The experience of SUF - the UN-HABITAT Slum Upgrading Facility (SUF)

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What is SUF?

The Slum Upgrading Facility at UN-HABITAT was set up in 2004 in order to increase access by slum dwellers and their local governments to formal credit arrangements from local capital markets and commercial banks for their slum upgrading projects.

SUF is conducting a 3 year Pilot Programme 2006-2009 in order to test the potential for increased access to formal credit for slum dwellers’ organisations implementing slum upgrading projects.

How does SUF relate to ERSO?

Whereas SUF provides grants to the local financial facilities and institutions for their revolving credit enhancement purposes, ERSO will expect that funding to be reimbursed on a credit arrangement that can take into account advantageous interest rates and relevant grace periods.
ERSO: ‘experimental reimbursable seeding operations’ UN-HHS Foundation Expert Group Meeting, Swedbank, Stockholm

UN-HABITAT Slum Upgrading Facility SUF UN Global Headquarters at Nairobi, KENYA

1. Actors

COMMUNITIES
- Clients
  - Community Groups
  - CBs (+NGO support)
- Enumeration
- Savings Schemes
- Cooperatives
- Project Land Coordination with Local Government / Municipality

PEOPLE

CAPITAL MARKETS
- Enablers
  - Micro-credit Institutions
  - Banks
  - Housing Credit Products
  - Savings
  - Investment
  - Pensions

FINANCE

LOCAL GOVERNMENT
- Enablers
  - Urban Governance
  - Land Use Controls
  - Planning
  - Regulations / Legal
  - Security
  - Environment
  - Infrastructure
- Judicial Support
- National Government Policies, Guidelines and Frameworks

POLITICS

International Assistance

2. Actions

Our vision for our, PROJECT DESIGN & DEVELOPMENT PLAN
- Project Location
- Capacity
- Assumptions
- Layout & Unit Plans

PROJECT BUSINESS PLAN

PROJECT FINANCING AGREEMENT
- Includes PMS, Sales, and other Financial Flows

Financial Flows

Repayments

PROJECT IMPLEMENTATION PLAN

3. Results

PROJECT CONSTRUCTION PROGRAMME
- To be agreed by all parties

Construction may be by Home Owners, Construction Contractors or by Community Contractors -
- for scope, and infrastructure
- for total House development
- on for sale and sustainability

Housing / Upgrading Delivery Programme

Repossessed Housing and Infrastructure Products for Sale and Improvement

Housing is the product of a range of Slum Upgrading Project types from Community/Cooperative-led projects to Financial Institutions-led projects, Municipal Infrastructure-led projects.

Technical Assistance & Capacity Building Provided by SUF-PT

Continuity? tba

UN-HABITAT Slum Upgrading Facility SUF UN Global Headquarters at Nairobi, KENYA
## SUF Monitoring and Logical Framework

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<th>Objective/Category</th>
<th>Objectively Verifiable Indicators</th>
<th>Assumptions</th>
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<td><strong>Goal:</strong> better quality of life for slum dwellers</td>
<td>• MDG goal 7, target 11 indicators (MoV is UN Habitat GUO reports)</td>
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| **Purpose:** to test the potential for increased access to formal credit for slum dwellers’ organisations implementing slum upgrading projects | • Amount of domestic capital leveraged through the credit enhancement instruments ($ equivalent)  
• Amount of domestic capital disbursed as loans ($ equivalent) (MoV is SUF monitoring reports) | ✓ The Slum Upgrading Facility will endure beyond the life of the pilot project  
✓ Banks are open to the possibility of lending to slum upgrading projects on a commercial basis  
✓ Slums can be upgraded successfully when existing residents are involved in the planning and design of upgrading activities  
✓ Slum dwellers have the ability to pay for a portion of costs of upgraded housing themselves  
✓ The political will to upgrade slums exists at all levels  
✓ Upgrading projects can be produced at a price that is affordable for slum dwellers |
| **Objectives:**  
1. To test the potential for expanded private sector finance and public sector involvement in slum upgrading  
2. Local institutional capacity for slum upgrading financing is developed in pilot countries  
3. Loans for slum upgrading disbursed and projects implemented successfully in pilot countries | • Total amount lent by private sector as a result of SUF activities  
• Total amount made available by the public sector including in-kind contributions  
• Leverage achieved through use of credit enhancement funds for guarantees  
• Number of projects financed  
• Number of projects where implementation has started  
• Number of unsuccessful projects with lessons analysed and recommendation made | ✓ There is potential for the development of institutional capacity  
✓ The political environment is stable enough to support innovative SUF approaches  
✓ There is community capacity to implement projects  
✓ The private sector is willing to include low income clients and has sufficient liquidity to do so  
✓ Local government has budgeted plans for physical and economic infrastructure upgrading  
✓ Local government can and will make land available for pro-poor settlement upgrading |

