


European Microfinance Award 2017

Microfinance for Housing

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

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European Microfinance Award Background

The European Microfinance Award was launched in October 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, to support innovative thinking in the microfinance sector. Awarded for the first time in 2006 and since 2014 an annual award, it is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg (InFiNe.lu), in cooperation with the European Investment Bank (EIB).

Previous editions addressed the following subjects:

2016 Microfinance and Access to Education
Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

2015 Microfinance in Post-disaster, Post-conflict Areas & Fragile States
Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea.

2014 Microfinance and the Environment
Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative.

2012 Microfinance for Food Security
Winner: ASKI (The Philippines), for its micro agriculture loans for smallholder farmers and agribusiness and support to market linkages to private sector enterprises.

2010 Value Chain Finance
Winner: Harbu (Ethiopia), for its initiative financing a soybean value chain.

2008 Socially Responsible Microfinance
Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system.

2006 Innovation for Outreach
Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.

Microfinance for Housing

The European Microfinance Award 2017 "Microfinance for Housing" was intended to highlight the role of microfinance in supporting access to better quality residential housing for low income, vulnerable and excluded groups, with no or limited access to housing finance in the mainstream sector.

Decent shelter is a basic human right[1] and a key part of the UN Sustainable Development Goals[2]. Yet in many developing countries many are deprived of it – 1.6 billion of the world's population lives without adequate shelter[3] and one third of the population still has no access to adequate sanitation[4].

As an issue, housing is not a vertical 'silo'; rather it is closely intertwined with – and often the cause of – a whole host of developmental problems. Exposure to the elements, poor ventilation, and insufficient arrangements for basic hygiene are major causes of poor health. Improper building structures undermine safety and vastly increase vulnerability to disaster. Lack of lighting and sufficient space limits children's ability to study. Insufficient privacy and lack of toilet facilities contribute to sexual assault and constrain opportunities for women and girls. And lack of clear property rights are major contributors to crime and social injustice, while limiting families' ability to invest in better housing.

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1 The right to adequate housing (as a component of the right to an adequate standard of living) is listed among other documents in the Universal Declaration of Human Rights (art. 25.1) and the International Covenant on Economic, Social and Cultural Rights (art. 11.1)

2 UN Sustainable Development Goal 11.1: "By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums."

3 Source: Habitat for Humanity International

4 Source: World Bank data

But the positive impact from better housing doesn't end with families. A healthy, vibrant housing finance market can be a major economic engine, generating local employment and drawing mainly on local inputs. Meanwhile, communities enjoying secure property rights are also more likely to give rise to active citizens, less tolerant of corruption and more demanding of their political leaders.

With their relationships with poor and vulnerable segments, outreach into remote areas and expertise in providing unsecured loans to the poor, the microfinance sector can do a lot to address this need. In fact, as each previous edition of the European Microfinance Award has illustrated, MFIs have shown over and over that they can successfully adapt the traditional microfinance model to provide innovative financial and non-financial services. In the housing context, this can include improving housing conditions through home purchase or expansion of existing living space to meet the needs of growing families, providing access to clean water, sanitation, electricity, and other core housing needs, raising overall house quality by providing access to better quality materials and construction techniques, securing tenure and protection against eviction, and mitigating against natural disasters by using resilient construction design and materials and locating housing outside flood zones and other vulnerable sites.

Enabling housing investment by low income and financially excluded households holds one of the highest returns in both social and economic development. Yet unlike health and education, where governments often play a major or even dominant role, housing markets are largely comprised of private actors. The bulk of housing investment is done by families, whether building on their own or with the help of small-scale, usually informal, construction enterprises. And almost without exception, housing constitutes the single largest capital investment of any family. It is thus a natural market for financial institutions. Indeed, in developed economies, housing loans (in the form of mortgages) make up the vast majority of retail credit.

