United Nations
Human Settlements Programme
Urban Finance Branch

Focus Area 5-Strengthened Human Settlements Finance Systems
Presentation to new CPR members
30 September 2010
Focus Area 5 Activities

- Two Financial Services Programmes are managed by Urban Finance Branch, Human Settlements Finance Division
  - Revolving Loan Fund (ERSO)
  - Grant Program (Slum Upgrading Facility, or SUF):
- Normative Programme is managed by Urban Economy Branch, Monitoring and Research Division
  - Publishes Human Settlements Finance Systems and Tools series and finance policy analyses
Financial Services Priorities

- Addressing MDG 7 Target 4: significant improvement in the lives of at least 100 million slum dwellers
- Promoting access to finance for underserved
  - Savings alone will not close the gap
  - Government home building programs alone have not closed the gap
  - Reliance on private sector mortgage lending has not closed the gap
  - How can we help to close the gap?
Lending Programme 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
- Effective to run a first loss, early stage investment fund
  - $3.6 m fund stimulating $625m in investment in 6 pilots finance pilots over past year
    - Linked as needed with income generation support
    - Leveraged major IFI partners like IFC, KfW, IDB
    - In 16 countries in Asia, sub-Saharan Africa, Latin America
ERSO Loan Commitments, Loans Made and Investment Leveraged

![Bar chart showing loan commitments, made loans, and investment leveraged from April 2008 to April 2011 with projected figures for April 2011.](chart.png)
SUF Grant Programme Outcomes

- Designed 6 Local Finance Facilities
  - Ghana, Indonesia, Sri Lanka, Tanzania
  - Reviewed over 90 slum upgrading projects
- Other Types of Grants made
  - To launch urban poor funds and an MFI
  - To pay for construction projects (Tawlat, Mavoko)
- Lessons learned
  - Guarantees will attract private sector funding to slum upgrading
  - Local Finance Facilities are sustainable when closely linked to municipalities
  - Urban poor fund grants and construction projects need ongoing technical assistance to be effective
SUF Credit Enhancement Programme Leverage

Total Projected Project Investment 2009 - 2013 $19,233,000

- Commercial lending $9,836,000 (51%)
- Government inputs $2,159,000 (11%)
- Community contribution $925,895 (5%)
- Other contributions $1,302,166 (7%)
- Land $5,009,939 (26%)
Financial Services Programmes: Next Steps in Evaluation

- ERSO Programme
  - Steering and Monitoring Committee meeting October 2010 in Spain
- SUF donors meeting October 26 in Nairobi
- Evaluation reports mid-November to December
- UN–Habitat Management Response following
- Executive Director’s Report to Governing Council for April 2010 meetings
Normative Programme

- Publishes Human Settlements Finance Systems and Tools series
- 8 Publications in 2010
- Analyzes financial and economic conditions and policies at country/city/organizational level
- Closely related to Focus Area 1
- Recently also charged with supervision of community-based and cooperative initiatives for housing
Pilot Examples: Uganda and Tanzania

- **ERSO loan to DFCU Bank, Uganda**
  - **COMMUNITY DEVELOPMENT PROJECT FINANCE** with government and private banking and private bank takeout mortgage finance
  - **Policy and follow-up potential:** Expand to 40+ other municipalities in Uganda with Housing Ministry and dfcu Bank

- **ERSO loan to Azania Bank for on-lending to Mwanza City Council**
  - **MUNICIPAL LOAN** for peri-urban development
    - **Target Group:** 700 middle income and 2100 lower income sized plots
    - **Additionality:** National government compensates current inhabitants and they are offered first refusal rights to formal plots
Pilot Examples: Nepal and Nicaragua

- **ERSO Loan to** Habitat for Humanity International Nepal, Habitat for Humanity International
- **Save&Build** methodology allows every family benefit in cycles of saving and borrowing – 1765 families
- Potential future expansion to other HFHI affiliates

- **ERSO $500,000 Working Capital Loan** to NGO Prodel in Nicaragua to finance:
  - Infrastructure development,
  - Secondary lending to local MFI’s
  - Support microfinance housing loans in up to 16 small to medium-sized regional cities in Nicaragua and Central America
- Ongoing advice to augment capital structure
Pilot Examples: Palestine and Indonesia

- **AMAL Program Partners:** Palestine Investment Fund, OPIC, IFC, Bank of Palestine, Cairo Amman Bank, DFID, World Bank Technical Assistance
- **Project type:** 30,000 unit-scale affordable housing programme providing up to 25-year fixed-rate and 5-year adjustable-rate mortgage financing to low to middle-income Palestinian public sector workers, teachers, nurses.
  - Kratonan project for 125 households
  - Livelihood improvement loans for 116
  - Bukopin Bank finances
  - Sliding guarantees: 100%, 85%, 75%
  - 3 year loan tenure
  - Overall project value USD273,000
  - Beneficiaries: street vendors, casual workers
Global Micro Housing Facility Pilot

- Possible final ERSO investment on or before April 2010 – to be reviewed by SMC in October, 2010
- Initial participants:
  - IFC (co-lead in guarantee facility)
  - KfW (co-lead in guarantee facility)
  - SIDA (guarantee support; TA)
  - Cities Alliance (policy linkage)
  - UN-Habitat (investor through ERSO program, participation in structuring)
  - UNCDF (MFI network, TA)
Challenges

- Should UN-Habitat manage a direct lending programme in future?
  - Need stronger financial services platform if lending activities are to continue

- If so, in what format?
  - Alone or in partnership with another fund or IFI?

- How should community-based and cooperatives initiatives be managed?
  - Are partnership formats possible with
    - Housing cooperative initiatives?
    - NGO’s with broad community outreach, like HFHI?
Impact on MDG’s

- Homes and neighborhood infrastructure relate to many MDG’s
  - 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

- Thanks for your attention and your support