

# Implementing Resolution GC 21/10 “ERSO”

Experimental Reimbursable Seeding Operations and other Innovative Financial Mechanisms  
to catalyze Investments in Pro-poor Housing, related Infrastructure and Upgrading

## Key Elements of the ERSO Operational Procedures and Operations Manual and current Status of Implementation

UN-HABITAT

ERSO Expert Workshop  
Stockholm, 21/22 April 2008

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## Outline

1. Operational Procedures
2. Operations Manual
3. Current Status of Implementation Activities
4. Establishment of ERSO SMC
5. ERSO Working in Practice

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### Purpose and Addresses

- Defining the principles and guidelines of ERSO operations which will be used by the Executive Director in preparing the ERSO Operations Manual (OM).
- Addressed at the UN-Habitat Governing Council (GC) and the Committee of Permanent Representatives (CPR) as the oversight bodies of UN-Habitat including the Foundation and UN-Habitat in regards to the implementation of Resolution GC 21/10



### Structure of the Document

1. Introduction and Overview
2. Definitions
3. Establishment of the ERSO Trust Fund
4. Governance and Oversight
5. Internal Mechanisms for Implementing ERSO Activities
6. Principles for Implementation of ERSO Activities



### Purpose and Addresses

- Describing the processes for different reimbursable seeding operations and other innovative finance mechanisms in consultation with the Committee of Permanent Representatives and the Steering and Monitoring Committee (Resolution GC 21/10)
- Directed at the operational units of UN-Habitat in charge of implementation of ERSO activities, partners, interested governments and Habitat Agenda partners
- OM is an organic document that will improve based on implementation experience



### Structure of the Document

1. Introduction and Overview
2. Definitions and Abbreviations from ERSO OP
3. Summary of ERSO Approach and Strategy
4. ERSO Delivery Model and practical Applications
5. ERSO Project Phases
6. Project Requirements and Selection Criteria



### 3. Current Status of Implementation Activities

#### ERSO Roadmap 4/2008

		07	2008				2009				2010				2011			
		DEC	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Establish ERSO Trust Fund	●																
2	Finalize ERSO Operational Procedures & Draft Manual	■	■															
4	Finalize ERSO Project Document	■	■															
5	Develop Project Profiles		■	■	■	■												
6	Expert Workshop			●														
7	Undertake Project Preparation (Develop Business Plans)			■	■	■	■											
8	Establish ERSO Technical Unit and Systems			■	■													
9	Pledging Conference				●													
10	Establish and Seek Advice of Financial Expert Group	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
11	Establishment and Meetings of Steering & Monitoring Committee			●		●		●		●		●		●				
12	Project Implementation					■	■	■	■	■	■	■	■	■	■	■	■	■
13	Supervision and Monitoring					■	■	■	■	■	■	■	■	■	■	■	■	■
14	Project Evaluation													■	■			

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### Key Implementation Task Year 1: Pre-Investment

- Engage UN-HABITAT Regional Offices and UN-HABITAT partners in scoping out potential bankable ERSO projects
- Develop partnership arrangements with IFI's, multi-lateral and regional banks
- Develop pipeline of 12 - 15 ERSO Project Profiles and 6 to 8 Business Plans (i.e. detailed project documents) in collaboration with Domestic Financial Institutions
- Fund raising with Donors and Foundations based on well-defined projects



## 4. ERSO Steering and Monitoring Committee (SMC)

- GC 21/10:  
“Requests the Executive Director...[to] establish a Steering and Monitoring Committee of 12 to 14 persons appointed in consultation with the Committee of Permanent Representatives”
- Advising the Executive Director on issues related to the implementation of activities of the ERSO Trust Fund, including policies, strategies, methodologies and actions to enhance the efficiency and effectiveness of ERSO programme of activities (OP)
- Constituting Meeting of SMC in Fall 2008



