

Global Housing

Lessons from the
Base of the Pyramid

*Helen Ng
Housing Portfolio Manager
September 2007*

Singapore

acumen
FUND

Acumen Fund Mission

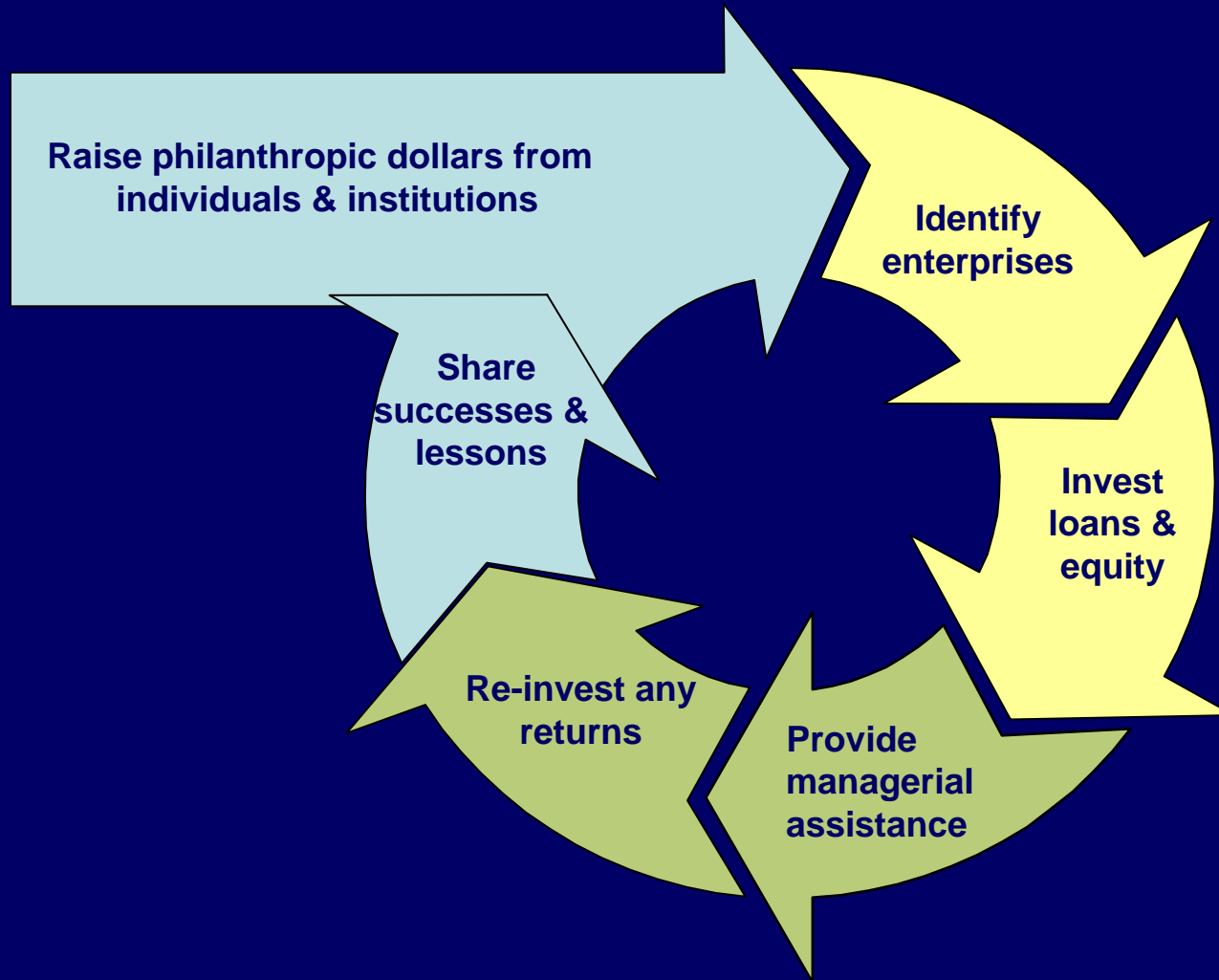
Acumen Fund is a global social venture fund that uses market-based approaches to invest in enterprises serving those who earn under \$4/day.

