United Nations
Human Settlements Programme
Urban Finance Branch

Focus Area 5-Strengthened Human Settlements Finance Systems
Presentation to CPR Working Group on ERSO
25 October 2010
Focus Area 5 Activities

- Two Financial Services Programmes managed by Urban Finance Branch, Human Settlements Finance Division
  - Revolving Loan Fund (ERSO)
  - Grant Program (Slum Upgrading Facility, or SUF):
- Normative Programme managed by Urban Economy Branch, Monitoring & Research Division

- ERSO programme is ending April 2011
- This is a report on recent discussions at the ERSO Steering and Monitoring Committee meeting in Madrid, Spain 13–15 October, 2010
Social Purpose of ERSO

- Addressing MDG 7 Target 4: significant improvement in the lives of at least 100 million slum dwellers
- Homes and neighborhood infrastructure relate to many other MDG’s as well
  - Health and education
    - Clean water cuts infectious disease risk
    - Less crowding reduces infection, AIDS, TB
    - Cement floors cut disease, improve health and school and work attendance
  - Economic development
    - Construction work a great economic stimulator
  - Gender
  - Environment and climate change
Lessons Learned and discussed with SMC experts

- Effective ways to get more funding to shelter and infrastructure for the urban poor
  - Create pilots funded by national and local governments, banks and microfinance institutions, community groups and NGO’s
  - Use good development banking practices so revolving funds revolve and both loans and grants can be used effectively
  - Develop new approaches with IFC, World Bank, regional development banks and commercial bank partners to make funding available at scale
ERSO Outcomes

- Who is the target population served?
  - In emerging markets, 70th to 85th income deciles
  - In frontier markets: from 30th to 85th income percentiles
  - The poorest of the poor cannot borrow unless and until their income generating capability is increased—so links with subsidy and grants are key tools to reach all

- Effective to run a catalytic loan programme
  - Stimulating over $550m in investment in affordable housing and infrastructure
    - Linked as needed with income generation support
    - Stimulating investment and policy work by major IFI partners like IFC, KfW, OPIC, World Bank
    - In Asia, sub-Saharan Africa, Latin America
Approaches found Effective

- **Convening power**
  - Over 140 transactions reviewed
  - Key support from RTCD regional offices, HPM’s

- **Sharing and teaching credit skills for micro housing lending**
  - Assisting NGO networks to run more effectively and thus lend more funds to more families – example Habitat for Humanity Nepal and parent HFHI

- **Innovation**
  - Assisting Prodel to develop new approaches to funding municipal infrastructure for low income neighborhoods
  - Working with governments to design new forms of subsidy (DFCU, Azania Bank transactions)

- **Reaching out to IFI’s and the private sector to achieve scale for well-designed projects**
  - AMAL programme; designing Global Micro Housing Facility
Thought Leadership and Improving Policy “by Transaction”

- AMAL program
  - Leads to potential to help create Global Micro Housing Facility with IFC, KfW—a global first

- DFCU program
  - Leads to potential to collaborate with Ministry of Lands, Housing, Urban Development, SDI, Gates, Cities Alliance on 700 home programme in Jinja

- ROAAS initiative in oPt combining urban planning and housing development for low income communities

- Habitat for Humanity International—potential for global collaboration with their micro housing fund
Areas for Improvement raised by SMC Members

- Regional balance can be improved
  - Programme is small
  - Geographic balance would be greatly improved if:
    - We expanded partnerships—Global Micro Housing Facility pilot with IFC, KfW would reach 15 countries in sub-Saharan Africa and Asia
    - We added other banking partners in other regions

- Operational platform is not robust
  - Programme is experimental and has only 5 loans
  - Would need stronger operational platform to continue development for low income communities
Next Steps in Evaluation

- ERSO Programme
  - External Evaluator (now at work)
  - Internal Review by UN–Habitat Secretariat
  - Next Steering and Monitoring Committee meeting March–April in Nairobi

- SUF donors meeting October 26 in Nairobi

- Evaluation reports due in December (ERSO)

- UN–Habitat Management Response following

- Executive Director’s Report to Governing Council for April 2010 meetings
Challenges discussed with SMC

- Donor support
  - Spain, Bahrain have shown interest
  - Meetings with Rockefeller and new investors

- Integration with other UN–Habitat activities
  - Secretariat may wish to consider a combined loan–grant programme
  - Secretariat may wish to review operational support needs for any renewed lending programme

- **Format**: Alone or in partnership with an external fund, agency or IFI?
  - SMC asks Secretariat to explore and make recommendations