

Innovative Financing models for Community led initiatives for micro Housing and slum infrastructure

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The urban landscape in India...

- India's urban population is 285 million
- 27.8% of India's population is in urban areas
- 11% of world's urban population is in India
- 3 of the 10 largest cities in the world are located in India
- 35 cities have population of more than one million each
- Urban poor increased from 60 to 76 mn during 1974-94



Source: India census, 2001

Has led to huge demand for housing

Demand

- Urban housing shortage of 17.0 mn units
- US\$ 34.00 bn required to meet the demand
- 40.0 mn people residing in urban India do not have access to toilet facilities



Issues - Constraints

- Urban poor lack access to housing finance
- Distinct from popular MF
- Poor credit profiles
- Lack of documented income proof
- Lack of clear titles to the land
- Lack of permanent residence / locations
- Long term loans required
- High operating cost Vs Price

..But incapacity of private and public sector to provide low price housing for majority of population has led to a housing crisis

....and mushrooming of shantytowns

- Dwellings are built by the current or original occupant
- Rudimentary construction materials
- No construction permit
- Housing and sanitation norms not followed
- Lack of access to civic amenities

- Inhabitants have no legal title to the land
- Located in areas being declared inhabitable
- Owned by the municipality
- Abandoned private land
- Exploiting a legal vacuum of land ownership

...which are the most visible sign of widespread poverty and put large populations at risk

NGO – Bank partnership: Experiences

- Citi Bank – Slum housing: Dharavi
- UTI Bank – Urban sanitation
- ICICI Bank – Slum Housing: Oshiwara II
- NHB – Slum housing: Oshiwara I

Issues in Partnership Replication

- Few NGOs into Housing & Sanitation
 - SPARC
 - IASC
 - Gram Vikas
- Partnership depends on NGOs reputation and credibility

Oshiwara – II

- To construct 2,500 housing units of Oshiwara, Mumbai
- Project cost of INR 800.0 Mn (USD 19.9 Mn)
- Loan component of INR 190.0 Mn (USD 4.7 Mn)
- Fixed loan of INR 110.0 Mn (USD 2.7 Mn) and OD of INR 80.0 Mn (USD 2.0 Mn)
- Cash inflows by way of:
 - Sale of free sale quota
 - Sale of TDR's
- As per initial appraisal, project would make marginal surplus

Oshiwara – II: Credit Guarantee

- USAID guaranteed 50% of the fixed loan loss portion; INR 110.0 million (USD 2.7 mn)
 - Guarantee replaced the cash backed security
 - Bettered the pricing and the structure rating
- Project status
 - 80% of the construction completed for 8 out of 18 buildings containing 1200 units.

Constraints in partnering with NGOs

Constraints

- Poor Balance sheet & Financial strength
- Difficulty in Benchmarking
- Incapability to provide sufficient Collateral

Mitigants

- Implementation strengths
- Credibility of organisation
- Product Structure to meet specific requirements – Escrow, LOC
- Leveraged Guarantees
- Bridge funds

Kudumbashree Model

- Create platform for formal financial linkage : CDSs
- Creating a favorable Beneficiary – Bank interaction
- Facilitate in active participation from all Banks

Banks Experience: Bhavanashree- Home Loan

- Funding done by more than 11 banks
- Banks in toto have sanctioned close to 45,000 housing loans with total loan disbursed of Rs. 1.60 Bn (USD 4.0 Mn)
- Operating through own branches or through outsourced agency

Suggested Models

- Group Model
- Urban Housing Cooperative model
- Saving linked model
- Guarantee fund to share risk
- Leasing/rent based models



Thank You

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