Meanwhile, in developing economies, housing finance is woefully underdeveloped, limited to upper income households those holding formal, often government, jobs. For many microfinance institutions serving low-income families, housing is often relegated to a niche product targeting a small number of clients, with housing loans accounting for an estimated 2% of combined microfinance portfolios worldwide.[5]

Lacking meaningful access to housing finance, low-income families use alternative building strategies. Usually this involves building incrementally: buying a (reasonably secure) plot of land, then laying foundations, walls, temporary roofing, with improvements and additions taking years or even decades. This limits financial risk, but it also means living in partly built structures for years. And incremental building requires saving up resources for even an intermediate goal – one cannot reasonably build half a roof. That saving – often in the form of buying a handful of bricks at a time – exposes the family to the risk of theft, deterioration of building materials, having mismatched components and other problems that increase cost and reduce building efficiency.

Low quality materials are also combined with low-skill labour, resulting in low building durability, high disaster vulnerability, along with higher downstream costs for energy and maintenance.

5 Source: Habitat for Humanity International

In short, inaccessibility of appropriate housing finance causes low-income families to live in lower quality housing than they could otherwise afford.

This is a classic market failure, and without an adequate response from financial providers, continuing urbanization will only make it worse. According to the World Bank, demand for low-income housing accounts for as much as 90% of all demand for housing worldwide. Each year people living at the bottom of the pyramid spend 700 billion USD on housing. Meanwhile, only 7% of adults in developing countries have an outstanding loan to purchase a home, and only 5% have a loan to build, expand, or renovate their home. According to UN-Habitat, in urban areas alone there are 3 billion people who will need new housing and basic urban infrastructure by 2030.

Despite the relatively small scale, expertise in providing sustainable housing finance exists, having been honed by some three decades of practice by MFIs around the world. The 2017 Award shone a light on how financial institutions work with low income and financially excluded clients by improving access to various parts of the housing market. And by recognizing those that do it best, it hopes to jumpstart a revolution in both micro- and housing finance to meet the enormous task of housing the rising billions of the world's poor.

Therefore the 2017 Award sought to recognize institutions that respond to complex housing needs of their target clients by providing them with a variety of financial and non-financial services, directly and/or indirectly. This response significantly contributes to improving housing conditions, including[6]:

- Home purchase or expansion of existing living space to meet the needs of growing families
- Providing access to clean water, sanitation, electricity, and other core housing needs
- Raising overall house quality by providing access to better quality materials and construction techniques, as well as securing tenure and protection against eviction
- Mitigating against natural disasters by using resilient construction design and materials and locating housing outside flood zones and other vulnerable sites

Eligibility Criteria

Eligible applicants were financial institutions active in the financial inclusion sector with activities that enable improvement of residential housing for the end beneficiaries: low income, vulnerable or otherwise financially excluded groups, with no or limited access to housing finance in the mainstream sector.

6 The list is based on the Habitat for Humanity International minimum housing quality standards

Various types of financial institutions were eligible, including NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, and other institutions that directly serve retail clients. Non-financial institutions active in the housing sector were also eligible so long as they offer financial services as a core part of their housing programme (the majority of their housing clients use the offered financial services).

The housing financial services had to be well established: at least one housing product had to be fully operational for a minimum of two years (and if a pilot test was conducted by the financial institution, this period was not included within the two year requirement). Eligible institutions had to be able to provide audited financial statements, and be based in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. In addition, every applicant had to be supported in writing by an e-MFP member.

Selection Process

The Award Selection Process was composed of three phases:

- **Preselection Phase:** A Preselection Committee composed of the e-MFP and InFiNe.lu Secretariats as well as the team of consultants supporting the Award selection process was set up. The applications were assessed at this stage to ensure that all preselected applicants had a sufficient financial and social performance and that the housing responses and strategies presented for the Award were meaningful and significant.

- **Selection Phase:** A Selection Committee composed of e-MFP and InFiNe.lu members was set up with a total of 19 members which selected 10 semifinalists and, among them, the three finalists: Cooperativa Tosepantomin; Mibanco and The First MicroFinance Bank – Afghanistan.
- **High Jury Phase:** A High Jury composed of seven members and presided over by His Royal Highness the Hereditary Grand Duke of Luxembourg evaluated the three finalists and reached a decision on the winner which was announced at the Award Ceremony on 30th November 2017.

