Version 2_ September 2009

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Urban Finance Lending Program Discussion Paper and Analysis
August 31, 2009

Executive Summary

The Urban Finance Division of UN-HABITAT has the potential to become a catalytic provider of global significance in affordable housing, urban regeneration and community development finance. Working in collaboration with World Bank, IFC and other major international finance players, and in response to the global financial crisis, we can fill a vital niche in:

- Taking key early stage investment and credit enhancement roles
- Developing prototype lending structures
- Setting lending program eligibility standards to encourage environmental and public health-minded design for affordable and social housing
- Financing rental housing and progressive homebuilding to encourage affordability, and
- Documenting job creation from investments in urban housing and infrastructure

To fulfill this promise, we need the support of the CPR and the international donor community. This paper summarizes our updated strategy, implementation plan and areas for further discussion to achieve the needed support. We appreciate your comments and feedback.

Updated strategy. Our strategic goals, updated in conjunction with the Steering and Monitoring Committee and the CPR, are to assist in achieving Millennium Development Goal 7 (Improving the lives of 100 million slum dwellers) and UN-HABITAT MTSIP Focus Area 5 (strengthening human settlements financing systems) by:

A. Catalyzing participation of IFI’s and the private sector in affordable housing and slum upgrading
B. Improving access to market-driven finance
C. Increasing the supply of formal lower-cost housing
D. Promoting well-targeted and efficient subsidies

The suggested approach seeks to address substandard living conditions affecting both the poor and the poorest of the poor, with appropriate methodologies for each.
Loans/credit enhancements will be designed to be innovative, catalytic, replicable, and financially and intellectually additive. Projects funded may include:

- Scaled public-private affordable housing programs to reach 30th to 80th income deciles
- Community development programs with subsidy to reach bottom of the pyramid populations
- Capital markets development to support domestic banks and microfinance institutions, and lower cost of finance to borrowers

We have been invited to participate in multiple structures by IFC and other key IFI partners to fill niches necessary to their involvement in scaled affordable housing programs. We can serve as a vital financial intermediary between the largest funding players (public and private) and the poor who need adequate shelter. Structures may involve seed lending, early stage concessional lending, credit enhancement and incremental Tier I/Tier II capital.

- **Immediate steps.** We expect to close 8 loan transactions by end of September, 2009. Total ERSO Trust Fund Investment of $3.1 million will support investment in 33,248 affordable and social housing units
  - Investments are in 6 BOP community development projects, one major public-private affordable construction and mortgage financing, and one capital markets transaction financing infrastructure, MFI and microfinance housing lending
  - Two projects are in Latin America, two in Asia, three in Africa, one in Palestine

- **Prospects through April 2011.** *If an additional $10-$12 million in funding can be raised,* we have developed investment opportunities in up to 16 additional public-private housing finance projects over the next 20 months, creating a total of over $1 billion in potential investment in over 500,000 units of affordable and social housing (see Appendix B for detail). 12 are in Latin America, 3 in Asia, one in Africa. At this level the housing finance program will become financially self-sustaining

- **Key partners.** Key international and local partners include: IFC, SIDA (Prodel), World Bank, OPIC, Palestine Investment Fund, CHF, Aspen Institute, Habitat for Humanity, Bank of America, GHF, CABEI, SDI (in Ghana), CODI (Thailand), AFD, Cemex, Ashoka and over 20 domestic banks and MFI’s

- **Implementation, Risk Management and Loan Administration**
  A. Revised pipeline development, due diligence, lending processes developed this summer
  B. Detailed loan administration process, to be administered with dual controls
  C. A staffing plan incorporating expert consultants and experienced banking personnel
  D. Plan to incorporate IAS accounting and IPSAS into ERSO Trust Fund reporting

- **Integration with other UN-HABITAT initiatives, including**
  A. Local Finance Facility credit enhancement commitments(SUF program) transformation to sustainable ongoing revolving funds, sharing housing finance policy initiatives, and establishing common financial reporting, accounting and donor reporting and transparency standards
B. Housing and Land Policy work done under MTSIP Focus Area 3
C. Country program for Palestine

