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Financing Slum Rehabilitation in Mumbai: A Non-Profit Caught in the Middle

In November 2001, an Indian non-governmental organization dedicated to improving the lives and housing of the slum-dwellers of the city of Mumbai, was told that it might well not make financial sense to complete a major new housing project in which it had invested and convinced others to invest. The Society for the Protection of Area Resource Centres (SPARC) had, over the previous four years, repeatedly used its good name and contacts, developed since its inception in 1984, to bring together a complex financing scheme to construct a three-building, 268-unit development in the middle of Dharavi, widely considered Asia's largest slum, and certainly the largest in Mumbai (formerly known as Bombay). It had convinced one of the world's largest financial institutions, Citibank, to loan funds to India's National Slum Dwellers Federation, the organization that would develop the Dharavi project. It had convinced an international non-profit organization, Homeless International, to guarantee the loan. And it had helped get construction underway by advancing the Federation—which it considered a key partner—funds from its own reserves and funds it borrowed.

But changes in the Mumbai real estate market had led both the bank and Homeless International to have strong doubts about the financial assumptions on which the Dharavi towers were to be built. Private, unsubsidized buyers had been projected to provide the project enough revenue to pay back its loan—and to allow some units to be set-aside for slum-dwellers, who would receive them at no cost. The prospect of such sales was so doubtful, in Citibank's view, that it put forward a number of conditions on financing the project and urged that construction be scaled back considerably to just one of the three planned towers.

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At the same time, SPARC was hearing from the Slum Dwellers Federation that buyers would, indeed, come forward—that, in the informal economy of sprawling, overcrowded Dharavi—where both clean water and toilets were rarities—there were households with both enough money to buy and a desire to stay in the neighborhood because they earned their living there. The Federation—which SPARC viewed as a key long-term partner in its campaign to improve conditions in India's urban slums—was pressuring SPARC to use its relationship with Citibank—which included a marketing campaign in which the bank, eager to gain public goodwill, promoted its support for SPARC—to keep the loan funds flowing.

Caught between partners, SPARC executive director, Sheela Patel, would have to decide whether to take the risks implicit in using her offices to push ahead on the Dharavi towers project, and convince her board to support this position.

SPARC

Founded in 1984, SPARC had begun its work with poor women living in pavement settlements in a slum area of central Mumbai called Byculla, not trying, at first, to build housing but simply to gather information about the community and conditions there. Because the government knew so little about these communities, SPARC staff found that the information gleaned from simple "shack counting" and more complex household surveys conducted with women in the community could help residents gain access to public services, including water and food subsidies. Later, its middle-class staff and volunteers, all women, pushed for quality-of-life improvements in slum areas, particularly better sanitation. SPARC was able to gain support for such work from the national government, which initially gave it a grant to work with migrant women, and later from international donors. But, over time and in response to concerns raised by the women's collectives with which it worked, the organization's leadership moved increasingly toward the goal of abetting the construction of new, safe and sanitary housing. This goal led SPARC into coalition with India's National Slum Dwellers Federation and its influential leader, Arputham Jockin, who had organized a national network of slum residents working, in cooperatives, to fight evictions, gain access to basic amenities, and most important, secure legal title to their land. To the all-male leadership of the Slum Dwellers Federation, SPARC brought not only its own senior staff of professional women but also the network of women's collectives that had grown to become a federation of its own in Mumbai, one known as Mahila Milan—"working together" in Hindi.

Together, the three organizations—SPARC, Mahila Milan and NSDF—formed an informal affiliation or "alliance" as they called it. Gaining land tenure for the Alliance was to be the first step in the eventual development of modern, permanent housing; without clear legal title, construction would be impossible. But although the Federation, with the help of SPARC and Mahila Milan, and with funds provided by the savings of slum-dwellers themselves, had built some 700 "demonstration" homes in cities around India, it had yet to find a way either to build large numbers of units, or produce other housing options in numbers sufficient to make a dent in the need for improved housing in places like Dharavi—where more than half a million of Mumbai's 12 million residents lived. "Tenure alone," observes SPARC's Sheela Patel, "is not enough. After tenure, you must build the houses."

Other Partners: Homeless International and Citibank

The effectiveness of the Alliance, both in securing improvements to slum areas and in organizing residents, and the professionalism of its management, gradually raised the public profile of SPARC and helped it forge a range of other useful relationships. These relationships would come into play when SPARC moved to put the financing pieces together for the Dharavi towers project.

Thanks to a year (1989) which SPARC leader Patel had spent in the United Kingdom, the organization developed an association with the UK-based non-profit Homeless International, itself looking to find ways to finance so-called "social housing" in Britain, in response to the decline in government support for such projects. In consultation with Patel, Homeless International's Ruth McLeod focused a part of her organization's efforts on developing a loan guarantee fund, what McLeod and Patel identified as a missing piece of the housing finance puzzle, one that they hoped might encourage a broader array of lenders for community-based, housing development investments. These international guarantee funds would provide hard currency guarantees to local country banks and financial institutions to encourage lending to poor communities, while the guarantee funds themselves would stay in the UK in a special holding account.

