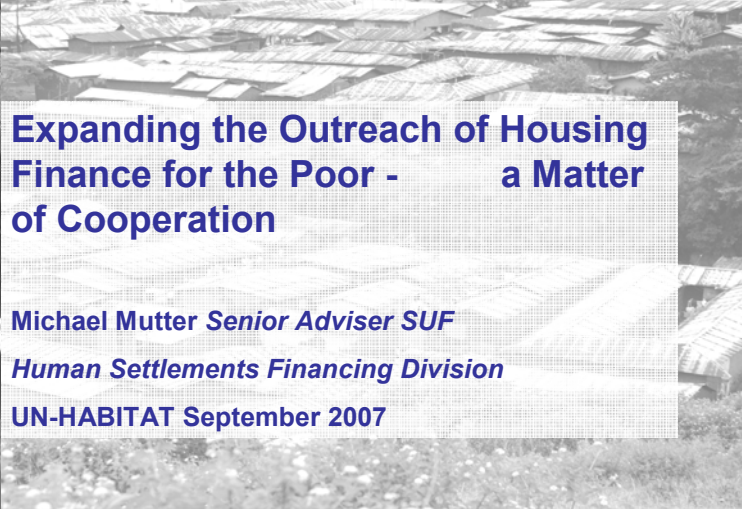




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## Expanding the Outreach of Housing Finance for the Poor - a Matter of Cooperation

**Michael Mutter Senior Adviser SUF  
Human Settlements Financing Division  
UN-HABITAT September 2007**



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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)
- Projectising the process in packages
- Roles for Local 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





## 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 the FIG Working Week, 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



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

## 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



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## The UN-HABITAT Slum Upgrading Facility (SUF)

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

## 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





### 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



### 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 Foundations for funding





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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



## Kinds of Interventions:

### Sri Lanka examples

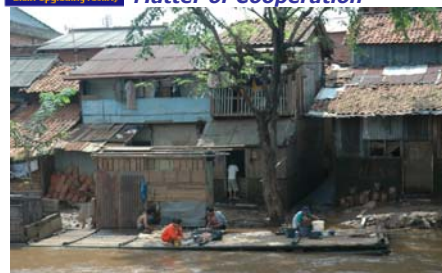
Financial packaging for three large-scale slum upgrading initiatives with the Colombo and Moratuwa City Councils, Slum Dwellers International and commercial banks

- Development of a nationally based Local Finance Facility as a multi-stakeholder not-for-profit company able to package slum dwellers' projects and seek commercial loans with the help of local credit enhancements
- Expansion of low-income housing products
- Technical assistance and advisory services to other municipal slum upgrading projects



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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
- Development of a Local Finance Facility for the City of Solo, the former Surakarta capital of Indonesia



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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## 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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## 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

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





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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***



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