- **Areas for Exploration and Discussion with CPR and Key Donors**
  
  - **Applied innovation.** Funding for full pipeline/prospects
  - **Analytics and Risk Management tools** for MFI’s, microfinance housing
  - **Job Creation Metrics** and potential expansion of the Urban Estimator tool
  - **Local Planning Facilities as a precursor to Local Finance Facilities (SUF) and Community Development Loans** – Prodel, Palestinian examples
  - **Lending standards for environmental and public health optimization**
  - **Greater integration** of water and sanitation development, municipal finance and housing finance initiatives through coordination with partners
## Contents

Updated Strategy, Immediate Pipeline and Prospects ................................................................. 5

- Updated Strategy .................................................................................................................. 5
- Immediate Pipeline ............................................................................................................... 6
- Additional Lending Prospects ............................................................................................. 8

Geographic Breakdown: Total Pipeline and Prospects ............................................................. 9

Breakdown by type of Investment ............................................................................................ 11

Pricing, Reserve Coverage and Economic Sustainability of Investment Program ............ 12

Loan Administration .................................................................................................................. 13

Integration with other UN-HABITAT initiatives, ................................................................. 13

- Local Finance Facility credit enhancement commitments (SUF program) .................. 13
- Housing and Land Policy work done under MTSIP Focus Area 3 ................................. 14
- Palestine Country Plan ....................................................................................................... 14

Areas for Exploration and Discussion with CPR and Key Donors .................................... 14

Appendices A and B .................................................................................................................. 16

Related Documents Transmitted Separately .......................................................................... 17
Updated Strategy, Immediate Pipeline and Prospects

**Updated Strategy**

Our updated strategy involves:

A. Catalyzing participation of IFI’s and the private sector in affordable housing and slum upgrading
B. Improving access to market-driven finance
C. Increasing the supply of formal lower-cost housing
D. Promoting well-targeted and efficient subsidies

We have accordingly developed our lending pipeline and prospects to:

A. Provide seed capital and key credit enhancement interventions to support scaled public-private partnership investments, which are particularly effective for affordable housing from the 30th to 80th income decile levels;
B. Develop prototype programs for new forms of attracting a mix of public and private investment funds to housing finance;
C. Support construction finance programs which will add to the supply of high quality, affordable formal housing stock;
D. Support effective forms of subsidized investment to reach the bottom of the pyramid

Our first eight transactions represent 6 prototype transactions in community development lending, one major scaled transaction providing takeout financing to support creation of 30,000 affordable housing units, and one prototype capital markets investment in a combined infrastructure/MFI/Microfinance housing program, including a community savings feature.

Additional transaction prospects include:

1. Scaled programs in Thailand, India, Central America in participation with major international development bank or private universal bank partners
2. Highly innovative financing structure prototypes
3. Development of innovative tools and technologies for analytics and infrastructure and job creation estimation
4. Expansion of SUF LFF’s into long term local credit enhancement revolving funds

To support this, we have developed a detailed management/loan administration plan, including:

5. Creation of IAS and IPSAS reporting for all financing activities in UN Habitat
6. Creating a global business unit model for all financing activities within UN Habitat.

As our strategy has clarified, our program has found many partners and increased in size and impact. As of August, 2009, the total lending pipeline and prospects have grown from six lending transactions representing $2.1 million in ERSO Trust Fund investment, with total amount financed of $6 million, to:

- Eight lending transactions due to close in September, representing $3.1 million in 2009 investment by the ERSO Trust Fund, with total investment in housing finance catalyzed of $526 million USD equivalent
• Potential to close up to 24 transactions in total by the end of the experimental period, representing $12 million in investment by the ERSO Trust Fund, in projects with total investment in affordable and social housing of over $1 billion USD equivalent

• Potential to expand six Local Finance Facilities established under the SUF program, with a total of $4.5 to $6 million in revolving credit funds to be invested in slum upgrading and community home improvement programs

**Immediate Pipeline**

By September 30th, we expect to have underwritten or re-underwritten, completed due diligence, entered into final documentation and provided initial funding to the six lending transactions approved last April, and entered into letters of intent respecting two additional loan transactions, as follows:

