

Community-based finance for affordable housing: From pilot projects to scale

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AFRICA

Community-based finance for affordable housing

7th of June 2022

Centre for Affordable Housing Finance in Africa

Created in 2014 in South Africa, CAHF is a **think tank** whose mission is to **make Africa's housing finance markets work**, with special attention to access to housing finance for the poor, through the **dissemination of research and market intelligence** and the provision of **strategic support across sectors**.

Our goal? **Empowering housing stakeholders** to facilitate an **increase of investments** in affordable housing and housing finance **throughout Africa**.



Centre for Affordable
Housing Finance
in Africa

A SHORT STUDY ON COMMUNITY FINANCING
MECHANISMS FOR

AFFORDABLE HOUSING PRODUCTION IN AFRICA



UrbaMonde is a non-profit committed to promoting community-led urban development.

10 case studies from **8 countries**

highlighting **affordable housing finance**

co-developed by community-based organizations, financial institutions, NGOs, local housing professionals and public authorities

to facilitate the **access to affordable and adequate housing** in Africa.

urbaMonde
des villes durables **par** et **pour** les habitant-es

Speakers



Daniel Mhina

Associate Director

Habitat for Humanity
International- MicroBuild
Fund - Kenya



Jacinta Mwelu

Programme Manager

Akiba Mashinani Trust -
Muungano Alliance - Kenya



Zama Mgwatyu

Programme Manager

Development Action Group -
South Africa



Question to Jacinta (Akiba Mashinani Trust)

What is the Akiba Mashinani Trust? How does it support community-led development?



Akiba Mashinani Trust - Kenya

AMT is the financing vehicle for **Muungano**, a federation of autonomous but linked savings groups. The aim of Muungano is community building to enable the urban poor to engage with government towards improving conditions in informal settlements.

AMT is able to provide financial services because slum **communities save money together**. Unlike formal banking and microfinance institutions, AMT is couched within a broader community effort to upgrade urban informal settlements and markets.

□□ Within the urban development sector, AMT and similar funds set up within the SDI network are classified as **Urban Poor Funds**.

Uniquely, Urban Poor Funds involve their beneficiaries in the management of these funds.

Founded in 2003



AMT is affiliated with **Slum Dwellers International (SDI)**.

