



**U.S. Delegation to the Intergovernmental Preparatory Meeting for the  
13<sup>th</sup> Session of the UN Commission on Sustainable Development  
February 28 – March 4, 2005**

---

**Policy Options and Practical Measures  
to Expedite Implementation on  
Water, Sanitation, and Human Settlements**

Compilation of  
Submissions by the U.S. Delegation

## **Policy Options and Practical Measures to Expedite Implementation on Water**

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to safe drinking water and integrated water resources management (including, inter alia, Agenda 21, Ch. 18; CSD 6, paragraphs 10 & 13; and, Johannesburg Plan of Implementation, paragraphs 8, 25, and 26). Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### **March 1, 2003 – AM Session – Water**

#### **Themes:**

- **Providing access to safe drinking water in urban and rural areas**
- **Preparing IWRM plans and creating an institutional policy framework for IWRM**

- Support community-based institutions such as water committees and user groups through capacity building and national legislation that supports their development.  
*Case Study: Strengthening Water User Associations*  
([http://www.usaid.gov/our\\_work/environment/water/case\\_studies/romania.pdf](http://www.usaid.gov/our_work/environment/water/case_studies/romania.pdf))
- As an interim solution, support point-of-use household water treatment and safe water storage to provide safe drinking water from unsafe and/or unimproved water sources.  
*Case Study: The Safe Water System* (<http://www.cdc.gov/safewater/>)
- Develop and implement water safety plans to ensure safe water supplies.  
*Case Study: Kampala, Uganda* (<http://www.lboro.ac.uk/watermark/WEJX7/case-study-annexes.pdf>)

#### **To increase the priority of water, sanitation and hygiene issues:**

- Incorporate water, sanitation and hygiene issues into national development plans and strategies.
- Develop mechanisms to ensure coordination among ministries with a responsibility for these issues.
- Develop/strengthen institutions to manage and protect water resources.
- Enact national legislation to protect watersheds and ensure water quality.
- Commit resources.

*Case Studies: The Upper San Pedro Partnership* (<http://www.uspppartnership.com/>)  
*The United States Safe Drinking Water Act* ([www.epa.gov/safewater/sdwa/index.html](http://www.epa.gov/safewater/sdwa/index.html))

#### **To promote full cost recovery and financial self sufficiency:**

- Establish tariff systems.
- Use cross subsidies to ensure the needs of the poor are met.
- Apply utility-paid end-user efficiency improvements to lower costs to vulnerable users and reduce technical losses.
- Enact legal reforms to regularize land titles and provide tenure security.

**To encourage public-private partnerships:**

- Implement competitive contracting.
- Develop pooled-financing mechanisms to support domestic capital mobilization.
- Establish water regulatory authorities to monitor and enforce standards, promote cost recovery and support public participation and dispute resolution.

*Case Study: Oregon Watershed Councils ( [www.oregon.gov/OWEB](http://www.oregon.gov/OWEB) )*

**To encourage small-scale service providers:**

- Increase technical training and capacity building.
- Improve access to credit.
- Build a supportive regulatory environment.

**To promote integrated water resources management:**

- Establish governmental mechanisms for coordination among ministries and local entities with responsibilities relating to water.
- Strengthen the capacity of, and provide budgetary support to basin organizations – both in country and among countries – for joint management of shared water resources.
- Develop inter-sectoral planning processes that engage affected stakeholders and take into account social, economic and environmental needs.

*Case Studies: The Tennessee Valley Authority Experience*

*([http://www.usaid.gov/our\\_work/environment/water/case\\_studies/tva.basin.pdf](http://www.usaid.gov/our_work/environment/water/case_studies/tva.basin.pdf))*

*The Mississippi River Basin (<http://www.epa.gov/msbasin> )*

*The Gulf of Mexico Program (<http://www.epa.gov/gmpo> )*

## Policy Options and Practical Measures to Expedite Implementation on Water

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to enhancing water use efficiency, managing competing resources, water quality, ecosystem management, and disaster prevention (including, inter alia, Agenda 21, Ch. 18; CSD 6, paragraphs 10, 12-14; and, Johannesburg Plan of Implementation, paragraphs 8, 25, 26, 27, & 37). Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### March 1, 2005 – PM Session – Water

