Implementing Resolution GC 21/10
“ERSO”

Progress in the Establishment of ERSO

ERSO CPR Working Group Meeting
29 February 2008

Outline

1. Current Status of Activities in Relation to the ERSO Roadmap
2. Operational Procedures and Guidelines
3. Establishment of ERSO SMC
5. ERSO Expert Meeting 21/22 April 2008
6. ERSO Working in Practice – An Outlook responding to Requests of CPR Members
1. ERSO Roadmap

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<td>Undertake Project Preparation (Develop Business Plans)</td>
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<td>Establish ERSO Technical Unit and Systems</td>
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2. Operational Procedures and Guidelines (OPG)

Structure and main Contents and of the Document submitted 15 February

1. Introduction and Overview
2. Definitions
3. Mandate and Purpose of the ERSO Trust Fund
4. Organizational Structure of the ERSO Trust Fund: Actors and Responsibilities
5. Funding, Resource Allocation and Administration of the ERSO Trust Fund
6. Principles for ERSO Operations
Role of Governing Council, CPR and Steering Committee

Governing Council (4.2.- 4.4)
- Consider/approve the proposed programme budget of the United Nations Habitat and Human Settlements Foundation (UNHHSF) (of which ERSO is a part of) (4.4)
- Consider and approve plans presented by the Executive Director regarding the administration of the Foundation budget and the utilization of its funds
- Determine the limits and specify for which purposes the Executive Director may allocate funds to carry out the activities of the Foundation

Committee of Permanent Representatives
Responsibilities in accordance with ECOSOC resolution 2001/48, and Governing Council resolution 18/1:
- Review and monitor, within the policy and budgetary framework provided by the GC, the implementation of the work programme of UN-Habitat, as well as the implementation of decisions of the GC;
- Review the draft work programme and budget of UN-Habitat during their preparation by UN-Habitat;
- Prepare draft decision and resolutions for consideration by the GC

Steering and Monitoring Committee (SMC) (4.13-4.18)
- The SMC will advise the Executive Director on issues related to the implementation of activities of the ERSO Trust Fund, including policies, strategies, methodologies and actions to enhance the efficiency and effectiveness of ERSO programme of activities. (4.15)

OPG Consultation Process

- Resolution GC 21/10:
  “…requests the Executive Director to submit for the consideration of the Committee of Permanent Representatives proposed operational procedures and guidelines…”
- Zero draft of OPG circulated to CPR on 7 November 2007
  - Written comments received from Finland, Germany (on OM), Sweden and consulted experts
  - Verbal Recommendations received in CPR WG session of Nov 23rd and CPR meeting on Dec 6th, 2008
- Revised OPG submitted to CPR on 15 February 2008 following legal review
  - Written comments from CPR members on specific provisions requested by 14 March 2008
  - Discussion of comments in WG meeting of 17 March
  - Final version to be prepared by 20 March 2008
- Consideration of OPG in CPR April 3 meeting
3. Establishment of Steering and Monitoring Committee (SMC)

- GC 21/10:
  “Requests the Executive Director…[to] establish a Steering and Monitoring Committee of 12 to 14 persons appointed in consultation with the Committee of Permanent Representatives”

- 3 Groups of Members:
  1) Donors to the ERSO Trust Fund - threshold US $ 2 million including in-kind support contributions
  2) Representatives of the Regional Groups:
     - Executive Director has requested 5 regional groups to select countries nominating candidates for their respective regional group
     - So far, feedback has been received from several regions on the selection process and proposed modifications
     - Regions are requested to present a short update on the current status of the nomination process
  3) Other potential Members: IFIs, Regional Development Banks, NGOs, Domestic Private Sector (Banks/MFI, Developers)

- Constituting Meeting of SMC on 21/22 April 2008 to finalize Operations Manual

4. Operations Manual (OM)

- Resolution GC 21/10:
  “Having a working operations manual to describe the processes for different reimbursable seeding operations and other innovative finance mechanisms in consultation with the Committee of Permanent Representatives and the Steering and Monitoring Committee”

- Zero draft version of OM circulated to CPR and external experts on 7 November 2007
  - Written comments received from Finland, Germany, Sweden and consulted experts
  - Verbal Recommendations received in CPR WG session of Nov 23rd and CPR meeting on Dec 6th, 2008

- Timeline for Finalization of OM:
  - Finalization of an advanced draft in March 2008, taking into account all review comments to date
  - Submission to prospective SMC Members and CPR in April 2008
  - Finalization with SMC Members at Constituting Meeting on 21/22 April
  - OM is an organic document that will improve based on implementation experience
5. Expert Meeting April 2008

Purpose:

• Presentation of ERSO OPG and OM, Implementation Strategy and current status to experts and potential partners
• Sharing of existing experiences in seed-capital operations/other innovative Mechanisms for pro-poor housing, upgrading and related infrastructure
• Discussion of ERSO Project Profiles developed in Q1 2008 and identification of additional project opportunities by participants
• Constituting Session of the ERSO Steering and Monitoring Committee: Finalization of SMC TOR, technical review of Operations Manual and discussion of implementation arrangements and potential projects

