitive as people must rely on temporary building materials. materials) In addition families must pay protection costs to Railway officials although this has reduced significantly since the Railway Slum Dwellers Federation was formed.

[x] Inter Bank Borrowing Rate

[xi] Along the Beaten Track

[xii] The analysis of the distribution of household level benefits, especially from a gender perspective , lay outside the scope of this study but it is clear that Mahila Milan plays an important role in ensuring that women's role is not only central in practice but also recognised as being so..

[xiii] Children's nursery

[xiv] Requirements under the Coastal Zone Planning Restrictions appear confused as the legislation is relatively recent and precedents are lacking.

[xv] The analysis of the distribution of household level benefits, especially from a gender perspective , lay outside the scope of this study but it is clear that Mahila Milan plays an important role in ensuring that women's role is not only central in practice but also recognised as being so..

[xvi] Bridge funds can have disadvantages because there is a danger that bridging funds can take the pressure off financial institutions to respond to project financing requests. If this occurs, and because the project risk is front loaded, the bridging funds take the major risk load. There is also a danger that the bridge funds will be used on the weakest projects. However the availability of bridge funds also provides an opportunity for the alliance to use external funding strategically within its own learning and development process, and to take on projects that can be used as a basis from which to amend and improve policies that may not currently operate in the best interests of the poor.