ERSO Overview and Portfolio of Experimental Operations

May 2009

- Draft -
(rev2, 16/06/2009)

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I. ERSO Overview

In April 2007, the Governing Council of UN-Habitat adopted resolution 21/10 on “Strengthening the Habitat and Human Settlements Foundation: experimental financial mechanisms for pro-poor housing and infrastructure”.

The resolution requests the Executive Director to establish a trust fund for a four-year experimental period from 2007 to 2011 to support the implementation of experimental reimbursable seeding operations and other innovative financial mechanisms (ERSO). With the implementation of this resolution, UN-Habitat responds to the challenge of finding innovative solutions for affordable housing to address the problem of growing slum populations and contribute to poverty alleviation and better health.

At the end of the experimental activities in 2011, an evaluation will be conducted, which will guide further decisions by the Governing Council in 2011 on potential future applications of the experimental activities.

The purpose of ERSO activities is to:

(i) Field-test experimental reimbursable seeding operations and other innovative operations for financing for the urban poor for housing, infrastructure and upgrading through community groups and

(ii) Strengthen the capacity of local financial and development actors to carry out those operations and to support the capacity of the United Nations Human Settlements Programme to enhance those operations.

The mobilization of domestic capital lies at the heart of ERSO. Projects are being designed to catalyze domestic investment capital and domestic savings through the provision of seed capital, other innovative financial mechanisms, including credit enhancements, and technical assistance, in a comprehensive and structured financial package.

Besides identifying and developing ERSO projects, UN-Habitat has also undertaken background research documenting existing experiences in low-income shelter finance to complement demonstration efforts.

Delivery Model

ERSO seed capital, in the form of loans or credit enhancements, will be provided to domestic financial institutions (e.g. Banks, Microfinance Institutions (MFIs)) to enable on-lending for low-income housing construction, upgrading or infrastructure. Domestic capital should always be mobilized. Work is undertaken in close partnerships with national and local governments and support by local intermediaries. The target groups of ERSO products are either low-income clients themselves or actors involved in the provision of low-income housing.

Targets

ERSO plans to test 8-12 operations in total with 2 to 3 in each of the four target regions: Africa, Asia, Eastern Europe/countries with economies in transition and Latin America and the Caribbean.

The target for the total volume of each operation is between USD 1 and 5 million. With an envisaged ERSO contribution to each operation of currently up to USD 1.5 million and typically around USD 500,000, it is expected that a mobilization ratio of between 1:1 and 1:4 can be achieved.

Currently, the ERSO Trust Fund is capitalized with USD 3.7 million by contributions from the Government of Spain, the Kingdom of Bahrain and the Rockefeller Foundation.
The wider goal of ERSO

Ultimately, the goal of ERSO is to show models for national governments to enable financing for affordable housing through the private sector, MFIs or community finance institutions. If ERSO operations prove to be successful, it would also send the positive signal that it is indeed a viable and sustainable activity that should be supported and encouraged as a small step towards achieving Target 11 of the Millennium Development Goals: to deliver a significant improvement in the lives of at least 100 million slum dwellers by the year 2020. Consequently, the lessons from the experiments could be immensely beneficial for millions of poor urbanites, who do not have regular access to any kind of formal credit market.

Requirements for ERSO Projects

The key requirements are defined in the ERSO Operations Manual. In particular, projects have to serve low-income groups and have to support affordable housing construction, upgrading or provision of basic infrastructure. Projects should show some initial results and the first repayments by the end of 2010.

Implementation

Between May 2007 and March 2008, UN-Habitat has consulted with the Committee of Permanent Representatives (CPR) in Nairobi to develop and receive approval for the ERSO Operational Procedures (OP) and the Operations Manual (OM), which are documents mandated by Resolution GC 21/10.

Following this process, UN-Habitat held an expert workshop in late April 2008 to present the strategy to experts in the field and receive guidance on key operational issues and the implementation strategy.