1. **ARBAN, Bangladesh**—$214,000 community development loan, agreement entered into April 2009, being restructured to comply with new Bangladesh Central Bank requirements on international lending to NGO’s. Loan will fund completion of a 40 unit building (total investment $400,000) for housing cooperative of slum dwellers in Dhaka. The housing cooperative has partially constructed the building with community savings and donor funds; our loan will be used to complete the building and give them a first experience with debt finance, repayable with cash flows from monthly payments by those moving into the new units. 15 year term, 2% interest rate, local currency. Credit relies on balance sheet and income of ARBAN

2. **Housing Finance, Kenya**—$250,000 construction loan to lower cost of construction finance for 100 units to be built for housing cooperative members in Mavoko Municipality on land donated by Government of Kenya. Letter of Intent entered into in April, 2009. Housing Finance will provide additional $250,000 construction loan to cover total investment of $500,000, and will provide long term housing finance for purchasers of units. ERSO loan is used to lower overall costs of construction so that homes are more affordable for borrowers. The loan also encourages Housing Finance to act as project partner, ensuring that a strong interested domestic bank drives the development process. Loan is for 15 years at 2%, in local currency. Credit relies on $14 bn KS balance sheet of Housing Finance Bank. Loan will be disbursed based on agreed milestones tied to progress on development project. Loan agreement to be executed and initial drawdown on funding to be made in September, 2009

3. **Habitat for Humanity Nepal**—$550,000 community development loan to finance extensions of credit by HFH Nepal to 11 credit cooperatives/village banks, which in turn will on-lend to Save and Build groups of 12-18 people for incremental building/renovation. Letter of Intent entered into in April, 2009. HFH Nepal and local savings groups will provide additional $525,000 for total project size of $1,025,000. ERSO loan enables HFH Nepal to extend its current activities to new communities. TA is provided for this extension by means of a $25,000 no interest TA loan from ERSO coupled with a $25,000 grant from HFH International. ERSO secondary finance loan bears interest at 1% per year, local currency. 50% will be repaid in 3 years following completion and repayment of initial on-lending plan, and 50% will be recycled to additional project funding and be repaid at year 10. Credit relies on assignment of cash flows from underlying loans, and good secondary lending practices and payment history of HFH Nepal. Loan agreement to be executed and initial drawdown on funding to be made in September, 2009
4. **Habitat for Humanity Argentina**-$165,000 community development loan to finance refurbishment of a building in Buenos Aires, with 7 units to be constructed and rented out to low income tenants. HF Argentina will contribute $162,000 and Arcelor Mittal foundation $90,000. ERSO loan is for 11 years, with potential early repayment in year 5 based on sale of 2 units; following sale, we will discuss with HFH Argentina a possible rollover into another building refurbishment project, thus helping to increase rental stock in Buenos Aires for those who cannot afford home ownership. Loan is in local currency at 1% to encourage the implementation of this pilot refurbishment and lowest income rental approach on both ecological and development grounds. Credit is based on assignment of rental cash flows from building and comfort letter from Habitat for Humanity International. Loan will be disbursed based on agreed milestones tied to progress on development project. Loan agreement to be executed and initial drawdown on funding to be made in September, 2009

5. **DFCU Bank Uganda**-$500,000 loan to credit enhance portfolio finance for long term lending to purchasers of 250 affordable houses in Kasoli, Tororo Municipality. Borrowers are members of Kasoli Housing Association. DFCU will advance $1.8 million and borrowers will make down payments totaling $125,000. ERSO loan of 15 years’ tenor, 0.5% interest rate will either be used to reduce interest rate charge to borrower to just under 10%, or to fund a missed payment reserve to cover potential shortfalls/missed payments by seasonally or informally employed borrowers, with DFCU able to offer a reduced interest rate of 12% given the ERSO funding of this reserve. Credit is based on balance sheet of DFCU. Advances to be made, first to fund the debt service reserve, and then based on advances of loans to end user borrower by DFCU. Expected to execute final loan documentation and make first advance in September, 2009