## 5. ERSO in Practice

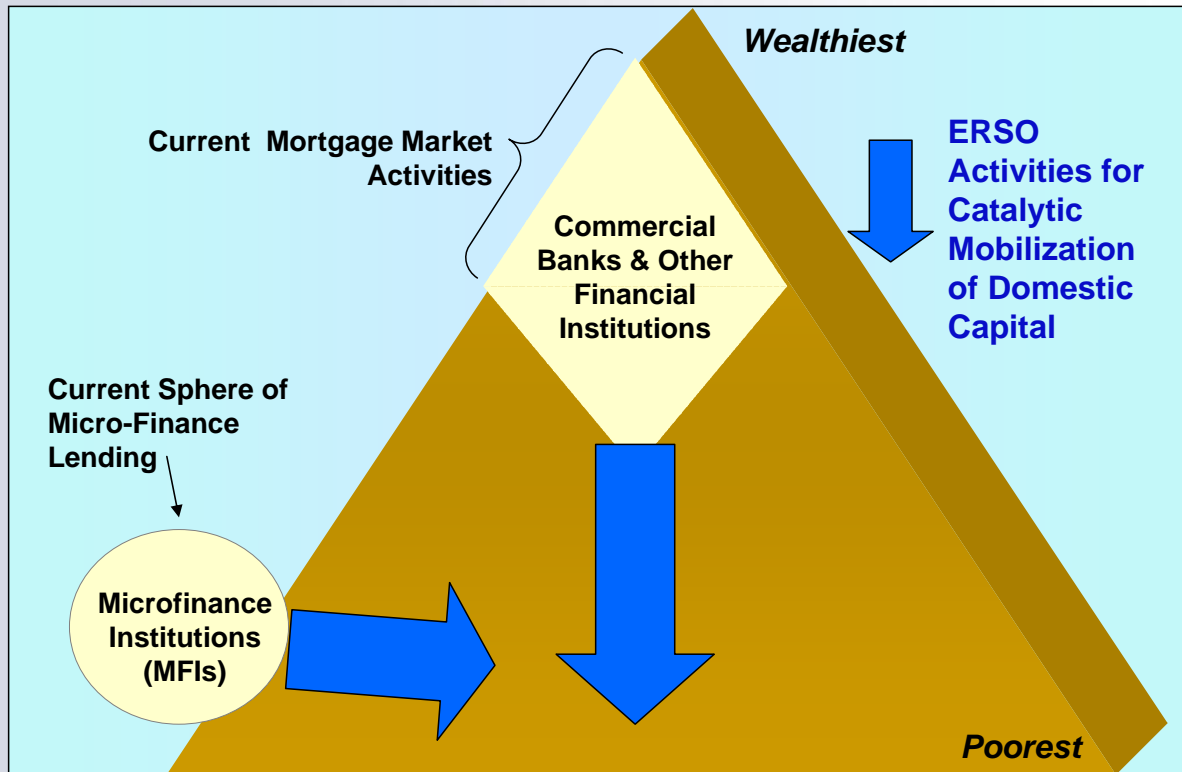
### Expert Review Process Nov 2007 – Key Recommendations

- Focus market niche and streamline ERSO delivery models
- Focus on mechanisms to enable domestic financial institutions to provide financing for lower income housing, infrastructure and upgrading.
- Develop strong partnership approach
- Consider in-kind contributions of partner countries and national and local governments
- Emphasize focus on working through community group to reach low-income households



# ERSO Two-Tiers Approach

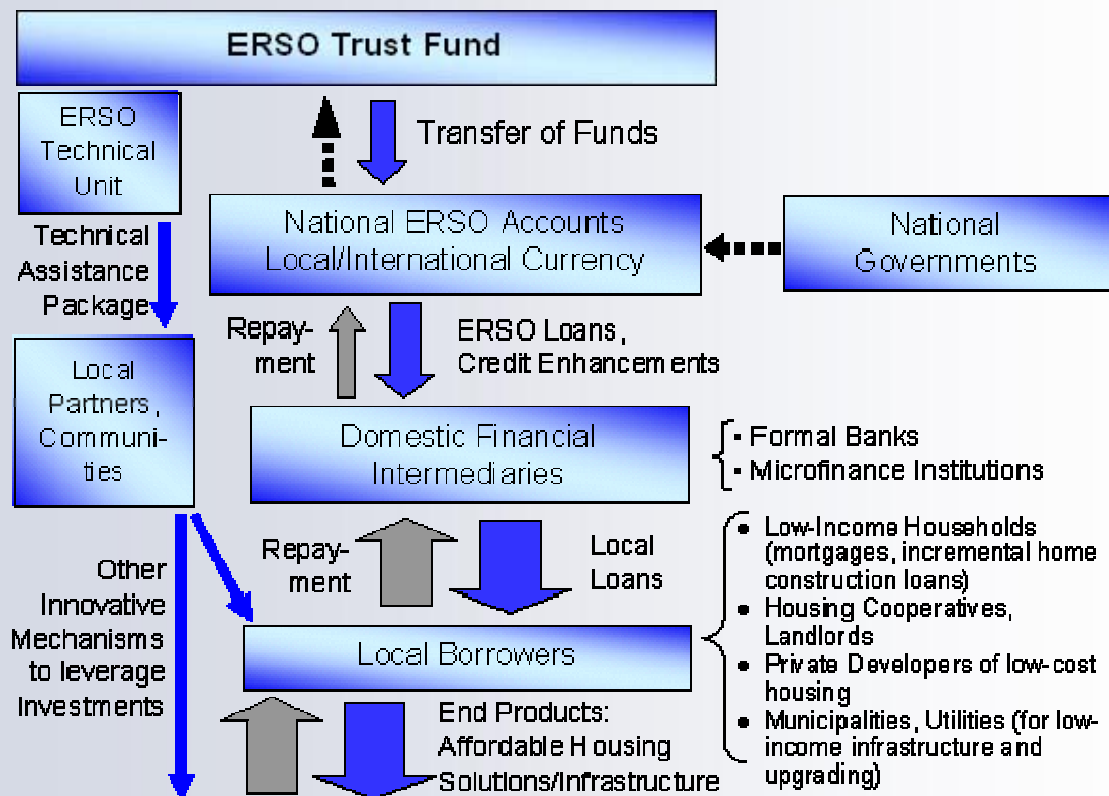
For the Catalytic Mobilisation of Domestic Capital