Institution	Country	Category
Cooperativa Tosepantomin	Mexico	Winner
Mibanco	Peru	Finalist
The First MicroFinance Bank – Afghanistan	Afghanistan	Finalist
Amret	Cambodia	Semifinalist
First Finance	Cambodia	Semifinalist
First Microfinance Bank Tajikistan	Tajikistan	Semifinalist
Fundecoca	Costa Rica	Semifinalist
Kenya Women Microfinance Bank	Kenya	Semifinalist
Micro Housing Finance Corporation Ltd	India	Semifinalist
Swarna Pragati	India	Semifinalist

European Microfinance Award 2017 Ceremony

Cooperativa Tosepantomin of Mexico was announced as the winner of the European Microfinance Award 2017 by His Royal Highness the Hereditary Grand Duke of Luxembourg, accompanied by Her Royal Highness the Grand Duchess of Luxembourg and the members of the High Jury at the Award ceremony at the European Investment Bank on 30th November 2017.

The ceremony included speeches by Dr. Werner Hoyer, President of the European Investment Bank (EIB); Mr. Romain Schneider, Luxembourg Minister for Development Cooperation and Humanitarian Affairs; and a keynote speech by Ms. Leilani Farha, the UN Special Rapporteur on the Right to Adequate Housing.

Beginning the ceremony, Dr. Hoyer, welcomed everyone and outlined the scale of the challenge in providing adequate housing and finance for the 1.6 billion people who need it. Noting that the EIB's microfinance operations are a small part of its portfolio, they nevertheless have high impact, fostering social inclusion and measurably increasing employment in targeted areas. With so much of microfinance used by end-clients for housing purposes, these operations have a huge, indirect, leveraged impact on clients' access to sustainable and affordable housing.

Housing is much more than shelter, Dr. Hoyer said, and touches on many key social challenges – safety, sanitation, security and health among them. The work being done in financial inclusion on increasing access to housing finance is key to addressing the challenges of low and volatile incomes, lack of collateral, lack of guarantees, and limited access to quality materials and expertise. Housing microfinance recognises that most improvements in housing in low-income populations involve incremental building, and needs to address the unsafe and incomplete constructions that these building processes can leave behind. The Sustainable Development Goals, he observed, in particular SDG 11 - *Make cities and human settlements inclusive, safe, resilient and*

sustainable – embed these principles in the global compact, and housing microfinance is a key channel to achieve this goal.

A short film then presented how Kashf Foundation (Pakistan), the winner of the previous year's Award on Access to Education, had used the €100,000 prize. Ms. Roshaneh Zafar, Founder and Managing Director, was featured, explaining how the prize allowed Kashf to invest further in the quality of teaching through teacher training in the Low-Cost Private Schools, as well as investing in further child safeguarding, especially in protection from sexual abuse. Finally, in light of the massive growth in demand for places at Kashf's Low Cost Private Schools, Kashf is investing in expansion of facilities and teaching to manage what is forecast to be an enrolment of one million children within three years.

Leilani Farha, the UN Special Rapporteur on the Right to Adequate Housing, gave the event's keynote speech, a heartfelt critique of the "financialisation" and "commodification" of housing. Expressing awe at how much she had learned from the three Award finalists during her time on the High Jury, she explained that in her usual role as Rapporteur, generally she meets with people in camps, informal settlements, the "displaced, the resettled and the homeless". These are the people "who keep cities functioning", she claimed, but who are at the margins because housing is increasingly an investment asset class with excess capital pouring in, and "too often is no longer valued for its social function". This drives unaffordability, with house prices not commensurate with income, and low-income people are pushed out of areas where their social bonds are, and into sub-standard homes. "This is a human rights issue", she argued.