On the basis of the project ideas gained through the expert workshop and from other sources, the ERSO Team consulted with multiple potential partners to develop business plans for implementation of experimental operations in all four target regions. In addition to operational activities, research and documentation of innovative mechanisms for low-income shelter finance has been initiated.

Following nominations by the Regional Groups represented in the CPR, the Executive Director established the ERSO Steering and Monitoring Committee (SMC), composed of housing finance experts from all regions. The constituting meeting of the SMC was held on 25th and 26th September 2008 in Nairobi, and the second meeting took place on 12th and 13th March 2009.

Current Status of Implementation Activities

Since April 2008, the ERSO team has consulted with over thirty potential partners to develop business plans for implementation of experimental operations in the four target regions. On the basis of the recommendations of the second SMC meeting, eight business plans have been approved by the Executive Director in March 2009. Six project agreements were signed on 2nd April 2009 during UN-Habitat’s Governing Council, with partners from Africa, Asia and Latin America. The first six experimental operations projects will be located in Argentina, Bangladesh, Kenya, Nepal, Tanzania and Uganda.

The loans to NGOs, MFIs or local financial institutions range between USD 150,000 and USD 500,000. Each partner has committed to leverage the ERSO contribution and the total proceeds will be used to either build or upgrade housing or for developing basic infrastructure for low income inhabitants. In all cases, the loans will be offered in local currency and the partner has committed to ensuring the low-income borrower can access housing finance at competitive interest rates (normally below 10% p.a.). All six projects, which total over USD 2.1 million, will be implemented within the next 12 months with repayment of the ERSO loans commencing within 6 months of loan disbursement (i.e. by the end of 2010).

In addition to the initial projects, UN-Habitat is exploring further opportunities in response to requests from potential partners. The following chapter features short overviews on projects commenced and under development and informs about new project ideas received recently, which still have to be explored.
II. Overview on ERSO Operations commenced 4/2009

1. Argentina: Loan to Habitat for Humanity (HFH) Argentina to fund, manage and implement a housing finance program to assist poverty-level families in the City of Buenos Aires

Project idea
Home to 12 million people, the Buenos Aires Metropolitan Area houses a polarized society. Following the economic crisis of 2001, entire slums appeared within months housing those needing to live off the crumbs of the city. Within the city limits of Buenos Aires, the current housing market has created a situation in which 87,000 homeless families live on the streets while 100,000 properties remain uninhabited. The purpose of the project is to test a financial solution for the Metropolitan Area of Buenos Aires through financial and technical services, fostering sustainable community development, alternative housing solutions and partnerships with relevant actors and other organizations. ERSO would enable Habitat for Humanity Argentina to fund, organize, manage and implement a housing finance program to assist poverty-level families in urban situations obtain safe, simple, and decent housing in the City of Buenos Aires, Argentina.

Goals
ERSO will provide the equivalent of USD 150,000 in Pesos Argentinos ($AR). HFH Argentina will complement this contribution with USD 150,000 equivalent in $AR. The total volume will be USD 300,000 equivalent in $AR. USD 100,000 of the matching funds has been provided by HFH – LAC office and USD 50,000 is part of a donation from Arcelor Mittal Foundation for the Urban Solutions projects.

Target groups
The target group for the project is the low-income families, often unemployed or part of the informal job market, that fall well below the poverty line. These families are amongst the bottom 20% of the social income bracket, and are living in the worst conditions within the urban sphere. They cannot access the formal rental market or afford to rent an adequate house in the informal market. They live in substandard conditions, either because of a structural deficit, overcrowding, or environmental conditions that threaten the health of family members. According to the government of the City of Buenos Aires, these families are classified as homeless. Many are single-parent families with several children. Currently, many of these families are paying USD 300 to occupy a single room with their family, sharing a kitchen and bathroom with several other families. Often, their landlords are illegal squatters.