**HOUSING AND INFRASTRUCTURE FINANCE ACTIVITIES**



# ERSO Delivery Model and Partners



Note: Not all processes and partners might be applicable in every ERSO project



# Targets for ERSO Operations

- Number of ERSO operations:  
8-12 total, 2-3 in each of the 4 regions Africa, Asia, Eastern Europe, Latin America/Caribbean
- Envisaged total volume per operation:  
~ US\$ 2-5 Million
- Total ERSO contribution per operation:  
up to US \$ 1.5 Million
- Envisaged private domestic capital mobilized per operation: ~ US \$ 1-4 Million  
(target leverage factor: ~1:1-1:4)
- Number of households served per operation:  
~ 200-500



# ERSO Project Sequence

Conceptual Model of project elements and steps,  
(variations will occur in real-life cases)

## 1. Project Identification

Project Scoping

Development of Project Profiles

## 2. Project Selection

Review of Project Profiles

Due Dilligence Analysis

Project Selection

Monitoring of Financial Streams (end-user loans, repayments) and TA

## 5. Monitoring

Funds Disbursement to Domestic Financial Institution

Technical Assistance Activities (TA)

## 4. Implementation

Negotiation of Legal Agreements with Local

## 3. Project Development

Development of Business Plan



## Project Scoping Process

Purpose: Develop a Pipeline of potential Projects

- Consulting with SUF, WatSan Partners, UN-HABITAT Regional Offices and other units and outside partners to explore opportunities for potential ERSO projects based on existing partnerships
- Targets Q1/2 2008: Development of  
~ 10 ERSO Project Profiles by 21 April 2008 and  
~ 5 Business Plans by July 2008 in collaboration with Domestic Financial Institutions
- Consultations to develop partnership arrangements with IFI's, multi-lateral and regional banks

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## ERSO Project Scoping: - Focus and Requirements

Focus: Potential Projects that involve capital investments and leverage domestic funds for pro-poor housing, infrastructure and upgrading

Requirements:

- Potential to be successfully launched and showing preliminary results within the ERSO experimental period
- Availability of a sound domestic financial institution as implementing partner for seed-capital operations
- Support by National and Local Governments
- Existing relationships with communities

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## ERSO Project Development - Required Scoping Information

- Short Description of the Project(s)
- Type of Activity: Housing Construction/ Infrastructure/ Upgrading
- Share of Seed-Capital/Technical Assistance
- Expected duration of the project
- Financial volume of the project
- Local Partners involved: Type of organisation and key characteristics (e.g. Banks, MFIs, community-based organisations )
- Number and income deciles of clients to be served
- Type of contractual arrangements entered with Local Partners/financial relationships
- Potential opportunities for extension into ERSO

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## Integration of ERSO into UN- HABITAT Activities

Close integration of ERSO into the existing work of the organization, especially during the project development phase

ERSO will build on experiences gained in connection with:

- Water and Sanitation Trust Fund
- Slum Upgrading Facility
- Rapid Urban Sector Profiles (RUSPS)
- Initiatives in Training in Financial Management for Local Governments
- Global Land Tool Network (GLTN),
- Activities in Housing and Infrastructure Finance Policy
- Efforts to strengthen Urban Economies

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