

# **THE DEVELOPMENT OF HUDCO's HOUSING LOAN SCHEME TO NGOs**

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## PROJECT PROFILE

<b>Name</b>	The Development of HUDCO Housing Loan Scheme to NGOs
<b>Location</b>	The initiative was centrally executed in Delhi but its consequences are of national reach
<b>Start date</b>	1990 onwards
<b>Sectors involved</b>	The central government's Housing and Urban Development Corporation is the main institution involved in this initiative, with other stakeholders being its shelter development and training agency, Habitat Polytech, and various NGOs including Baroda Citizen's Council, the CEDMA, SPARC, SEWA Bank, and Sri Padmavati Mahila Abyudaya Sangam.
<b>The initiative</b>	The case study describes the process of learning and negotiation that was central to bringing about a change in the lending policy of the Housing and Urban Development Corporation. Previously HUDCO funds for economically weaker sections and low-income groups of the population would be channelled only through state housing agencies, while Indian NGOs working with housing issues for the poor would find it difficult to access sufficient funds to scale-up their work. The case study thus documents the development of the HUDCO lending scheme for NGOs.
<b>CLIC processes</b>	The CLIC processes evident in the development of the HUDCO-NGO loan scheme revolve around the establishment of mutual understanding and trust between HUDCO and the NGOs involved. Thus HUDCO had to learn about the organisational strengths and weaknesses of NGOs and about the financial needs of poor communities. In turn the NGOs had to develop their understanding of HUDCO and the constraints within which it works. In addition, the case study also highlights the flows of information that occurred between the NGOs and within HUDCO itself between senior and more junior ranking officials.
<b>Lessons learned</b>	The first lesson to emerge concerns the importance of contextual events that created a favourable climate for the desired change to come about. Secondly, the importance of key individuals is revealed, with key NGO personnel having the charisma and skills to lobby and negotiate with HUDCO, and with senior figures within HUDCO having the political will to ensure the successful implementation of the policy change. Also emerging as key lessons are the need for the dissemination of accurate information in an appropriate format, the need for perseverance, and the need to recognise that NGOs have very different working practices, ideologies and aims, ensuring that a standardised loan scheme will not work for all.

## **1. BACKGROUND INFORMATION**

### **1.1 The Actors**

There are two main stakeholder groups involved in this case study: firstly, HUDCO and its shelter development and training agency, Habitat Polytech; and secondly, NGOs/CBOs as advocates and potential clients of HUDCO.

#### **1.1.1 Housing and Urban Development Corporation (HUDCO)**

HUDCO is a technical and financial institution working in the area of human settlements that, in 1970 became a fully owned Government of India Enterprise, with the mandate to improve the housing conditions of the low-income groups (LIG) and the economically weaker sections (EWS) of society, by providing long-term finance for house construction and related projects. HUDCO's Corporate Plan explicitly states that "HUDCO aims to pre-dominantly cater to the needs of economically weaker sections and low income groups and socially disadvantaged through various instruments and innovations and to serve the needs of housing and infrastructure in urban and rural areas." It is this social mandate that distinguishes HUDCO from other housing loan institutions.

Meeting its obligation to low-income groups has necessitated the adoption of a credit system whereby the poorer a household is, the lower is the rate of interest applicable<sup>1</sup>, the longer is the repayment period and the lower is the cost of house. In order to accommodate this system, HUDCO has evolved a four tier classification of beneficiaries: the first tier consisting of the EWS, with a household monthly income of Rs. 2500<sup>2</sup> or less; the second comprises the LIG with a household monthly income between Rs. 2500 - Rs. 5500; the third is the middle income group (MIG), which has a household monthly income above the LIG but of not more than Rs. 10,000; and finally the fourth tier are beneficiaries in the high income group (HIG), with monthly household income above Rs. 10,000. In order to ensure that its resources are adequately utilised to benefit these groups, HUDCO has earmarked a minimum of 55% of its overall annual loan allocation for EWS and LIG families and the balance of 45% for middle-income and high-income groups, rental and commercial housing projects. Of the 55% allocation for the poorer groups, a minimum of 15% is reserved for EWS families in rural areas, 10% is given to EWS families in urban areas and the balance 30% is for EWS/LIG families depending upon the requirement of various agencies.

To further enable it to reach its target groups, HUDCO has adopted a differential amortisation period. According to this policy, the lower the monthly family income of the target group, the higher the amortisation period and vice-versa, and in addition the period is flexible and can vary between 10-15 years. HUDCO has also adopted the specification of a cost ceiling on houses constructed by EWS and LIG clients. This is in order to prevent subsidised housing loans being accessed by clients with a higher monthly household income, and currently the cost ceiling is set at Rs.50,000 per house for EWS clients and Rs.150,000 for LIG clients. Finally, HUDCO implements a policy of differential project funding, whereby the lower the cost of a shelter unit, the higher the HUDCO loan component as a proportion of the total cost. For EWS houses, the HUDCO loan component may comprise up to 90% of the cost of the house and for LIG clients, up to 85%.

Traditionally HUDCO provides its four target groups with funds for housing and infrastructure through State Housing Boards, Rural Housing Boards, Slum Clearance Boards, Municipal Corporations, Water Supply and Sewerage Boards, and Improvement Trusts. Since October 1993, however, HUDCO has also been providing credit to NGOs for on-lending to EWS and LIG, as documented by this case study.

#### **1.1.2 Habitat Polytech (HP)**

Initially established by HUDCO in 1989, by 1991 Habitat Polytech was acting as an interface agency between government organisations, NGOs and informal sector clients, and as a result, HUDCO's links with NGOs developed greatly through the activities, contacts and experiences of Habitat Polytech. The objectives of HP were formulated following a careful analysis of the shelter-related needs of the informal sector, especially in the areas of housing finance and building technologies. The interventions were thus designed in order to

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<sup>1</sup> Annual interest rates for the various target groups are: EWS – 10.5%; LIG – 13-13.5%; MIG – 15-15.5%; and HIG – 16-16.5%.

<sup>2</sup> As on 15 February 1999.

meet the needs of informal sector EWS clients, resulting in a two-pronged strategy of courses and training for construction workers on the hand, and on the other, of development and training activities for the design and use of community-managed savings and credit groups, thus enabling communities to access additional financial resources.

### 1.1.3 The NGOs/CBOs

The second group of stakeholders consists of a number of key NGOs who persistently approached HUDCO throughout the early 1990s with the aim of changing HUDCO's lending policy, seeking to gain direct access to housing loans as a source of resources for on-lending to their EWS members. A brief description of the five key NGO's in constant dialogue with HUDCO during the early 1990s is provided here.

#### **Baroda Citizen's Council (BCC), Baroda, Gujarat**

BCC was established in 1987 through collaboration between Baroda Municipal Corporation, MS University, Baroda and local industries. Some major activities undertaken by the BCC as part of its comprehensive community development programme include:

- educational activities;
- programmes for disadvantaged groups, for example the elderly and disabled;
- health related activities;
- income generation and vocational training;
- shelter (1,000 houses constructed using low cost technology on no loss no profit basis) and low cost sanitation (1,700 units installed).

BCC is working intensively in 30 slums in Baroda covering about 12,000 households, and through this work they have identified inadequate access to finance as a major hurdle for the poor. Hence the Community Savings Loan Association (CSLA) for stimulating communities to generate their own resources was developed, with its main functions being to organise the poor into small savings groups, encourage regular savings, and provide small loans for house repairs, income generation, sanitation and medical care. Of CSLA's 3100 members, 66% are women, and by June 1993 Rs. 9.32 lacs<sup>3</sup> had been saved, with Rs 14.48 lacs paid out as loans.