MUUNGANO
wa wanavijiji

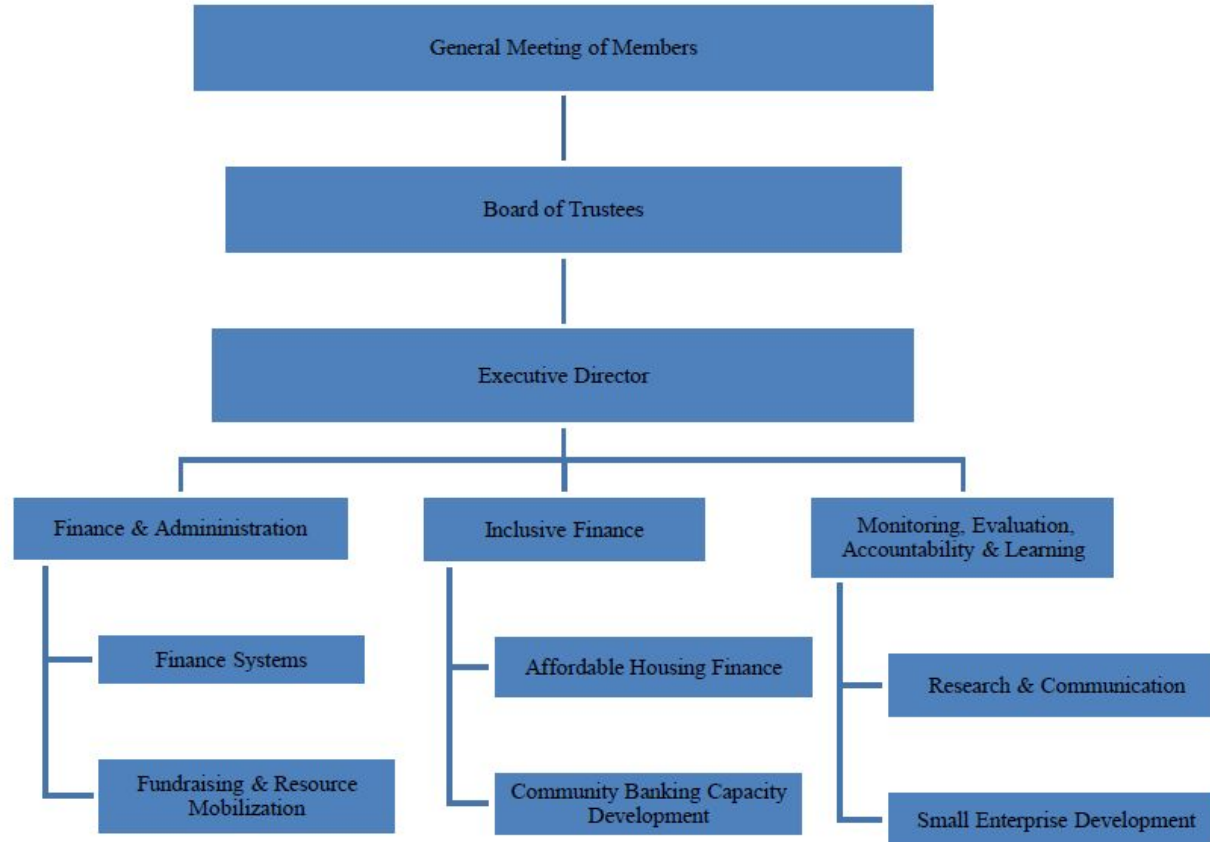
AMT's operating principles

□□ AMT holds savings, assesses and disburses loans, and collects repayments. The county networks similarly assess and facilitate loans to the saving schemes.

AMT's commitment is to enable the very poor and most vulnerable segments of society to access financial and related services and to help them create systems for savings mobilization and put forward agendas of issues affecting them. Its operating principles are:

- Cost effectiveness and efficiency
- Inclusion and equity: serving low income and poorest clients
- Promoting local savings and resource mobilisation
- Employing solidarity systems
- Promoting participatory management
- Investing in scale and self sufficiency
- Ensuring appropriate financial resources

AMT's organizational chart



Reach

AMT deliberately targets low-income neighborhoods (informal settlements) with its product offerings.

Community mobilization takes into account all households within the targeted settlements while 70% of its clients are women.

Verified figures do not exist for categories such as disabled people, people living with HIV/AIDS, and youth. Although many groups include a mix of less or more vulnerable people. Study also indicates that there are some groups exclusively made up of women, youth, people living with HIV/AIDS, people with disabilities and those with other special needs.

AMT AREAS OF OPERATION IN KENYA

NAIROBI REGION

RIFT VALLEY REGION

COAST REGION

CENTRAL REGION

NYANZA REGION

EASTERN REGION

TOTAL COUNTIES 31 OUT OF 47

Services offered

Corporate Account –mainly managed by community and audited by AMT staff

Administration Fund Account –general operations (donor funded)

Daily Savings Deposit Account –savings which carry out the major projects land and housing

MDF Share Capital Account -Loan acquisition (donor funded and community contribution)

Welfare Fund Account -Community need support kit (community contribution)

Corporate Loan Account -loan basket for small and big Loans, AMT managed (donor funded)

Collective Investments Account -investment account both members shares and AMT interest

Managing Community Banking Organization -AMT services to community

Business Enterprise Development Services –Linkages AMT to community services

Housing Development Services -AMT and community joint project (donor funded)

Objectives of AMT

- To mobilize all the small scale business operators within the slums and market places .
- To mobilize funds through daily savings
- To Provide small loans to its members to boost their businesses through table banking
- To provide welfare to all its members
- To advocate for land tenure for the people living within the unplanned slums
- To be the voice to the voiceless to the government
-

