



Millions of people live in vulnerable locations, their communities regularly exposed to the risk of floods, storms, landslides, earthquakes, and other catastrophes. Disasters, whether natural or man-made, endanger more than lives. They also have a negative impact on family assets, income and welfare. For the poorest families with the least to begin with, the effects of a disaster can be especially devastating.

The Citi-Habitat Home Improvement Microsavings Program is a three-year, US\$3 million microsavings and financial education initiative. The program is designed to help low-income families living in disaster-prone areas in Southeast Asia save for home improvements. These improvements will help families protect their lives and their property from the ravages wrought by natural disasters.

The Citi-Habitat Home Improvement Microsavings Program is funded with a US\$1 million commitment from the Citi Foundation. An estimated 3,000 eligible families in the Philippines, Vietnam and Thailand will be helped to save a total of US\$2 million to be invested in strengthening their homes.

Simple improvements can have dramatic results. Reinforcing foundations can protect a house against the worst effects of floodwaters. Tying down roofing sheets protects against high winds. Raising floor levels protects possessions from being waterlogged.

The Citi-Habitat Home Improvement Microsavings Program makes such improvements possible. It will also demonstrate the viability of a scalable savings model for home improvements.

Habitat for Humanity has become increasingly involved with disaster programs since the 2004 Indian Ocean

tsunami. Habitat recognizes that sustainable housing initiatives to shelter the poor and vulnerable must take into account the potential impact of disasters and changes in the world's climate. By helping families better protect themselves and their property if a disaster does strike, Habitat for Humanity is helping reduce vulnerability.

For over 30 years, Habitat programs have been helping families understand the importance of regular savings for building assets and demonstrating a capacity to repay their home mortgage loan obligations. Two studies, in Indonesia and Mexico, have revealed an important caveat in people's behavior and something Habitat has observed for some time: at least 50% of those eligible for such loans do not want to take on the risk of a loan obligation¹. These people prefer to save in order to make home improvements. Even very poor families will invest over 20% of the money they save on home improvements². In areas prone to natural disasters, loans are an even riskier proposition for both borrowers and lenders, whereas savings become an increasingly important discipline.

To support savings among low-income populations, research shows that people will save more, and more quickly, if they have a goal, a savings account and a financial incentive³.

- **THE SAVINGS GOAL** is a long-term home improvement(s), if necessary implemented in manageable steps.

- **THE SAVINGS ACCOUNT** is held by the financial institution and requires the saver to make deposits according to an agreed-upon schedule and goal.

- **THE INCENTIVE** includes a higher interest rate when the financial or savings goal is reached plus technical assistance to help people make home improvements.

These three elements can be used to promote savings in general. When looking at families living in disaster-prone areas, the focus is on encouraging safe savings in place of extending risky loans to populations that are already at higher risk.

THREE-YEAR PILOT IN THE PHILIPPINES VIETNAM & THAILAND

Habitat for Humanity is working with low-income communities that face a higher than average risk of being affected by natural disasters to pilot the Citi-Habitat Home Improvement Microsavings Program. The communities are in three countries:

- **Metro Manila, Philippines:** Metro Manila is prone to natural hazards including earthquakes, typhoons

and prolonged flooding. Habitat for Humanity has tested the program with a community in Pateros, and hopes to roll it out next in Marikina.

- **Tien Giang, Vietnam:** After Typhoon Ketsana in 2009, Habitat for Humanity Vietnam began providing community-based disaster risk management training and technical assistance to families interested in making home improvements. Habitat has selected Tân Bình, Mỹ Thành Bắc and Nhị Bình communes in Chau Thanh and Cai Lay districts for the new program.

- **Maha Sarakham, Thailand.** Heavy rains and floods inundated northern, southern and eastern parts of Thailand in the past two years. Habitat for Humanity Thailand's micro-savings program will focus on improving families' resilience to prolonged flooding in the northern region.