The community workers employed by the agency perform the task of loan recovery and in return, the CSLA provides them with office space, computerisation of accounts and other records, financial assistance for stationary, and salary for part-time accountant. CSLA is a small but innovative experiment in demonstrating that the poor can organise their own resources and use them for their limited credit needs.

#### **CEDMA - Chennai (Madras), Tamil Nadu**

The Centre for Development in Madras, better known by its acronym CEDMA, was established in 1977, and works in the slums of North, West and Central Madras, including river bank slum-dwellers, initially establishing crèches or *balwadis*, and then extending their programmes to work in the areas of community health, and community-based rehabilitation of the handicapped.

The focus of the organisation is on the empowering of people through grassroot level decision making, and thus CEDMA works through Community Development Councils, which are representative of community residents. The agency has also promoted 'people based' organisations such as Madras Citizens' Council, assisting in the running of community-based health and rehabilitation programmes for handicapped children. In addition to regular community development activities, the agency has also promoted income generation projects concentrating mainly on tailoring and they have a production unit.

Given a tradition of relative security from eviction for the slum dwellers of Madras, with the exception of those living on river, canal, road and railway banks, upon its establishment CEDMA became aware of a significant a popular demand for housing among the poor. With limited funds, the agency thus initiated the housing programme in the Gandhi Nagar Slum in North Madras, supplying bricks and wood, and arranging bank loans against the security of its deposits. Besides organising the community in preparation for resettlement, CEDMA has also helped people to undertake the construction of houses through advancing money and through building of model houses to assist in design work. CEDMA's involvement in the promotion of savings

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<sup>3</sup> 1 lac = Rs. 100,000.

among the slums in Madras has, however, been limited, and instead the loans it has granted for income generation purposes were obtained from the banks on the basis of the agency's own security. A small revolving fund was created mainly for the benefit of fish vendors and no interest was charged on the loans granted.

CEDMA also participated as a collaborator in the IYSH project jointly promoted by Tamil Nadu Slum Clearance Board and HUDCO, and in addition, it has also started working in Vellore, a medium-sized town about 160 kilometres west of Madras. There the agency has organised the rickshaw workers of the town who number around 1,600, helping them to form associations, with each association having a membership of 200 workers. About 600 workers have been provided with bank loans for the purchase of cycle rickshaws, thus relieving them from the bondage of the owners of the rickshaws. Subsequently CEDMA began to work with the rickshaw workers to resolve their housing problems, with most such workers living in temple and privately owned land with limited access to basic amenities. CEDMA with the help of the local District Collector was able to get land allotted to about 120 rickshaw workers at the periphery of the city, and with the help of the University of Oregon and the Centre for Asia Pacific Architecture, the layout was prepared incorporating the cultural needs of the community. Five model houses were also prepared by CEDMA for demonstration purposes and were based on the aspirations of the rickshaw workers. CEDMA is now seeking loans to complete the housing programme of the rickshaw workers, and it has also explored the possibility of registering the rickshaw workers as a cooperative, but given that this process takes a long time, the agency is searching for an alternative means to mobilise and channel housing funds.

### **SPARC, Mumbai (Bombay), Maharashtra**

The Society for Promotion of Area Resource Centres, better known as SPARC, is an NGO was established in 1984 and is based in Bombay. Founded on the belief that development can only be achieved by the poor themselves working out solutions to their own problems, SPARC works in close collaboration with two community-based organisations, National Slum Dwellers Federation (NSDF) and Mahila Milan. While continuing its work in Bombay, through working with NSDF and Mahila Milan, SPARC now has projects throughout India, including in Madras, Bangalore and Kanpur.

Beginning its work with the pavement dwellers of central Bombay, SPARC's activities lead to the formation of Mahila Milan by the women of the Byculla neighbourhood, their objective being to develop a savings and loans programme in the area. The process began with the small amounts of money the women had, and as their confidence developed, they started banking their surplus and SPARC/ Mahila Milan encouraged the pavement dwellers to begin a separate saving fund for their housing. This initiative has proved to be of great value, for example, when a group of 60 families were evicted and moved to a site with no basic amenities, Mahila Milan began to organise the women and petition the Bombay Municipal Corporation for land where they could build permanent housing. The group had saved a small amount over a period of 2 years and this was enough to convince the Housing Development Finance Corporation (HDFC) to sanction a loan for housing, with the savings of the women being key to winning the confidence HDFC. Similarly SPARC has gone on to facilitate loans from HUDCO and HDFC for housing cooperatives in the slum of Dharavi, and the NGO is now campaigning for land for people living in the vicinity of Santa Cruz Airport to enable them to be resettled and build alternative homes.

### **SEWA Bank, Ahmedabad, Gujarat**

SEWA (the Self Employment Women's Association) is registered as a trade union of women working in the informal sector in jobs such as cart pullers, head loaders, and street vendors. About 50,000 women workers from the informal sector in Ahmedabad are members of SEWA, and SEWA identified their principal need to be access to credit for their businesses and income generation activities. To this end the Shri Mahila Sewa Cooperative Bank was registered in 1974 and it now has about 35,000 account holders. Thus SEWA Bank has acquired considerable experience in credit and loan recovery for poor women.

Given that a majority of informal sector workers live in slums close to their workplace in Ahmedabad and that their housing conditions directly affect their work, SEWA Bank has also been striving to improve their living environment through granting loans to improve housing. A lack of resources for housing loans has meant, however, that the Bank has been in need of extending its resources for housing loans to the members. As a banking institution, its financial systems are well organised and with its link to the grassroots through SEWA the agency is confident of recovering its housing loans and has thus sought funds for housing under the NRY programme controlled by state government agencies. If such funds become available, SEWA Bank hopes to award housing loans to about 5000 women over a period of three years.

## **Sri Padmavati Mahila Abyudaya Sangam (PMAS), Tirupati, Andhra Pradesh**

Sri Padmavati Mahila Abyudaya Sangam based in Tirupathi was established as a result of the ICDS programmes conducted by Royala Seema Seva Samiti (RASS) among 5,000 women and 15,000 children. These programmes were income generation initiatives launched in 1989 in order to provide an alternative means of accessing resources for poor communities who could gain no access to the formal banking system and who were instead exploited by moneylenders. The alternative that arose was a savings and loan scheme for initiating any income generating activities run by women working in home-based enterprises and the informal sector. Initially 30 savings groups were formed in 1990 each group consisting of 10 to 12 women as members, and with the savings accrued loans were issued to the group members ranging from Rs. 50 to Rs. 500. Subsequently the number of self help groups increased to 123 and the total savings mobilised grew to around Rs. 1.25 lacs. These funds were supplemented by loans from formal banks, however in order to access such loans each group would have to negotiate independently with the financial institutions, and thus the need for a collective body to negotiate for credit on behalf of all the groups emerged. In response to this need, Sri Padmavati Mahila Abyudaya Sangam was constituted as a society in 1992 with the following objectives:

- to form self-help groups for poor women for their mutual support and development;
- to promote savings through inculcating the habit of thrift and effective utilisation of their resources amongst the women belonging to economically weaker sections of the population;
- to promote income generation activities with both forward and backward linkages;
- to create an alternative credit delivery mechanism for the poor women to provide credit on their door step through the self help groups;
- to establish links with formal banking and non-banking institutions to channel support to the activities of the society.