### Objectively Verifiable Indicators

- Total amount lent by private sector as a result of SUF activities
- Total amount made available by the public sector including in-kind contributions
- Leverage achieved through use of credit enhancement funds for guarantees
- Number of projects financed
- Number of projects where implementation has started
- Number of unsuccessful projects with lessons analysed and recommendation made

### Assumptions

- The Slum Upgrading Facility will endure beyond the life of the pilot project
- Banks are open to the possibility of lending to slum upgrading projects on a commercial basis
- Slums can be upgraded successfully when existing residents are involved in the planning and design of upgrading activities
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### SUF Consultative Board

**SUF-AIP 2008**

**SUF Operations Manual**

1. SUF Consultative Board includes representation of stakeholders, chaired by Executive Director, UN-HABITAT
2. Direction and Annual Budgets agreed by the SUF Consultative Board every six months
3. SUF Operations Manual includes methodologies for Credit Enhancement Applications
PMU Field Activity
Ghana
- CHF / HFC Bank BOAFO Microfinance - Home Improvement Loan Product
- Old Fadama Community Urban Poor Fund
- Ghana Federation of the Urban Poor Fund (GHAFUP)

Indonesia
- Yogyakarta Housing Resource Centre
- Surakarta Housing and Urban Resource Centre
- Padang Housing and Urban Resource Centre
- Jakarta Housing and Urban Resource Centre

Sri Lanka
- Moratuwa – Usaviwatta Women’s Bank Development Federation
- Moratuwa – Dandinyewatta Women’s Bank Development Federation
- Moratuwa Urban Poor Fund

Tanzania
- Tanzania Women’s Land Access Trust (TAWLAT) – Kinondoni Development
- Centre for Community Initiatives (CCI) support programme for development sites and their communities

The SUF Approach:
Credit Enhancement Agreements for Local Finance Facilities / projects

1. Lanka Financial Services for Underserved Settlements (LFSUS), Sri Lanka
2. Yaysan Lembaga Pembiyayaan Perkotaan (YLP3), Solo, Indonesia
3. Tema/Ashaiman Municipal Slum Upgrading Fund (TAMSUF), Ghana
4. Sekondi Takoradi Metropolitan Assembly Citywide Slum Upgrading Fund (STMA-CSUF), Ghana
5. Dar-es-Salaam City Slum Upgrading Projects Development Sites

The Credit Enhancement Agreements / Fund Manager Agreements
Coordination with other Finance Programmes and Events

1. PIDG Portfolio – GuarantCo (London), PPIAF (Nairobi)

2. Asia Housing Conference, Finance Group, CGAP, Singapore

3. ERSO Expert Group Meeting, Stockholm 21-22 April 2008

4. Global Surveyors Organisation (FIG) Working Week
   Stockholm 16-17 June 2008

4. World Urban Forum 4, Nanjing, China, 3-7 November 2008
   SUF Networking Event on Local Finance Facilities