The families will be offered loans of USD 29,000 with a repayment period of 15 years. They will be offered a convertible leasing arrangement, which means they will start paying rent for the apartment (5-10 years). Once the difference between the total value and the amount paid in rent is equivalent to a 15 year loan, a mortgage is signed. The monthly repayment amount would be USD 120/month and a down-payment is required of approximately USD 794.

Innovations of the project
- To test providing a convertible leasing arrangement as a financial solution for access to housing
- Concept of purchasing an under-utilized building which is being renovated and transformed into apartments for low-income families

Key success factors
- Commitment of HFH Argentina and HFH International to improving housing conditions for low-income families

Implementation timeline
The project started in Q1 2009 with the purchase of a “derelict tenement housing building” in La Boca, Buenos Aires, in March 2009. The intention is to sign the contract with bidders and initiate construction at the same time. Selection of families, financial education workshops, initial savings collections, involvement and empowerment of families through volunteer work in other housing projects and, where possible, off-site work related to the building of the multi-family unit will start by the end of 2009. Construction should be finished by the beginning of 2010, with loan recovery expected to start afterwards.
2. **Bangladesh: Loan to a Microfinance Institution for construction of housing units and subsequent on-lending to a cooperative of slum dwellers**

**Project idea**

Bangladesh is one of the most densely populated countries with more than 85% of the urban people living in slum conditions. The Association of Realization of Basic Needs (ARBAN) is a non-governmental development organization that, among other activities, educates, creates awareness and mobilizes the urban poor to enforce their fundamental rights to land & housing. In cooperation with the Cooperative of Slum Dwellers (CSD), ARBAN has established the Housing Assistance Programme (HAP). HAP is set up as a way for slum dwellers to make monthly savings and has allowed members of the CSD to accumulate enough savings to buy land in the Dhaka area and construct 40 flats. ERSO will give a loan to partly finance the project that will result in the delivery of land, 40 flats equipped with electricity, piped water and a sewage system to the members of the CSD. The project will be complemented by technical assistance from ARBAN on financial management and with insurance products to protect the target group.

**Goals**

ERSO supports ARBAN in financing the project. ERSO will give a loan to ARBAN of USD 214,286 (52% of total project costs). In total, ARBAN will give out loans of USD 307,143 (75%) to the members of the CSD. The members themselves will contribute USD 100,000 from their respective savings. ARBAN will repay the ERSO loan in 15 years based on annuities with an annual interest rate of 2%. An insurance scheme will be set up to cover for illness, inability to work, unemployment and death of head of household.

**Target groups**

The target group consists of members of the Cooperative of Slum Dwellers (CSD), who will be selected based on seniority in membership and availability of savings amount. The total amount of households served by the project is 40, which means 188 individual members. The members belong to the lowest income group amongst the urban poor and are mainly self-employed. They will be offered an individual loan of USD 5,357 (in local currency), which they will repay in 15 years based on annuities and an annual interest rate of 5%. The monthly amount for repayment of principal and payment of interest will be USD 43. Apart from the down payment, they are also required to pay a transaction fee of 5% of the principal amount, i.e. USD 268 per household. This fee covers administration and insurance costs.

**Innovations of the project**

- Providing a loan to an established Microfinance Institutions to engage in housing finance and housing delivery for the poor and engage communities in the process

**Key success factors**

The strengths and innovative aspects of this project are:

- Cooperative members have already saved
- Experience of ARBAN in working with the target group
- Affordability of the flats
- Low interest rates for the target group
- Provision of financing to end-users through cooperatives and NGOs

**Implementation timeline**

Since the land has already been acquired and the construction has commenced - the engineers, architects, social workers and specific Program Coordinator are contracted – the project can start and finish soon. The construction is expected to finish in 2009 and the total repayment of the loan is expected to finish in 2024.
3. **Kenya: Providing a loan to a formal financial institution to enable lending to low-income housing cooperatives**

