



**UN-HABITAT Human Settlements Financing Division & SUF Experiences:**

**1<sup>st</sup> Asia-Pacific Housing Forum**

**Singapore 24-26 September 2007**

**“Shifting Expectations”**



# “Shifting Expectations”

**Systematizing Housing and Infrastructure  
Finance for Inclusive Neighbourhood Growth**

**Michael Mutter Senior Adviser SUF**

**Human Settlements Financing Division**

**UN-HABITAT September 2007**



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



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**Slums are at the heart of our cities – so how can access to credit help improve them?**

**How can we Systemizing Inclusive Shelter and Neighbourhood Finance?**

- **Create Bankable Slums (strategic low-income urban management systems)**
- **Projectizing the process in packages**
- **Roles for Micro-Finance institutions**
- **Community-led processes**

**Example:**

How to assist local community savings groups such as Riverside slums in Jakarta where residents want to organize their own plan for upgrading, seeking private sector capital for their new apartments which will rise above the flood danger level





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### **GLOBAL OVERVIEW on HOUSING MICRO-FINANCE**

- *UN Advisors Group on Inclusive Financial Sectors (C-GAP, UN-CDF, commercial financial institutions, regional development banks) Meeting Nairobi June 2007 setting a global agenda for housing finance*
- *Rockefeller Foundation Global Urban Summit on pro-poor finance, Bellagio, Italy, July 2007 – foundations and commercial institutions meet slum dwellers international to form a global approach to finance*
  - **Pre-Investment Finance** seen as a key ingredient in packaging realistic opportunities for pro-poor finance involving community groups attractive to commercial financial institutions





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### **Confirmation of the Slum Upgrading Facility MANDATE 2005**

*The 2005 World Summit Outcome Document (GA 60/1 Paragraph 56M )  
summarized earlier resolutions by the United Nations General  
Assembly as central mandates for UN-HABITAT:*

**“In pursuance of our commitment to achieve sustainable development, we [the Heads of State and Government] further resolve...to achieve significant improvement in the lives of at least 100 million slum-dwellers by 2020, recognizing the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritizing slum prevention and slum upgrading, and to encourage support for the United Nations Habitat and Human Settlements Foundation and its **Slum Upgrading Facility**”**





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## The UN-HABITAT Slum Upgrading Facility (SUF) – Its PURPOSE and MISSION

SUF is designed to mobilize domestic capital and local commercial finance for Slum Upgrading and new Low Income Housing in developing countries

The UN-Habitat Slum Upgrading Facility - SUF- provides global assistance for the design and implementation of locally produced ‘**bankable housing projects**’ so that groups of low income residents and their local authorities can attract domestic commercial finance as a significant part of the funding of their sustainable neighbourhood slum upgrading and low income housing projects on a **community-led repayment scheme basis**





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### So what is SUF then?

#### Primary Objective of SUF:

“To assist Member States, local government and local Habitat Partners mobilize domestic capital for *their* slum upgrading initiatives, including housing and urban basic services, in developing Africa and Asia cities”

**SUF** is addressing this gap and the ways in which Community Groups and their Municipalities can access domestic commercial capital finance

**SUF** is being operated by UN-HABITAT in conjunction with the Cities Alliance, bringing together all slum upgrading partners at the local level



This Slum Dwellers Savings Group Old Fadama, Accra, Ghana is seeking assistance to develop new essential infrastructure and access to housing credit so that they can upgrade their own homes near the produce market they serve





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### Operational Objectives of SUF



- Provide technical assistance designed to package the financial, technical and political elements of slum upgrading such that local projects attract private investment
- Link development and financial partners at the local level, and refer these to regional and international best practice expertise, and guarantee products
- Provide credit enhancements to local financial service providers, and grant support to intermediaries with start-up costs for slum upgrading projects

In Sri Lanka slum dwellers, as above, have been able to build their own new houses, as below, with technical and financial assistance





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### How has SUF been developed?

- SUF has come out of studies that identified gaps in the ability of cities to mobilize domestic capital as part of the financing strategies for up-scaling slum upgrading
- A 15-month Design Phase has identified 10 countries for potential SUF activities –Ghana, Kenya, Senegal, Tanzania, Uganda and Zambia in Africa; and Bangladesh, Cambodia, Indonesia and Sri Lanka in Asia
- The Design Phase has produced scoping papers for each country and thematically, and set out a comprehensive Operations Manual for the forthcoming 3 year Pilot Programme with Cities Alliance and contracted SUF Pilot Team, a competitively tendered subcontract, to concentrate on the first priorities (in red)





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### The SUF response



Conditions in Kibera, Nairobi – home to 800,000 slum dwellers, 40% of the population and the workforce that keeps the city economy going and competitive – has almost no sanitation, hence an environment of flying toilets, blocked gulleys and broken culverts – appalling conditions

