



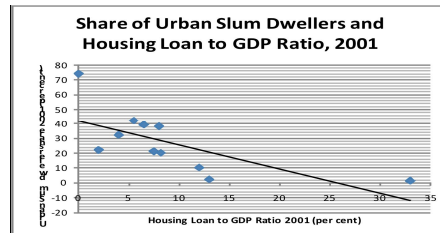
**United Nations
UN-Habitat**

**Stimulating Investment in Neighborhood
Economies, Infrastructure and Housing**

African Union for Housing Finance
6 September 2011

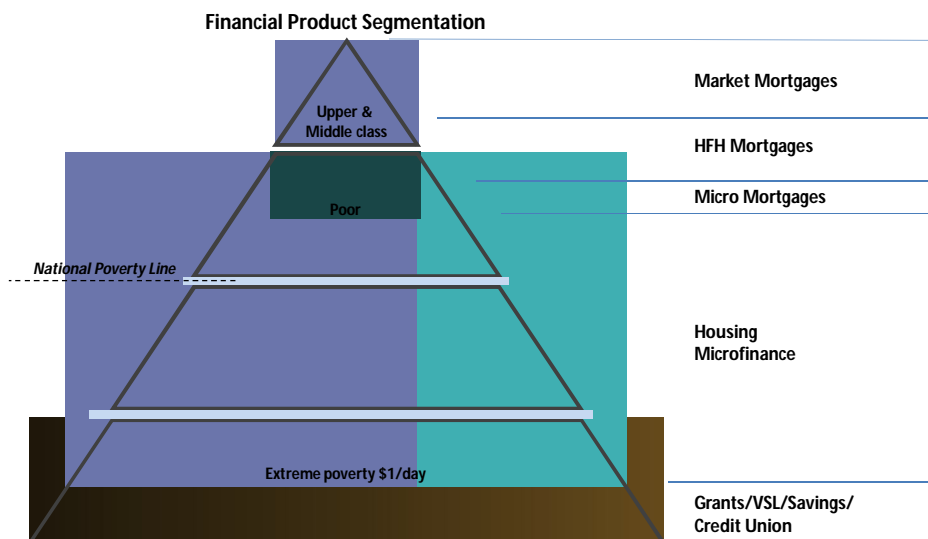
Importance of Financing to Neighborhood and Home Improvement

- World Bank analysis: availability of financing significantly decreases % of people living in slum conditions



- As investment increases, municipal tax bases are also increased, supporting more basic services
- Good living conditions support education and stable work force for growing urban economies

Habitat for Humanity Analysis: Diverse Financial Products Required to Serve Low-income Populations



2011/05/17

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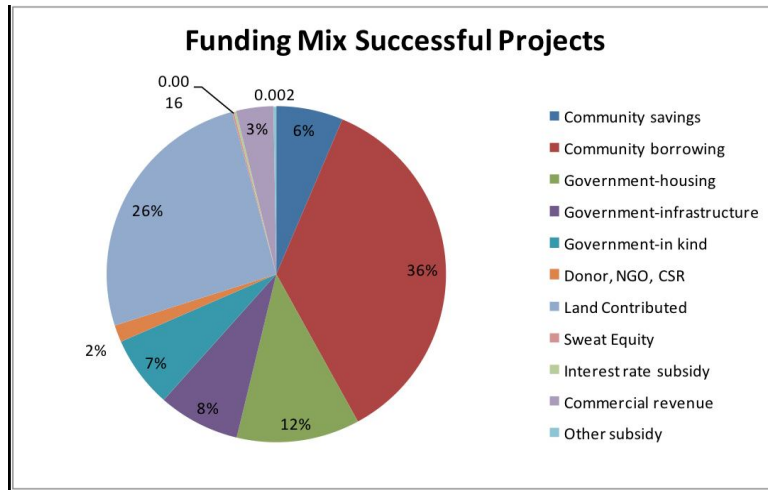
Stimulating Investment: Discussion of Past and Future Approaches

1. UN-Habitat's experience over past 5 years
 - \$10 m invested in co-lending and loan guarantee programs in Africa, South Asia, Central America for low-income housing and basic services infrastructure investment
 - Stimulated over \$500 million in DFI and private sector investment
2. New Multilateral Approach: Neighborhood Infrastructure and Upgrading Facility: in development
 - Focus on sub-Saharan Africa
 - Bringing previous pilots to scale
 - Broader catalytic fund with multiple sponsors