WAY TO A BETTER HOME

Filipino Edwina Payapag, owner of a junk shop in Pateros, Metro Manila never thought of saving even five pesos to improve her home. When Typhoon Ketsana hit Metro Manila in 2009, her small house was flooded and her family had to huddled together on the second story. Poor housing materials such as scrap roof sheets and wall panels make the situation worse, as her home leaked badly.

Edwina recently attended Habitat for Humanity's financial education scheme where she learnt about budgeting, savings and reducing debt. She is now savings 100 pesos every week in her "First Macro Bank-Habit" Microsavings Account and encouraging her neighbors to start saving as well. "I signed up because I learned so much about budgeting and saving during the training. I never thought of saving even five pesos, but what I learnt from the Habitat trainers during the workshop opened my mind to the possibility of achieving my goal of having a better home." The FMB-Habitat account offers Edwina and others like her, a secure place to save enough to renovate their houses for a safer place to live. The saving product, packaged with a financial education scheme and home improvement technical assistance will help low-income families reduce their vulnerability to disasters.



Citi and Habitat for Humanity officers visited the home of Edwina and Zaldy Payapag (3rd & 4th from right). Photo: Citi Philippines



MARKET RESEARCH: LISTENING TO CLIENTS

Habitat for Humanity listens to the experts – the clients themselves.

Habitat for Humanity is working with local savings institutions to design products that help families save towards the cost of home improvement. For example, raising the floor of their home or strengthening the walls. It is anticipated low-income families will, on average, need to save for six to 12 months to accumulate sufficient savings for a home improvement.

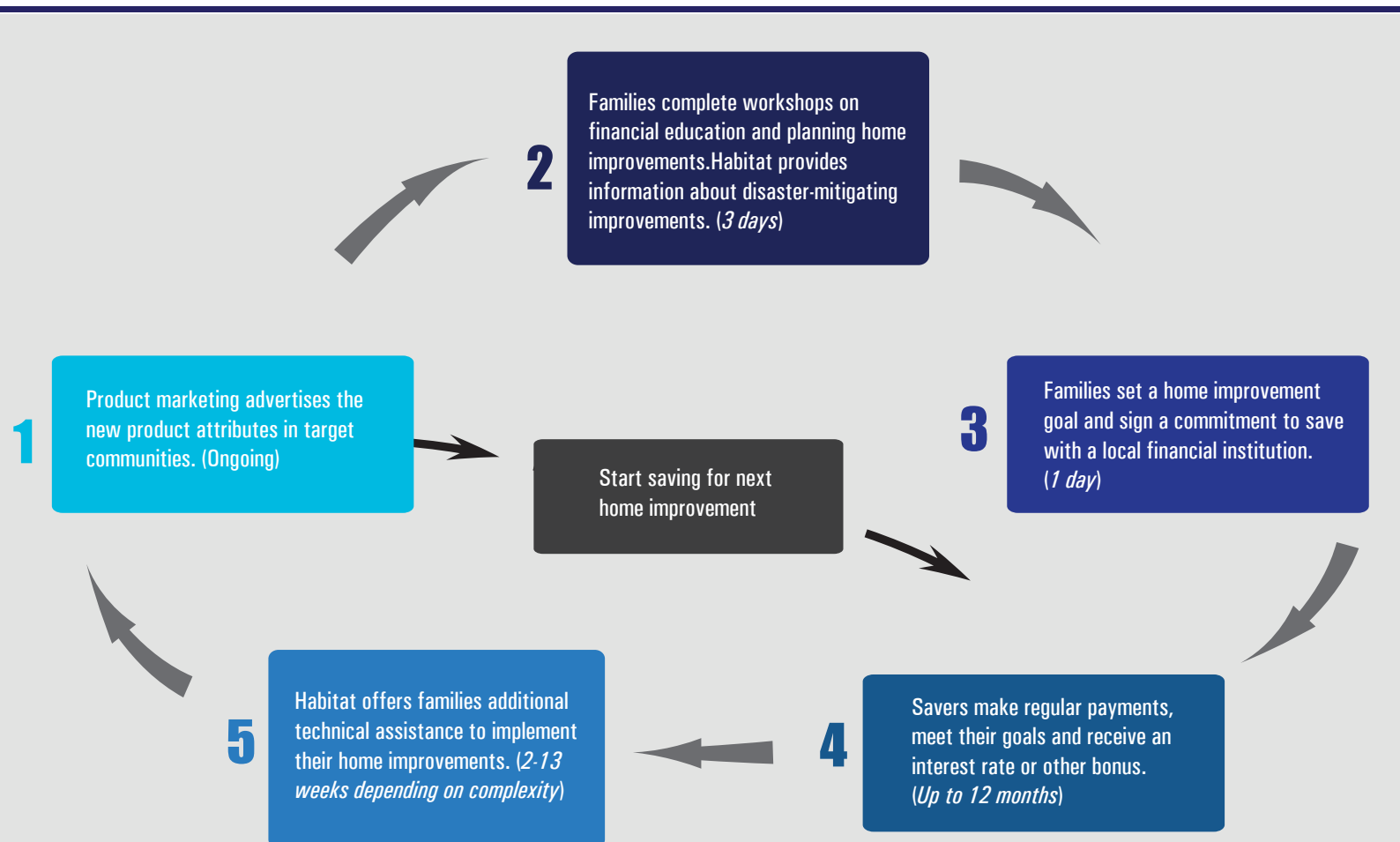
Market research is being conducted by Habitat’s Center for Innovation in Shelter and Finance in cooperation with partner savings institutions in each country. A savings product prototype was then developed based on the research findings.