SPARC had also forged a relationship with one of the world's most significant financial institutions, New York-based Citicorp, which had begun a rapid expansion following the 1991 liberalization of India's economy.[1] As part of Citibank- India's push into the modern era after nearly a century in the country appealing to the wealthiest clients and corporations, the bank began to promote such services as debit cards and ATM's to India's growing middle class. It also sought to establish its corporate bona fides as a good citizen—in part, by supporting the good works of local non-profits through its corporate foundation. SPARC, recall Citibank officials, was just the sort of organization the bank was looking for in its effort to become known as an "Indian bank." Sarvesh Swarup, Citibank India VP for consumer banking at the time, recalls:

> SPARC was highly recommended. Their work was well known in the business community. It already had a strong track record, and it had the necessary management strength to take that forward.

[1] India had long been dominated by state-owned industries, including state-owned banks.

For her part, Sheela Patel had been somewhat reluctant to become involved with Citibank; she was, in fact, chided by her partner A. Jockin of the Slum Dwellers Federation—himself more dubious of multinational institutions—for approaching international foundations with a "begging bowl." After testy, early meetings, however, SPARC and Citibank worked out a partnership. It included both financial support from the Citibank Foundation (a US$150,000 three-year grant for SPARC's core operations), and "non-checkbook" arrangements (volunteer-provided services in kind). In return, Citibank was able to highlight the partnership in publicity material as well as to use SPARC's name in marketing "cause-related" financial products. For instance, Citibank India, the first to introduce credit cards in the country and the leading credit card issuer, launched a "Woman's International" card in 2001, with SPARC featured prominently on information about the card. "This card understands sensitive issues close to your heart ... " read the advertising copy, which then described how each use of the card yielded a contribution to SPARC and Friends of Women's World Banking/India, another NGO well-known for its microfinance work (small loans to those of very modest means) among poor women.

Patel proved a crucial contact for Citibank India in expanding its relationships with NGOs beyond SPARC. She helped the bank identify six other NGO partners in other cities throughout India. The combination of "checkbook" and "non-checkbook" components developed with SPARC was copied not only within India but also in countries throughout the region..

Citibank, for its part, also insisted that bank employees have the chance to volunteer at SPARC—a condition which Patel accepted only with the proviso that the volunteers provide special, high-level expertise—such as advice on information technology, the management of financial investments, and the assessment of the wisdom of specific proposals. The latter would come into play in the context of the Dharavi towers project.

The Rajiv-Indira Cooperative Proposal

SPARC's contacts with Citibank, Homeless International and the Slum Dwellers Federation began to intersect in 1996 when SPARC learned that a group called the Rajiv-Indira Co-operative, a 48-family group affiliated with the Federation in Dharavi, was looking for help in its effort to build new housing in that district. Recalls Homeless International's McLeod:

> Their needs were acute. [They] were living in very poor conditions on a plot sandwiched between other settlements, accessible only on foot through narrow passageways. In the monsoons, flooding was common and effluent from the inadequate drains poured into people's houses. Not surprisingly, children and other inhabitants were frequently sick with

> diarrhea and other illnesses.[2] (See Exhibit 1: Rajiv-Indira, photographs 5 and 6.)

Rajiv-Indira hoped to take advantage of a new Mumbai program which offered private developers in what was then a booming, local real estate market the chance to build, and to do so at higher densities than would otherwise be permitted, in exchange for building housing for the poor. The so-called "transferable development rights," or TDR, program, overseen by the new Slum Rehabilitation Authority, offered incentives for developers to work with cooperatives like Rajiv- Indira. (See Exhibit 2: "How the SRA Policy Works".) Developers who provided no-cost units for members of a low-income cooperative, alongside for-sale units, would also gain the right to develop at higher density in higher-priced parts of middle-class Mumbai, where building restrictions would have otherwise limited construction—and profit.

Notwithstanding this apparently fortuitous confluence of factors, SPARC—in effect convening the various parties so as to serve as midwife to the project—had to bring along its partner from the Slum Dwellers Federation, Mr. Jockin. The latter was suspicious of the bank, which he feared was merely trying to appear "poor-friendly," entering into a relationship solely for the sake of having something to promote in press releases. Recalls Jockin:

> My God, this was Citibank! They are more about milking the cow than feeding the cow. I felt that they were going to make it for their own benefit.

Yet, he ultimately agreed with Patel that this was the clearest path towards a housing development model that they could then expand to other cooperatives. Patel emphasized that the arrangement would break new ground. This approach through Citibank seemed the best available means of proving that the novel slum rehabilitation scheme could work. Jockin was clear, however, in his goal that, "They will not use us. We will try to use them."

So it was that a combination of factors—transferable development rights, Citibank capital and a Homeless International loan guarantee, along with the interest of the cooperative and the Federation—appeared to set the stage for the three-tower Dharavi "slum rehabilitation" project.

Starting Out

From the inception of the idea for the project, there was concern among those being asked to finance it about underlying sales and revenue projections. Even with the incentive of transferable development rights, the project could not go forward without the sale of residential units to buyers who were not part of the cooperative, as well as the sale of ground-floor commercial space. Two independent assessments—one by Homeless International's Derek Joseph,

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2 Ruth McLeod (2000). "Credit Where It's Due". *Developments: The International Development Magazine* (10). Available on the WWW: http://www.developments.org.uk/data/10/credit.htm.

who had done similar work in the UK, and one paid for by Citibank—all showed the project operating at a substantial loss. Surprisingly, it was Citibank's Saravesh Swarup who turned the tide, telling Homeless International's Joseph, that:

> ... we don't know the slum market. We only lend to people in the construction industry that service the upper income groups. There's a whole market of lower and middle-class and slum people who have some money and who need smaller apartments. That is not being looked at in this city at all.