Lessons from UN-Habitat Past Experience

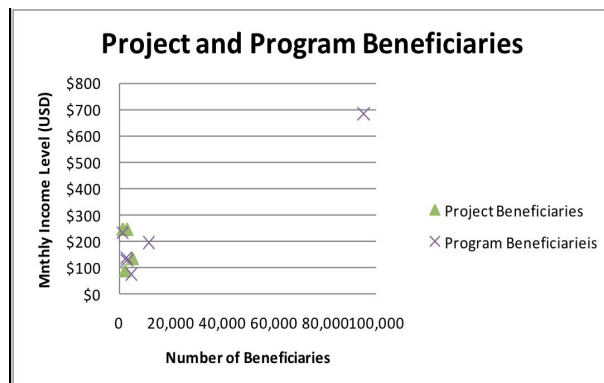
- Possible to attract private sector investment to neighborhood project finance, micro housing lending and municipal finance
- Credit enhancement and loan guarantees are cost-effective tools
- Requires an integrated approach
 - Livelihood improvement
 - Community organization and savings
 - Lending on affordable terms to low income populations
 - Viability gap coverage for lower income populations (government subsidy or donor support)

UN Habitat Experience: Attracting Private Sector Investment



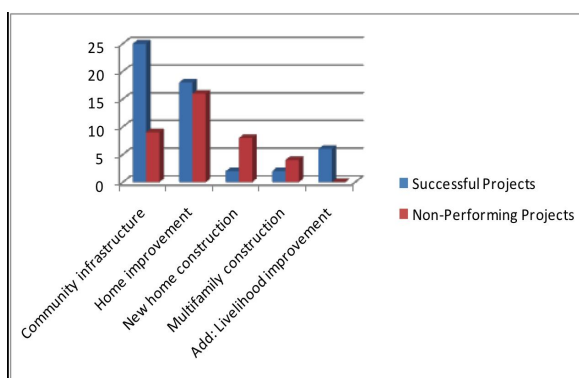
Reaching the Population

- End users had household income levels ranging from \$1100 per month down to \$21 per month



Types of Projects Funded

- Community infrastructure (basic services, often on a pay as you go basis) and progressive home improvement projects have highest success rate

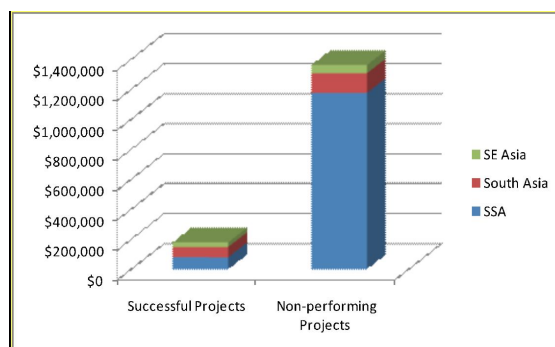


Tailoring approach by Affordability

- Per Capita Income ↑
- Low income formally employed
 - Affordable housing construction
 - Micro-mortgages
 - Co-funding of improved streets, drainage, lighting with municipalities
 - Low income, informally employed
 - Address security of tenure in dwellings
 - Will enable micro housing finance (plus subsidy as available) to improve existing housing stock
 - Plus last mile hookup for utilities
 - Lowest income, informally employed
 - Improved water access
 - Toilet and shower blocks
 - Market stalls

Execution Experience

- It is more feasible to execute projects in tranches than to reach immediately for scale.
- Banks and MFI's need to build experience in working with micro housing finance and community-based project finance.