EQUIPPING SAVERS

A key part of the Citi-Habitat Home Improvement Microsavings Program is financial education. All families will participate in Habitat for Humanity’s “Improve your home, Improve your life” scheme. This scheme pairs financial education concepts with construction-related technical advice. The financial education components include teaching families how to prioritize household spending and how to set aside money to save. The home improvement component teaches families how they can make their homes more resilient against natural disasters. Housing support services provide advice from Habitat construction experts on basic construction skills, design, material procurement and planning for future improvements.

Combining financial education and housing support services with a savings product ensures families have the greatest chance of reducing their vulnerability in the face of disasters.

THE PROCESS OF MOBILIZING SAVINGS





FURTHERING RESEARCH

The Citi-Habitat Home Improvement Microsavings Program will conduct a rigorous research project, in Thailand, to study what types of savings products and incentives best encourage families to save. The research will be structured as a randomized control trial and conducted in partnership with a local savings institution. In particular, Citi and Habitat hope to understand how much of a financial incentive is necessary to encourage increased investment in home improvements.

The research will result in a solid understanding of the mechanisms that maximize savings for home improvements and will seek answers to such questions as:

- What is the optimum savings period to meet a savings goal?
- How much of an incentive is required to maximize savings?
- What improvements do people choose to make with their savings?

Conditional cash transfers, where savings is matched by a philanthropic or government donation, have been successful in attracting and retaining participants in savings programs.

NOTES :

¹ World Bank Policy Research Working Paper 4214, April 2007

² Karlan, Dean et al, Take-Up: Why Microfinance Take-Up Rates are Low and Why it Matters, Research Framing Note, Financial Access Initiative, June 2010

³ Collins, Daryl et al, Portfolios of the Poor; How the World's Poor Live on \$2 a Day, Princeton University Press, 2009, p.108

Independent Deposit Accounts in the United States are one such example. Some participating families in Thailand will be randomly selected to receive larger or smaller savings matches to determine the most effective incentive.

The results of the Citi-Habitat Home Improvement Microsavings Program will be presented at the Fourth Asia-Pacific Housing Forum, to be held in Manila, Philippines, in 2013.

ABOUT THE CITI-HABITAT PARTNERSHIP

Citi and the Citi Foundation have supported Habitat for Humanity since 1999 providing more than US\$32 million to advance Habitat's mission of providing affordable homes to low-income families. Financial capability and asset building is a key focus area for the Citi Foundation. Citi has been the primary sponsor of Habitat's Financial Education initiatives over the past seven years. Other current Citi-funded programs include an annual home build in South Korea that incorporates a financial education component; and a recently-launched financial education program for low-income homeowners in Malaysia.