Expected Results:

Guidance on key operational issues and Implementation Strategy of ERSO and discussion of potential project applications

Participants:

• ERSO Expert Group, IFIs/Regional Development Banks, Domestic Financial Institutions and other Experts, Regional Representatives/prospective Members of ERSO Steering Committee, UN-HABITAT/ERSO Team
• Regional Groups are invited to propose additional shelter finance experts from domestic financial institutions (as potential ERSO partners) until 11 April

ERSO Expert Meeting - Draft Programme Outline

Day 1: Monday, 21 April 2008

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<tr>
<th>Time</th>
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<tr>
<td>9:30</td>
<td>I. Opening Session: Welcome and Orientation</td>
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<td>11:00</td>
<td>II. The Context for ERSO</td>
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<td>The importance of a well functioning financial market for economic growth and financial market development</td>
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<td>Overview on background research on innovative efforts of Formal Financial Institutions to reach out to the Poor and the Work of Domestic Microfinance and Community-Finance Organisations</td>
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<td>UN-HABITAT Experiences with the Slum Upgrading Facility and other initiatives in human Settlements Financing</td>
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<td>11:45</td>
<td>III. Overview on ERSO Approach and Strategy</td>
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<td>Presentation of key Elements of ERSO Operational Procedures and Operations Manual (UN-Habitat)</td>
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<td>Credit Enhancement as an important tool in slum upgrading and improving the housing for the low-income segment Overview on the current status of ERSO implementation efforts (UN-Habitat)</td>
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<td>14:00</td>
<td>IV. Presentation of potential ERSO Projects in the 4 Regions by potential Project Partners</td>
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<td>17:45</td>
<td>End of Day 1</td>
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Day 2: Tuesday, 22 April 2008

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<th>Time</th>
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<tr>
<td>9:00</td>
<td>V. Parallel Working Sessions (5) (facilitated by UN-Habitat/Swedbank)</td>
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<td>1-4: Developing and Implementing ERSO Projects in the Regions:</td>
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<td>In-depth discussions of Project Ideas and Engagement of potential Partners such as formal Financial Institutions, Microfinance and community-based organisations, National and Local Governments, communities, Identification of project opportunities</td>
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<td>5: Constituting Session of the (preliminary) ERSO Steering and Monitoring Committee</td>
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<td>11:45</td>
<td>VI. Reports Back to Plenary from Parallel Sessions</td>
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<td>Conclusions from Parallel Sessions for ERSO Project Design and Implementation, Role of the Steering +Monitoring Committee</td>
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<td>13:45</td>
<td>VII. Implications of the Workshop Discussions for ERSO Implementation</td>
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<td>Facilitated Panel Discussion: The Way Forward on Implementation of ERSO from different Perspectives</td>
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<td>15:45</td>
<td>Closing Comments by the Chair</td>
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<td>16:00</td>
<td>End of Day 2</td>
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6. ERSO in Practice – An Outlook responding to Requests of CPR Members

a) ERSO Approach
b) Targets for ERSO Projects
c) ERSO Project Elements and Phases
d) ERSO Project Scoping and Development

ERSO Two-Tiers Approach
For the Catalytic Mobilisation of Domestic Capital

- Wealthiest
- Current Mortgage Market Activities
- Commercial Banks & Other Financial Institutions
- ERSO Activities for Catalytic Mobilization of Domestic Capital

- Poorest
- Current Sphere of Micro-Finance Lending
- Microfinance Institutions (MFIs)
- Housing and Infrastructure Finance Activities
Targets for ERSO Projects

- Number of ERSO operations:
  8-12 total, 2-3 in each of the 4 regions Africa, Asia, Eastern Europe, Latin America/Caribbean
- Envisaged total volume per operation:
  ~ US$ 2-5 Million
- Total ERSO contribution per operation:
  up to US $ 1.5 Million
- Envisaged private domestic capital mobilized per operation:
  ~ US $ 1-4 Million (target leverage factor: ~1:1-1:4)
- Number of loans/households served per operation:
  ~ 200-500

ERSO Project Sequence

Conceptual Model of project elements and steps, variations will occur in real-life cases

1. Project Identification
   - Project Scoping
   - Monitoring of Financial Streams (end-user loans, repayments) and TA

2. Project Selection
   - Development of Project Profiles
   - Review of Project Profiles
   - Due Diligence Analysis
   - Negotiation of Legal Agreements with Local
   - Development of Business Plan

3. Project Development
   - Funds Disbursement to Domestic Financial Institution
   - Technical Assistance Activities (TA)

4. Implementation

5. Monitoring
Purpose: Develop a Pipeline of potential Projects

- Consulting with SUF, WatSan Partners and UN-HABITAT Regional Offices and other units to explore opportunities for potential ERSO projects based on existing partnerships.
- Regional Groups are encouraged to submit profiles of potential projects, utilizing the structure of the ERSO Project Scoping Questionnaire and the Model Project Profile.
- Consultations to develop partnership arrangements with IFI's, multi-lateral and regional banks.