

Bankable Slums

Unlocking the Potential of Housing Finance for Poor in Urban
Informal Settlements
A Case of Mumbai

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Structure of Presentation

- Context - Global
- Context – India and Mumbai
- Mumbai Experience
- Way forward
 - Housing Finance – Supply Side
 - Housing Finance – Demand Side

Global Context ⁽¹⁾

- A billion slum dwellers, with \$billion+/day – large market
- Slum upgrading cost - \$670 billion
- Borrow all at 8% for 15 years, pay 21 cents/day!
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- Global capital market size \$120 trillion – \$18.5K/person, housing finance substantial at 12%
- Problem of money and affordability? Not really....
- Knowledge, leadership and will to do is.....

Global Context (2)

- Exuberant, expanding financial markets
 - Lessons from microfinance expansion
- Improved economy and governance of countries – will create impetus
- Empowered communities

- Conditions are never better

Context – India/Mumbai ⁽¹⁾

- 67 million urban poor, 6 million in Mumbai
- Growing economy, urban focus with \$12 billion program
- Expanding financial services, housing finance is limited to only top 5% of population
- Mumbai
 - Home to community-led movements of Slum Dwellers International, National Slum Dwellers Federation, SPARC
 - Massive city transformation underway

Mumbai Slum Upgrading ⁽¹⁾

- Community movements
 - Began in mid eighties
 - Daily savings schemes as a vehicle for community led development processes
 - Have influenced policy making
- Slum Rehabilitation Scheme (SRS)
 - Since 1996, based on land value and additional built-up area, off-balance sheet of governments
 - Slum households get high-rise free housing

Mumbai Slum Upgrading (2)

- Slum Rehabilitation Scheme (SRS)
 - Developers get extra built up area for sale – onsite and off-site, highly profitable
 - 70,000 units constructed
 - Communities and their organizations
 - Around 10,000 units under various stages
 - Construction finance is an issue
 - Community-led Infrastructure Finance Facility (CLIFF) provided technical assistance, guarantees and bridge finance
 - High potential for scaling up – high land values in Mumbai and other large cities
 - Nearly 150,000 units are likely to be constructed with investments of \$3 billion in next 5 to 7 years

India Slum Upgrading ⁽¹⁾

- New urban mission with \$12 billion federal assistance
 - Infrastructure with sustainable reforms
 - Focus on urban poor and housing
- Plans for deepening low income housing supply and demand side
 - Interest rate subsidy, credit guarantees
 - Early stage developments – will take time

Housing Finance - Supply

- Access – concern, lessons of micro finance
- New Instruments – improve affordability, postpone liabilities – use financial sector muscle to correct
- Lease finance – asset based microfinance
- Risk mitigation –
 - credit enhancement, pre-finance facilities for project development, mortgage insurance, foreclosure

Housing Finance - Demand

- Community led process, track record
 - Cafeteria approaches for slum upgrading
 - Government support
 - Non-fiscal
 - Security of tenure, land availability at right time and right price
 - Land at cheaper rates
 - Tax concessions
 - Fiscal
 - Smart but not blanket subsidies for housing and infrastructure
 - Graded subsidies in relation to income
 - Market based supply of affordable housing (for slum upgrading and prevention)
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