Through its experiences in Tirupathi, Sri Padmavati Mahila Abyudaya Sangam has devised innovative solutions to the emerging needs of communities to organise and channel savings, strengthening their initiatives by supplementing community savings with credit from other sources. Although the agency's provision of credit for housing repairs to date amounts to only 10% of the loans made, it has plans to extend credit for housing by mobilising funds from external sources, like HUDCO. On this basis, Sri Padmavati Mahila Abyudaya Sangam hopes to fund the building of 100 houses and the repair of 100 more.

### **1.1.4 Other Influences**

Besides the above actors, there were several other significant individuals/organisations that played an important role in raising awareness about the feasibility of direct lending to NGOs and persuading HUDCO to introduce the new scheme. Discussions with HUDCO staff (especially Mr. Bhatnagar, CMD HUDCO, 1992-1997), suggested that a Delhi based NGO called INSCRIPT (Mr V. Lall, Director), working for the development of the informal sector, influenced HUDCO to seriously consider direct lending to NGOs.

Another influence was Mr. Kirti Shah, Honorary Director of the Ahmedabad Study Action Group (ASAG), a non-profit agency. ASAG is a multi-disciplinary agency run by professionals, mainly concentrating on shelter-related advocacy, policy studies and networking activities. Mr. Shah wrote a comprehensive letter outlining the need to improve loan recovery from the poor in housing projects. Mr. Shah's interaction with HUDCO began in 1992 and continued throughout the 1990s, and he was subsequently appointed to HUDCO's Board of Directors between 1995-1998.

Another indirect influence were the activities of the 'Rashtriya Mahila Kosh' (RMK) during the early 1990s. Their method of providing income generation loans directly through microfinance institutions served to provide an role model to both HUDCO and the NGOs at the time, demonstrating that public institutions could disburse credit directly to grassroots institutions.

## **1.2 Background to the Problem**

This initiative was a joint initiative of HUDCO in consultation with the key NGOs described above who were

involved in shelter related development work in India. Thus, there were two groups of stakeholders that wanted change: HUDCO and the communities of poor people wanting access to housing finance, as represented by NGOs.

Although HUDCO's corporate mandate stated that 55% of its funds were earmarked for EWS and LIG clients, the only intermediaries available to HUDCO for channeling these funds were the state housing agencies. These heavily bureaucratic organisations were mainly concerned with achieving disbursement targets with little regard for field level recovery rates. This was possible due to the system of State Guarantees to HUDCO, which assured that all loans were repaid, regardless of actual recovery rates.

Unofficial figures indicate field level recovery rates in the region of 15-20% in many states including Tamil Nadu, Gujarat and Andhra Pradesh. The scenario was even more dismal in other, less organised states. In addition due to their organisational structures, these agencies had a short-sighted approach to housing finance and were not concerned with providing credit to the most needy. A substantial portion of EWS funding was, in reality, diverted by the State Housing Agencies to the more lucrative and affluent MIG and sometimes even HIG housing sectors. In the case of EWS housing, the approach of the state agencies was mainly restricted to upgrading, viewing the needs of the target groups only in terms of physical infrastructure. Even in cases where houses were constructed for the EWS sector, the quality of raw materials used and therefore the quality of the completed houses were often very poor, and there was no appreciation of the need and value of people's participation in housing projects. Finally, political pressures often resulted in housing finance failing to reach the truly needy and even lower recovery rates. After lending through the state housing agencies for almost twenty-five years, HUDCO was well aware of these shortfalls and was actively looking for alternative channeling mechanisms (the triggers that suggested NGOs/CBOs as viable alternatives are discussed in Section 3).

At the same time that HUDCO was evaluating possible loan disbursement alternatives, NGOs working with community groups had identified shelter as a key issue needing to be addressed. Through the formation of savings and credit groups and rotation of members own funds, credit for income generation loans had begun to be available to various poor communities, however, housing loans can be differentiated from other types of loans owing to the large amount of resources needed and hence the longer repayment period needed. For these reasons, communities own savings and access to limited short-term funds proved to be an inadequate resource basis from which to provide housing loans. While sources of funding for income generation activities such as Rashtriya Mahila Kosh, NABARD and SIDBI had come forward, the poor had no access to public sector housing finance through NGOs by the early 1990s.

Instead NGOs attempted, albeit not very successfully, to access funding for housing through the state housing agencies, for example the Palmyrah Workers Development Society (PWDS) in Tamil Nadu attempted to co-ordinate a scheme for 250 houses in 1990. With Rs. 10,000 for each beneficiary (Rs. 2,500 in the form of subsidy from the Tamil Nadu government and Rs. 7,500 in the form of a loan from HUDCO channeled through the State Government Housing Co-operative Federation), it took PWDS 4 years to complete the project. They found the bureaucratic procedures involved in accessing the money highly cumbersome and expensive in terms of communication costs and labour spent setting up the scheme. In addition PWDS was also subjected to political pressures which made it difficult to give the loans to the most needy.

SPARC also tried to access funds directly from HUDCO for a community relocation scheme, but were asked to provide a bank guarantee as security for the unsecured loan. They eventually did provide an international bank guarantee obtained from an European Bank, however, the process of obtaining this involved a substantial cost to the NGO, a high degree of staff time and a very high degree of mobilisation of sympathetic institutions based abroad.

Similarly, in 1989, SEWA Bank tried to implement the SHASHU scheme (housing component) under Nehru Rozgar Yojana Programme of the Government of India. Under this, SEWA Bank would receive a total of Rs. 4,500 per beneficiary for housing repairs, of which Rs. 1,000 would be a subsidy and Rs. 3,500 a loan from HUDCO, provided via the state housing agency. Eventually, however, SEWA Bank did not undertake the scheme as Rs. 4,500 was declared inadequate for any housing related purpose. It was also not possible to increase the loan component to an acceptable level for house repairs to be undertaken and SEWA bank decided the amount of human resource investment required in accessing the funds would not be compensated for by the potential benefits from such small loans.

Examples of frustrating experiences such as those faced by PWDS or SEWA Bank were many. Their demand was not for housing subsidies that were perceived to be unsustainable, difficult to access, and



divisive, but instead for greater access to housing finance that could be distributed as loans to poor households to be repaid over time. The concerted, sustained campaign by the NGOs/CBOs for this purpose contributed greatly to the eventual policy decision by HUDCO to lend directly to NGOs for shelter-related needs of the poor.

## **2. THE INITIATIVE**

### **2.1 Objective of the Initiative**

To bring about a policy change within HUDCO that would allow direct lending of housing finance to NGOs working with the poor on terms and guidelines acceptable to both HUDCO and the NGOs.