#### Themes:

- **Enhancing water use efficiency and managing competing uses**
- **Water quality, ecosystem management and disaster prevention**

- Develop economic incentives to encourage investments in water saving technologies.
- Develop web-based guides of best management practices for water conservation and irrigation.  
*Case study: The USDA-Natural Resources Conservation Service Technical Guides*  
(<http://www.nrcs.usda.gov/technical/efotg/>)
- Consider ecosystem management as a viable means of providing long-term safe water supplies.  
*Case study: Watershed Management for Urban Water Supply*  
([http://www.usaid.gov/our\\_work/environment/water/case\\_studies/nyc.watershed.pdf](http://www.usaid.gov/our_work/environment/water/case_studies/nyc.watershed.pdf))
- In emergency, disaster and/or humanitarian situations, consider point-of-use household water treatment as a means of providing safe drinking water from unsafe and/or unimproved water sources.  
*Case Studies: The Safe Water System* ([www.cdc.gov/safewater](http://www.cdc.gov/safewater)) and PuR  
(<http://www.pghsi.com/communicatios/pur.htm>)
- Develop incentives to encourage changes in land use practices that improve water quality in agricultural landscapes.
- Develop monitoring programs to establish baseline conditions and better understanding of water resources.  
*Case Studies: The National Assessment of Water Quality and Use*  
(<http://water.usgs.gov/pubs/circ/circ1223/>)

#### **To encourage demand management:**

- Develop water conservation standards.
- Establish usage-based water tariffs and water usage fees.
- Implement water usage metering.

#### **To protect water quality:**

- Eliminate the discharge of pollutants into navigable water.
- Prohibit the discharge of toxic pollutants in toxic amounts.

- Establish a national goal to reach a level of water quality – wherever attainable – that provides for the propagation of fish, shellfish and wildlife and provides for recreation.
- Provide federal financial assistance to construct publicly owned water treatment works.
- Conduct research to develop technologies to eliminate the discharge of pollutants into navigable water including the oceans.

*Case Studies:*    *The United States Safe Drinking Water Act*  
(<http://www.epa.gov/safewater/sdwa/index.html>)  
*White Water to Blue Water*(<http://www.ww2bw.org/home> )

## **Policy Options and Practical Measures to Expedite Implementation on Water**

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to strengthening monitoring and evaluation as well as securing financing for water-related investments (including, inter alia, Agenda 21, Chapter 18; CSD 6, paragraphs 11 and 14-19; Monterrey Consensus, Chapter 2; and, Johannesburg Plan of Implementation, Chapters IV and X). Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### **March 2, 2005 – AM Session – Water**

#### **Themes:**

- **Strengthening monitoring and evaluation programs**
- **Securing finance for water-related investments**

- Establish water regulatory authorities to monitor and enforce standards, promote cost recovery and support public participation and dispute resolution.
- Support the development of institutions to collect and disseminate chemical and biological data along with information on hydrology, land use, chemical use and natural features to facilitate planning at the local, national and regional level.

#### **To improve water and land management**

- Develop and distribute water supply forecasts.
- Establish networks to collect and distribute real-time information on stream flows.
- Support and make use of earth observation systems, such as the global Earth Observation System of Systems (GEOSS).

*Case study: The National Water-Quality Assessment Program (<http://water.usgs.gov/nawqa>)*

*Case study: The National Water Quality Monitoring Council  
(<http://water.usgs.gov/wicp/acwi/monitoring/>)*

*Case study: Water Watch (<http://water.usgs.gov/waterwatch/>)*

*Case study: Upper Klamath Lake (<http://www.nrcs.usda.gov/feature/klamath/>)*

*Case study: The Global Earth Observation System of Systems  
([http://www.epa.gov/geoss/fact\\_sheets/earthobservation.html](http://www.epa.gov/geoss/fact_sheets/earthobservation.html))*

#### **To improve financing for water-related investments**

- Develop mechanisms to ensure transparency and accountability in financial management at all levels.
- Establish regulatory bodies for independent oversight of water and sanitation service providers.
- Obtain independent credit ratings to promote the growth of local and national capital markets.