Azania Bank, Tanzania

- **MUNICIPAL LOAN for peri-urban development**
- **Partners:** Azania Bank; Mwanza Municipal Council (MMC)
- **Project type:** Development of area presently occupied by low-income families informally near the lakeside in Mwanza to create mixed use, formally titled sites and services development
- 2800 total plots planned in the new area
- **Land:** Development by the Mwanza Municipal Council.
- **Target Group:** 700 middle income and 2100 lower income sized plots. National government compensates current inhabitants and they are offered first refusal rights to formal plots
- **Type of transaction:** Credit enhancement to Azania Bank to support bank loan to municipality



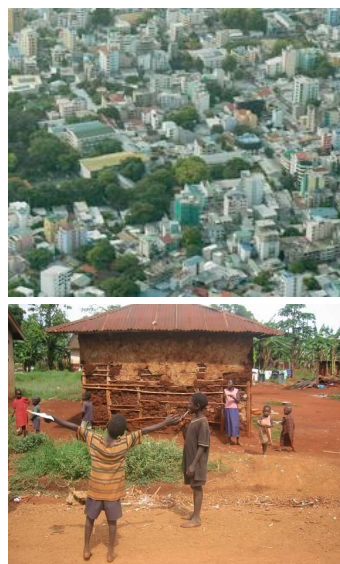
Affordable Mortgage and Loan Corporation (AMAL), Palestine

- **SCALED PRIVATE SECTOR CONSTRUCTION and long term IFI-FUNDED MORTGAGE FINANCE PROGRAM**
- **Partners:** Palestine Investment Fund, OPIC, IFC, Bank of Palestine, Cairo Amman Bank, DFID, Aspen Institute's MEII, CHF International, and World Bank Technical Assistance
- **Project type:** Large-scale affordable housing programme providing up to 25-year fixed-rate and 5-year adjustable-rate mortgage financing
- **Target Group:** Low to middle-income Palestinian public sector workers, teachers, nurses.
- **Number of units:** 30,000

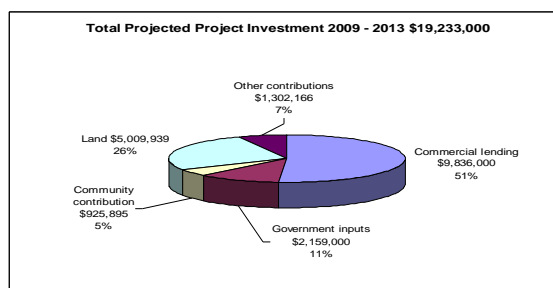


DFCU Bank, Uganda

- **COMMUNITY DEVELOPMENT PROJECT FINANCE with government, private bank and community savings**
- **Partners:** Ministry of Land, Housing and Urban Planning, Tororo Municipality, DFCU Bank, Kasoli Housing Association
- **Loan type:** Credit enhancement to DFCU for construction finance and then lending to end-users mortgage finance
- **Land:** Government land under trusteeship of Tororo Municipal Council currently occupied by 125 families.
- **Developmental aim:** Developing 250 secure tenure houses in Kasoli, Tororo Municipality
- **Housing stock design:** Ministry of Housing
- **Project Team:** DFCU Bank, Ministry, Tororo Municipality, Kasoli Housing Ass'n



City-wide Local Finance Facilities



- Provide project development structure as well as guarantees to banks funding local MFI's, individuals or communities
 - Individuals or communities typically save between 5-10% of total upgrading cost
 - Guarantees stimulate local lenders to fund up to 51% of the cost; governments fund 41-46% on average

LFF project: Keko Market, Dar es Salaam, Tanzania

- Market upgrade to include toilets for traders/stall owners
- 52 stall owners to benefit and over 200 households on the surrounding settlement
- Target population are low income and informally employed
- Total project value USD26,000 with bank loan of USD20,000 for 3 year tenor at interest of 15%
- Individual loans approx. USD 350 Repayment approx. USD15 p.m.



LFF projects: Amui Djor Mixed Use Construction, Ashaiman, Ghana

- Project Type: mixed use low-income housing development
- Target population: 31 households of petty traders and casual workers with affordable housing and shops and community toilet-shower stall facility on ground floor
- Construction work began July 2009 using a bridging loan from TAMSUF Local Finance Facility
- Amal Bank provided long term takeout financing
- Project value: over USD 470,000
- Shops have already appreciated in value and are being sought for purchase
- USD75,000 contributions from community and government