**Project idea**
The Sustainable Neighbourhood Programme (SNP) initiative, a collaboration between the Government of Kenya, the Government of Finland and UN-HABITAT, was launched in 2003 as a program within the Kenya Slum Upgrading Programme (KENSUP). SNP was set up in order to oversee the development of a 55 acre plot of land located in Mavoko Municipality - Athi River, which was made available by the Government of Kenya, exchanged in a debt swap with the Government of Finland. At present, the land is held in trust by UN-HABITAT and one part of the land has been allocated for low-income housing and it is envisaged that subleases will be given to registered cooperatives. Infrastructure will be implemented by UN-HABITAT’s Water Sanitation and Infrastructure Branch (WATSAN), and the costs will be allocated on a pro-rata basis to all end-users of the land. KENSUP will supervise the construction of houses, which will be constructed making use of HABITAT-blocs – cheap building materials making use of local soil. The ERSO project aims to complement the development of low-income housing while encouraging a local financial institution to offer both, construction finance to a developer, as well as housing loans to the cooperative members to purchase the houses developed on the premises.

**Goals**
Through provision of discounted funding, ERSO aims to encourage Housing Finance Kenya (HFK), a local Financial Institution to offer both construction finance to a developer as well as housing loans to low-income households through cooperatives. ERSO would offer HFK a loan of USD 250,000. HFK will give out loans of USD 500,000 in total to the developer during construction and end-users after construction. Additional resources needed to leverage the ERSO loan will be organized by HFK either from savings or private investors on the capital market. HFK will repay ERSO in 15 years and will be charged 1.5% interest per annum. The difference in margin is used to experiment with the expected default losses resulting from the high perceived risk of low-income households.

**Target groups**
The target groups of the project are the members of registered cooperatives from both Nairobi and Mavoko. Their average monthly household income is approximately USD 160. They will be offered finance up to USD 5,000 per household for a repayment period of 10-15 years and interest rates of up to 9.5% per annum.

**Innovations of the project**
- linking slum dwellers cooperatives with a formal financial institution with no prior engagement in pro-poor housing finance

**Key success factors**
- Integration into wider UN-HABITAT programs: project management by KENSUP, housing development by Kenya Woman and Land Access Trust, training of youth groups in construction skills by Partners & Youth Section
- Land held in trust form community groups by UN-HABITAT
- Commitment of Housing Finance Kenya to serving low-income households
- Cooperative members have already saved and have been trained on financial management
- Using low-cost building materials and incorporating community self-help during construction

**Implementation timeline**
The project is expected to start mid 2009. After completion of the housing construction, the developer is expected to repay and the target group will acquire the houses built and be offered housing loans. Target groups are expected to repay over 10-15 years, so project is expected to finish in 2025.
4. Nepal: Providing a loan to Habitat for Humanity (HFH) Nepal to fund, organize, manage and implement a housing micro finance program to assist poverty-level families in urban and semi-urban slum situations

Project idea
Habit for Humanity Nepal (HFH-Nepal) proposes to fund, organize, manage and implement a housing micro finance program to assist poverty-level families in urban and semi-urban (slum) situations obtain safe, simple, and decent housing based on Habitat for Humanity’s proven communal, micro-finance model for housing (“Save & Build”). The Save & Build methodology encourages the habit of saving among families living in poverty who desire to build a new house. This approach also supports holistic, sustainable community development, with house ownership being the foundation for wider family socio-economic well-being, micro-finance, health and hygiene awareness, and access to safe, secure water and sanitation facilities. Save & Build offers a flexible mortgage structure and construction process.

Goals
ERSO would give a loan to HFH in local currency, which equates to USD 500,000. HFH will give out various amounts required for eight individual slum upgrading projects to 3 local NGO partners who assist with the implementation of the projects in eight urban slum locations. These amounts vary from USD 10,000 to USD 145,000 per local NGO partner. The local NGO partners will work with the village banks and/or savings cooperatives that will be responsible for the disbursement and collection of the housing loans to the low income residents of the slum to ensure a smooth process. HFH will repay the ERSO loan in two tranches: USD 250,000 after 3 years based on linear repayment with an interest of 1% per annum; and USD 250,000 after 10 years based on linear repayment with an interest of 1% per annum. The USD 250,000 held by HFH between years 3 and 10 will be used as a revolving fund to disburse further loans to low-income target groups.