### **2.2 Historical Development of the Initiative - Right Climate**

According to a Senior Research Fellow at The Human Settlement Management Institute<sup>4</sup>, Dr. Meera Mehta, "It was not just one factor that caused HUDCO to change its policy regarding direct lending to NGOs. The climate was right for change due to a variety of reasons". Besides the actual sequence of events that lead to HUDCO operating a direct credit scheme for NGOs, the following external factors also played a part in setting the right climate for change:

- The National Housing Policy of 1989 emphasised the need to change the role played by state housing agencies from 'builders to facilitators', providing serviced land and finance, and enabling target groups to make their own decisions regarding the process, type and cost of house construction. While there was widespread skepticism regarding the ability and will of the state organisations to make the structural and systemic changes required, the Policy stressed the potential of Community Based Organisations to act as agencies, thus encouraging a shift in focus by the state housing agencies.
- KfW, a German (government funded) Development Bank, had been providing a combination of soft loans/grants to HUDCO for EWS Housing (and Building Centres) since 1984. Although KfW did not state that it was a prerequisite for HUDCO to lend to EWS groups through NGOs, it did make it clear that KfW "approves of lending through NGOs"<sup>5</sup>.
- Interestingly, KfW had also begun a soft line of credit for EWS housing to the Housing Development Finance Corporation (HDFC)<sup>6</sup> in 1987. Being a private sector institution, mainly catering to the housing finance needs of individuals, co-operative societies and companies requiring loans for the MIG and HIG categories, HDFC had little or no experience of EWS lending. Thus, after a few EWS projects in collaboration with state development/housing authorities, HDFC decided to undertake all of its EWS lending through NGO/CBO intermediaries. By the end 1993, HDFC had disbursed approximately Rs. 4,000 lacs for 34,500 EWS houses, mainly through CBOs/NGOs, using KfW's first soft loan for EWS housing.

### **2.3 Historical Development of the Initiative - Key Individuals**

One important feature of this initiative, is the major contribution of certain key individuals in bringing about the desired policy change. Another unique feature is that all of these key players, both within HUDCO and from the NGOs, were mostly from the higher levels of HUDCO's management or founder-directors of the NGOs who were formally qualified 'development' professionals. Low-income communities as a direct participant group in this initiative played only a negligible role, though all of the NGOs involved were community based financial institutions/organisations that communicated their members' needs to the formal sector. Thus, although direct interaction with community groups is what provided the senior NGO personnel with the data, track records and systems to prove to HUDCO that they were creditworthy, all of the negotiations between the formal institution (HUDCO) and the NGOs took place at the senior management level. The only exception to this was when field visits were arranged by some of the NGOs, enabling HUDCO staff to interact directly

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<sup>4</sup> The Human Settlement Management Institute (HSMI) was established in 1985 by HUDCO as its research and training wing. It provides training support for professionals working in the formal institutional sector who are HUDCO's traditional borrowers. HSMI also provides a forum for interaction between administrators, professionals and researchers involved in formal sector shelter related activities.

<sup>5</sup> Quoted by Mr Franz Haller, Director, KfW, New Delhi.

<sup>6</sup> HDFC is a private sector housing finance institution in India.

with community members and learn of their shelter related financial and technical needs.

Within HUDCO three individuals played a key role in this initiative:

- Mr. Bhatnagar<sup>7</sup>, HUDCO CMD, 1992-96: prior to his role as CMD, Mr. Bhatnager worked with the Urban Improvement Trust in Jodhpur, Jaipur Development Authority and with the NCR Planning Board, New Delhi. He dealt extensively with the issues of slum improvement, relocation and land tenure. His experiences confirmed that simply constructing houses is insufficient, as the beneficiaries need to be involved for the success of any project. From his research on the informal sector he was again convinced that the only solutions were local solutions, achieved through people's participation. Mr. Bhatnagar's exposure to NGOs was initially limited, but after becoming CMD of HUDCO he became much more aware of the valuable role played by NGOs. Habitat Polytech was a good platform for dialogue with NGOs and he followed this up by many field visits, especially to slums in Bombay and Ahmedabad. He recalls that "SPARC, especially Sheela Patel, Sunder Burra and Jockin, along with Ela Bhatt of SEWA Bank, provided vital information to HUDCO regarding the housing and credit needs of the informal sector."
- Mr. V. Suresh<sup>7</sup>, Director (Corporate Planning), 1991-1996: Mr. Suresh's interaction with NGOs began early on in his career with HUDCO. In 1985, he was involved in the building of 100,000 houses in Kerala under the state government's SASH programme. The total project worth 10 crores<sup>8</sup> involved 11,148 local NGOs throughout Kerala. Mr. Suresh recalls that this is when he became convinced of the role that NGO's can play in EWS shelter delivery. Between 1988-1991, in his capacity as Executive Director (Madras Zonal Office), Mr. Suresh took further initiatives in NGO involvement and was closely in touch with the activities of CEDMA. In 1991, Mr. Suresh came to HUDCO's corporate office in Delhi and gave momentum and support to the HUDCO-NGO initiative, being closely involved with it throughout. He also recalls that "There was a very positive impact on his mind, by SEWA Bank (Ela Bhatt), SPARC (Mahila Milan and Sheela Patel), CEDMA and ASAG in Bangalore".
- Mr. V. Swarup<sup>9</sup>, Deputy Chief (Community Development), 1989-1994: HUDCO recognised the need for an understanding of and interaction with community groups/NGOs involved in credit and shelter related services. Thus, the post of Deputy Chief of Community Development was first created in 1989 and Mr. Swarup was recruited. With a social sciences background and experience of working in the Madras Metropolitan Development Authority and Tamil Nadu Slum Clearance Board, Mr. Swarup came with a clear exposure and existing relationship with many NGOs. In promoting Habitat Polytech in the role of Director, his interaction, understanding and relationship with NGOs intensified. He also found a sympathetic environment for his ideas within HUDCO, which helped him to initiate the campaign for a direct lending scheme for NGOs.

Out of the NGOs that were key players in this initiative, the following played a vital role in bringing about the policy change:

- CEDMA, Chennai - Mr. Nelson (Director);
- Baroda Citizens' Council, Baroda - Chetan Vaidya (Director);
- SPARC, Bombay - Sheela Patel (Director); Sunder Burra (Adviser); Mr. Jockin (President of the National Slum Dwellers Federation);
- SEWA Bank, Ahmedabad - Ela Bhatt (Chairperson); Jayshree Vyas (Managing Director);
- Padmavathy Mahila Abyudaya Sangam, Tirupati - Mr. Narender (Managing Director).

## 2.4 Historical Development of the Initiative - Sequence of Events<sup>10</sup>

### 2.4.1 Policy Formulation

There is no one incident or event that can be pinpointed as the trigger that brought about this new scheme within HUDCO. Instead, as described above, the change was the result of a combination of factors, including the right environment and the right initiatives taken by key people at an opportune time. Certain key events

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<sup>7</sup> Currently retired.

<sup>7</sup> Currently CMD of HUDCO.

<sup>8</sup> 1 crore = 100 lacs.

<sup>9</sup> Currently Chief of Community Development.