Swarup was echoing the even more strongly held view of the Slum Dwellers Federation, which believed that, in the informal economy of the Mumbai slums, there were households with sufficient funds to purchase modest apartments—and who would, indeed, prefer to live in that area, as opposed to other parts of the city. Such households relied on the neighborhood economy to earn their living and thus valued both proximity to their customers and an ongoing familiarity with the neighborhood.

Ultimately, the lending terms were set. Citibank agreed to lend SPARC and the Rajiv-Indira co-operative $750,000; Homeless International agreed that, in the case of the project's default, it would reimburse the bank for the first 20 percent of the loan—an amount seen as the difference between the most optimistic and pessimistic financial scenarios. In early 1999, construction got underway.

The agreement and groundbreaking notwithstanding, testiness and skepticism amongst the parties lingered beneath the surface—and sometime rose nearly to public view. For instance, once the terms of agreement had been set, Citibank, near the end of April 1999, was eager to announce the plans publicly. It scheduled a press conference and invited SPARC, Homeless International, and the Slum Dwellers Federation representatives to attend. The loan paperwork was still far from completed, however, and no money had yet changed hands. Patel was used to such things; she had been through similar ceremonies before, in which she was handed a large placard with a facsimile of the check only to wait months until the actual money arrived. Jockin, however, balked at the prospect of acknowledging the agreement in public without any Citibank funds in project accounts. Construction had only gotten underway because the Federation and SPARC had provided interim or "bridge" financing, shuffling funds from other accounts. Says Jockin:

> Citibank, SPARC, and Homeless International were going to sign an agreement and the bloody-joker slum dwellers were going to sit there and clap their hands? I told Citibank and Homeless International that if there is no money, we would not come. If you're signing an agreement, at least give something!

Patel, under pressure from Jockin, said she would not participate either. "We tried to explain [to both Citibank and the Federation] the point of view of the other. But we went with what the Federation was saying." Within 24 hours, Citibank released three million rupees or $70,000 as a first disbursement of the loan, and the press conference went ahead as planned, with ample coverage in all of Mumbai's news media. Patel was well aware of the leverage she and the Federation held; she points out that Citibank can always purchase advertising, " ... but to get an article in the *Times of India*, on the front page, saying this is what the community says, this is what the Federation says, is priceless. When you don't buy publicity but you get it as a compliment, it does much more to your image in the city."

Challenges

Even with building underway, however, it was not long before the Dharavi project ran into trouble. The Mumbai real estate market, which had seen exponential growth over the course of the previous decade, had gone into near-free fall; there was, as a result, no stable market for the transferable development rights being generated by the project. A key source of revenue was, thus, in serious jeopardy. At the same time, the project had, ironically, become more ambitious. In early 2000, the director of the Slum Rehabilitation Authority suggested that Rajiv-Indira combine its project with an adjoining rehabilitation project that had been abandoned by a private developer. In addition to rescuing the residents of this co-operative, Suryodaya, from transitional housing and reviving a failed scheme, the collaboration allowed Rajiv-Indira far better access to its own site and offered a far more attractive location for both commercial and residential for-sale units. The two cooperatives combined to become the Rajiv-Indira Suryodaya Cooperative.

However, the combination doubled the number of units and the projected costs of construction. Citibank and Homeless International agreed in principle to the expansion—pending, however, another round of studies.

The new analysis would, moreover, be conducted by new sets of eyes at Citibank. Late in 2000, Citibank India's parent company, Citicorp, was acquired by the Travelers Insurance Group—and re-christened as Citigroup. The implications for Citibank India were swift. In the succeeding year, all 15 bankers who had helped forge the loan agreement were transferred out of Mumbai. Patel explains that such corporate turnover was not uncommon in Mumbai, India's commercial capital, as it was seen as a launching pad for promising young executives in general, "These people come in. They're put on a fast track, and then they go out." It meant, however, that a whole new group of executives would have to become familiar with, and agree to, the Dharavi loan scheme. Recalls McLeod, "You had to literally go back to the beginning and say, this is the scheme, come visit it, etc."

Jockin and those in the Federation found that, once again, they had to justify their way of operating and their calculations.

> Every third day, a new person would come asking the same questions. How many Xerox copies? How many [requests for] the plan? Twenty-one times! Work chart. Accounting books. That book. This book. You need to have two or four doses of [aspirin] before you go for a dialogue, just so you don't get a headache!

To make matters worse, in early 2001, the project encountered yet another unexpected complication. In response to national guidelines protecting coastal areas and waterways, the state of Maharashtra, in which Mumbai was located, passed regulations that severely limited the allowable density of development on any land within 100 meters of a waterway. The entire Dharavi project fell within what was known as a "Coastal Regulation Zone II" or CRZ II, designating a developed area in which construction was permissable but with severe restrictions on density. By placing a cap on density, the act effectively withdrew a primary incentive of the Slum Rehabilitation Act—preferential densities to spur development. Its effect on Rajiv-Indira-Suryodaya would be to reduce the number of for-sale units by half, consequently doubling the financial risk of the project. If CRZ II were enforced, which was far from clear, the project would never be able to make up for the loss of what were planned to be its most attractive commercial and residential units. SPARC and the Federation believed they had strong grounds for an appeal, but any appeal was likely to take months to reach a clear resolution.