- Establish national or regional project development facilities to assist in preparing infrastructure projects for investment and creating opportunities for private sector development.  
*Case study: Balkans Infrastructure Development Facility for Private Sector Participation in South East Europe ([www.bidfacility.com](http://www.bidfacility.com))*
- Establish financing mechanisms such as pooled or revolving funds to provide low-interest loans to municipalities for water and sanitation infrastructure projects.  
*Case study: Tools for Mobilizing Finance*  
([http://www.usaid.gov/our\\_work/environment/water/wwf3.factsheets/tools.for.mobilizing.finance.pdf](http://www.usaid.gov/our_work/environment/water/wwf3.factsheets/tools.for.mobilizing.finance.pdf))
- Use partial loan guarantees to mobilize domestic capital for water and sanitation related infrastructure.  
*Case study: Designing Loan Guarantees to Spur Growth in Developing Countries*  
([http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/designing\\_loan\\_guarantees.pdf](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/designing_loan_guarantees.pdf))

## **Policy Options and Practical Measures to Expedite Implementation on Sanitation**

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance implementation of Agenda 21 provisions on sanitation (Chapter 18.5 D and E) and progress toward the Johannesburg Plan of Implementation's provisions on providing access to sanitation in urban and rural areas (JPOI paragraphs 8 & 25). Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### **March 1, 2005 – AM Session – Sanitation**

#### **Theme:**

#### **- Providing access to adequate sanitation in urban and rural areas**

- Create demand for sanitation services through hygiene promotion

#### **To raise the priority of sanitation and hygiene:**

- Incorporate sanitation and hygiene promotion into national development plans and strategies.
- Establish sanitation and hygiene as a separate focus in public sector budgets.
- Enact a national-level policy on sanitation which ensures coordination among ministries with a responsibility for sanitation and hygiene issues.

#### **To better enable local governments:**

- Grant revenue raising authority to municipalities.
- Enact a regulatory framework for such issues as tariffs, environment and water resources, water quality, technical norms and standards and contracts.

## **Policy Options and Practical Measures to Expedite Implementation on Sanitation**

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to wastewater management sanitation and monitoring systems (including, inter alia, Agenda 21, Chapter 18.5 C, D, & E; CSD 6, paragraph 12; and, Johannesburg Plan of Implementation, paragraphs 27 & 28). Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### **March 1, 2005 – PM Session – Sanitation**

#### **Theme:**

#### **- Managing waste water and strengthening monitoring systems**

- Establish a national policy that provides financial assistance to construct publicly owned waste treatment works.

*Case study: Financing America's Clean Water Since 1987*

*(<http://www.epa.gov/owm/cwfinance/index.htm>)*

## Policy Options and Practical Measures to Expedite Implementation on Sanitation

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to capacity and financing for sanitation (including, inter alia, Agenda 21, Chapter 18; CSD 6, paragraphs 13-19; and, Johannesburg Plan of Implementation, paragraphs 8, 25, & 28). Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### March 2, 2005 – PM Session – Sanitation

#### Theme:

#### - Capacity and financing requirements for meeting the sanitation targets in the Johannesburg Plan of Implementation

- Establish a national policy that provides financial assistance to construct publicly owned waste treatment works.  
*Case study: Financing America's Clean Water Since 1987*  
(<http://www.epa.gov/owm/cwfinance/index.htm>)
- Establish national or regional project development facilities to assist in preparing infrastructure projects for investment and creating opportunities for private sector development.  
*Case study: Balkans Infrastructure Development Facility for Private Sector Participation in South East Europe* ([www.bidfacility.com](http://www.bidfacility.com))
- Establish innovative financing mechanisms such as pooled or revolving funds to provide low-interest loans to municipalities for water and sanitation infrastructure projects.  
*Case study: Tools for Mobilizing Finance*  
([http://www.usaid.gov/our\\_work/environment/water/wwf3.factsheets/tools.for.mobilizing.finance.pdf](http://www.usaid.gov/our_work/environment/water/wwf3.factsheets/tools.for.mobilizing.finance.pdf))
- Use partial loan guarantees to mobilize domestic capital for water and sanitation related infrastructure.  
*Case study: Designing Loan Guarantees to Spur Growth in Developing Countries*  
([http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/designing\\_loan\\_guarantees.pdf](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/designing_loan_guarantees.pdf))