### What are the SUF Problems?

- Lack of information and communication at the community level
- It is all about getting people to think about repayments servicing debt that attracts capital for wise investments that can generate a return
- So competing with ‘free’ money (donors) is sometimes awkward
- Municipalities are generally perceived as weak and central government often thinks it can and should do the job without building capacity and trust at municipal level
- Distrust of the ‘urban poor’ as a market by the commercial banks





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### **Some essential objectives**

#### **Integrating Diversity**

**Needs to be considered from the outset, not as an afterthought to be retro-fitted (as tends to be done now – the ubiquitous ‘slum upgrading’)**

#### **Bringing Visionists into the Picture**

**As you are doing here with Arte-Polis, thinking how urban life can be better in the future**

#### **Bringing Politics to work towards more realistic Future Planned Cities**

**The land and planning is never enough! Outcome of this seminar brought to the attention of the national and local political forces, and promoted**





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### Some essential concepts

#### Working with People

People are an incredible resource. They know what they want, why they are in the city and how to make ends meet

#### Communication & Coordination

Information is power, and allowing people a voice usually makes things work

#### Peer Exchanges

Bringing people – the city’s residents - together to share ideas and experiences is enormously powerful

#### Urban Resource Centres

Formalising these processes locally is the powerhouse behind the concept of the People’s Resource Centres. They provide access to information, and bring residents’ views to the planning table



Women’s Savings Group exchange meeting  
– East Africa meets West and South Africa





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## Making it work – an example from Kenya

- Point of contact for the community is essential as part of a new approach to city planning, able to deal with the problems associated with degraded residential occupancy at the urban margin, then able to deal with:
- Project Financial Packaging through development of a Special Purpose Vehicle (SPV) Development Company or Housing Association, engaging with domestic capital markets and commercial retail lenders
- This has attracted Rockefeller and Soros Foundations for funding





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### **Kinds of Interventions:**

### **Sri Lanka examples**

**Financial packaging for three large-scale slum upgrading initiatives with the Colombo and Moratuwa City Councils, Slum Dwellers International and commercial banks**



This women's savings group is linked with the Women's Savings Bank Federation and Slum Dwellers International. They thus have a track record of full and timely repayments, well able to attract commercial bank loans for development

- **Advisory support to commercial banks, Ministry of Finance, Ministry of Urban Development**
- **Expansion of low-income housing products**
- **Technical assistance and advisory services to other municipal slum upgrading projects**
- **Communication through local groups and professionals, also engaging with commercial finance**





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### **Indonesia examples**

**Flood-prone housing areas in Jakarta requiring technical advisory services to community cooperatives and commercial banks**

- **Financial packaging for city-wide slum upgrading of Province of Yogyakarta**
- **Financial packaging for national low-income financing facility CoBILD**



The waterway threads through this Jakarta community. It is intensively used. Families live, wash and trade from their pontoons, which is also used as the community toilet facility.





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Community groups in Bangladesh, based on daily savings schemes, now formed into Community Development Committees (CDCs) to contract and supervise all upgrading work; attractive to local banks who want to contribute to repayable investments and housing credit schemes via a CDC Trust Fund under local direction

### Providing Slum Upgrading projects with better access to related global Institutions

- **World Bank Group – IDA, IFC, Cities Alliance, coordination on programmes**
- **Canadian Mortgage and Housing Corporation, First Initiative**
- **Private Infrastructure Development Group (PIDG)**
- **International Credit Enhancement Facilities (USAID-DCA, FMO, AFB, GuarantCo.)**
- **International Commercial Retail Banks**





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### **What works? Consolidation of tools and capacity building at all levels**

- **Tools for analysis of market conditions, liquidity, institutional pension funds and insurance companies, and local savings schemes**
- **Consolidation of Special Purpose Vehicles for slum upgrading and cost-conscious design of ultra low-income housing developments – need for a new kind of Slum Upgrading ‘Cost Information Network’ and communications systems to keep it up-to-date and relevant**
- **Analysis of micro political economy in slums that can support repayment schemes for financing upgrading activities**
- **Strengthening municipalities so they can better facilitate the whole slum upgrading process with community groups and commercial finance institutions**





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### Measuring the Future



Slum Community Centre, Bukit Duri, Jakarta

- **Self Enumeration** - Important that the measurement is done by those affected
- **Community-Led Evaluations for Economic Regeneration** (CLEVER – an approach by MM)
- **Removing Unfreedoms: *Citizens as Agents of Change in Urban Development*** – a Framework for measuring progress as put forward by Professor **Amartya Sen** under five distinct headings (see accompanying wall chart):
  - **Economic Facilities**
  - **Social Opportunities**
  - **Political Freedoms**
  - **Transparency Guarantees**
  - **Protective Security**