But the problems are not intractable. Housing crises are not due to lack of resources, or expertise, but lack of political will to act on the fundamental problem of *inequality*. Governments have ceded responsibility of housing to the private sector, but the microfinance sector has stepped in, and can play a critical role, through tailored financing for low-income groups, with the technical assistance in incremental building and home improvements and land title that these segments need.

Before the announcement of the winner of the 2017 Award, moving films documenting the housing finance programs of the three finalists – Cooperativa Tosepantomin from Mexico, Mibanco from Peru, and The First MicroFinance Bank-Afghanistan – were shown, followed by a speech by Romain Schneider, Luxembourg's Minister for Development Cooperation and Humanitarian Affairs, who took the stage to describe the various initiatives the Ministry is supporting. Minister Schneider emphasised Luxembourg's outsized role in this sector: it hosts one third of Microfinance Investment Vehicles, and half of sector Assets under Management. As part of the government's continued commitment to supporting the microfinance sector and the Award, he announced to loud applause that, for the first time, the two runners-up would also get a monetary prize – of €10,000 each – in addition to the €100,000 for the winner.

The members of the High Jury were then welcomed on stage, and Cooperativa Tosepantomin was announced as the winner, with the prize accepted by the Chairman of its Board of Directors, Álvaro Aguilar Ayón. In a short acceptance speech, he thanked the organisers, expressed his humility in the face of this honour, and said that the choice of Housing as the topic of this Award confirms what he and his colleagues have always known – the central importance of ensuring adequate housing that is sustainable, high quality, and affordable. He finished his speech with an impassioned call for greater cooperation through an "alliance" within the industry to expand programs like this to the millions who need them.

WINNER

Cooperativa Tosepantomin
Mexico

Snapshot

Noted for its holistic approach to technical support, involving architecture planning, budgetary support and on-going oversight of building processes, Tosepantomin was also recognised for its outstanding promotion of environmental responsibility through eco-friendly building techniques, recycling, renewable energy and energy efficiency.

Type of intervention	Savings and loans with integral holistic construction technical advice and an environmentally responsible approach
Country	Mexico
Year of establishment	1999
Legal status	Cooperative / Credit Union
Number of clients 2016	
Total	34,587 savers & 6,916 borrowers
Housing	2,129 (using both savings & loans)
Outstanding portfolio 2016 (EUR)	
Total	11.1M
Housing	1.6M
Number of branches	6
Number of staff	84
e-MFP supporting member	ALTERFIN
Website	www.tosepan.org

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Institutional Profile

Cooperativa Tosepantomin is a Mexican savings and credit cooperative set up in 1999 that serves indigenous people of the Náhuat and Totonaco ethnic groups living in rural mountainous and marginalised communities in the States of Puebla and Veracruz.

Deeply rooted in the local community, Tosepantomin currently operates 6 offices and 14 service centers with a team of 84 staff in 430 local communities that hold monthly assemblies. The cooperative offers savings (including for children), loans, insurance and remittance products, and it facilitates the members' payments for energy and mobile phone bills via partnerships with providers. It also offers support to access government subsidies; scholarships to support post-secondary studies; education on personal finance management; as well as training on cooperative movement principles.

As of end of April 2017, 35,000 people were members of the cooperative. Most of them used saving services (over 50,000 saving accounts) while close to 7,000 used loan products in solidarity group methodology.

Housing Context

The housing deficit in Mexico is estimated at 8.9 million homes, with 5.33 million families among the underserved population. Over 35 million people live in unsuitable housing (i.e. overcrowded, in an alarming state of deterioration or made of inappropriate materials). Roughly half of all new housing and two-thirds of existing houses are self-built. Self-building in fact often magnifies the problem, due to the use of low quality materials and the lack of technical knowledge. Self-building also means that homes are often constructed over a period of five to fifteen years whereby makeshift dwellings are ultimately replaced by more permanent structures. Access to land is another issue where ownership is not personal but rather assigned to communities in rural areas. 15% of the population lacks access to sanitary services (25% in rural areas) while 5% lacks access to water (8% in rural areas). 11% of the population lives in slums.