## Policy Options and Practical Measures to Expedite Implementation on Human Settlements

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to providing improved housing and associated services to the urban and rural poor. Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### March 2, 2005 – AM Session – Human Settlements

#### **Theme:**

#### **Providing improved housing and associated services to the urban and rural poor**

- Improve knowledge and technical skills of administrators and legislators responsible for medium and long-term city development.  
*Case Study\*:* *Mayors' Asia-Pacific Environmental Summit (MAPES)*  
<http://www.adb.org/Documents/Events/2003/MAPES/default.asp>
- Improve municipal capacity to manage and conduct the business of local government in a responsible, transparent and accountable manner.

#### **To attract people into the formal economy through home ownership:**

- Strengthen property rights, particularly for women to promote urban development and revitalization.
- Through legal and regulatory reform, create the housing market conditions to facilitate widespread homeownership in society.  
*Case Study\*:* *U.S. Federal Housing Administration*  
<http://www.hud.gov/offices/hsg/fhahistory.cfm>  
*Case Study\*:* *Reducing Regulatory Barriers for Affordable Housing*  
[www.regbarriers.org](http://www.regbarriers.org)
- Forge national-local government partnerships for affordable housing.  
*Case Study\*:* *HOME Investment Partnerships Program, U.S. Department of Housing and Urban Development*  
<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>  
*Case Study\*:* *Reaching underserved farm worker population in Oceanside, California*

#### **To mobilize financial resources:**

- Stimulate and enable private sector engagement in low-income markets.  
*Case Study\*:* *1977 Community Reinvestment Act*  
*Case Study\*:* *USAID's housing guarantee program*
- Recognize the poor as potential customers by opening up access to credit and developing innovative financial options.

\* - See page 2 for case studies

## **APPENDIX: CASE STUDIES FOR HUMAN SETTLEMENTS POLICY OPTIONS**

**Mayors' Asia-Pacific Environmental Summit (MAPES)** The Mayors' Asia-Pacific Environmental Summit (MAPES) is a knowledge forum where city mayors and managers from across Asia and the Pacific share experiences, identify achievable goals, and commit to achieving these goals. Started in 1999, MAPES meets every year on different subjects. For example, the MAPES 2003 tackled three of the most crucial issues in the urban setting: air quality, water supply and sanitation and solid waste. Addressing these key environmental challenges will help pave the way to achieving sustainable development. The MAPES meetings are also co-sponsored by the Asian Development Bank. <http://www.adb.org/Documents/Events/2003/MAPES/default.asp>

**Federal Housing Administration:** In the United States, the Federal Housing Administration (FHA) was created in 1934 to provide government insurance for mortgage loans issued by private banks to private citizens. Since its inception, FHA has insured almost 32 million single family loans. The modern American housing finance system evolved largely from this program and today relies largely on private mortgage insurance. Today, over 99% of the total housing stock of the U.S. is privately owned, with 69% owner-occupied. FHA is part of the U.S. Department of Housing and Urban Development. See <http://www.hud.gov/offices/hsg/fhahistory.cfm>

**Reducing Regulatory Barriers for Affordable Housing** The U.S. Department of Housing and Urban Development (HUD) is working with state and local governments to identify unnecessary regulations which impede the delivery of affordable housing. Based on the "American Homeownership and Economic Opportunity Act of 2000", the Regulatory Barriers Clearinghouse is established to collect, process, assemble and disseminate information on the barriers faced in the creation and maintenance of affordable housing. HUD's Office of Policy Development and Research (PD&R) supports the Department's efforts to help create cohesive, economically viable and healthy communities. The Clearinghouse is hosted by HUD USER (<http://www.huduser.org/rbc/>), the primary source for U.S. Federal Government reports and information on housing policy and programs, building technology, economic development, urban planning, and other housing-related topics.