<sup>10</sup> This section has been compiled following discussions with key players, requesting them to recall the sequence of events in the initiative, along with a review of HUDCO's NGO scheme files.

leading up to the change in policy are summarised as follows:

- National Seminar on Construction Workers and Housing, School of Social Work, Chennai. Organised by CEDMA and attended by Mr. S. K. Sharma, the CMD of HUDCO, the seminar formulated proposals and recommendations regarding the training of construction workers, people's participation in house construction and the role of NGOs in organising communities.
- 1990-93: Ongoing interaction between Mr. Nelson of CEDMA and Mr. Swarup and Mr. Suresh of HUDCO, regarding housing schemes, community involvement and the need for access to housing finance.
- 1992: Correspondence between Habitat Polytech and SEWA in Lucknow regarding the need for direct access to housing finance for its handicraft workers and the possibility of HUDCO granting such a loan.
- October, 1992: Letter from Kirti Shah, Honorary Director of ASAG, regarding the need to provide housing finance to the poor and highlighting the inadequacies of the state housing agency's systems.
- June, 1993: Informal meeting between Mr. Suresh, Mr. Swarup and Mr. Nelson in Delhi regarding the urgent need to begin lending directly to NGOs in order to reach the EWS client group.
- August 1993: UNICEF-sponsored workshop on 'Housing Credit for the Poor' attended by Mr. Swarup and Mr. Narender of PMAS. Informal discussions took place on the savings and credit groups and systems followed by PMAS and their need for access to large-scale housing finance.
- Development of Theme Paper by Habitat Polytech on 'Composite Credit Mechanisms for the Urban Poor', involving detailed discussions with NGOs/CBOs on the composite credit needs of the poor and appropriate delivery and recovery mechanisms. This broadened HUDCO's exposure to, and understanding of, the target group and the intermediary role played by NGOs.
- Throughout 1993: Informal discussions between HUDCO and NGOs, field visits to NGOs, and sustained advocacy by the NGOs regarding the need for direct lending.
- October 1993: by this time the informal discussions had been translated into concrete proposals and HUDCO was ready to present a Board Note with detailed information regarding the proposed policy change.
- October 1993: The Board of Directors of HUDCO approved the "NGO Lending Scheme for the Urban Poor".

## **2.4.2 Policy Dissemination**

Following the resolution of the Board of Directors of HUDCO in October 1993, the detailed guidelines for the NGO scheme at HUDCO's head office in consultation with various departments. These guidelines were then formalised at a joint meeting with the NGOs in May 1994 after a process in which all of the initial proposals had been considered and approved. Two months later, HUDCO circulated the detailed guidelines to the Chiefs of HUDCO Regional Offices throughout India, and in September this was followed up with a circular to each of the Regional Chiefs, requesting them to send a report listing potential NGOs and schemes in their area. In addition, each of the Regional Offices were requested to organise a joint meeting with NGOs of their area, with an officer from Delhi in attendance in order to initiate a two-way dialogue with the NGOs and understand their requirements.

## **2.5 Current Status - Quantitative Review of NGO Scheme**

Tables 1.1 and 1.2 in Annex 1 summarise HUDCO's overall lending performance to the EWS, LIG and NGO sectors since the NGO scheme was implemented. Table 1.3 in Annex 2 provides a detailed summary of the NGO schemes sanctioned and released since the introduction of the NGO scheme.

## **2.6 Current Status - Brief Qualitative Review<sup>11</sup>**

### **2.6.1 HUDCO's Perspective**

Indicating the extent to which it was recognised within HUDCO that institutional lending patterns had to change, there currently appears to be widespread approval at senior levels of HUDCO of the principal of lending to NGOs. Such support for the scheme also attests to the success with which key individuals within

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<sup>11</sup> This section has been prepared following discussions with NGO and HUDCO staff as well as from certain sections of a study prepared by Gujarat Mahila Housing SEWA Trust, Ahmedabad, sponsored by HUDCO, entitled "Bridging the Market Gap - Housing Finance for Women in the Informal Sector."

HUDCO promoted the idea, based upon their own knowledge of EWS credit needs and NGOs, and based upon the information provided to HUDCO by the NGOs themselves. Thus, the current CMD of HUDCO, Mr. Suresh, has "... no concerns about HUDCO's lending scheme to NGOs".

Despite this generalised support for lending to NGOs, from HUDCO's perspective the scheme still needs to be strengthened and improved, mirroring the operational and administrative problems from which it suffers. Much of these problems, in the opinion of HUDCO staff, appear to stem from the characteristics of NGOs within India, thus, one of the problems of the scheme is its limited reach which, according to Mr. Anup Aggarwal, the Executive Director of Law within HUDCO, is because most NGOs in India are not involved in housing activities owing to the constraints imposed on them by the availability of land. Similarly, the ex-Regional Chief of HUDCO, Mr. Patna declared that "we do not have good NGOs in this country. Thus public sector organisations are very lethargic about lending to NGOs", and in his experience, of the "two dozen NGOs in Bihar, only two were willing to take on the responsibility of housing loan recovery." However, despite a greater number of NGOs working in the field of income generation activities, HUDCO appears to be resistant to broadening the housing loan scheme to support such activities. According to Mr. Anup Aggarwal, income generation loans are a "dicey area and HUDCO should not be involved in any schemes involving non-housing loans."

Within HUDCO sensitivity to the particular needs of NGOs and CBOs does appear to have evolved as the NGO scheme has progressed. Thus the informality of lending operations between NGOs and community residents appears to have been accepted, as illustrated by HUDCO CMD Mr. Suresh: "the development of CBOs is very important - trust and peer pressure work much better than any paper documents". Similarly, HUDCO has adapted the scheme to take into account the need of CBOs to prepare their members over a relatively long period of time to receive loans, and thus the NGO scheme allows for a 2% interest rebate to be used for capacity building for CBOs.

## **2.6.2 NGO's Perspective**

Discussions and visits to a sample of 8 of the (approximately) 25 NGOs that HUDCO have funded so far yielded similar responses regarding the implementation of HUDCO's loan scheme for NGOs.

All of the NGOs regarded the introduction of direct lending to them as an important strategic step made by HUDCO's leadership. They all felt they had played some role in the initiative and professed a sense of satisfaction that their goal had been achieved. They felt that they enjoyed a good rapport and understanding with Mr. Suresh and that he provided strong and sympathetic support to them. Mr. Swarup was regarded as "one of them, but on the other side," so the relationship with him was also close and mutually supportive.

There were two main blockage areas identified, in the implementation of HUDCO's NGO scheme. The first is that bureaucratic procedures, especially with regard to the legal/security aspects of the proposed schemes resulted in very long delays. One of the main features of a successful credit programme is that loans must be available in the right quantity and at the right time in response to clients' needs. Long delays have been experienced by the NGOs in accessing funds from HUDCO, even after 'in principle' approval has already been granted. Unfortunately internal bureaucratic procedures between different wings and the regional and head offices still lead to delays. In particular, NGOs perceived a weak inter-departmental and inter-office communication system between HUDCO offices, which contributed to further delays.

The second blockage area is that although all of the NGOs had good relationships with senior level HUDCO management, based in the Delhi head office, they often faced difficulties when dealing with the regional offices, especially the lower level staff. They found them to be fairly straitjacketed in their approach with little or no exposure or interest in the activities and systems of NGOs/CBOs. There was often a misperception that lending to NGOs is a form of charity with low chances of repayment. Unfortunately, as all NGOs must apply to their nearest regional office with a scheme proposal, sometimes, unnecessary blockages and delays were faced. This blockage does not uniformly apply to all regional offices however. Certain offices such as the HUDCO Trivandrum office for example, was considered to be exceptionally helpful and understanding about the specific needs of their NGO clients. There is thus a general consensus that streamlining/modifying some of HUDCO's working practices/internal operational systems vis-à-vis NGO lending may result in more efficient implementation of the NGO scheme.

## **3. THE INFORMATION, COMMUNICATION AND LEARNING PROCESS**

### 3.1 Knowledge and Information

The types of knowledge and information that flowed during the NGO lending initiative were a combination of non-technical (issue based) and technical (financial and systemic) information, which flowed upwards from community groups to the NGOs, and upwards again from the NGOs to HUDCO. In addition, information also flowed horizontally between the different NGOs that were involved. Within HUDCO, information also flowed horizontally between the senior management involved in the initiative at head office level and downwards from senior management to lower level staff and the regional offices. Finally, information also flowed from HUDCO to the NGOs, which in turn was passed on to the community groups.