Housing Intervention

Tosepantomin initiated savings and loans for housing improvement in 1999 and in 2007 it introduced the possibility for members to benefit from the housing federal subsidy granted by the National Housing Commission *(Comisión Nacional de Vivienda, CONAVI)*. The housing program targets families of the most deprived members in the community who are eligible for these subsidies. They live in substandard housing with no separate rooms that have multiple functions which serve the different family needs, and their houses are characterized by wooden or milpa walls, cardboard blade ceilings, and plastic pieces covering parts of the house to avoid winds and the cold.

The program is based on the concept of "Sustainable Home" which entails eco-friendly construction techniques and sustainable housing approaches: use of resistant materials, efficient use of water and energy (including renewable sources), recycling, facilitating agricultural production in small, backyard plots, and promotion of efficient stoves.

Tosepantomin offers two housing products: a loan for home improvement with 12-18 months of maturity and a construction loan with 12-24 months of maturity. According to the subsidy requirements, both loan products require obligatory savings: USD 260 as a minimal saving balance in case of home improvement loans, and USD 426 in case of construction loans. The savings are kept on a current account at 4% annual interest. Poorer clients also have the option of meeting their obligatory savings in kind (in construction material) or through offering work support to other members in their housing projects. A onetime subsidy is offered to those that construct the house while up to three applications can be made for improvement subsidies per family. Access to government subsidies for housing has helped to reduce construction time from several years to a few months on average. Tosepantomin also takes out a full life insurance protection on all outstanding housing loans, so that in the event of the borrower's death, the loan would be paid off by the insurer.

The financial products are offered in combination with integral technical assistance support offered through a team of four architects hired as full time employees and independent masons. It includes the design of architectural plans, elaboration of housing project budgets, and oversight of the construction process. Additionally, the cooperative facilitates members in helping each other with their houses' construction or renovation, to reduce the costs and speed up the process of self-construction ("Mano vuelta" system). The members exchange unused construction materials between each other and Tosepantomin also partners with other cooperatives from the "Union of Tosepan Cooperatives" *("Union de Cooperativas Tosepan")* to offer quality construction materials at reduced prices.

Tosepantomin helps their clients to apply and receive the national subsidy from CONAVI. This assistance includes lobbying the CONAVI to adapt the eligibility

requirements so that its members can access the subsidy. The member's requests are identified at the monthly meetings and transferred to CONAVI in the working meetings that take place periodically with the Network of Social Housing Producers *(Red de Productores Sociales de Vivienda)* of which Tosepantomin is a member. Examples of this include the recognition of bamboo as a valid construction material and the acceptance of in-kind savings as an alternative to cash deposits, which allowed poorer families to access the subsidy.

Innovation and Replicability

The program offers a niche product (as most members use the cooperative for saving purposes) targeting poor members of the community helping them to improve housing through accessing government subsidies. Tosepantomin has developed an innovative ecosystem to support housing needs of their members with: comprehensive construction technical assistance; facilitating access to government subsidies as well as lobbying the government for changes in the subsidy eligibility requirements so that they are adapted to their clients' characteristics; facilitating peer support of cooperative members in self-construction of each other's houses; providing access to discounts and quality materials through a partnership with construction materials cooperatives; promoting the use of environmentally friendly techniques to achieve sustainable houses.

Due to its cooperative nature, this model is replicable in communities with high social cohesion and access to a subsidy program. The model can be also a good solution in places where other forms of financial service delivery would be difficult, e.g. marginalized, difficult to access zones, etc.

Impact

The housing loans are currently extended to 2,129 members who make up 31% of the cooperative's total active borrowers. Those same clients also maintain compulsory savings connected to their housing loan. Cumulatively, at the time of application, 7,463 new homes had been constructed, 2,852 bathrooms had been built, 3,215 kitchens built or renovated, and 2,703 cement floors installed. Overall, 56,350 individuals have directly benefited from the program since commencement in 2007 and another 1,500 jobs have been created.

Use of the Award

30% of the Award will be used to install a social performance monitoring system at the cooperative. The remaining 70% will be used to train staff to: install community and household solar panel modules to generate electricity; and to design financing schemes to help members meet their energy needs using solar power.