**HOME Investment Partnerships Program, U.S. Department of Housing and Urban Development** In January 2005, the Department of Housing and Urban Development (HUD) recognized 20 state and local governments around the country with the first national HOME Awards for outstanding work in providing affordable housing to low-income and underserved people. Each year, HUD's HOME Program (formal name: HOME Investment Partnerships Program) allocates approximately \$2 billion to more than 600 state and local participating jurisdictions to increase the stock of affordable housing. Each award-winning project demonstrates how the flexibility provided by the HOME program can be used by state and local governments for housing low-income families and a model for stimulating innovative housing solutions to local socio-economic challenges. See <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>

**Oceanside, California: Affordable Housing for Underserved Farm Worker Population.** Finding decent and affordable housing for farm workers has been difficult, particularly in areas with high housing prices. Many farm workers and their families are forced to live in encampments with no sanitation facilities, and limited access to food, health care, education, and other services. In an attempt to address the need for housing for this and other very-low income populations, the City of Oceanside began working with Community HousingWorks, a nonprofit developer. The city had used HOME funds to acquire the land and had to sell the property to Community Housing Works for \$1. Construction began in March 2001 and the Old Grove apartments opened, fully leased, in September 2004. These apartments include different-size units for affordable rents. Some units are reserved for farm worker households, and some for households in which one adult is diagnosed with HIV/AIDS. The project includes a childcare center, a computer resource room and is located near public transportation. Partnership agencies: California Housing and Community Development Department, County of San Diego, Bank of America, California Equity Fund, California Housing Finance Agency, Local Initiatives Support Corporation (LISC), Federal Home Loan Bank of San Francisco, Federal HOME Funds. Contact: Margery Pierce, City Government, Oceanside, CA

**The Community Reinvestment Act** In 1977, Congress enacted the Community Reinvestment Act, (12 U.S.C. 2901)(CRA) to encourage private banks to work with community organizations. The legislation was designed to promote the availability of credit and other banking services to low-income communities. Regulations stipulated that all banking practices must be consistent with safe and sound banking operations. These depository institutions maintain a community involvement record

**USAID Housing Guarantee Programs** Significant gains in stimulating and enabling the participation of the private sector (developers and financial institutions) in low income housing markets was made in Latin America during the 1980s and early 1990s under USAID's housing guaranty program. This included redefining the role of public versus private sector with increasing participation of the private sector in the production and financing of housing, especially for the low income market. Efforts, for example, by the governments of Chile, Bolivia, Costa Rica, Honduras, Guatemala, and Panama helped stimulate greater private sector participation in housing.

## Policy Options and Practical Measures to Expedite Implementation on Human Settlements

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to creating jobs and promoting local entrepreneurship. Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### March 2, 2005 – PM Session – Human Settlements

#### Theme:

#### **Creating jobs and promoting local entrepreneurship**

- Promote programs which match skills, training and apprenticeships for urban youth to access jobs in the local labor market.  
*Case Study\*: Entra 21 Alliance*  
<http://www.sdp.gov/sdp/initiative/31533.htm>  
*Case Study\*: Alliance for African Youth Employment*  
<http://www.iyfnet.org/document.cfm/30/626>
- Mobilize domestic capital markets to invest in human settlements investments using appropriate risk sharing mechanisms to reduce the costs of lending in slum communities.  
*Case Study: International Association of Local and Regional Development Funds (IADF)*  
<http://www.sdp.gov/sdp/initiative/36595.htm>  
*Case Study: Partnership to Develop Local Bond Markets to Support Infrastructure Development*  
<http://www.sdp.gov/sdp/initiative/36087.htm>
- Prevent and combat exploitative child labor and provide children with education and rehabilitation and their families with viable economic alternatives.  
*Case Studies: International Labor Organization's International Program on the Elimination of Child Labor*  
*(IPEC): 15 Examples of Selected Successful Action Programmes:*  
<http://www.ilo.org/public/english/standards/ipecc/about/factsheet/expls-98/index.htm>