Although the community groups were not involved in the actual dissemination of the information regarding their credit and housing related needs and their loan disbursement and recovery mechanisms to HUDCO, by virtue of the NGOs working with these community groups and facilitating their needs, they were repositories of such knowledge. In addition, some of the NGOs had conducted socio-economic studies of their members and their specific credit related needs and systems which were a valuable method of passing on such information to HUDCO and other mainstream financial organisations.

The types of information passed on by the NGOs to HUDCO in order to convince them of the need for a direct lending scheme for NGOs included information on issues such as: the implementation of and demand for housing loans versus subsidies; the links between microfinance, housing finance and the provision of credit; the main characteristics and aims of the NGO vis-à-vis its members/clients; an insight into the typology of different NGOs/CBOs operating within India and thus the similarities and diversities in their credit needs and disbursement systems; the need for low-cost building technology training to be linked with housing finance so that communities are able to not only finance but also build and design their own houses.

Technical information flows from the NGOs to HUDCO included numerical information summarising their financial and outreach performance, especially in terms of proving their track record in credit related activities. This type of information was provided in order to convince HUDCO that directly lending to NGOs was a viable business proposition that would allow a greater outreach to the 55% target of EWS/LIG clients.

The on-going advocacy campaign by the NGOs throughout the early 1990s made the relatively few NGOs that were involved in the initiative much more aware of each other's work. There was much horizontal sharing and dissemination of knowledge between these organisations, through both formal and informal channels. In addition, other NGOs/CBOs that wished to introduce similar activities saw these organisations as a source of information and good working practices, which they came to observe and adapt for their specific situations.

Within HUDCO, as mentioned above, three main players from senior management of the head office initially adopted this initiative. However, before it could be translated into Board Policy they had to convince their colleagues on the Board of the importance and viability of the proposed new scheme. The types of information used included descriptive information on the characteristics of state housing agencies that made it difficult to reach the really needy and the characteristics and philosophy of NGOs that made them better able to reach the target group. In addition, detailed draft guidelines on the implementation of the NGO scheme, keeping in mind the requirements and systems within HUDCO, helped to promote the acceptability of the initiative. Most importantly, however, following discussions with the NGOs that had been lobbying HUDCO for the change in policy, concrete proposals had been received from them with full background information regarding their specific credit needs and repayment term. This information was invaluable in convincing the Board that the proposed scheme was viable and practical.

Besides passing information horizontally at the senior management level, HUDCO personnel also transferred information regarding the new initiative to lower levels of staff and to their regional offices. Information was also sought from the regional chiefs regarding potential NGO clients in their area and their credit needs, and regarding specific loan applications.

Finally, throughout the initiative and especially once the new policy was in place, information flowed regularly from HUDCO down to the NGOs. This was mainly in order to keep up regular communications between the two parties and consisted of present status reports regarding approvals, loan sanctions and releases, and more informal communication to maintain good client relations. In turn, once the scheme was approved, the NGOs formulated specific loan regulations, usually in consultation with the community group leaders. This information regarding the scheme details, including maximum permissible loan amounts, interest rates, repayment periods, and loan eligibility criteria for potential clients.

### 3.2 Transfer and Dissemination

The different types of knowledge and information flows between the different stakeholders in the initiative determined the channels or methods that were used for communication.

In the case of upward flows of information from the community to the NGO, the predominant method of gathering information was through regular interaction with community members, both formally during weekly meetings and informally during regular face-to-face discussions. It is usually the NGO fieldworkers who are the closest to their client group, interacting with them on a daily basis for credit and other development related activities. Most fieldworkers are aware of every aspect of their client's lives, especially any major events that affect them, any problems they are facing or details of their financial status. This high level of personal information is gathered through regular, informal interaction that builds a mutual bond of trust and understanding between the fieldworkers and their clients. It is also this close relationship that is crucial in ensuring high repayment rates for loans.

In turn, the fieldworkers discuss issues and transfer field level information to higher level NGO organisers who are able to articulate the particular types of information required by public authorities or formal institutions. In the case of this initiative, the NGOs acted as the go-between between HUDCO and its members. Except for a few field visits by select HUDCO officials, the low-income community members did not directly meet with HUDCO officials. Hence, key individuals within the NGOs played a crucial role in transferring the relevant information to HUDCO. The fact that most of the NGO directors are either qualified professionals or have acquired high levels of understanding of the information needs of the formal sector means that they were well equipped to transfer this information to HUDCO in a meaningful way.

Upward information flows from the NGOs to HUDCO were channelled through a combination of deliberately chosen methods and informal discussions. Some of the NGOs prepared studies on various topics (not necessarily for HUDCO alone), including the housing finance and credit needs of their clients, with the information usually through the use of structured questionnaires. Others NGOs documented the activities, history and systems followed by them. Some NGOs even prepared visual documentation in the form of videos about specific aspects of their work. This gave HUDCO concrete information of a formal character regarding the work and needs of the NGOs and their members. In addition, informal discussions between the NGOs and HUDCO took place at various forums, including workshops, face-to-face meetings and through telephone conversations. It was through these communication channels that the NGOs were able to articulate their need for direct access to housing finance from HUDCO and convince the HUDCO senior management that they were viable intermediaries. Finally, each of the NGOs drew up specific application proposals for HUDCO detailing the total loan amount they could effectively disburse, the number of beneficiaries they would on-lend to, the loan purpose, the physical description of the types of houses that would be built, the loan disbursement and recovery procedures, and a socio-economic profile of the end users. This enabled HUDCO to approach its board members with concrete proposals, playing an important role in bringing about the policy change.

Horizontal information flows between HUDCO senior management, prior to the approval of the scheme, mainly took place through informal discussions. Once it was decided to put the proposal up for Board approval, a draft Board Note and Guidelines were initially prepared. These were circulated internally between the Directors of the various departments, including Corporate Planning, Projects, Law, Finance and the CMD. Each department wrote file comments and proposed modifications which were amalgamated in the final proposal. Even at the Board Meeting certain amendments were incorporated in the Scheme Guidelines.

The final guidelines and scheme details were disseminated vertically throughout HUDCO on a nation-wide basis through the use of formal circulars and official memos. Clarifications were sought informally from the Community Development department at head office, mainly through telephone conversations. It is important to observe at this point that despite the use of formal channels of communication for vertical dissemination of information within HUDCO, the schemes acceptance and promotion were also assisted by the fact that the CMD and Director of Corporate Planning were taking a personal interest in the initiative and encouraging the identification of capable NGOs. These key players used their seniority to intervene and instruct the regional offices to compile databases of potential NGO clients and hold one-day seminars with them to explore the possibilities of jointly implementing housing schemes. This pressure acted to increase support for the new scheme.

The uptake of the NGO lending scheme relied mostly on effective exposure and knowledge transfer regarding the needs of EWS clients, along with the capability of the NGOs to address this need. There was a felt need from HUDCO to actively research the possibility of alternative funding intermediaries, which the

NGO representatives were successfully able to do. The need for well developed face-to-face negotiation skills were not the vital ingredient in this initiative. Instead, the value of having an open mind and exploring new, unconventional housing finance channels is what ensured the policy change.

### 3.3 Learning

Both of the main stakeholders groups, namely the NGOs (and through them the community groups) and HUDCO, derived different benefits from this initiative in terms of learning.