FINALIST

Mibanco
Peru

Snapshot

Targeting microentrepreneurs and low-income salaried workers, Mibanco was noted for its considerable client outreach, diversity of demand-driven products, and strong partnerships with homeowners associations and construction materials suppliers.

Type of intervention	Diversity of loan products accompanied by construction technical advice and facilitation of access to other support services
Country	Peru
Year of establishment	1998
Legal status	Bank
Number of clients 2016	
Total	942,833
Housing	182,414
Outstanding portfolio 2016 (EUR)	
Total	2.48bn
Housing	521M
Number of branches	318
Number of staff	10,202
e-MFP supporting member	Credit Suisse
Website	www.mibanco.com.pe

Institutional Profile

Mibanco was created in 1998 by Community Action of Peru (ACP), an NGO with 43 years of experience supporting micro and small businesses. In 2014, it merged its operations with Financiera Edyficar, a major microfinance institution owned by a commercial bank – Credit Bank of Peru. The institution is listed on the Lima stock exchange.

The bank targets microentrepreneurs (firms of up to 9 employees and less than USD 180,000 annual turnover) and SMEs (firms of up to 100 employees and less than USD 2 million turnover), which together constitute 98% of all Peruvian enterprises (56% being non-registered informal companies) contributing to 42% of GDP. The bank offers loan, saving and insurance services through a network of 318 offices and a team of over 10,000 employees. As of 2016, Mibanco had nearly 1 million clients, or 5.5% of the working age population of Peru.

Housing Context

The housing deficit in Peru is estimated at 1.5 million housing units. 50% of houses are overcrowded, 35% lack access to basic services, 15% have walls and/or roofs in bad condition. 80% of those are inhabited by people at the bottom of the pyramid living mainly in standalone houses located in the peripheries of big cities deprived of infrastructure, very often at high risk zones, neglected by the state. Low-income people have little access to quality construction, due to their limited resources they are forced to engage in incremental self-construction of their own houses with the help of self-trained local masons. This results in low quality housing in terms of design, durability, functionality and quality of materials used. These low-income segments are prevented from access to the mortgage market as they lack collateral or high quality guarantees.

Housing Intervention

Mibanco housing programme started in 2000 as the institutions observed that 60% of business loan clients (working capital loans) were diverting part of the funds for housing purposes. The program targets microentrepreneurs and low-income salaried workers with no or very limited access to traditional loans: they are not able to prove documented sources of income; their businesses are mostly informal, with low asset base and fluctuating incomes. Consequently it is difficult to predict their long-term cash flow and therefore these clients prefer to build incrementally rather than taking on long-term mortgages.

The institution responds to the national housing deficit, overcrowding and poor quality building by providing three loan products offered with obligatory credit-life insurance:

1. MiCasa (My Home) (79% housing loans) – a loan for gradual housing improvements, repairs, expansion, up to 16 months;
2. Crediagua (18% housing loans) – for connections to potable water and sanitation, up to 15 months;
3. Mihipoteca (3% housing loans) – a mortgage loan for clients with collateral, up to 58 months.

MiCasa – the most popular product – was launched in 2009 after a period of experimentation and a market study undertaken in cooperation with Habitat for Humanity that allowed the Bank to define benefits for clients of housing loans as well as identify strategies to engage partners in promoting the products. This market study highlighted the clients' expectations for quick disbursement (24 hours), flexible requirements and procedures as well as the value of partnerships with material suppliers, housing improvement advice, and alliances with the government to facilitate access to water and sanitation. MiCasa is designed to reduce the time of progressive construction to less than eight years. To enable this, the bank includes all income sources into the calculation of the family's repayment capacity - including those of adult children who stay at their parents' place and usually contribute to the household budget. Introduction of this policy allowed to significantly increase the loan size, thus clients are able to finance larger house improvement projects.