Target groups
The target groups in all eight projects are 1,765 extremely poor and needy families in the bottom income decile. Groups of 12 families are formed, organized and trained, with leaders being appointed for each group. In the Save & Build micro-finance scheme, a loan will be made to each member of the group (individual). Each member of the group saves according to their financial ability and continues to save until all members build their houses. When a group saves for one house, HFH-Nepal and their partners will match the raised amount of money, enabling the contributions to extend to two more houses. Loans of between USD 200-300 each will be disbursed in local currency to the members of the savings cooperatives or village banks. The members themselves will contribute USD 250,000 in total, from their respective savings and will provide in-kind contribution of labour and/or building materials to build the houses.

Innovations of the project
- Encouraging cooperative members to save together for housing in combination with financing through village banks or saving cooperatives to individual end-users with assistance and supervision of NGO(s)

Key success factors
The strengths and innovative aspects of this project are:
- Experience of HFH and local partners in working with the target group and using the Save & Build methodology
- Affordability of the housing solutions provided
- Low interest rates for the target group relative to country rates
- Combination of finance with technical assistance and community self-help

Implementation timeline
Given that HFH-Nepal have established relationships with partner organizations, once the loan agreement is signed and funds disbursed, the projects could begin as soon as mid 2009 with on-going activities extending to a period of 18 months. Repayment of total principal amount will finish in 2019.
5. **Uganda: Loan to a domestic financial institution for establishing a partnership between national government, municipality, developers and communities to develop housing for low-income residents**

**Project idea**
The Ministry of Land, Housing and Urban Planning in Uganda aims to provide informal settlers in Kasoli Village with secure land tenure and affordable housing. Within the context of the project, the Ministry will survey the land, provide individual land titles to the target group and provide additional funding. The Municipal Council will open the roads. DFCU Bank (DFCU - a local financial institution) will offer housing finance to both the developer and the target group, backed by discounted funding by ERSO. The project will include customer education by DFCU to the target group.

**Goals**
ERSO aims to encourage DFCU to offer housing loans to a developer for low-income housing development and to low-income households complemented with customer education activities. ERSO will give a low-interest loan of USD 500,000 to DFCU, who will leverage the ERSO loan and lend up to USD 1,250,000 to the target group. DFCU will repay ERSO in 15 years and will be charged an annual interest rate of 0.5%. Additional resources for leveraging the ERSO loan will be attracted by DFCU either from savings or private investors on the capital market.

**Target groups**
The target group of the project is the members of the Kasoli Housing Association in Kasoli Village, who currently occupy but not own the land. The residents will have individual land titles, infrastructure and housing construction according to building standards in Uganda after project completion. They will be offered a loan of up to USD 5,000 to finance the housing construction, which they will repay in 10-15 years, for which they will be charged an annual interest rate of 9.8%. The difference in margin is used to experiment with the expected default losses resulting from the high perceived risk of low-income households and to provide customer education to the target group.

**Innovations of the project**
Establishing a partnership between a private housing finance organisation, National and Local Government and community groups to finance and implement low-income housing through a private sector based delivery model.

**Key success factors**
- Land subsidy by the Ministry of Land, Housing and Urban Development
- Infrastructure provision by the Municipal Council
- Members of the Kasoli Housing Association already live on the land and have savings
- Commitment of DFCU Bank to serving low-income households

**Implementation timeline**
The project is expected to start in the second quarter of 2009. The housing construction development will be done in 3 phases of 6 months each, so 18 months in total until construction completion. After 6 months, the first tranche of the target group will acquire the houses built and start repaying. Assuming a repayment period for the target group of 10-15 years, the project is expected to finish in 2025.
6. Tanzania: Loan to a financial institution for on-lending to a municipality for implementation of a voluntary resettlement scheme for low-income residents