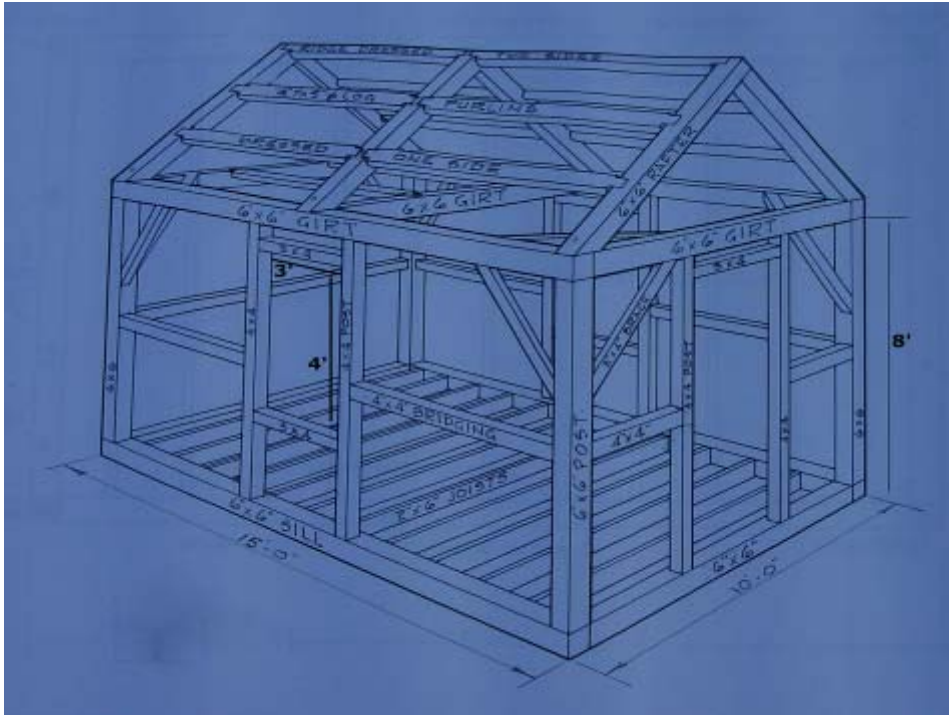
We focus on housing, health, water, and energy.

Investments must be sustainable, scalable, and have social impact

Offices are in New York (headquarters), India, Pakistan, and Kenya

Our Business Model





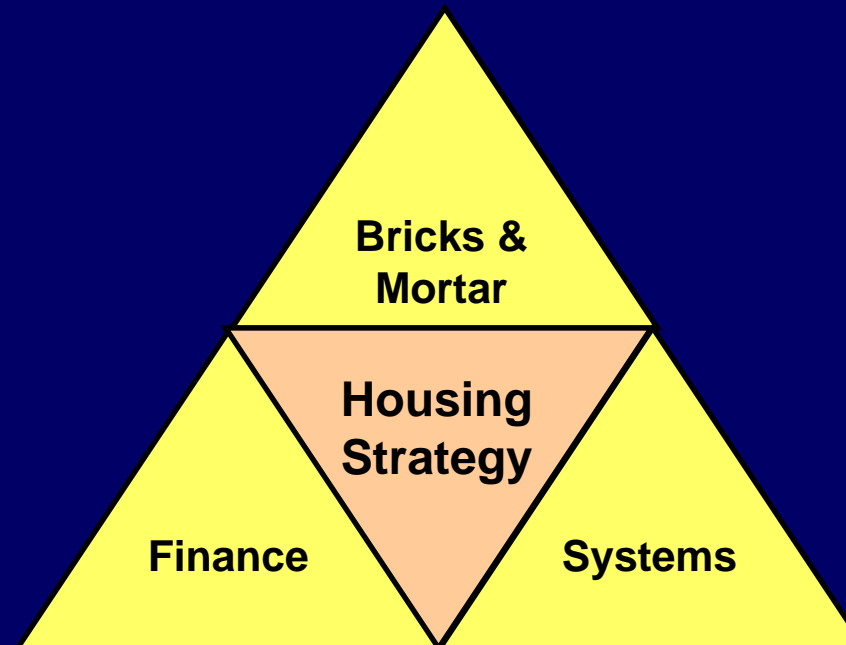
Our Approach:

- Build a new housing ecosystem
- Unleash the power of innovation by and for the poor

Housing Strategy: Global Approach

A market-based strategy to create a sustainable BOP housing ecosystem...

- **Product Approach:** 3 pillars
- **Geo-strategic Approach:** urban, peri-urban, rural



Entry Points

Top-down	<ul style="list-style-type: none">• Banks:<ul style="list-style-type: none">– Mortgages– Capital markets
Bottom-up	<ul style="list-style-type: none">• Microfinance:<ul style="list-style-type: none">– Mortgages– Home improvement loans• Bricks & Mortar:<ul style="list-style-type: none">– New town / housing development– Incremental housing
Sideways	<ul style="list-style-type: none">• Bricks & Mortar:<ul style="list-style-type: none">– Low-cost materials– Green materials



Case Study: Kashf

Case Study: Kashf & Home Improvement Loans



- Home Improvement Loans (HILs) provide an opportunity for mass impact
 - HILs address the “unbankable” poor
- HILs are the “next frontier” for Microfinance Institutions (MFIs)
- Greatest bottleneck to scaling
 - Finance:
 - Title
 - Tenor & capital requirements
 - Affordability
 - Systems:
 - Labor intensive / lack of IT
 - Group vs. individual records