Awaiting Payment

In November 2001, the new Citibank team presented SPARC with an updated financial viability analysis that took into consideration the potential implications of CRZ. (See Exhibit3: Financial Viability Analysis, I.) The bank concluded that SPARC was placing itself as an organization at severe financial risk. It estimated that SPARC stood to lose 21 million rupees or some $440,000 on the project. The analysis called into question many of the assumptions to which the original team had agreed. The analysis termed the "saleability of the flats and commercial units in this locality [as] anybody's guess. We are not sure whether any commercial purchaser would buy a flat [in the project], speaking realistically."

The only way SPARC could cut its losses, the bank believed, was to focus solely on constructing a limited number of units for cooperative members as a philanthropic venture, and to give up plans to construct units for sale. This, said the analysis, would maximize the potential Transferable Development Rights available for sale—at some point when the market for such rights improved—while foregoing what was termed "the headaches of managing" construction and additional financing. (See Exhibit 3: Citibank Financial Viability Analysis (Rationale).) Finally, the bank imposed the following conditions on going forward with a Citibank loan:

1. Favorable resolution of the CRZ issue to allow construction to go forward;
2. Removing squatters who were living where construction had not yet begun;

3. Citibank appointment of a professional project manager.

Patel acknowledged the effort and professionalism that had gone into the analysis, a professionalism that included a sincere concern for the consequences SPARC might face if it remained in what was clearly viewed as a "loss" project. At the same time, she also saw in the points raised and conditions imposed the concern of bank assessors whose careers depended on the performance of the loans they were approving. This was far different from the "philanthropic aspirations" and gung-ho attitudes of the initial volunteers who had forged the earlier agreement. Patel was not unsympathetic to the bank's situation—understanding that, after the early rush of favorable publicity, the failure of the project, and likely bad press, was a prospect that a new team thrown into the middle of things, justifiably feared.

For his part, however, Federation leader Jockin was fed up. After all the work he and others in the Federation had put in and with construction well underway, he viewed the bank's new analysis as infuriating.

> There's a lot of uncertainty from their side. Doubting the market. Doubting all the information. Therefore they will go to consult the formal world all the time. Almost all the formal guys, they will always say, "This is not right. This may not happen. The sale won't happen. No one will buy." You know, saying those kinds of things without having a clear grasp of the local situation. I said, "Get lost. Go away."

Jockin and the Federation had come up with their own viability analysis, which showed that the project was indeed not only possible, but also potentially profitable.

Reflects Patel:

> You had all these people. Very hard working. Very earnest. You know how bankers work until 10 or 12 at night. In the middle of this they would find times on weekends in the evenings to sit with me ... So they thought they were doing a great favor. The fact is they were volunteers. This was not compulsory. Their paradigm was that they were taking time off and bringing their banking knowledge to the use of communities and here you had Jockin really angry, irritated, ready to shout them out, ready to shout them out because both of them were coming from two completely different trajectories. And we were right in the middle balancing both their sets of expectations or incomprehensibilities about what the other was saying.

In the Middle

In late 2001, the first of three planned buildings was nearing completion. (See Exhibit 1: Rajiv-Indira, photograph 7.) SPARC and the Federation had spent some $20 million rupees ($435,000) on the project so far, drawing on bridge financing from international donors as well as the limited funds of its own reserves. (See Exhibit 4: Funds Received from International Donors, 1984-1999.) The project was widely touted by Mumbai's Slum Rehabilitation Authority as its sole community-driven success story. Citibank, although it had been lauded publicly for its commitment, had disbursed only a quarter of the amount initially promised—8 million ruppees or $190,000.

As she had prior to the press conference at the time of the project's inception, Patel would have to decide what "engaging" Citibank meant at this new point. It was clear to her that the Federation would not accept the bank's proposed new loan conditions—and would not be convinced of the bank's conservative assumptions. Nonetheless, even if the Citibank figures were not entirely accurate, she understood she was putting her organization at financial risk by following through on the Federation's plan to see all three buildings through to completion. Not only had the Citibank assessors warned her off such an approach, but also Homeless International's Derek Joseph strongly agreed. Patel knew that she could arrange to complete the project—scheduled to be built by March 2003—with grants and continued bridge financing from international donors (or, as Patel put it, "northern NGOs")—but that without Citibank capital, the risk would be borne largely by SPARC and the Federation.

Just as before, Patel could choose to bring pressure on Citibank to make good on its earlier commitment. SPARC's "partnership" with Citibank India, including its other "non-checkbook" activities, had continued to go smoothly. Patel also now had many contacts within the wider Citigroup organization, thanks to the dispersal of the executives previously based in Mumbai. Patel now knew top-level bankers who had come through Mumbai and gone on to senior positions throughout Asia, as well as London and New York. She was also in regular contact with the corporation's Foundation. She could, however, just as well decide that the time had come for her to tell the Slum Dwellers Federation that the risks were too great and that the further construction of the Dharavi project should be, at least, delayed.

Exhibit 1
Rajiv-Indira Photographs

Selected Photographs from Ruth McLeod, from: McLeod, R. (2000). "Bridging the Finance Gap in Housing and Infrastructure - The Alliance Case Study, India."

Photo 5 - Clearing sewage in Dharavi during monsoon season prior to the Rajiv Indira Suryodaya project (see contrast with Photo 7)

(Source: McLeod, 2000, p. 16.)

Photo 6 – Mr Shanmugan, Chairman of the Rajiv Indira Housing Co-operative, prior to the project in 1997 and surrounded by pre-project housing lived in by members.

(Source: McLeod, 2000, p. 17.)