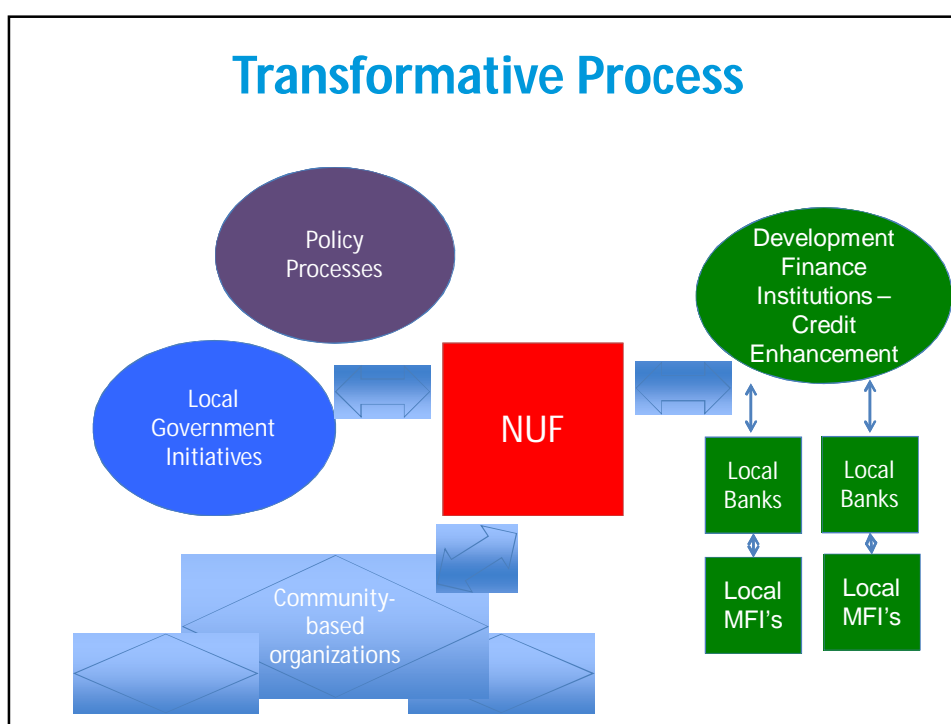
What is a bankable project?

- Produces access to infrastructure and well-built housing stock of good design
 - Links to water, sanitation, power, streets, roads, drainage, sidewalks, lighting, transportation) and overall city plan
- Security of tenure
 - Formal title to certificate of occupancy to leasehold
- Supported by the community; affordable to the community
- Taps available government funding inputs
- Taps private sector funding inputs
- Everyone has “skin in the game”: avoiding moral hazard

New Multilateral Approach: The Challenge for sub-Saharan Africa

- Challenge: to design a new facility to *stimulate financial investment in urban infrastructure, housing and home improvement at scale*
 - In partnership with local banks, local and national governments, community groups, regulators
 - In partnership with development finance institutions
 - Helping to build local financial markets in infrastructure, municipal and affordable housing lending
- Integrated with government policy, city planning, water, sanitation, accessibility and sustainability initiatives to create *economically vibrant cities*

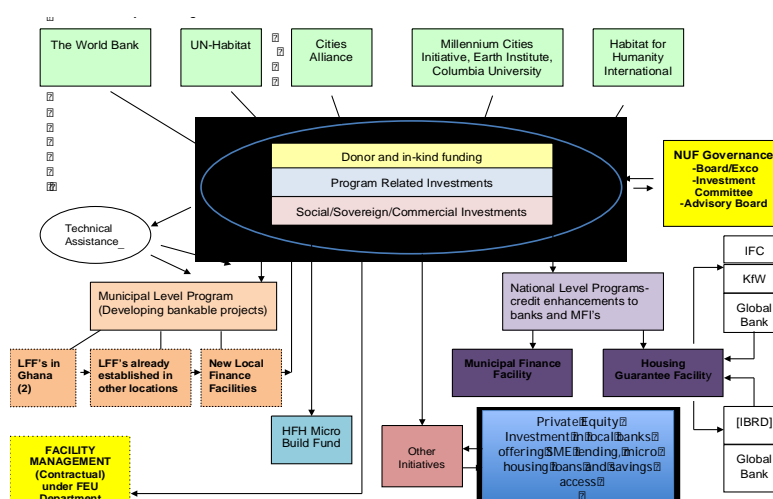
Transformative Process



Partners in Developing the NUF

- Sponsoring partners in design phase review:
 - The World Bank, the Cities Alliance, Habitat for Humanity International, Millennium Cities, UN-Habitat
- Social and impact investors
 - Low-income limited liability company structure under review
 - Facility management within development finance institution or qualified private fund manager
- Implementation partners: government, DFI's, banking sector, community organization and local finance facilities