Activities

- □ Mobilization of funds through savings
- Loaning to its members internally and also externally through AMT funding
- Welfare facilitation to its members
- Green energy through sell of gas to its members cash and also on credit
- Purchase of land through member savings
- Housing to the members through AMT loans payable in 96 months.
- Providing households items through the group as part of the group BDS
- Provision of motorbikes to the youths through AMT loans as part of employment creation to our youth
- Market linkage with other MWW(Muungano Wa wanavijiji) groups all over the country

Key figures (2019)

Brief analysis of our operating capital

		<i>USD</i>
• Average loan per annum	—————>	126,725
• Average loan per month	—————>	10,560.41
• Total community project loans and grant capital for land and housing	—————>	1,773,110.21
• Total cash collateral as of November 2019	—————>	210,000

Kindly note:

- i. The number of beneficiaries as at the stated year are 74,400 but we have almost 85,300 and still registering new members on weekly basis.
- ii. This loans are disbursed in different region in the country as per our members demand
- iii. 80% is AMT financing through donor funds, 20% community contribution known as commitment fee and security fee in case one defaults

Question to Daniel (Habitat for Humanity - MicroBuild Fund)

What is the MicroBuild Fund? How does it support the development of affordable housing finance products locally?





Terwilliger Center for
Innovation in Shelter

MicroBuild Fund: A Primer

1



Housing Microfinance

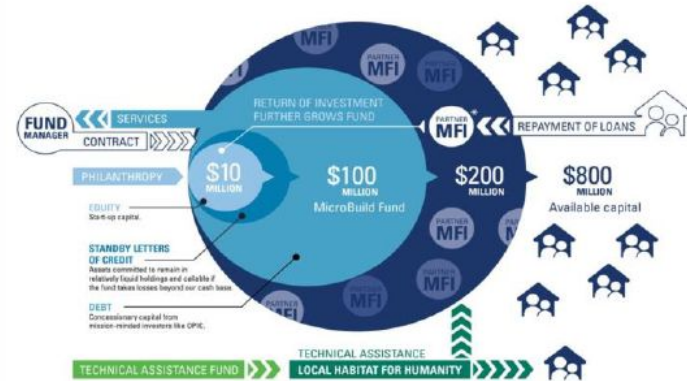
- Housing microfinance (HMF) emerged organically out of the realization that microloans could be a useful method for helping the millions of people improve their living conditions
- This is strengthened by the finding that between 20 and 30 percent of microenterprise (business) loans are diverted into housing
- Examples of HMF products include loans for:
 - Home improvement
 - Land purchase/tenure
 - Small construction
 - Full construction



Clients of First Finance, Cambodia stand in front of home they built using 8K loans from the institution.

The MicroBuild Fund

- The MicroBuild Fund was the first impact investment vehicle dedicated to housing microfinance. The fund supplies debt capital and technical expertise to microfinance institutions so they can increase the availability of housing loan products for low-income clients.
- Sponsored by HFHI and launched in August 2012 to demonstrate the financial viability and scale opportunity of housing microfinance loan product
- Fund size: USD 100m
 - USD 10m in Equity (HFHI, Omidyar, MetLife Foundation, Triple Jump)
 - USD 90m in Debt (DFC)
- Habitat's role and commitments:
 - USD 5.1m Equity sponsorship
 - USD 10m in Technical Assistance to help MFIs design or enhance their housing microfinance products
 - USD 10m in Stand-By Letters of Credit Guarantee to DFC