**Project idea**

In the Mhonze area of Mwanza City, unplanned settlements have developed on prime land on the beach and on the hills overlooking the harbor. With UN-HABITAT’s assistance, Mwanza City Council (MCC) has developed an urban plan assigning the prime land to medium and high income housing and a yacht club. The profits to be made from selling the prime land will be used for the Resettlement Scheme for the current residents. The current residents, who will be resettled to resettlement land near to their current location, will be offered a secure land title, infrastructure and basic services, assistance in constructing new houses and compensation money. MCC needs bridge financing for the costs of making the Resettlement Plan and preparing the land i.e. land surveying and land transfer. The finance will be needed for the period during which the resettlement land will be developed and the residents relocated, so that the prime land becomes free and can be sold.

**Goals**

ERSO aims to encourage Azania Bank (a local Financial Institution) to offer a loan of USD 1.9 million to the MCC for the purpose of bridging costs for the Resettlement Scheme. MCC will financially contribute USD 372,000 from their budget and will provide in-kind contribution in the form of staff for project management. ERSO has been asked to offer a loan of USD 500,000 at an annual interest rate of 1.5%, for a period of 2-3 years. The principal amount of the loan will be fully repaid by MCC to Azania Bank once the prime land has been sold. At that moment Azania Bank will also repay the full principal amount of the ERSO loan.

**Target groups**

The end-borrower of the ERSO loan through Azania Bank is MCC, who will be offered the loan for 2-3 years at an annual interest rate of, on average, 10%. The Resettlement Scheme is set up for low-income, mostly self-employed fishermen, who now live on land without formal ownership and without infrastructure and basic services. After implementation of the resettlement scheme they will own the land, have access to infrastructure, water and electricity. They will be offered technical assistance on how to use the materials from their current housing and the money for compensation they receive to construct their new homes. They will also be educated on what low-cost materials can be used additionally to construct adequate housing, for example Habitat blocs made 80% out of local soil.

**Innovations of the project**

- Enabling a private financial institution to extend finance to a Municipal Council for the purpose of a voluntary resettlement scheme for slum dwellers

**Key success factors**

- Offering low-income residents the opportunity to move to land with secure land titles, infrastructure and basic services while being offered assistance in constructing adequate housing for which they can use the materials of their old houses.

**Implementation timeline**

MCC has finished the urban plan and will finish the plan for the resettlement scheme within 1 year. In 2010 -2011, MCC will start to sell off the prime land and be able to repay the loan by the beginning of 2011.
III. ERSO Projects under Development

1. Lao PDR: Provision of a loan to Lao Development Bank for on-lending to establish a national pilot lending programme for low-income housing

Project idea
Creating a mortgage market and increasing the real estate and construction market are seen as key for catalyzing economic development. The initiative seeks to catalyze economic development and improve living conditions for low-income households in Lao PDR by providing financing for housing and/or infrastructure. The current hindrances for local banks for serving the target group are the perceived credit risks of this new market and the high upfront cost of investment needed (such as training and development of assessment criteria). Finally, the management of mismatch between the terms of funding (savings, deposits and external funders) and lending is hindering the banks while the equity ratio of most banks is low. Lao Development Bank (LDB) wants to increase its market share by offering housing loans to low-income families and by financing private/public investments in water and sanitation. LDB has experience in dealing with low-income borrowers, it has sufficient credit officers and credit products and it understands the local socio-economic and cultural background as well as the legal and regulatory requirements in Lao. However, given the virtually non-existent mortgage market, LDB has asked for assistance in establishing a mortgage market.

Goals
ERSO intends to encourage LDB to offer housing finance to low-income residents by providing a loan of USD 500,000 and a grant for technical assistance of USD 50,000. The principal amount will be repaid over 10 years, with half being payable after 5 years and the remainder repaid on a yearly basis for the remaining 5 years. ERSO will grant the Bank an initial one year interest-free grace period. Thereafter, ERSO will charge an interest rate of 1.5% payable every year.