NUF Structure



NUF Investment Targets

- **Municipal Level**
 - Investment in collaborative local finance facilities
 - Offering local banks and MFI's access to longer tenor funding, risk coverage and clearer risk reserve treatment
- **National Level**
 - First loss investment to support DFI credit enhancement programs to stimulate local currency 3-5 year funding for micro housing, municipal lending
 - Co-investment in private equity and debt funds seeking to promote expanded SME and micro housing lending

Double Bottom Line Investment

- The catalytic facility approach follows that of highly successful developmental facilities sponsored by governments and donors in other emerging sectors and geographies
- Applying these lessons to underserved project finance, muni finance, SME lending and housing finance markets in sub-Saharan Africa
- With an objective to earn a strong return for investors while promoting socially responsible sector development

Additive Approach

- This approach is intended as additive to and supportive of related initiatives by potential sponsoring partners, donors and investors
 - MicroBuild fund launched by Habitat for Humanity International
 - Cities Alliance country programmes in Ghana, Uganda, Burkina Faso, Mozambique
 - UN-Habitat Participatory Slum Upgrading Programme
 - World Bank country programs investing in cities and municipal governance and fiscal strengthening
 - Millennium Cities Initiative urban design and development
 - UNH mixed use programs with Shelter Afrique

Neighborhood Development: Sponsors

- Local Banks, PTT's, SACCO's, MFI's looking to expand municipal, SME lending and housing finance
- Community groups, with bank and government support
 - Fee-paying, market stall rental, commercial rental, home rental
 - Home improvement through micro housing loans
- Local real estate developers (mixed use, mixed income projects)
- Municipal, donor, NGO or corporates
 - Street paving, drainage, street lighting; water mains, sewer and power facilities, pollution cleanup
 - Public spaces: community centers, parks, playing fields, plazas, schools, houses of worship, health clinics, youth centers
 - Job training, housing support services, community capacity building, education support, access to finance and savings

What can Neighborhood Upgrading accomplish? Look like?

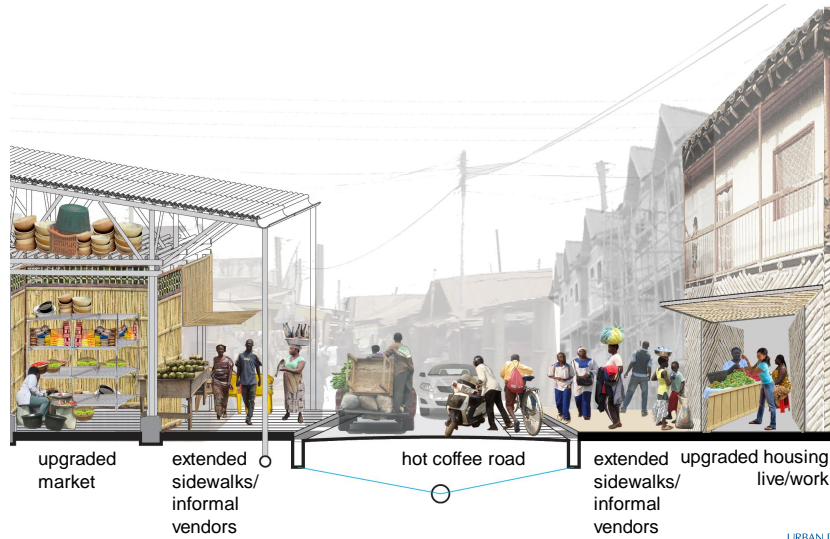
- *Economic development projects*
- *Street grids*
- *Service points (water, sanitation, storage, access to finance, housing support services)*
- *Improved and serviced homes*
- *Sustainability—pollution control*
- *Public spaces*

Example 1: Designing Economic Opportunity Development: Edge and Market Strategies