Within HUDCO a genuine desire to learn about NGOs and their work was expressed by senior management. A theme paper prepared for Habitat Polytech's workshop on Composite Credit, for example, reveals a high degree of insight into the credit needs, patterns and behaviour of the EWS client group, along with a proposed delivery mechanism through NGOs. This parallel learning exercise meant that the information disseminated by the NGOs, advocating a direct credit scheme, was accepted and welcomed by HUDCO. On the other hand, the NGO representatives were also focused in their information dissemination and tailored the information they provided, in order to meet the felt needs expressed by HUDCO and which would prove that NGOs were viable intermediaries.

Due to their own backgrounds and previous interactions with similar voluntary organisations, the three main officials interacting with the NGOs from within HUDCO were especially receptive in learning about EWS clients' needs. In addition, the high regard that the HUDCO officials had for the NGO representatives also aided in their learning and absorption process. Another learning experience revealed by HUDCO management was their ability to absorb relevant information and come up with a consensual innovative solution, for example, regarding loan security provisions for the NGO scheme. Having traditionally lent through state agencies, HUDCO was used to bank/government guarantees for all loans and the NGO scheme necessitated the use of informal security measures, especially because the target beneficiaries were largely settled in slums, with insecure land tenure. Following detailed consultations, if traditional forms of security were unavailable, an innovative solution was proposed of a 10-25% cash deposit with HUDCO, depending upon the NGO's previous loan recovery record. Without devising this alternative security option, HUDCO's housing finance would have been impossible for most NGOs to access, and the motivating force behind this shift was largely the personal interest taken in the initiative by the CMD and the Director of Community Planning. However, in providing this option, HUDCO clearly revealed that it had assimilated the knowledge supplied by the NGOs regarding their guarantee constraints and their clients' limitations vis-à-vis land ownership documents.

One problem in the learning process that arose for the longer term was the fact that since most of the discussions and learning had happened among HUDCO's senior management level, some perception gaps arose amongst other officials. For example, discussions with the Executive Director of Law revealed his doubt that "when HUDCO's NGO scheme started, there was any initiative from communities or the NGOs themselves to effect any change in HUDCO's policy." Similarly, due to limited exposure and interaction with NGOs, learning at the lower staff levels, especially in the regional offices, is still haphazard. This ignorance often leads to misperceptions about the role and characteristics of NGOs and the EWS sector as a client group.

On the part of the NGOs, once the direct lending scheme was implemented there was a fairly sharp learning curve. Their staff had to be trained in adhering to formal reporting requirements as few of them had previously borrowed long term funds from a mainstream housing finance institution. Capacity building in terms of more frequent and accurate data collection and better reporting systems were part of the indirect learning of the NGOs.

In terms of ongoing learning, there are no formal feedback mechanisms in place regarding the implementation or quality of service provided by HUDCO's NGO scheme. The customers, namely the NGOs themselves, are dependent upon informal communication channels, such as conversations with high level HUDCO staff to discuss their individual problems and arrive at operational solutions. Nevertheless, recently HUDCO has been proactively supporting ongoing efforts to increase the level of awareness about their NGO scheme and the quality of the service being delivered. Recent activities include the financial support of a national level study on "Housing Finance for Women in the Informal Sector," undertaken by Mahila Housing SEWA Trust in 1998. A follow up activity to this study involved the sponsorship of a national workshop, also organised by Mahila Housing SEWA Trust on the same topic. The main objective of this workshop was to discuss how to increase the amount of housing finance available to NGOs for disbursement and to identify and remove any operational blockages preventing the efficient disbursement of funds by the mainstream housing

finance institutions.

### **3.4 Use and Impact**

Given HUDCO's access to information convincing them of the need for the NGO lending scheme and given the political will within HUDCO to implement it, the institution's organisational structure was well equipped with the necessary skills to implement the change in policy. However, even after HUDCO had learnt enough to be convinced that direct lending to NGOs was a good business decision and that the internal systems of the NGOs were capable of coping with loan disbursement and recovery, it was only through the personal intervention and initiative of the CMD, the Director of Community Planning and the Deputy Chief of Community Development that this learning was translated into a policy which would impact upon the lives of poor clients.

In terms of attainment of project objectives, direct lending to NGOs was achieved through the Board Resolution on 25 October 1993. This was further modified in 1995 to include lending to NGOs in rural areas. However, as Tables 1.1 and 1.2 (Annex 1) demonstrate, the number of NGOs that have obtained funding from HUDCO is not very many. In terms of overall lending to the EWS and LIG sectors, lending through NGOs has not yet gained significant momentum. This could be due to a variety of factors including the fact that there are not very many NGOs undertaking shelter-related credit activities, or the fact that not many NGOs have approached HUDCO because awareness of the scheme is poor. In addition, it is also difficult to satisfy HUDCO's criteria in order to be eligible for a loan, and some NGOs are turned away at the regional office level on these grounds.

Finally, the NGO lending initiative has served to develop long lasting, insightful relationships between the HUDCO and NGO officials involved. Amongst these officials there is a sense of satisfaction in instigating real change, resulting in greater access to housing finance at the grassroots. The scheme has also resulted in capacity building of the NGOs and CBOs to manage larger loan quantities through better accounting and monitoring systems.

## **4. LESSONS**

### **4.1 The Importance of a Favourable Climate**

Although NGOs had been advocating a direct lending scheme for nearly three years, it was not until a number of events took place to create a favourable climate for the policy decision to be implemented. Notable amongst these was: a growing recognition of the inability of state housing agencies to reach EWS clients; an increase in levels of awareness and information dissemination about NGOs working in shelter provision; the implementation of a direct lending scheme to NGOs by a competitor in the private sector; and the personal initiative taken by senior HUDCO management.



## **4.2 The Importance of Key Individuals**

Key individuals from both parties of stakeholders were vital to the implementation of the initiative. In bureaucratic public sector organisations like HUDCO a lack of political will from top management can often delay or stall initiatives. Equally, personal interest in a project can lead to relatively rapid change. However, the issue of a lasting impact still remains unresolved, as lower level regional staff are yet to be fully convinced and exposed to the activities, systems and intentions of NGOs working with the poor.

## **4.3 The Need for Learning Costs**

One issue particularly articulated by SPARC was that NGOs initially have to invest heavily in learning costs to organise and develop community groups and undertake pilot projects so that mainstream financial organisations such as HUDCO are convinced of their capability and performance. For example, HUDCO's NGO guidelines state that an NGO must have a three-year track record, preferably in credit related activities, before it is eligible for a loan. In order to achieve this track record, working capital and investment costs are needed, which are difficult to access.

## **4.4 The Importance of Appropriate Information Dissemination and Open Minded Dialogue**

HUDCO needed convincing that lending to NGOs was a viable and sound business decision. By providing appropriate facts and figures to support this premise, the NGOs were successful in the initiative. Equally, the HUDCO officials were willing and open to the information being disseminated by the NGOs, which was also critical to success.

## **4.5 The Need for Perseverance**

Even after the implementation of HUDCO's NGO scheme, clients still face long delays in the sanction and release of funds. Although the best solution would be to revise the procedures in dealing with loan applications from HUDCO, the lesson to be learnt for the interim period is that perseverance and patience are key if the ultimate objective of accessing housing finance for the poor is to be achieved.