Target groups
The target group of the project is low-income families in urban areas in Lao PDR. The targeted borrowers are individuals who are able to fund at least 50% of their specific loan through regular contributions. The low-income households will be offered loans between USD 1,000 and USD 10,000 (average of USD 5,000) for a term of 10 year, repayment based on any type as agreed upon with the borrower and an annual interest rate of 10%.

Innovations of the project
Pioneering a national pilot programme to establish lending for low-income housing and prepare the ground for more extended financial engagements of private sector and internal development actors

Key success factors
- Strong interest from the Central Bank of Lao who will monitor the project
- Commitment of Lao Development Bank that has a existing network of branches and has experience in lending to low-income borrowers
- Availability of credit policies and procedures – including credit scoring, assessment and appraisal forms, Contractual Agreements and other resources
- Simple structure of the project, which makes it easy to replicate in other settings

Implementation timeline
The technical assistance activities are expected to take 4 months. After this period, the ERDo loan will be provided and the loan disbursement to low-income borrowers can start. It is expected that marketing and disbursing of loans to low-income families will only take 3 months, after which the loan portfolio will be monitored until all loans are fully repaid in October 2019.
IV. Project Ideas to be explored

UN-Habitat is currently exploring several further opportunities or entering into discussions on the following potential experimental operations:

1. **Malawi: Loan to a local financial institution to provide housing loans to low-income households and establish partnership between government, local bank/ MFIs, and NGO**

   Goal: Establish partnership between the government of Malawi, Standard bank, Centre for Community Organization and Development (CCODE) and the Malawi Microfinance Network to provide housing loans to low-income households.

   Innovation: Encouragement of a local financial institution to provide housing loans to low-income households where land is provided by national government.

   Arrangements: ERSO would provide financing and/or credit enhancement of USD 300,000 expected to be leveraged by a local financial institution.

2. **Lake Victoria Region: Loan to a local utility to construct a hydro power plant to free up financing for expanding water access to low-income settlements**

   Goal: Construction of 200kw micro hydro power plant to supply electricity to Kisii water pumping station in western province under the Lake Victoria Authority.

   Innovation: The use of clean and renewable energy to generate electricity needed for the water pumping station. This would cut down the current electricity cost by 70% and increase access to water.

   Arrangements: ERSO to partner with a financial institution to provide 80% of the amount requested while 20% would be provided by the Government for infrastructure implementation. The repayment period of this project is estimated to be four years.

3. **The Caribbean: Provide infrastructure finance to help mobilize greater investments in wastewater management, including treatment facilities in the Wider Caribbean Region**

   Goal: Help countries in the Wider Caribbean establish or expand environmentally acceptable, sustainable, and cost effective wastewater management facilities. This would be done through a Caribbean Regional Fund for Wastewater Management (CreW).

   Innovation: Creation of regional lease financing facility for smaller-scale and modular wastewater treatment projects in the Caribbean.

   Arrangements: ERSO funding request of USD 2,000,000 with expected co-funding of USD 2,000,000. Other project partners include Global Environment Facility (GEF) and Inter-American Development Bank (IDB).

4. **El Salvador**

   UN-Habitat has received a proposal from FUNDASAL, a very reputable and respected MFI in El Salvador with a 40+ year history. FUNDASAL has so far executed 275 projects, built 42,000+ homes and improved/rebuilt 1,000+ homes.

   FUNDASAL are requesting a USD 500,000 loan from ERSO, to be leveraged 1:1 for on-lending to low-income households in the regions (among others) of AMSS, Santa Ana, Sonsonante and San Miguel.

   The aim is to provide loans of USD 2,000 on average, reaching around 1,000 low-income households. FUNDASAL has also requested USD 50,000 in technical assistance - further details are required here.

5. **Nicaragua**

   The potential project with Global Housing Foundation (GHF) and Bank of America entails a request for a USD 500,000 loan for establishing a guarantee mechanism to mobilize international investment in local banks engaged in low-income housing lending to low-income households.