The extended network of loan officers results in fast delivery of the loans (within 48 hours). Loan officers go through standardized training (including the use of an e-learning platform) to recognize the housing needs of potential clients as well as communicate with other partners, such as community workers, materials suppliers and masons.

Loans are offered together with educational material to all clients (developed through cooperation with Habitat for Humanity) in the form of info-graphics and videos on basic construction/improvement aspects (regularly aired on TV and in branches). The bank also partners with Hatunsol - a network of material suppliers in terms of mutual referrals and providing clients' with access to technical assistance of Hatunsol engineers as well as the building materials themselves. In cooperation with water and sanitation NGOs, the bank organizes educational road shows to raise awareness on water and sanitary issues and provides basic plumbing workshops. In 2016, it reached out to almost 4,000

people through dedicated workshops and over 35,000 people through awareness sessions. Finally, Mibanco partners with managers of homeowners' associations, who help identify the needs of residents and facilitate meetings with homeowners and Mibanco staff.

Innovation and Replicability

Mibanco's delivery (operation, marketing strategies and solutions) is the main innovative element of Mibanco's programme. The operational efficiency achieved by the bank enables it to offer exceptionally fast delivery of loans. Comprehensive market research and clear identification of benefits for the clients and partners (clear value proposition for each group) enabled the development of a favorable ecosystem for promoting the housing program through a range of partnerships between the bank and the managers of home owners' associations, masons and construction materials suppliers.
This is supported by an efficient and well-trained sales network of loan officers understanding clients' and partners' needs who clearly communicate the program benefits. The innovation in repayment capacity analysis by recognizing the incomes of adult children living in the same household helps to increase access to higher housing loans for a greater number of families.

This model focusing on operational efficiency and ecosystem of referrals can be replicated in other contexts.

Impact

Currently, the housing program reaches 182,414 borrowers (19.4% client base, 21% total portfolio). Over the last three years, both the number of clients and the portfolio have been growing by 20-30% annually. 26% of housing finance interventions have helped with space divisions within the home, or fencing; 18% focused on internal finishing; 17% on buying complete housing units, 17% on home improvements (including sanitation connections); 13% on land purchase; 6% on general construction; and 3% on sanitary installations.

FINALIST

The First MicroFinance Bank
Afghanistan

Snapshot

Targeting rural clients and focusing on facilitating incremental building and home improvement, The First MicroFinance Bank – Afghanistan was noted for its focus on providing expert technical support and the flexibility of its loan terms, as well as the particularly challenging context in which it operates.

Type of intervention	House improvement loan and construction technical assistance provided by engineers hired as loan officers, as well as 3 demonstration houses
Country	Afghanistan
Year of establishment	2003
Legal status	Bank
Number of clients 2016	
Total	137,961
Housing	9,031
Outstanding portfolio 2016 (EUR)	
Total	68.8M
Housing	8.8M
Number of branches	38
Number of staff	1,029
e-MFP supporting member	Aga Khan Agency for Microfinance
Website	www.fmfb.com.af

Institutional Profile

The First MicroFinance Bank – Afghanistan (FMFB-A) was established in 2003 with a mission to contribute to poverty alleviation and economic development through creating access to finance for unbanked, self-employed, farmers and agro value chain actors. FMFB-A is a member of Aga Khan Development Network, which is also its majority shareholder, joined by other two large microfinance investors: KfW and IFC.

As of December 2016, the FMFB-A served 137,961 clients, including 57,401 borrowers with EUR 88 million in deposits and EUR 68 million in loans. FMFB-A offers deposits, national and international payments, individual microfinance loans for business and agriculture (83% of loan portfolio), as well as services to SMEs and mid-large companies (17% of loan portfolio and 2% of clients' base). In 2008, the bank launched branchless services to facilitate payments and loans disbursements in remote areas. It operates 38 branches with more than 1,000 staff.