Case Study: Kashf & Home Improvement Loans



- **Kashf is a top-performing MFI in Pakistan**
 - Long-term relationship with Acumen Fund
 - Efficient and tight operations
 - 250,000 clients
- **Launched a \$900,000 HIL pilot in 2006/7**
- **Designed HILs to suit the habits of the poor...**
 - Average loan size: \$1,000
 - Tenor: 4 years
 - Soft collateral (*loan docs, list of assets, group gty*)
- **...and towards capital markets**
 - Hard collateral (*escrow*)

\$900 K

Plain Vanilla Loan
800 households

Phase 1: pilot

\$16 million

Capital Markets

Private Placement
17,000 households

Phase 2: rollout



Case Study: Jamii Bora



Kenyan New Town Development

- **Kenyan Microfinance Institution (MFI)**

- Kenya's fastest growing MFI
- Grew from 50 to 130,000 members in 7 years
- Members are from the worst slums of Nairobi

- **Building a new town by and for slum dwellers**

- Located 60 km south of Nairobi
- 293 acres
- \$13 million project development (est.)
- 2,000 homes to be built
- On-site manufacture of blocks & tiles
- 10,000+ lives impacted

Kaputiei: “Eco-Town” Development



Green Urban Planning

- **Buildings**
 - 2,000 homes
 - solar lighting
 - retail units
 - schools
 - community centers
- **Infrastructure**
 - wetlands / wastewater recycling
 - water
 - roads
- **Job creation**
 - On-site manufacture of blocks and tiles
 - Commercial centers
- **New urban magnets**
 - Relieve pressures on city center





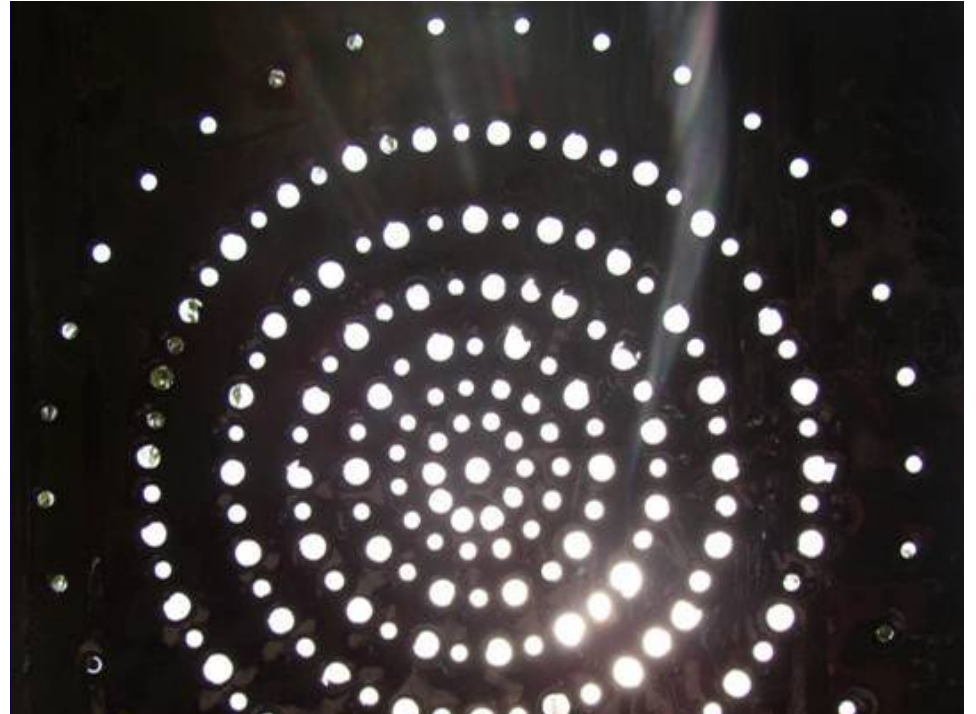


Housing portfolio

- Approved investments:
\$8.4 million
- Investments under management:
\$1.75 million
- 7 enterprises

15

- **Saiban**
land titles
- **Kashf**
home improvement loans
- **Tameer Housing**
mortgages
- **National Bank of Pakistan**
mortgages
- **Jamii Bora**
new town development
- **Sekem**
organics
- **Al Nadim**
women's employment



Lessons:

**Unleashing the Power of
the Base of the Pyramid**

Lessons: Power at the Bottom of the Pyramid



- **Invest in knowing your customer well**

 - Bottom-up Approach**

 - Slow beginnings → faster scale-up

 - Top-down Approach**

 - Fast beginnings → slower scale-up

- **Tailor products to the poor**

 - BOP must be a co-architect

- **Be willing to be daring**

 - New market: Invent new structures, create new products



Bottom-Up Caveats

Prepare to access commercial funding

- Housing is capital intensive; access to soft money is limited

Must have right resources to go to scale

- Financial sophistication
- Adequate human resources
- MIS systems

Private sector must be flexible...

Use a spectrum of capital approach

- Calibrate terms and legal documentation
- Early stage vs. later stage investment terms
- Concessionary vs. commercial terms