Partners & investors

Morgan Lewis

IKEA Foundation

Stanard Family Foundation

MetLife Foundation

J. Ronald Terwilliger Foundation

OMIDYAR NETWORK

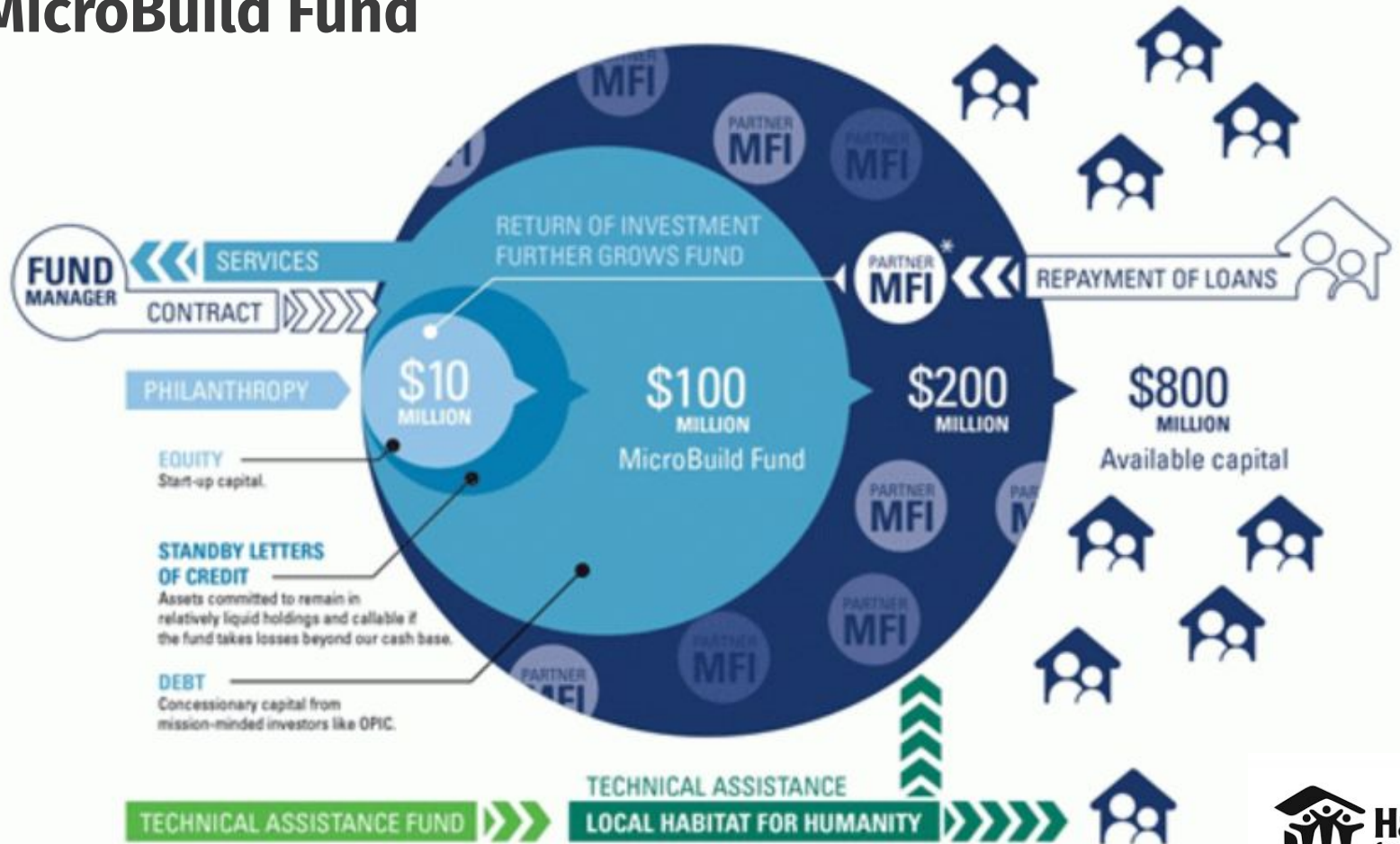
Triple Jump

MetLife Foundation

SCBF

OPIC

MicroBuild Fund



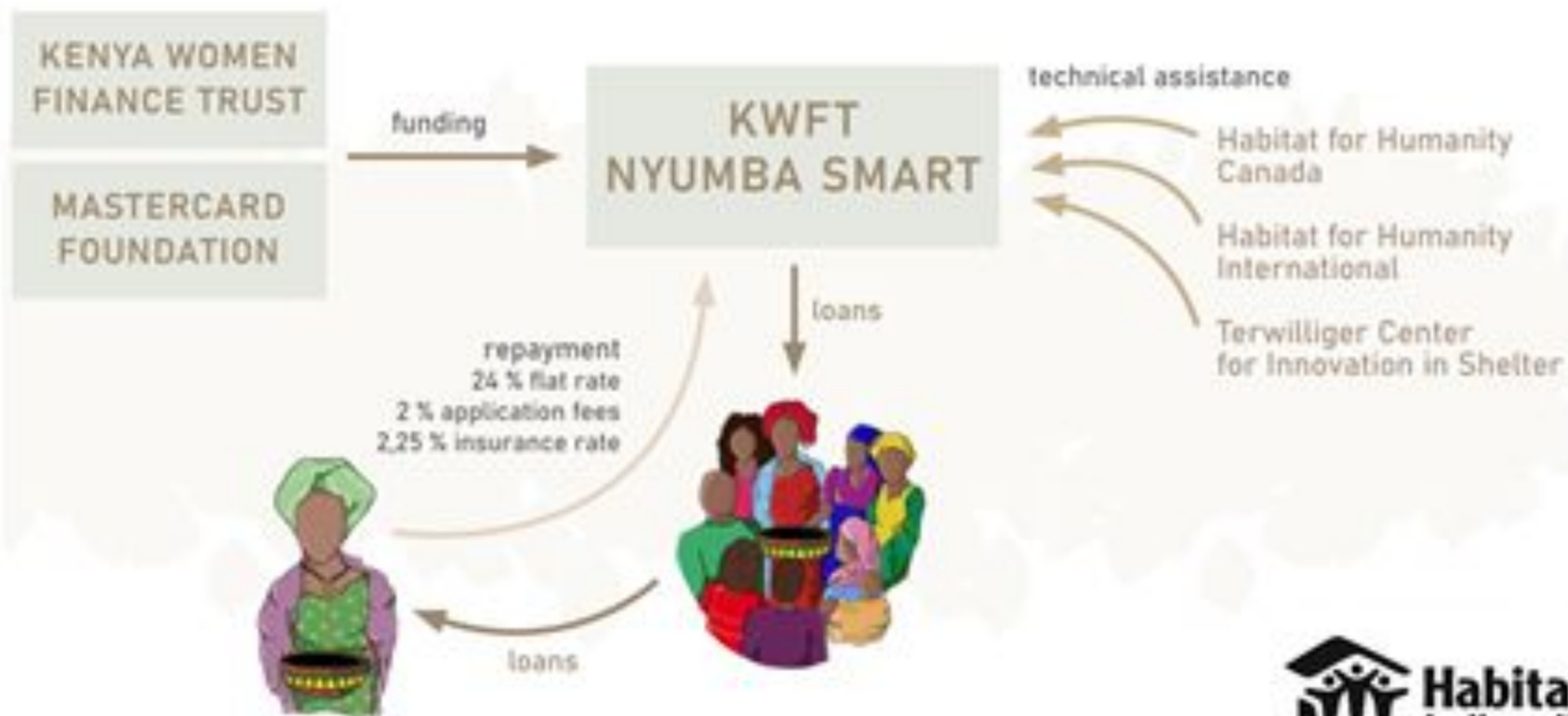
MicroBuild Fund: Technical Assistance

Alongside investment from MicroBuild, the Terwilliger Center offers technical assistance to microfinance institutions to support growth in their housing portfolios. Technical assistance helps the institutions develop and/or refine their housing products, and then scale the offerings to clients.

Depending on the institution's needs, technical assistance packages may include the following:

- Conduct market research / needs assessment
- Develop new or refined product development
- Pilot roll-out and monitoring new products and services
- Capacity building and training key staff and loan officers
- Seek integration with related products such as hardware, cement, mason services, property formalization
- Monitoring, evaluation, and learning

Nyumba Smart Loans - MicroBuild Fund - Kenya



Question to Zama (Development Action Group)

How have the financing strategies for affordable housing evolved from public to private sector financing? How does this link to community processes?