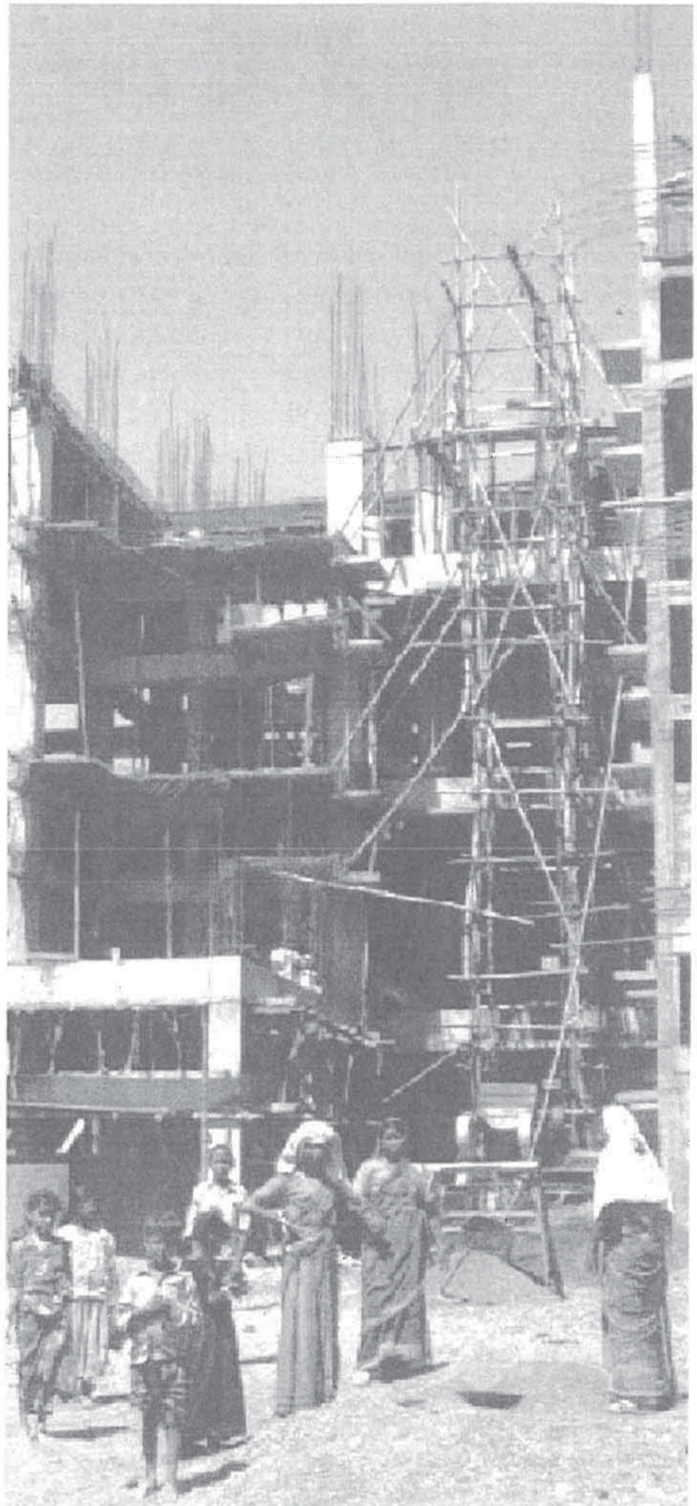


Photo 7 - The first Rajiv Indira rehabilitation block in progress

(Source: McLeod, 2000, p. 18.)

Exhibit 2
"How the SRA Policy Works"

The owner of the slum land or the co-operative society of slum dwellers or an NGO or any real estate developer having individual agreements with at least 70% of eligible slum dwellers is entitled to become a developer. Each eligible family is entitled to develop 225 sq. feet of carpet area and the SRA estimates that about 80% of eligible families will obtain permanent housing in situ rather than resettling in other areas. The policy stipulates that the developers who implement SRA projects with or on behalf of slum dwellers, should provide self-contained rehabilitation tenements of 225 sq. feet of carpet area absolutely free of cost to slum dwellers. A land development incentive is made available to developers based on the use of a Floor-Space Index ratio (FSI). The FSI determines the permissible ratio of built floor space to size of building plot and varies in different parts of Mumbai, with lower ratios being applied in areas where the real estate prices are very high and the State has an interest in minimising development density. For this purpose Mumbai has been divided into three geographical areas namely, Mumbai Island City, the Suburbs and Dharavi. The FSI used on any land development cannot exceed 2.5 times the area of the available land. However when the FSI generated on the basis of peoples 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. (McLeod, 2000, p. 12.)