## **4.6 The Diversity of NGO Organisational Structures**

Discussions with NGO personnel regarding their working practices, ideologies and aims have very clearly shown that these all differ from organisation to organisation. This translates into a diverse range of organisational and sometimes legal structures. This means that the type of security that different NGOs can offer and the terms and conditions applicable to each also need to be modified on a specific basis. Hence, a standard NGO scheme cannot efficiently cater to these diverse organisations. One solution that has been offered by the NGOs is that a loan sanction committee comprising members of HUDCO and certain key NGO professional staff be set up, which sanctions/rejects individual NGO loan applications on a case by case basis every quarter.

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## ANNEXES

### Annex 1: Low Income Housing Performance of HUDCO

**Table 1.1: Total Volume of Low-Income Housing Loans Sanctioned by HUDCO**

Year	EWS (Rural)	EWS (Urban)	LIG	NGO	(Rs. million)	
					Sub total	Total Housing
1993-94	1201.80	573.20	2222.5	1.20	3998.70	8006
%	15.01	7.16	27.76	0.01	49.95	100.00
1994-95	1178.10	536.30	2315.30	4.80	4034.50	7847
%	15.01	6.83	29.51	0.06	51.41	100.00
1995-96	1286.90	508.40	2575.60	12.79	4383.69	8584
%	14.99	5.92	30.00	0.15	51.07	100.00
1996-97	1648.60	937.80	3287.50	22.50	5896.4	11767
%	14.01	7.97	27.94	0.19	50.11	100.00
1997-98	2083.70	907.80	4192	72.30	7255.80	13305.50
%	15.66	6.82	31.51	0.54	54.53	100.00

Source: HUDCO, MIS Data Sheet, March, 1998

**Table 1.2: Total Number of Low-Income Housing Units Sanctioned by HUDCO**

Year	EWS (Rural)	EWS (Urban)	LIG	NGO	Sub total	Total Housing
1993-94	219290	41719	80133	60	341202	420100
%	52.20	9.93	19.07	0.01	81.22	100.00
1994-95	157569	43797	51955	324	253645	381041
%	41.35	11.49	13.64	0.09	66.57	100.00
1995-96	146843	30481	67020	1035	245379	396745
%	37.01	7.68	16.89	0.26	61.85	100.00
1996-97	189343	42317	120276	968	352904	428069
%	44.23	9.89	28.1	0.23	82.44	100.00
1997-8	181654	23565	201747	6346	413312	553670
%	32.81	4.26	36.44	1.15	74.65	100.00

Source: HUDCO, MIS Data Sheet, March, 1998

**Annex 2**

**Table 1.3: NGO Schemes Sanctioned and Released**

Scheme No and Sanctioned Date	Name of the Agency	Scheme Type	Total Loan (Rs)	Total Units	Total Released (Rs)	Repayment Received (Rs)
1994-95						
11328 (30.3.94)	CEDMA, Vellore Tamil Nadu	EWS	11.70	60	11.01	1.94 Regular
12225 (7.3.95)	Santhigiri Ashram, Thiruvananthapuram, Kerala	LIG	18.79	24	13.20	2.53 Regular
12382 (23.3.95)	KEDES, Palakkad, Kerala	EWS	24.38	100	12.19	4.99 Regular
12414 (28.3.95)	Padmavathi Mahila Abyudaya Sangam, AP	EWS (U)	10.00	200	8.385	1.62 Regular
1995-96						
12449 (7.4.95)	YCO, Vishakapatnam	EWS (U)	14.62	175	14.62	1.16 (Regular)
13286 (23.3.96)	SIDA, Kottayam, Kerala	EWS LIG	34.75	160	29.25 5.50	3.12 Regular 0.54
13349 (29.3.96)	AVARD, Thrissur, Kerala	EWS	24.38	125	24.38	2.64 Regular
1996-97						
13554 (16.8.96)	SIDA, Kottayam, Kerala	EWS	28.50	300	28.50	4.5 Regular
13555 (16.8.96)	VDS, Kattappana, Kerala	EWS	2.16	50	2.16	0.30 Regular
13558 (7.8.96)	Tarun Sangha, Midnapore, W.B.	EWS LIG	18.625	50	4.875 13.75	0.32 (Default) 1.44 (June 98)
13576 (2.9.96)	VDS, Kattappana, Kerala	EWS LIG	74.50	200	19.50 55.00	2.16 Regular 6.00
14128 (11.3.97)	Artisans Alliance, Jawaja, Rajasthan	EWS	11.50	59	2.875	-
14160 (13.3.97)	SPARC, Hyderabad	EWS	14.60	59	7.30	0.75 Regular
1997-98						
14362 (21.4.97)	SEWA, Lucknow	EWS	42.50	500	42.50	8.49 Regular
14385 (4.5.97)	Mass Education Society, WB	EWS	19.00	100	Not released	-
14412 (20.5.97)	SHARE, Hyderabad	EWS (R)	27.75	500	7.95	-
14549 (17.7.97)	SIDA, Kottayam, Kerala	EWS (CL)	62.50	250	62.50	3.36 Regular
14550 (16.7.97)	SIDA, Kottayam, Kerala	EWS (R&R)	48.00	400	48.00	3.78 Regular
14557 (21.7.97)	Gramin Sewa Sansthan (Abhiyan Asha) Bilaspur	EWS	29.75	314	14.03	-

Scheme No and Sanctioned Date	Name of the Agency	Scheme Type	Total Loan (Rs)	Total Units	Total Released (Rs)	Repayment Received (Rs)
14584 (19.9.97)	SEWA Bank, Ahmedabad	EWS	288.00	3600	96.00	91.32 Regular
14585 (19.8.97)	Satilapur Anunnate Samaj, Calcutta	EWS LIG	12.50 7.00	60	Not released	-
14710 (22.10.97)	Santhigiri Ashram, Kerala (Phase II)	LIG	8.80	16	4.49	0.19 Regular
14720 (31.10.97)	Palmyrah Workers Dev. Society, TN	EWS	30.00	150	30.00	1.06 Regular
14733 (15.11.97)	Tidal wave and cyclone hit area Rehabilitation & Dev Organisation (TWACARDO)	EWS (U)	3.90	20	3.90	0.07 Regular
14771 (20.11.97)	SPARC -Suryodaya Co-operative Society, Pune	EWS (U)	14.00	56	12.00	0.48 Regular
14874 (30.12.97)	CEDMA, Chennai	EWS	25.00	100	6.25	0.20 Regular
14894 (9.1.98)	SIDA, Kottayam, Kerala	LIG	70.00	100	70.00	-
15128 (31.3.98)	Chil Chil Asian Misson Society, Kanglatongpi, Manipur	EWS (R)	7.31	30	7.31	Default Sept 98
15460 (30.9.98)	Shakti Mahila Vikas, Swalambi Sahakari, Samiti Ltd.	EWS	11.25	45	Not released	-
15461 (12.9.98)	VDS	LIG	70.00	100	24.48	-
15462 (12.9.98)	CARD Community Action for Rural Development	EWS	4.12	35	Not released	-
15463 (12.9.98)	Chayamalpur Bidrohi Sangha	EWS	4.12	35	Not released	-
15464 (12.9.98)	VDS	EWS (R&R)	12.00	100	6.00	-
15465 (12.9.98)	VDS	EWS (CL)	25.00	100	9.33	-
15491 (15.10.98)	Youth Charitable Organisation	EWS	34.12	175	Not released	-
15525 (13.11.98)	SIDA	EWS	125.00	500	-	-