Housing Context

Affected by war and conflict in neighbouring Pakistan, the housing deficit increased to 1.5 million units in 2014. This deficit is impacted also by high birth rates over the last few decades. Frequent earthquakes add to the picture. On the supply side, lack of building codes, low quality materials and lack of skilled craftsmen are key challenges. The shortage of housing in urban areas led to an explosion of informal settlements with no access to basic services. Establishing clear land title is a major problem, and an inappropriate regulatory framework prevents financial institutions from offering housing finance. In addition, men are traditionally the owners of the property, so women are even more excluded.

Housing Intervention

Since 2008, with support of grants and technical assistance from partners such as IFC, ShoreBank, USAID and Aga Khan Development Network, FMFB-A has been developing housing services, based on regular and extensive marketing research.

FMFB-A has responded to war, natural disasters and lack of verifiable title with "Tameer", a home improvement loan whose purpose is to finance house renovation, finishing newly added rooms or other parts of the house and connection to basic utilities. It is offered mainly in urban areas and to a limited extent in rural districts; the house is required to be the client's residence; and the client must be able to prove ownership. The average maturity of the loan is 22 months (with maximum of 24 months) and its terms and conditions are flexible. The loan can be repaid monthly or based on seasonal income, in the case of clients working in agriculture. The grace period is available also for clients with regular income (clients pay interest only during that period). Bigger size loans are disbursed in two tranches, to mitigate the risk of funds misuse by the clients. In such a case, the remaining tranche is disbursed after the loan officer conducts a monitoring visit to the client's home.

The loan is accompanied by Construction Technical Assistance (CTA) provided by 11 engineers hired as staff on construction techniques, selection of materials and masons. These engineers, known as Technical Officers, not only support clients with technical advice on house structure intervention projects but also disburse the loans. CTA is offered in 15 branches, around 40% of the total housing finance offering– a proportion limited by difficulties in hiring skilled engineers, especially in rural areas. Altogether, 74% of housing borrowers in 2016 received CTA.

In 2009, with the support of USAID grant, the Bank developed a Construction Advisory Services Manual. It provides advice on selecting better quality materials, applying safe construction techniques, and adopting innovative housing upgrades for sanitation, ventilation and energy efficiency. The manual serves as a basis for free of charge advice provided by the engineers. In the case of loans for structural improvements (bigger amounts for more sophisticated housing interventions), in addition to the typical loan officer tasks, the Technical Officers advise clients on construction techniques to: mitigate seismic risk; reduce overcrowding; and improve energy efficiency, sanitation and proper ventilation. They also assist in selection of materials and masons. For less sophisticated projects (and with the aim to address the country shortage of skilled engineers) the Senior Technical Officer trains Deputy Branch Managers on basic construction advice.

The Bank has also built three demonstration houses, where clients and masons can experience and understand how to construct, add units or renovate the structure of the house.

Innovation and Replicability

FMFB-A operates in a challenging environment, not only in terms of political security, but one also prone to earthquakes. In order to do so, it provides a flexible home improvement loan together with good quality Construction Technical Assistance. Its innovation is predominantly in the hiring of engineers to serve as loan officers, especially in the case of more complicated housing interventions, including structural changes. They not only provide advice, but participate actively in construction planning, selection of materials and monitoring the work of masons.

These practices are easily replicable in other countries. Indeed, the bank is actively involved in replicating its experience: in cooperation with IFC, it has developed a housing microfinance toolkit – a guide for other microfinance lenders, investors and policy makers on how to introduce housing microfinance products in the MENA region.

Impact

The Tameer product reaches 9,031 clients (16% of borrowers and 6% of total clients) and at EUR 8.8 million, housing comprises 13% of the total portfolio. According to Progress-out-of-Poverty Index (PPI) used by the Bank, 84% of housing clients are 'poor' or 'very poor' within the Progress out of Poverty Index scale in Afghanistan. An evaluation study conducted in 2014 (for urban clients only) confirmed the housing loan reached out to people very likely to be poor, including 20% of female heads of households.

European Microfinance Platform

The European Microfinance Platform (e-MFP) is the leading network of European organisations and individuals active in the microfinance/financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, the Platform seeks to promote cooperation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

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OF THE GRAND DUCHY OF LUXEMBOURG
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