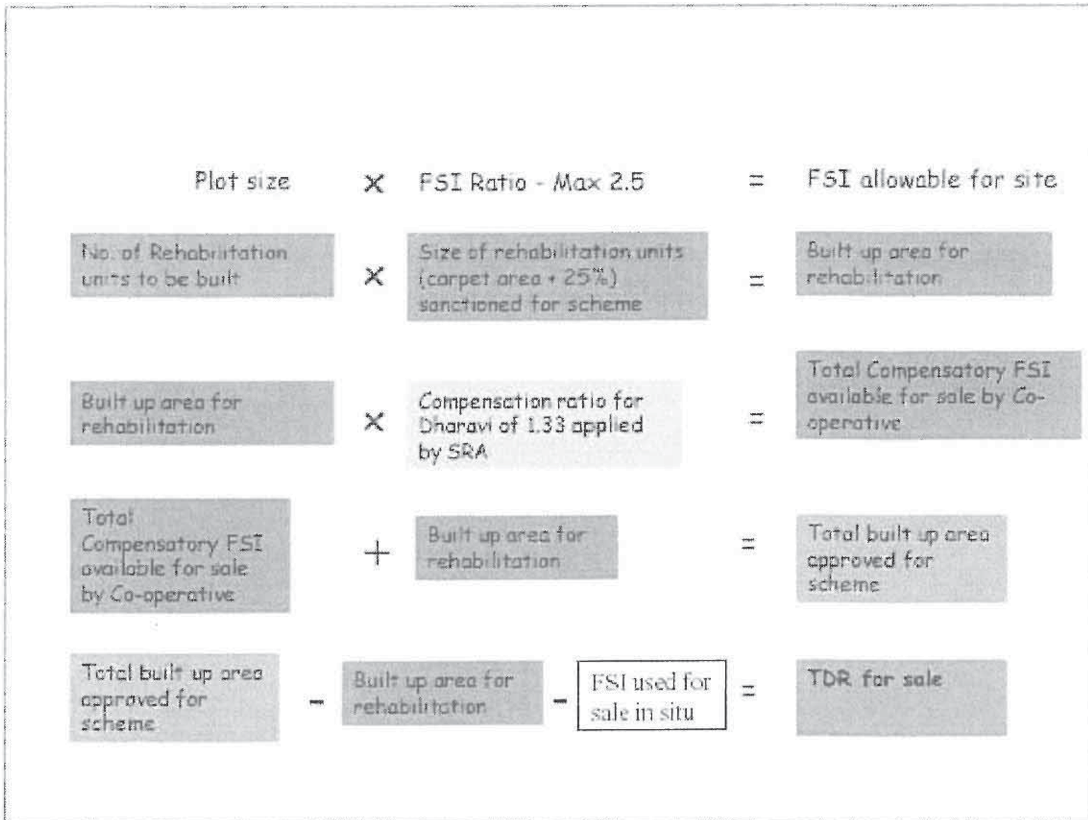


Figure 4 – Method for calculating TDR available for sale

(Source: McLeod, 2000. p. 13).

Ruth McLeod (2000). "Bridging the Finance Gap in Housing and Infrastructure - The Alliance Case Study, India." Available on the WWW: http://www.theinclusivecity.org/downloads/Appendix%205%20THE%20INDIAN%20ALLIANCE%20CASE%20STUDY.pdf

Exhibit 3
Financial Viability Analysis, I
SPARC's Dharavi Slum Rehabilitation Project
Project Performance Statement

	With CRZ restriction		Without CRZ restriction		Mayfair recommended	
	Stress Scenario	Business As usual	Stress scenario	Business As usual	Without CRZ	Without CRZ
Area in sq.ft						
Total plot area	42,751	42,751	42,751	42,751	42,751	42,751
Total rehabilitation flats	209	209	209	209	209	209
Area of rehabilitation flats	53992	53992	53992	53992	53992	53992
Avg size of rehab flats	258	258	258	258	258	258
Total rehabilitation utilities	8	8	8	8	8	8
Area of rehabilitation utilities	2067	2067	2067	2067	2067	2067
Avg size of rehab utilities	258	258	258	258	258	258
Saleable flats	15	15	108	108	15	15
Area of saleable flats	4997	4997	35074	35074	4997	4997
Avg size of saleable flats	325	325	325	325	325	325
Commercial sales	765	765	1851	1851	765	765
TDR for sale	83603	83603	67993	67993	99157	83603
Amount in Rs						
Particulars						
Project Cost						
Rajiv Indira	31,668,420	31,668,420	31,668,420	31,668,420	31,668,420	31,668,420
Suryodaya Rehab	10,084,560	10,084,560	10,084,560	10,084,560	10,084,560	10,084,560
Suryodaya - Sale	7,140,333	7,140,333	39,645,631	39,645,631	6,743,648	6,743,648
Piling work done separately	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total construction cost	58,893,313	58,893,313	91,398,611	91,398,611	58,496,628	58,496,628
Engineering and other Expenses (5% of Cost)	2,944,666	2,944,666	4,569,931	4,569,931	2,924,831	2,924,831
Infrastructure Development Cost	6,464,547	6,464,547	9,283,042	9,283,042	6,464,547	6,464,547
Cost escalation	2,944,666	2,944,666	4,569,931	4,569,931	2,924,831	2,924,831
SRA cost+ deposits etc	4,440,000	4,440,000	4,440,000	4,440,000	4,440,000	4,440,000
Total project cost	75,687,191	75,687,191	114,261,514	114,261,514	75,250,837	75,250,837
Project Inflows						
Flat Sales	7,995,499	9,494,655	56,119,190	66,641,539	7,995,499	7,995,499
Commercial sales	1,911,417	2,293,701	4,626,905	5,552,286	2,293,701	2,293,701
TDR sales used for constrn - 1/3	15,327,148	16,720,525	12,465,412	13,598,632	23,797,599	20,064,631
	0	0	0	0	0	0
Balance TDR Sales	30,654,297	33,441,051	24,930,825	27,197,264	35,696,398	30,096,946
Total sales	55,888,362	61,949,933	98,142,333	112,989,720	69,783,197	60,450,776
Surplus / Deficit	-19,798,829	-13,737,258	-16,119,181	-1,271,793	-5,467,640	-14,800,061
Interest Cost	11,692,014	11,239,166	25,158,733	24,790,437	7,337,842	8,308,414
Net Surplus/Deficit	-31,490,843	-24,976,425	-41,277,914	-26,062,230	-12,805,482	-23,108,474
Total sales available for loan	40,561,213	45,229,407	85,676,921	99,391,089	45,985,598	40,386,146
Deficit to Citibank	-10,490,843	-3,976,425	-20,277,914	-5,062,230	8,194,518	-2,108,474
Amount of Cover given by ILI.	10,210,411	3,976,425	13,000,000	5,062,230	0	2,108,474
Net deficit to Citibank	-280,432	0	-7,277,914	0	8,194,518	0
Deficit to SPARC	-21,280,432	-21,000,000	-28,277,914	-21,000,000	-12,805,482	-21,000,000

