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

SPARC's Response

Sheela Patel, executive director of SPARC, and her board weighed the concerns raised by Citibank India about the viability of the Dharavi Towers project against the Federation's clear desire to move forward with existing plans as quickly as possible. Overall, SPARC's partnership with Citibank had been beneficial for both organizations. For its part, SPARC staff felt that the contributions of high-level Citibank volunteers had brought the kinds of expertise in financial management and information systems design which a small nonprofit like SPARC could never have tapped otherwise. Patel felt it was precisely this foundation of trust that gave her the leverage to push Citibank towards the unfamiliar territory of the Rajiv-Indira-Survodaya project. The crux of the matter was not so much the preservation of SPARC but the integrity of what she viewed as her organization's tacit contract with the Federation—that of sharing the risk associated with such projects:

> "If the Federation dies we also want to die with them, because there's no point in us existing if we cannot take care of the interests of the Federation. So if the Federation wants to take these risks, then our job is to look at the ways we can reduce the risks that poor people take by themselves by taking some of those risks ourselves."

Moreover, the doubts Citibank had raised about the viability of the project, in her eyes, presented an opportunity to help what she called "formal institutions" like Citibank and Homeless International better address the needs of the Federation and those whose needs it represented:

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> "As we understand the risks more, we make other formal institutions share those risks. So for us, Homeless International, Citibank are ways of mitigating those risks in the long run. But in the short run, it means this constant dialogue and haranguing and.. also playing to their aspirations."

Dialogue included not only discussions with Citibank India staff but also conversations with senior Citigroup Foundation officials in New York. Patel, accompanied by Ruth McLeod of Homeless International, recalls paying a visit to Foundation officials on a trip through New York at a time when the project appeared to be lost at the bottom of a heap of more pressing concerns facing the new crop of Citibank staff. Shortly after their visit to New York, Citibank India began to pay closer attention to the project and appeared more willing to listen to the Federation's arguments in favor of the project.

By Spring 2003, the Federation had completed two of the three buildings that comprised the Dharavi towers project. A small number of "for sale" units had sold at asking price, and the sale of Transferable Development Rights had yielded a price slightly above what the Federation had used in its viability calculations. The Federation took these statistics as vindication for their projections.

For its part, Citibank formally approved a loan amount of 60 million rupees (US$1.5 million dollars), which was twice the sum of the original agreement struck before the Survodaya expansion. Homeless International correspondingly agreed to double the amount of its loan guarantee. Nonetheless, disbursement of the loan funds still hinged on the enforcement of the Coastal Regulation Zone development restrictions. The Federation and SPARC had worked diligently at many levels not only to obtain a waiver for the Dharavi Towers project but also to call into question the legality of placing such restrictions in areas as densely populated as Dharavi. The waiver, they anticipated, would be granted later in 2003.

A Global "Social Venture Fund" for Financing

Out of their experience with the Dharavi Towers project, SPARC and Homeless International came up with a framework for funding innovative ways of making community-led housing projects more attractive to commercial lenders. This was a global "social venture fund" backed by a $10 million grant from the British government's overseas aid organization, the Department for International Development (DFID). The fund was intended to help nonprofits like SPARC develop the means of providing the kinds of ancillary financial support--loan guarantees and bridge funds—that might make the difference in a commercial bank's appraisal of whether a project was viable or not. It would also mean that SPARC and other nonprofits might no longer have to "cannibalize" themselves, as Patel puts it, to ensure a project's survival. In India, SPARC would take responsibility for overseeing the venture funds, known as the Community Led Infrastructure Financing Facility (CLIFF). Patel emphasizes that the ultimate goal of such an effort was not only to foster community-managed housing projects but also to get commercial lenders to look more closely at their own practices and, in so doing, as she says, "transform how they look at the poor and their entrepreneurial behavior."