6. **Azania Bank Tanzania**-$500,000 community development loan to provide funding for a municipality to pursue a program of resettling community members living on informal plots near the lakeside in Mwanza to formal plots a short distance away. The ERSO loan will be used to cover expenses of surveying and completing a physical plan for the relocation area so that prospective new owners can see their prospective new formal plots. The overall project will encompass $4.9 million in financing to Mwanza Municipal Council for creating serviced plots in the resettlement area (with the balance of municipal finance outside the seed capital from ERSO to be provided by a syndicate of Tanzanian banks led by Azania. The ERSO loan has a 3 year term, concessional interest rate of 1.5% per year, and is in local currency. Repayment and credit analysis is based on balance sheet of Azania Bank and assignment of project cash flows. We expect to finalize loan agreement and make first advance in September, 2009

7. **Affordable Mortgage and Loan Corporation (AMAL), Palestine**-$1,000,000 credit enhancement loan in two tranches, one to be advanced in 2009, one in 2010. ERSO loan provides one third of the equity capital necessary to establish the secondary lending operation on which the entire $500 million affordable finance program depends. Loan is a nonrecourse loan to a newly established Palestinian NGO, which will use proceeds to invest AMAL, a corporation being established under the Capital Markets Authority of the Palestinian Authority to provide secondary financing for affordable mortgage and Sharia law-compliant housing finance. Local banks Bank of Palestine (BOP) and Cairo Amman Bank Palestine branch (CAB) will in turn finance purchasers of 30,000 affordable housing units being developed by Palestinian Investment Fund (PIF, the sovereign wealth fund of Palestine) and local real estate developers. Senior debt to AMAL in total amount of $500,000,000 is being provided by OPIC, IFC, PIF, BOP, CAB, with DFID providing a $20 million first loss credit enhancement facility. Aspen Institute’s Middle East Investment Initiative and CHF will be co-equity investors in AMAL. ERSO Trust Fund loan will
receive interest on a pass-through basis based on dividends receive don pledged shares of AMAL (projected interest rate after grace period is 12%). Loan will be repayable in 20 years or by exercise of right to take title to AMAL shares (at ERSO Trust Fund’s option). Expected to execute letter of intent in September, with first tranche closing and documentation to be complete by November, 2009.

8. Programa de Desarrollo Local (PRODEL), Nicaragua-$500,000 investment in bond to be issued by Prodel to finance ongoing infrastructure development, secondary lending to local microfinance institutions and secondary lending to support microfinance housing loans in up to 16 small to medium-sized regional cities in Nicaragua and Central America. 80% of the proposed $20 million bond issuance will be sold to domestic and international social investors, and 20% will be issued in small denominations ($10 and up) as a local savings instrument to lower income Nicaraguans seeking a secure savings mechanism. The savings portion of the bond will be backed by cash collateral from Prodel. Expected to execute letter of intent in September, and to enter into subscription agreement with private placement memorandum in fall 2009.

Funding for these investments will come entirely from amounts committed to date to the ERSO Trust Fund by donors Spain, Bahrain and Rockefeller Foundation.

Additional Lending Prospects
With additional funding from donors, we can pursue up to 16 additional pending transactions to close on or before the end of the ERSO Trust Fund experimental period in April 2011.

The expanded prospects list reflects intense cooperation with funding and project partners IFC, IDB, SIDA (Prodel), CABEI, Habitat for Humanity International, Bank of America/Merrill Lynch, CHF, Aspen Institute, GHF, local banking and MFI partners, UN Habitat and UNDP regional teams and in-country personnel.

Scaled housing finance program examples
- IFC has invited us to participate as a seed capital or SPV level investor in two major scaled, phased affordable and social housing projects for which IFC is providing senior debt financing, a 2,000 unit program with CODI in Thailand, and a 1,000,000 affordable housing program in India.
- In 2007, UN-Habitat entered into a MOU with Bank of America/Merrill Lynch and Global Housing Foundation to develop scaled affordable housing finance programs in Central America. This program is now developing a strong pipeline in Nicaragua, Panama and El Salvador. Local developers, banks and microfinance institutions that qualify under standards jointly developed by UN Habitat, GHF and Bank of America will be eligible for takeout financing of long term affordable mortgage loans which Merrill will distribute to social investors, with credit enhancement provided by UN-Habitat and partners.
- In 2009, we entered into a MOU with the Central American Bank for Economic Integration (CABEI). CABEI has received $33 million in funding from the Government of Mexico to apply to home construction and housing finance programs. Programs we may develop jointly with CABEI could include developer finance programs fitting the BofA/ML/GHF program criteria, and microfinance and progressive build finance programs involving the 130 local domestic banks and MFI’s in CABEI’s Global Line of Credit program.