Exhibit 3 (continued)

	With CRZ restriction		Without CRZ restriction		Mayfair recommended	
	Stress Scenario	Business As usual	Stress scenario	Business As usual	Without CRZ	Without CRZ
Sources and Uses of the project						
Total project cost	75,687,191	75,687,191	114,261,514	114,261,514	75,250,837	75,250,837
Interest Cost	11,692,014	11,239,166	25,158,733	24,790,437	7,337,842	8,308,414
Total uses	87,379,205	86,926,357	139,420,247	139,051,950	82,588,679	83,559,251
Sources						
Loan from Citibank	39,360,042	37,966,665	80,796,101	79,662,882	30,453,238	34,186,207
Interest Cost	11,692,014	11,239,166	25,158,733	24,790,437	7,337,842	8,308,414
SPARC's contribution	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
TDR sales used for constrn - 1/3	15,327,148	16,720,525	12,465,412	13,598,632	23,797,599	20,064,631
	87,379,205	86,926,357	139,420,247	139,051,950	82,588,679	83,559,251
Flat sale rate (Rs per sq.ft.)	1,600	1,900	1,600	1,900	1,600	1,600
Commercial (Rs per sq.ft)	2,500	3,000	2,500	3,000	3,000	3,000
	0	0	0	0	0	0
	0	0	0	0	0	0
TDR rate	550	600	550	600	600	600
Rajiv Indira	19539	19539	19539	19539	19539	19539
CRZ affected plot area (FSI - 1.33)	3730	3730				3730
NON CRZ affected plot area (FSI - 2.5)	15809	15809	19539	19539	19539	15809
Rajiv Indira permitted FSI	44483	44483	48847	48847	48847	44483
Rajiv Indira Rehab area-FSI to be built (as per approved plans)	43042	43042	42851	42851	42851	43042
Balance FSI available for TDR	1441	1441	5996	5996	5996	1441
Free sale allowed -1.33 of Rehab	57246	57246	56991	56991	56991	57246
Free sale built	0	0	0	0	0	0
TDR free sale available	57246	57246	56991	56991	56991	57246
Total TDR in Rajiv Indira	58687	58687	62988	62988	62988	58687
Suryodaya CRZ affected plot area	18498	18498	18498	18498	18498	18498
Ganga CRZ affected plot area	4714	4714	4714	4714	4714	4714
Total plot area - called Sarvodaya (CRZ 1.33 FSI)	23212	23212	23212	23212	23212	23212
Suryodaya permitted FSI	30872	30872	58030	58030	58030	30872
Suryodaya Rehab area-FSI to be built (as per approved plans)	16870	16870	16099	16099	16099	16870
Free sale allowed -1.33 of Rehab	22437	22437	21412	21412	21412	22437
Free sale built	5762	5762	36925	36925	5762	5762
Flats	4997	4997	35074	35074	4997	4997
Commercial	765	765	1851	1851	765	765
Total FSI to be built	22632	22632	53024	53024	21861	22632

Exhibit 3 (continued)

	With CRZ restriction		Without CRZ restriction		Mayfair recommended	
	Stress Scenario	Business As usual	Stress scenario	Business As usual	Without CRZ	Without CRZ
Balance unutilised FSI - TDR	8240	8240	5005	5005	36169	8240
TDR free sale available	16675	16675	0	0	0	16675
Total TDR in Suryodaya	24915	24915	5005	5005	36169	24915
Rajiv Indira Construction area	56813	56813	56813	56813	56813	56813
Suryodaya Rehab constrn area	18092	18092	18092	18092	18092	18092
Suryodaya - free sale constrn area	7934	7934	44051	44051	7934	7934
(as per approved plans)	82839	82839	118956	118956	82839	82839
Cost of construction						
Civil and other cost - rehab	557	557	557	557	557	557
Civil and other cost - Free sale	900	900	900	900	850	850
Supervision	5%	5%	5%	5%	5%	5%
Escalation	5%	5%	5%	5%	5%	5%
SRA cost per tenement - Rs	20000	20000	20000	20000	20000	20000
Infrastructure cost - Rs/sq.ft	78	78	78	78	78	78
Deposits to BMC, electricity board etc	100000	100000	100000	100000	100000	100000
HI guarantee	10,210,411	3,976,425	20,277,914	5,062,230	0	2,108,474
However max is only 20% of loan + int	10,210,411	3,976,425	13,000,000	5,062,230	0	2,108,474

Exhibit 3 (continued)
Citibank Financial Viability Analysis (Rationale)

Memo that accompanied the FVA developed by Citibank, November, 2001

Points considered while preparing the calculations

The objective of the exercise is to ensure that all the constituents of the project come with no loss situation

Even if there is a deficit in the project, Citibank would like to ensure that it recovers its interest and principal first, exercise guarantee from Homeless International and leave the rest to SPARC.