DAG WORKS WITH DISPOSSESSED COMMUNITIES TOWARDS EMPOWERING ACTIVE CITIZENRY TO REALISE INCLUSIVE AND EQUITABLE CITIES

Development professionals unite against apartheid.

In reaction to the forced removal in Crossroads, a number of built environment practitioners incubated DAG. It formed part of an advice office to resist undemocratic planning by the state to achieve its political objectives.

1986

1990

FIRST DEMOCRATIC ELECTIONS IN SOUTH AFRICA
1994



1999

2004

2010

2012 - 2015

2017

Started supporting communities in their struggle for land.

To improve the coordination between built environment Non Profit organisations, DAG became a founding member of the Urban Sector Network, with Planact and Built Environment Support Group.

1988

1993 - 1996

DAG played a strong role in policy formation and advisor to civics ultimately gearing up for implementation of the housing programmes during the new dispensation

planact



Housing construction for projects such as Marconi



DAG incubated the formulation of Kuyasa Fund, a microfinance institution provide affordable lending.



DAG's PHP programme was selected as best practice case study in the prestigious UN-Habitat and the Dubai Municipality Best practise Awards.

DAG selected by the Department of Trade and Industry as one of the top 300 South African companies in its sector.



Created the strategy for a pioneering unblocking of 2,173 PHP projects in Cape Town with emerging contractors.

2002 - 2007

DAG realises land and housing rights in over twenty communities across the Western Cape, in particular, Freedom Park in the Western Cape.



2008 - 2012

DAG develops and launches 'Reimagine the City' as a core strategy with community based partners to present a much more city wide focus.



DAG continues to strengthen its focus on affordable rental housing, both within the inner city and historically disadvantaged areas, building the capacity of emerging contractors and developers and advocating for measures to regulate land through land value sharing.



Khayelitsha People's Process - South-Africa



2,363,991 RA
137,111 EUR
Donations

KHAYELITSHA
PEOPLE'S HOUSING
PROCESS



64 millions RA
3,7 millions EUR
Governmental subsidies

Reflections on Khayelitsha PHP projects: 2011-2015



**Western Cape
Government**

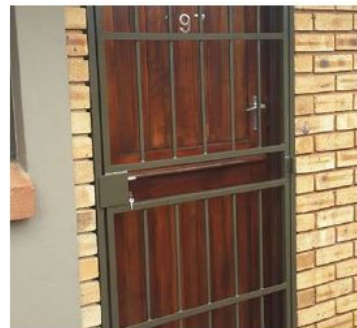
Human Settlements

STAGE OF COMPLETION	% ON GROUND	NUMBER
Shacks	0 %	118
Slabs	0 % to 23%	9
Roof height	24% to 53%	20
Plaster & internal finishes	54% to 99%	1983
Complete	100% (snagging)	241
Total		2371

Communicating project vision to other stakeholders: Shared responsibility



Local economic development



From govt subsidized houses to fully private sector financing



<https://www.iol.co.za/weekend-argus/news/young-entrepreneur-finds-a-niche-in-township-property-development-85b1f780-fb4a-46b6-95d0-edaa5ee27669>



