Informal Briefing for CPR on the ERSO Trust Fund

23 November 2012
ERSO Trust Fund - Overview

- ERSO = Experimental Reimbursable Seeding Operations (effectively, a Revolving Loan Fund)

- Resolution GC 21/10 established a 4 year ‘experimental’ period for ERSO programme (Apr. 2007 to Apr. 2011)

- ERSO was established to contribute to Focus Area 5 of MTSIP:
  - EA 1: “Financing raised for and increases recorded in affordable and social housing stock and related infrastructure”
  - EA 2: “Increase in activities in municipal finance and affordable housing finance”

- Following experimental period, external, independent evaluation of ERSO programme concluded in March 2011
ERSO Trust Fund - Overview

Original Contributions to ERSO Trust Fund:
Government of Spain: USD 2,879,597
Government of Bahrain: USD 500,000
Rockefeller Foundation: USD 250,000
**Total Donor Contributions:** USD 3,629,597

- 5 Loans disbursed in 2010 - Total USD 2.75 million to 5 projects:
  1. Uganda (USD 500,000 loan to DFCU Bank)
  2. Tanzania (USD 500,000 loan to Azania Bank)
  3. Occupied Palestinian Territories (USD 1 million loan to Sakan NGO)
  4. Nicaragua (USD 500,000 loan to PRODEL)
  5. Nepal (USD 250,000 loan to Habitat for Humanity Nepal)

- Portfolio Reserves: USD 550,000 set aside (20% of disbursed funds) to cover credit and foreign exchange exposure
ERSO Trust Fund – Results to Date

- All loans performing to schedule (100% repayment)
- Approx. USD 400,000 in repayments collected to date
- 2 projects implemented (Nepal & Nicaragua)
- Remaining 3 projects – still at early implementation stage. Loan repayments to UN-Habitat are on-going, irrespective of project implementation delays

Project Results – Nepal:
- Loan to Habitat for Humanity International Nepal of USD 250,000
- Loan disbursed in July 2010
- Target population include factory and tea estate workers, rickshaw pullers, masons, carpenters and small business holders. Daily earnings of these groups is USD 2 to 3 per day
- To date 962 families have achieved new or improved houses (Approx. 4,000 individuals)
ERSO Trust Fund – Results to Date

Project Results – Nicaragua:

- Loan to PRODEL of USD 500,000
- Loan disbursed in April 2010
- Beneficiaries average incomes = approx. USD 150 to 200 per month
- Leveraged a further USD 3 million for two specific uses:

  1) Incremental housing improvement loans programme
     - To date 2,320 families have received loans (approx. 10,000 individuals benefitted)

  2) Municipal Infrastructure Improvements
     - To date, 8 infrastructure improvement projects have been financed and concluded successfully
     - An estimated 5,152 families (approx. 24,000 individuals) have benefitted

PRODEL programme has had very significant results within a short time frame and with limited funds. PRODEL products and services are highly applicable to other country contexts and should serve as examples of best practice.
ERSO Project Results - Nicaragua

Before

Incremental Housing Improvements Loans

Maria Luisa Zamora and family. Nicaragua, PRODEL project

During

After
ERSO Project Results - Nicaragua

Financing Municipal Infrastructure Improvements. Nicaragua, PRODEL project

BEFORE

AFTER
ERSO Project Results - Nicaragua

Financing Municipal Infrastructure Improvements. Nicaragua, PRODEL project
2 Major Recommendations/Options proposed by Evaluation:

- Option A: Scale-up a similar Programme within UN-Habitat
- Option B: Explore outside partnership with suitable development finance institution

GC 23/10 Resolution passed at GC23 asked UN-Habitat for:

- Exploration and possible partnership with development finance institution for future lending/guarantee activities
- To transfer ERSO and SUF portfolios (or management of the portfolios) to an appropriate development finance partner
Exploration was undertaken by UN-Habitat for over 6 months to potentially establish a new investment facility within a development financial institution.

A suitable partner or structure was not found to transfer the ERSO portfolio. Therefore, the exploration has been ceased and the current portfolio of 5 loans is to be administered in-house. At present, no new loans are expected to be made.

UN-Habitat is in discussions with donors of ERSO Trust Fund to determine best use of funds that are being collected from repayments.

UN-Habitat welcomes comments and suggestions from CPR members on existing and/or future ERSO Trust Fund activities.
THANK YOU