Highly Innovative Prototype Examples
- Re-investment in refurbished building rental unit program with Habitat for Humanity Argentina
• Community REIT structures in Indonesia
• Local Planning Facility concept in Area C in Palestine as a precursor to LFF’s
• Integrated water facility, infrastructure and housing improvement finance in Caribbean with IDB under GEF-funded CReW project
• Ghana bridging facility with SDI (potential to expand to all African locations of SDI)
• Agence Française de Développement community development revolving fund prospect in Kisumu (potential to collaborate with Millennium Cities project as well)
• FONDO SEMILLA de Mejoramiento del hábitat para el acceso a la Tenencia Segura de la Tierra. Barrio La Victoria de Esteban Echeverría—Argentina utilities hookup microfinance

This approach seeks to address substandard living conditions affecting both the poor and the poorest of the poor, with appropriate methodologies for each.

Appendix A contains a detailed description of the investments scheduled to close by end of September, 2009; Appendix B contains a description of all 24 pipeline and prospect transactions.

**Geographic Breakdown: Total Pipeline and Prospects**

With the recent mission to Latin America/Caribbean region, and entry into cooperation agreements with IDB, SIDA (Prodel) and CABEI, as well as ongoing partnership with Habitat for Humanity International, and the entry into activity of our MOU with GHF and Bank of America respecting Central American real estate development, the Latin American pipeline has grown from one to 14 pending transactions, and just over 50% of the total pipeline by number of transactions, reflecting the sophistication and number of bankable affordable and community development projects in this market.
Asia, like Latin America, has a history of successful public-private investment in the housing sector, particularly in Japan, South Korea and India. We have added two sizeable projects with IFC with CODI in Thailand, and in India, bringing total Asian pipeline to 5 transactions.

In addition, one major Middle East initiative with IFC, Palestinian Investment Fund, OPIC, DFID, World Bank, CHF and Aspen Institute has been added, along with a major new African initiative with Agence Française de Développement, bringing the total Africa and Middle East Pipeline to 6 transactions.

- In Palestine, we see opportunities for further development of affordable and social housing investments with our partner Palestinian Investment Fund, as well as prospects to develop with our regional UN Habitat Coverage team some innovative ideas for Local Planning Facilities to support conversion of potentially developable land from Area C to Areas B and C jurisdiction.
- In Africa we see potential to develop further Local Finance Facilities with SDI along the lines of the project now under way in Ghana; and in addition, to collaborate further with the Millennium Cities Project, with our test case for these being community development housing finance under discussion in Kisumu along with partner AFD.

The geographic breakdown by loan size of ERSO Trust Fund investments reflects the geographic breakdown by number of transactions:
The geographic analysis by size of total project reflects a different picture, however, namely the larger size of total investment in the Asian and MENA programs, in particular those in which UN Habitat is collaborating with IFC.

![Geographic Breakdown: Total Project Size](image)

**Breakdown by type of Investment**

Total pipeline and prospects may be broken down into three major investment types: community development investments, investments in construction or renovation of affordable or social housing, and portfolio investments/capital markets access credit enhancement for domestic banks and MFI's.

![Type of Investment by Number of Loans](image)

Here again, the investment is fairly equal across types of loans when looked at by both number of loans in the pipeline and size of ERSO Trust Fund investment in intended programs. Because of the large total program size of those programs focused on construction and home refurbishment, the breakdown by total project size shows a weighting toward the construction and renovation type of project (78%) as opposed to the total size of community development/slum upgrading/bottom of the pyramid investment projects (18%) or portfolio investment/capital markets access for domestic banks (4%).
The construction segment of construction finance projects involving new building of affordable housing is potentially particularly attractive to private as well as multilateral development bank investors. It should be noted, however, that all of the construction/renovation projects also include both community involvement and a financing component to provide affordable takeout financing for the new or renovated units under construction.