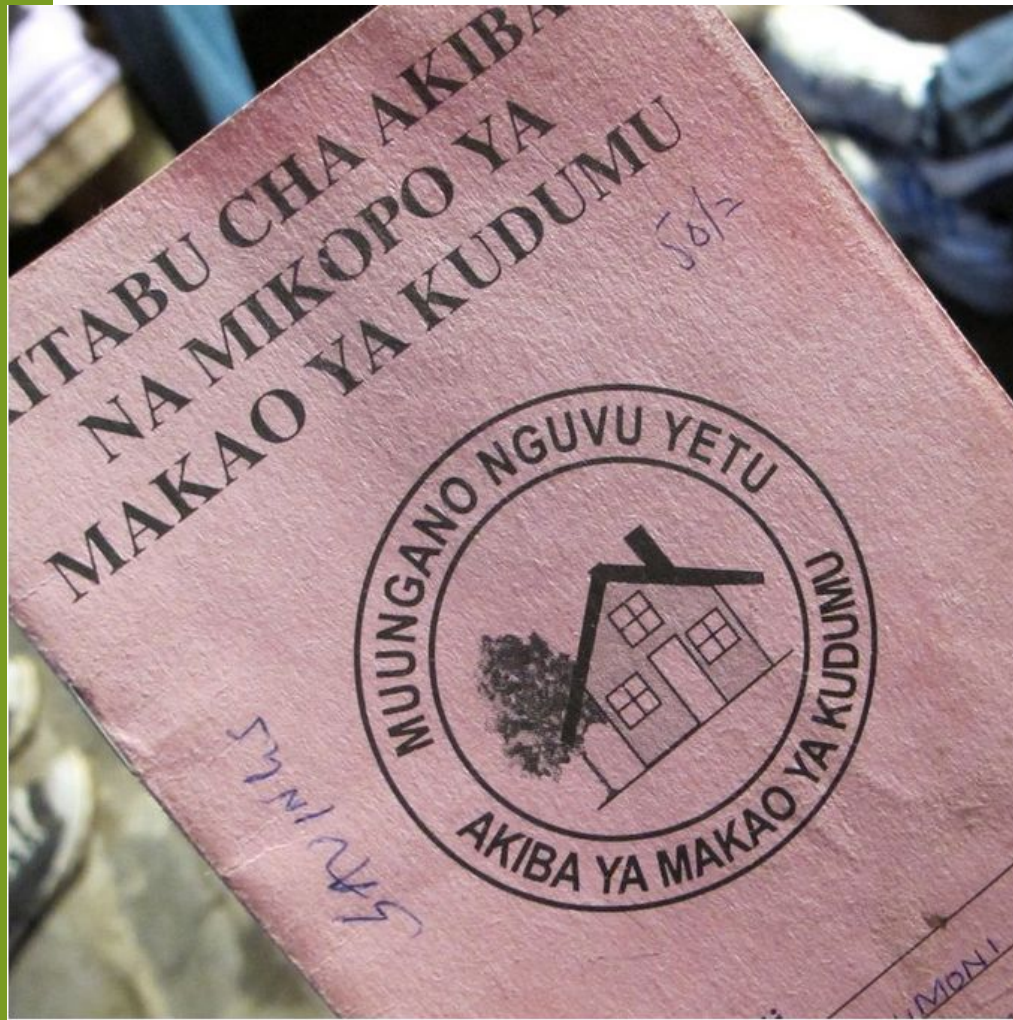
Enkosi /Baie dankie/Thank you



Question to Jacinta (Akiba Mashinani Trust)

Can you illustrate through a concrete example how the Akiba Mashinani Trust has enabled urban dwellers to access housing opportunities?





**“Shilingi
shilingi,
nyumba mpya
Mathare” - “a
shilling saved
is a new house
in Mathare”**

Actual activities carried out by AMT and Muungano groups embedded with community empowerment and mobilisation practices.



Group meeting
savings, loan
application and loan
disbursement
activities in progress

Housing project group meeting



Group meeting
lead by project
leader Sammy
Nioroge in
deliberate of land
buying, housing
plans and housing
fund acquisition



Testimony from Mama Lucy



Mama
Lucy
Fish
vendor

Before I joined Muongano I used to waste a lot of money on unnecessary things, but since I got trained, I have managed to save about Ksh8,000 which has helped me access loans and improve my small business

If I want to obtain a loan from the members' savings, I apply verbally during the group meeting, I later fill an application form with the group treasurer, all the members have to vet my application, and if they approve it the money is issued and recorded by the treasurer at the meeting but I have to pay interest which is done upfront. Then I pay the loan principle only with the agreed period which is 6-12 months depending of the ability to pay without pressure all delay.