   The project involves the subsequent selling of the local mortgage portfolio (within specified performance criteria) by Merrill Lynch to international investors, which could provide local banks with further funds to expand lending activities.
UN-Habitat is also in communication with PRODEL in Nicaragua, a very respected and long-standing MFI operating in the country which is currently preparing a proposal for ERSO loan funding for low-income housing projects.

6. Argentina

Working locally with CNTHS (National Committee for Land and Social Habitat), a government institution, UN-Habitat is waiting for CNTHS to finalise the proposal to ERSO. Initial proposal was for a USD 500,000 loan to a project based in Tolhuin, Tierra del Fuego, a very remote part of Argentina with particularly harsh climatic conditions. The project is to help legalise the distribution of lands that are currently settled on informally, as well as extend current basic infrastructure.

UN-Habitat has recently received a revision from CNTHS, to borrow USD 170,000 for 3 different projects: Tierra del Fuego, Buenos Aires and Chaco Province. In all cases, there would be cash and in-kind contribution from the local partners. UN-Habitat is waiting for CNTHS to submit a final proposal.

7. Colombia

UN-Habitat has received an innovative proposal from a long-term expert in low-income housing and development who has held various ministerial positions in Colombia as well as being an ex-consultant to UN Habitat and the IDB. The project innovation includes the collection of mortgage repayments through the very extensive national network of lottery kiosks. UN-Habitat understands that the adequate software is ready and there is commitment from all local stakeholders. Requesting a loan of USD 500,000 and would aim to leverage a further USD 2 million from local/national government and other international organisations. Project requires a USD 50,000 technical assistance grant for set up costs.

8. Other potential projects in Latin America with Habitat for Humanity International

UN-Habitat has an MoU in Latin America with Habitat for Humanity International (HFHI), a very reputable NGO with international presence, which is currently focusing on lending activities to low income households in various projects throughout Latin America. ERSO has held extensive discussions with the HFHI team in Latin America as a result of which a number of proposals are being considered for ERSO loan funding, particularly in Honduras/Peru, Argentina (second project), Costa Rica, Guatemala and Chile.

The proposed project in Honduras/Peru is particularly interesting and worthy of note:

In October 2008 the Multilateral Investment Fund (MIF), a branch of the Inter-American Development Bank (IDB), approved funding to Habitat for Humanity International - LAC for the project “Strengthening Housing Microfinance Systems in Honduras and Peru.” The three-year project aims to improve access to housing microfinance and construction services for low-income families in Honduras and Peru: 2,100 families during the pilot stage and 5,000 additional families thereafter. Its long-term goal is to contribute to the elimination of the qualitative housing deficit in low-income sectors of Latin America.

HFHI-LAC will act as the manager of this project, overseeing the selection of four participating MFIs in Peru and three in Honduras, and the provision of technical assistance to each of them in designing housing finance products and construction services that are appropriately adjusted to the needs and abilities of low-income families. HFHI is also engaging with social investment institutions to help attract capital financing for these housing programs.

This project aims to generate practical knowledge for the microfinance industry in the area of housing, and will manage a website of related information, produce tools and document lessons, and will host a region-wide conference to disseminate learning in the third/final year.

This is an innovative project intended to stimulate the development of competitive markets for housing microfinance, and create sustainable access to improved housing for low-income families. It will be the first project financed by the MIF that addresses this particular subsector, providing opportunities for new knowledge and capital. The total cost of the project is USD 1.2 million, with roughly 70% of the funding provided by MIF technical cooperation, and 30% by HFHI.

HFHI is eager to explore with UN-Habitat the possibility of partnering by way of any/all of the following:

- The provision of capital financing (approx. USD 500,000 per MFI) to the seven MFIs launching housing microfinance projects – possibly through the ERSO program.
- Providing funding for the tools and documents that will be produced with lessons/knowledge generated by the project.
- Participate as a co-sponsor of the conference that will be held in the third year