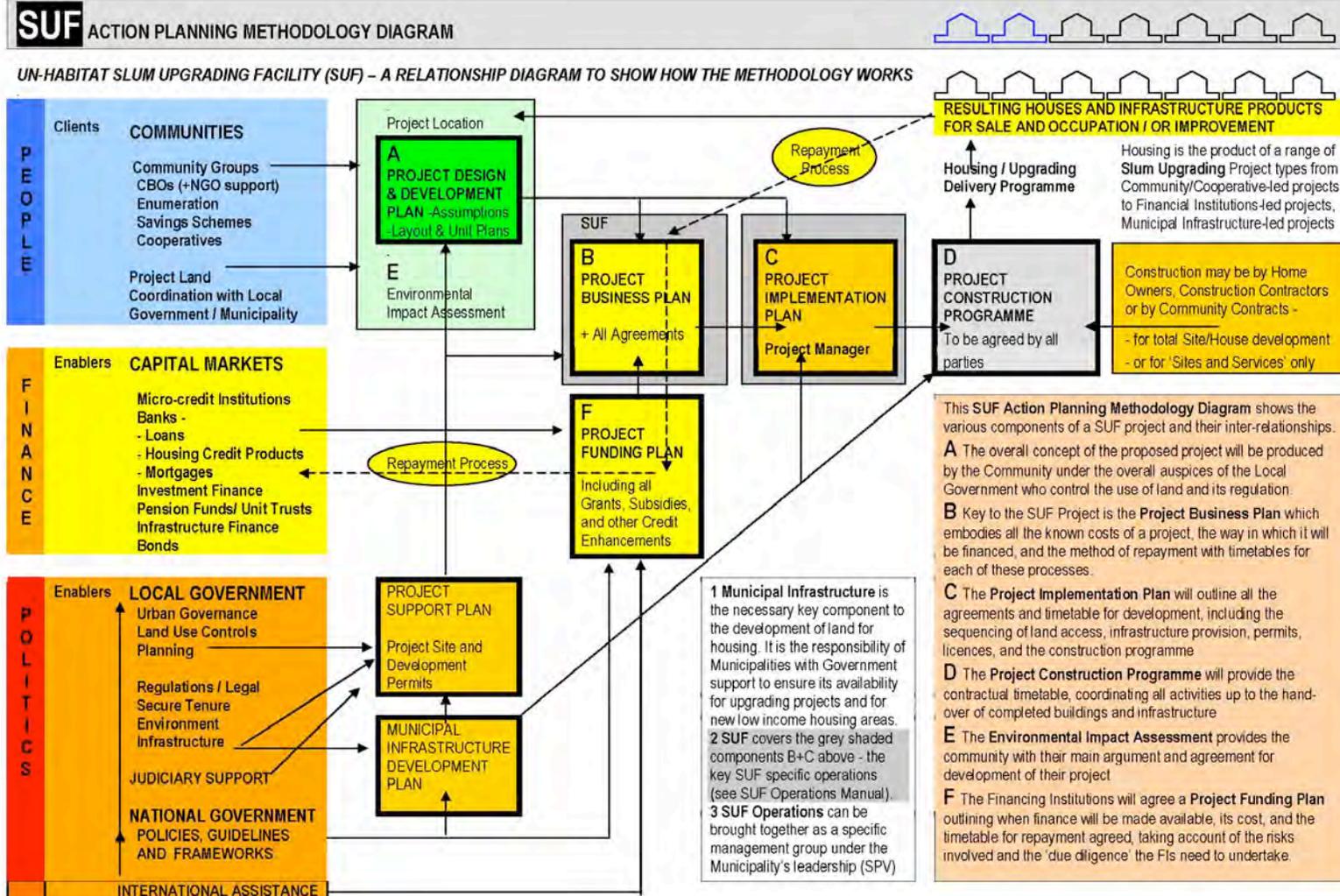


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## **UNHSP Human Settlements Financing Division**

Created as the 4<sup>th</sup> Sub Programme of the UN Human Settlements Programme in response to UN General Assembly Resolution 56/206 and Governing Council 19<sup>th</sup> Session 2003

Divisional Organisation:

- 1 Urban Finance Branch
- 2 Water Sanitation and Infrastructure Branch with its **Water and Sanitation Trust Fund**
- 3 **Slum Upgrading Facility**
- 4 United Nations Habitat and Human Settlements Foundation with its current 4 year

**Experimental Reimbursable Seeding Operations programme (ERSO)** responding to the 2005 UN 300 series Regulations and Rules enabling UNHHSF to lend to local financing institutions for slum upgrading and housing, and ultimately to borrow capital



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**On behalf of the world’s 1 billion Slum Dwellers  
And looking forward to achieving the 2020 MDG commitments**

***Thank you***



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