\* - See page 2 for case studies

## **APPENDIX: CASE STUDIES FOR HUMAN SETTLEMENTS POLICY OPTIONS**

### **Entra 21 Alliance**

The Entra 21 Alliance designed to bridge the gap between jobs and young people in Latin American and the Caribbean by providing training in information and communication technologies and employment skills. More than half the population of Latin America and the Caribbean is under the age of 25, and the demand for information and communication technology (ICT) skills in the workplace is surging. Entra 21 works to improve the employability of disadvantaged Latin American and Caribbean youth (ages 16-29) by helping them gain ICT skills through internships, job training, mentoring, and job placement. Partners include the U.S. Agency for International Development (USAID), the Multilateral Investment Fund, an autonomous fund administered by the Inter-American Development Bank, International Youth Foundation, Counterpart International, Microsoft, Lucent Technologies, and Merrill Lynch.

See: <http://www.sdp.gov/sdp/initiative/31533.htm>

### **Alliance for African Youth Employment**

The Alliance for African Youth Employment is a partnership between the International Youth Foundation and USAID, Nokia and the Lions Clubs International Foundation, and draws from the lessons learned from Entra 21. Over five years the Alliance will promote employability and employment for more than 35,000 young people (14-29) living in rapidly urbanizing areas in South Africa, Malawi, Mozambique and Rwanda. Participating youth will receive job training, career counseling, direct placement internships and jobs and the skills to create their own businesses.

See: <http://www.iyfnet.org/document.cfm/30/626>

## **Policy Options and Practical Measures to Expedite Implementation on Human Settlements**

*Based on the broad range of experiences and best practices that emerged from CSD-12, the policy options and practical measures highlighted below can advance progress toward internationally agreed objectives related to developing finance institutions and financial products suitable to the financial needs of the urban poor. Although these options may find widespread applicability, not all of them are necessarily relevant to every circumstance.*

### **March 3, 2005 – AM Session – Human Settlements**

#### **Theme:**

#### **Developing finance institutions and financial products suitable to the financial needs of the urban poor**

- Support the development of financial institutions providing affordable housing finance under transparent and equitable rules.
- Promote the institutionalization and scaling up of housing micro-finance efforts as an important instrument in converting deficient housing, normally found in informal sector and slum communities, into decent housing.
- Assess regulatory and enforcement capacity before developing institutions and designing financial products.

#### **To Develop Capital Market and Financial Products Suitable to the Poor**

- Develop new models for risk-sharing that reduce the cost of lending to the poor.  
*Case Study\*: USAID Development Credit Authority (DCA)*  
[http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/index.html](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/index.html)  
*Case Study\*: DCA Example: Housing Loan Guarantee Program in South Africa*
- Develop home improvement loans so that housing can be built incrementally.
- Invest in micro-lending funds to mobilize capital into low- income communities.  
*Case Study\*: U. S. Department of Treasury Community Development Financial Institutions Fund.*  
<http://cdfifund.gov/>
- Use partial loan guarantees to mobilize domestic capital for water and sanitation and Human settlements.  
*Case Study: Designing Loan Guarantees to Spur Growth in Developing Countries*  
[http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/designing\\_loan\\_guarantees.pdf](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/designing_loan_guarantees.pdf)

#### **To Strengthen Local Capacity to Manage Financial Projects**

- Forge national-local government partnerships for affordable housing  
*Case Study\*: HOME Investment Partnership program, U.S. Department of Housing and Urban Development*  
<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>
- Encourage community-based development efforts, with significant citizen participation, to meet housing and neighborhood improvement goals  
*Case Study\*: Community Development Corporations (CDCs)*  
[www.ncced.org](http://www.ncced.org)

- Encourage use of independent credit ratings to promote the growth of local and national capital markets.

**To Monitor Transparency and Accountability of Financial Institutions**

- Develop laws and institutions to ensure the enforceability of contracts.
- Establish regulatory bodies for independent oversight of financial service providers.
- Establish innovative financing mechanisms such as pooled funds or revolving funds to provide low-interest loans to municipalities for water, sanitation infrastructure and human settlement projects.