**Pricing, Reserves, Economic Sustainability of Investment Program**

Our program is very new, and is at the moment fully grant-funded. With an eye toward development of a sustainable long term financing facility, however, we can make certain estimates of the likely total inflows to the program based on type of investment, and some early stage assumptions as to necessary reserving for losses and currency exposure, as well as assumptions of operating cost and use of surplus for incremental technical assistance to prospective borrowers and transactions.

On a very high level basis, we see that the program has the potential to generate returns in the 8% range, and to cover operating costs of 2% while setting aside loan loss and currency exposure reserves of 4% and 2%, respectively. We will have the opportunity to build data on loan performance over the next 18 month period, as well as to explore potential hedging strategies for certain currency exposures, particularly those which might be covered by AfDB’s currency risk protection program. It should be noted that currency risk issues are most acute for community development lending in frontier markets, and that a 2% total reserve thus provides high coverage for those transactions most likely to be denominated in frontier market currency.
**High level pricing analysis**

<table>
<thead>
<tr>
<th></th>
<th>% total</th>
<th>Est. return</th>
<th>Blended return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction/renovation</td>
<td>78%</td>
<td>10%</td>
<td>7.800%</td>
</tr>
<tr>
<td>Portoflio/Cap markets</td>
<td>4%</td>
<td>8%</td>
<td>0.320%</td>
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<tr>
<td>Community Development</td>
<td>18%</td>
<td>1%</td>
<td>0.180%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td><strong>8.300%</strong></td>
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**High level uses analysis**

<table>
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<tr>
<th>Uses</th>
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<tbody>
<tr>
<td>Currency reserve</td>
<td>2.0%</td>
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<tr>
<td>Bad debt reserve</td>
<td>4.0%</td>
</tr>
<tr>
<td>Cost of program admin</td>
<td>2.0%</td>
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<tr>
<td>TA funding</td>
<td>0.3%</td>
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</tbody>
</table>

**Loan Administration**

To enable implementation of the program, over the summer we have developed:

A. A revised pipeline development, due diligence, credit review and legal documentation process

B. A loan administration process, to be administered with dual controls by an internal PMO experienced in loan administration and external PSD accounting, including:
   i. A cash management and accounting and investor reporting plan for the ERSO Trust Fund Using major money center bank (JP Morgan Chase, Standard Chartered) cash management for the ERSO Trust Fund, with real time look-through capability to postings and accounts
   ii. Reporting in IAS accounting (accrual basis) for ERSO Trust Fund balance sheet, income and expenses and cash position accounting, alongside UN cash-based accounting, to provide better clarity of financial reporting to donors and co-investors, and
   iii. Creating consistent, monthly donor and co-investor reporting for all funded investment transactions

C. And a staffing plan incorporating expert consultants and experienced banking personnel, with an intended complement of housing finance policy focus with development banking focus

**Integration with other UN-HABITAT initiatives**

**Local Finance Facility credit enhancement commitments (SUF program)**

We would like to explore the plans to expand and transform these developmental initiatives to become sustainable ongoing revolving funds, sharing housing finance policy initiatives, and establishing common financial reporting, accounting and donor reporting and transparency standards with the balance of the UFB program.
Housing and Land Policy work done under MTSIP Focus Area 3

Another area we would like to explore for possible synergies, particularly in conjunction with country plans in countries where we have major investments, such as the plan for Palestine.

Palestine Country Plan

In connection with our investment in AMAL, and as discussed in depth with the Palestine coverage team, there are multiple opportunities for joint effort and collaboration both within UN Habitat and between UN Habitat and AMAL team members such as PIF and CHF on:

- Technical education for banks reaching out to low income borrowers
- Consumer education for first time borrowers or lease to own tenants
- Compliance of banks with OPIC environmental lending standards
- Enhancement of global environmental standards to reflect best practices regionally, in both environmental design and affordability, including:
  - Alternate, environmentally advantageous construction methodologies and materials
    - Advanced construction technology
    - Grey water recycling
  - Solar panel advances
  - Insulation material advances
  - Windmill technology
- Title insurance: introduction into oPt
- Enhancement of urban space: urban amenities, green space, connecting roads, transport issues, schools, clinics, places of worship, etc.
- Overall development of urban planning for oPt
- Capital markets assistance for the domestic partner banks in floating to fixed hedging strategies long term
- Title issues from a gender perspective
- Health and housing issues

We have begun the process of developing lending standards on certain of these issues localized to our developer finance program in Central America with GHF as well (eligibility criteria are included in the attachments).