Process



□1. Mama Mary in her unplanned slum house Rhoda area in Nakuru county.

□2. She managed to save and acquired a piece of land.

□3. She applied for a loan to AMT to construct a well planned and permanent house.

□4. House dreaming process with the architect, project team leaders and the masonry.

□5. community participation during the housing construction process

□6. Mary and her husband being the proud owners of a newly constructed house.



Community celebrations for the opening of a new sanitation block in a settlement in Kiandutu settlement in Thika.

Photo: SDI

Question to Daniel (Habitat for Humanity - MicroBuild Fund)

What are some of the learnings of the MicroBuild Fun? What is your vision for the future of the MicroBuild Fund?



MicroBuild Fund: Impact (Social and Financial Performance)

Funding and Outreach

- As of Feb 2022: \$153.5M disbursed to 59 institutions in 33 countries
- Funding Size: \$500K - \$5 million
- 211,000 households and 1.06 million individuals served
- Geographical and Gender composition: 60% rural & 68% women

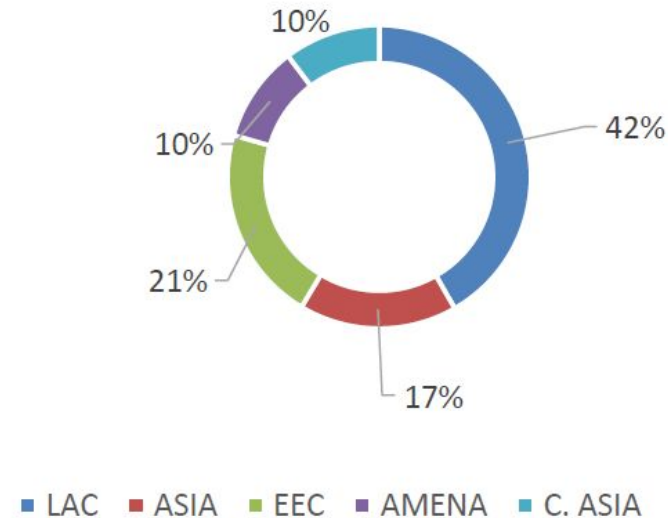
Catalytic Growth

- \$649.2M net funds have been leveraged by MBF investee institutions (nearly 4.5 times original MBF funding)

Sustainability and Returns

- MicroBuild Fund is self-sustaining and profit making

Geographical distribution



*Data as of December 2021

*AP	Asia-Pacific
*AME	Africa and the Middle East
*CA	Central Asia
*EEC	Eastern Europe & the Caucasus
*LAC	Latin America and the Caribbean

MicroBuild Fund: Demonstration Effect

- The MicroBuild Fund is now in the wind-down phase, with planned end date of June 2025.
- By closing, the fund will have shifted microfinance portfolios from 2% housing to 10% and served over 1.5M people
- MBF has demonstrated that housing microfinance can be a financially viable and scalable model. It is profitable for both investors as well as financial institutions.
- **TCIS aims to being catalytic in mobilizing public and private investors to channel more financing into the sector working with providers of products and services across the housing value chain.**

Vision:

Showcasing MicroBuild's demonstration effect and building on its impact and success through a second fund.



[MBF FY21 Annual Report published](#). In the last fiscal year, the fund crossed a major milestone: enabling over one million people to access better housing.

Q & A

Closing remarks & learnings

Check out our previous webinar!

Community-based finance for affordable housing: *Successful Partnerships and collaborations across sectors*

WITH

Magatte Diouf, Project Manager, UrbaSEN - Senegal

Richard Bahumwire, Executive Director, Casa Real and member of AUHF - Mozambique

Patience Mudimo, Dialogue on Shelter for the Homeless Trust - Zimbabwe

co-habitat.net/en/news/community-finance-for-affordable-housing-in-africa-building-successful-partnerships--collaborations-across-sectors