*Case Study: Financing America's Clean Water Since 1987: <http://www.epa.gov/owm/cwfinance/index.htm>*

## APPENDIX: CASE STUDIES FOR HUMAN SETTLEMENTS POLICY OPTIONS

**USAID Development Credit Authority (DCA)** USAID's new credit guarantee program, Development Credit Authority (DCA), is structured so that limited ODA resources, such as those provided by USAID, can help leverage substantial level of domestic funds to invest in water, sanitation and human settlement projects using partial guarantees.

See: [http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/index.html](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/index.html)

**DCA Example: Housing Loan Guarantee Program in South Africa** - Partnering with the USAID's Credit Development Authority, the Home Loan Guaranty Corporation (HLGC) has entered into agreements with several South African banks and financial institutions to insure against the risk of defaults by low-income borrowers due to HIV/AIDS related incapacitation. The objective of this program is to promote the continued lending by South African banks to low-income individuals seeking home-improvement loans or mortgage loans. HLGC charges an annual premium to the banks for providing this HIV/AIDS related coverage and this premium, together with interest earned on it, will be preserved by HLGC to payout claims under its HIV/AIDS related coverage. The rate of the premium charged by HLGC is intended to yield a pool of revenue sufficient to pay all claims made under HLGC's HIV/AIDS related coverage. USAID/South Africa will use the guarantee to cover part of the obligations of HLGC to the banks should the premium pool be exhausted. The guarantee amount is \$100M.

**DCA Example: Partial Guarantee:** A recent partial guarantee in Romania resulted in an extended repayment period for mortgage loans. USAID helped establish the first non-bank mortgage lender in Romania, Domenia Credit. USAID covered some of the start-up and operational costs for Domenia Credit while also supporting work on legislative and policy reforms to improve foreclosure and land registration procedures. In addition, USAID provided a partial guarantee of a 10-year loan to Domenia Credit and this has enabled them to establish a sizable portfolio of mortgage loans ranging from 5 to 10 years

**Community Development Financial Institutions (CDFI) Fund** The Community Development Financial Institutions (CDFI) Fund was created by the U.S. Department of Treasury to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The Fund was authorized by the Riegle Community Development and Regulatory Improvement Act of 1994. By stimulating the creation and expansion of diverse community development financial institutions (CDFIs) and by providing incentives to traditional banks and thrifts, the Fund investments work toward building private markets, creating healthy local tax revenues, and empowering residents. The CDFI Fund provides relatively small infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund activities leverage private-sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made more than \$534 million in awards to community development organizations and financial institutions. CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional financial institutions. These CDFIs provide a wide range of financial products and services, including mortgage financing for first-time home-buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-income households and local businesses. <http://cdfifund.gov/>

**HOME Investment Partnership** The U.S. Department of Housing and Urban Development (HUD) allocates \$2 billion a year to the HOME Investment Partnership program, or HOME. This is the largest national grant to State and local governments designed exclusively to create affordable housing for low-income households. The program was designed to reinforce several important principles: it empowers people and communities to design and implement strategies tailored to their own needs and priorities; it strengthens partnerships among all levels of government and the private sector in the development of affordable housing; and it requires a match of 25 cents of every dollar in program funds to mobilize community resources in support of affordable housing. HOME is a partnership program used by state and local governments for housing low-income families and a model for stimulating innovative housing solutions to local socio-economic challenges. <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>

**Community Development Corporations (CDCs)** Community development is a systemic approach to improving low- and moderate-income neighborhoods for the benefit, and under the direction of, residents. Known variously as community development corporations (CDCs) or, simply, community-based organizations (CBOs), they often

involve religious, or faith –based, institutions. These non-profits focus on one or more areas of concern, such as affordable housing, better schools, more jobs, or safer streets. Most community and faith-based groups need some management expertise to more effectively use the limited resources at their disposal and to engage the private financial networks for development funding. According to research conducted by the National Congress of Community Economic Development, there are approximately 3,600 such groups across the United States. Since the emergence of the first ones in the late 1960s, they have produced 550,000 affordable homes and 247,000 private-sector jobs and changed the way Americans view urban redevelopment. For case studies, see [www.ncced.org](http://www.ncced.org).