Areas for Exploration and Discussion with CPR and Key Donors

Applied innovation: With $10-$12 million of incremental funding for the ERSO Trust Fund over the balance of the experimental period, we could:

A. Conduct due diligence and fund up to 16 additional transactions
B. Develop further performance data on optimal investment structures
C. Collaborate with partners such as World Bank, CHF and UN Habitat Focus Area 3 staff on legal and regulatory improvements needed to support promising prototypes
D. Explore further integration of existing water and sanitation project lending and municipal finance with housing finance programs

Analytics and Risk Management tools: With additional grant funding for housing finance technical assistance, we could greatly enhance tools available to potential borrowers and shorten time to market for housing finance transactions. Projects under way which show high promise include:

- **PAES project with SIDA in Central America**: Work on microfinance and microfinance housing institution risk management, portfolio analysis and financing tools with SIDA and Prodel
- **Urban Estimator Tool developed by UN Habitat Regional Office for Latin America/Caribbean**: Work with all regional offices of UN Habitat on expanding use of the Urban Estimator (presentation included in attached documentation) for high level infrastructure, housing and job creation analysis by municipalities, tailoring the program (originally developed by ROLAC for Latin America) for regional use in Middle East, Africa, Asia

Local Planning Facilities as a precursor to Local Finance Facilities (SUF) and Community Development Loans: With additional technical assistance funding, we could bring expertise of UN Habitat to bear to develop truly effective partnerships with PIF and CHF in tackling ongoing institutional and planning barriers to achieve success in closing the affordable and social housing gap in the occupied Palestinian territories (with potentially large commensurate political and peace process gains as well).

Lending standards for environmental and public health optimization

--See Palestinian work plan above and sample eligibility criteria for GHF program, attached

Greater integration of water and sanitation development, municipal finance and housing finance initiatives through coordination with partners

Including pilot/prototype projects under development:

- CReW program in Caribbean with IDB (Jamaica, Belize, Barbados)
- Further municipal finance development work with Prodel in Nicaragua
### Appendices A and B

#### a. Initial 8 transactions

<table>
<thead>
<tr>
<th>Transaction Name</th>
<th>Country</th>
<th>Region</th>
<th>Initial Loan Request (USD)</th>
<th>Total project size (USD)</th>
<th>Units built/ upgraded</th>
<th>Project type</th>
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<td>Azania Bank</td>
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<td>EDFCU Bank Limited</td>
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<td>TOTALS</td>
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<td>3,029,296</td>
<td>3,375,000</td>
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#### b. Full Pipeline and Prospects List

**UN Habitat Housing/Water Finance: Weekly Pipeline Report** 8/15/2009

**PIPELINE and PROSPECTS**

<table>
<thead>
<tr>
<th>Transaction Data</th>
<th>Region</th>
<th>Initial Loan Request (USD)</th>
<th>Total project/ program size</th>
<th>Units built/ upgraded</th>
<th>Project type</th>
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<td>Azania Bank</td>
<td>Africa</td>
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Additional Material Available on Request

a. UFB Internal Credit Memorandum Outline
b. UFB Credit Process
c. UFB Loan Administration Process
d. UFB Staffing Plan
e. Detailed Sustainable Business Plan: ER SO Trust Fund
f. SUF LFF Progress Reports
   i. Sri Lanka
   ii. Indonesia
   iii. Ghana
   iv. Tanzania
g. Sample Affordability Study (PIF)
h. Sample Job Creation Analysis (PIF, done for IFC)
i. Urban Estimator Tool presentation
j. Sample UFB Regional Follow-up plan-Palestine
k. UFB Eligibility Criteria-GHF Program, Central America
l. CABEI MSME/Global Line of Credit program
   i. Prodel bond presentation