It is preferred not to exercise HI guarantee as the guarantee expires in June 2004 (can be extended) and HI may not issue a guarantee if the project shows a deficit.

We have to advise HI about the assumptions we are making on the project viability and take their buy in for issuing a guarantee.
The area calculations on CRZ impacted scenario are taken from the approved plans made available to us for Rajiv Indira and Suryodaya separately.

TDR is assumed in two situations : if Rehab built is lower than FSI permitted say in Rajiv Indira, free sale built is lower than 1.33 times of Rehab built, say in Suryodaya. (although area are negligible say 1441 to 6000 sq.ft).

Saleability of the flats and commercial units in this locality is any body's guess. We are not sure whether any commercial purchaser would buy flat in a SRA project next to rehab component, speaking realistically.

Selling rates for flats and commercial units are any ones guess in this area as there is no other commercial development to benchmark with. Considering that the project is located in a SRA project and is part/ next to a rehab building, there will be lower Even if the free sale area is constructed, the cost of construction would be high going up to Rs 850 per sft to ensure that the amenities provided attract flat buyers.

TDR can be sold up to 50% on completion and balance only after conveyance of the societies. To reduce interest burden, TDR should be used for investing in the project rather than repayment of the loan. However, since only 50% can be sold up to completion it is not possible to use even 50% TDR for construction and accordingly assumed 1/3rd. It is possible that by managing the TDR portfolio we may go up to selling 40% TDR and can invest in the project.

TDR is a fluctuating market and needs to be managed carefully by off loading at intervals not creating a panic in the market and at the same time attracting better rates similar to share market operations.

However, the difficulties are many in managing construction of free sale rather than selling TDR if not constructed. The headaches of managing the construction, additional loan, additional interest, ability to sell, lower margins if the rates are lower than expected etc. Hence, it is worth while to maximise the TDR sale in the project. This means either constructing nil to negligible free sale component.

Interest cost is assumed on full loan for 2.5 years as the loan will be repaid only after full realisation of sales proceeds which can be 6 to 9 months after completion. It is possible to lower the interest burden by managing TDR sales, construction, quick realization. But the cost at the most can be lowered by 20 to 30%.

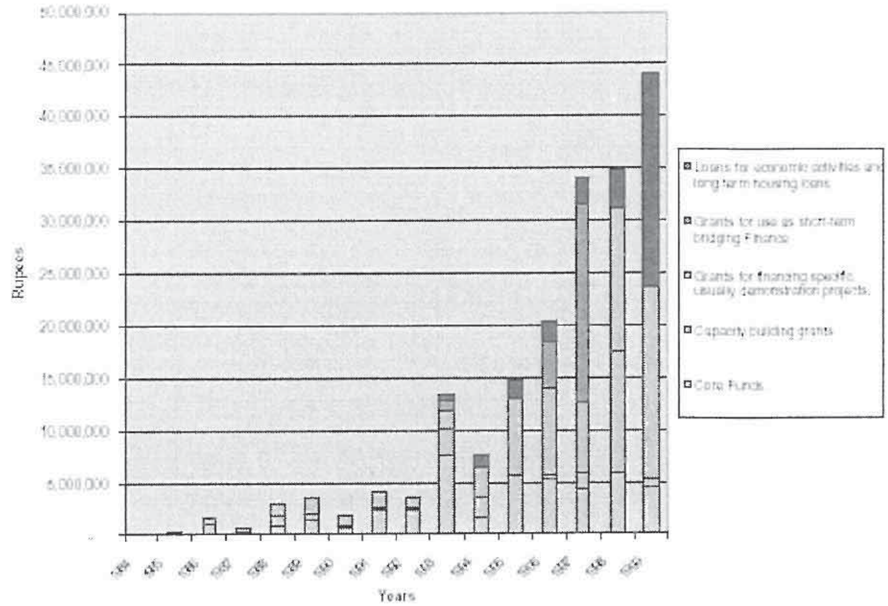
Assumed minimal escalation of 5% and 5% supervision cost. We also assumed compulsory SRA cost and some BMC/MSEB deposits etc.

It is expected that SPARC will not able to fully recover its investment but may have to lose at least Rs 100 lacs.

To make the project successful :
- obtain commencement certificate for Rajiv Indira society both wings
- obtain occupation certificate for Rajiv Indira (one wing)
- obtain Intimation of approval and commencement certificate for Suryodaya (3 wings)
- the plot needs to be sub divided and a separate bldg needs to be constructed for free sale with a separate society and conveyance. This will ensure easy sale.
- it is recommended to construct minimal free sale so that even if CRZ approval comes through, the entire additional FSI can be used for TDR rather than construction.

Source: personal correspondence, Sheela Patel

Exhibit 4
Funds Received from International Donors, 1984-1999



(Source: McLeod, 2000, p. 8.)

1 Rs. = app. US$0.021

Ruth McLeod (2000). "Bridging the Finance Gap in Housing and Infrastructure - The Alliance Case Study, India." Available on the WWW:
http://www.theinclusivecity.org/downloads/Appendix%205%20THE%20INDIAN%20ALLIANCE%20CASE%20STUDY.pdf