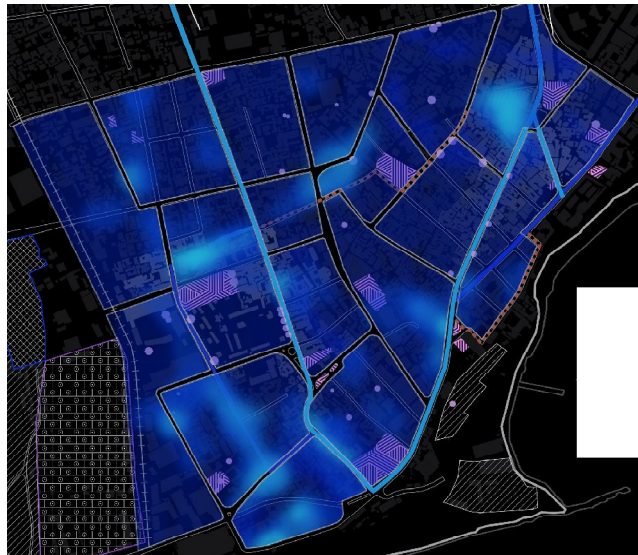
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Example 2: Designing Market Upgrading and Housing Improvement



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Example 3: Designing Service Clusters (water, sanitation, storage, retail, savings access)

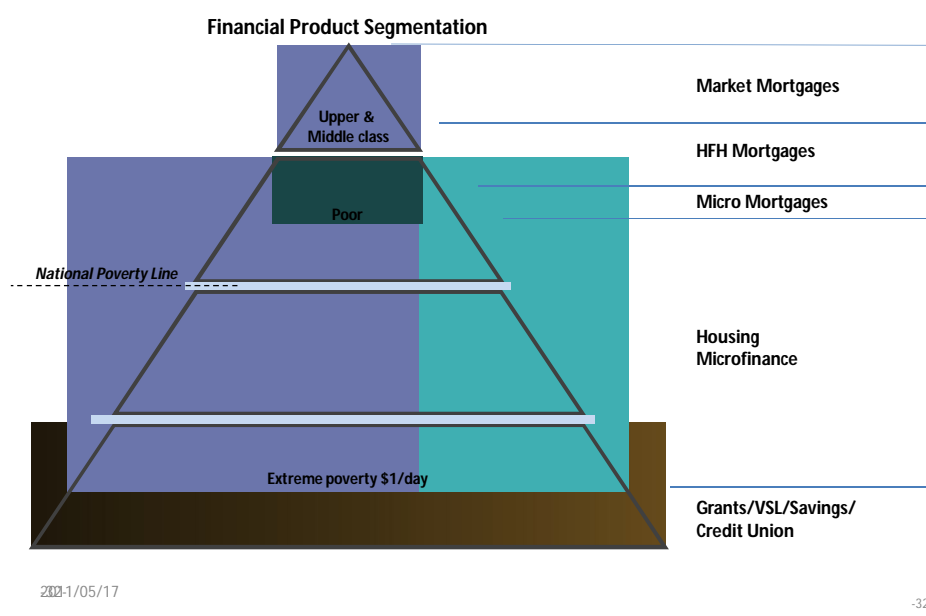


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Social and Development Objectives: Neighborhood Project Economics

- Livelihood improvement should precede any attempt to use borrowing for lowest income levels end users
- Access to finance should include
 - Savings access for population at all income levels
 - Insurance
 - Microfinance and SME lending
 - Mortgage, mini-mortgage and home lending
 - Municipal finance
- Government subsidy for housing and infrastructure, tailored by income level to support affordability, helps close viability gaps, make borrowing possible

Habitat for Humanity Analysis: Diverse Financial Products Required to Serve the Poor



Social and Developmental Objectives: Financial Markets Development

- Careful development of bankable projects –with community support- at municipal/local level--to encourage banks and MFI's to participate and build positive sector perception in markets
- Prudent financial regulatory oversight
 - Underwriting good practice: upper limits of 30% of monthly income on all combined borrowings
 - Borrower financial education
 - Well-coordinated regulation of financial activity growth:
 - Capital markets development
 - Commercial lending
 - Retail lending by banks, postal savings banks, SACCO's, MFI's

Conclusion

We welcome your thoughts and potential participation in this initiative.

Thank you

