



MicroBuild Fund

2017 annual report

The MicroBuild Fund is an investment vehicle sponsored by Habitat for Humanity International's Terwilliger Center for Innovation in Shelter to drive innovation and scale of housing finance for low-income households.

Zoe's grandmother received a housing microfinance loan from FUNDENUSE for her home in Nicaragua.



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ON THE COVER:
A housing microfinance
loan helped Luk and her
two children improve
their home in Phnom
Penh, Cambodia.

Letter from Mike Carscaddon, chairman of the MicroBuild Fund board of directors



As the MicroBuild Fund approached its fifth anniversary in August 2017, the outstanding portfolio grew to over US\$74 million, nearing our eventual goal of US\$100 million. Loans have been made to 42 institutions in 25 countries, including five new countries in fiscal year 2017. Most importantly, the capital and technical assistance provided have helped 83,000 households, or 415,000 individuals, improve their housing conditions during the fund's existence.

As part of our plan to expand the fund's capital commitments from US\$50 million to US\$100 million, we closed on the second US\$45 million line of credit with the Overseas Private Investment Corp., or OPIC, and secured the first drawdown in November 2016. This funding, combined with additional equity contributions from the MetLife Foundation and Habitat for Humanity, has allowed MicroBuild to continue its growth.

The original vision for the fund, as a demonstration to encourage the financial sector serving low-income populations to include housing products as part of a suite of financial services, remains our north star. To date, US\$202.9 million of additional capital has been attracted for this purpose. Further, our investee institutions, in all but three cases, have experienced better performance in their housing microfinance portfolios than in their overall loan portfolios. Habitat's work to help housing markets better

serve low-income people has become an important pillar of our mission – so much so that all of our work on market-based solutions for housing has been consolidated into the newly launched Terwilliger Center for Innovation in Shelter, or Habitat's Terwilliger Center.

From a fund governance perspective, we were thrilled to welcome Kate McKee to the board during the past year. Kate is a development economist and has a distinguished record in the financial services sector – both in the United States and in the developing world – including serving as head of the microenterprise development office at the U.S. Agency for International Development, or USAID. Currently, she leads the initiative on responsible digital finance for the Consultative Group to Assist the Poor, or CGAP.

Also worthy of celebration: The MicroBuild Fund was selected from among 100 finalists to become one of 10 winners of a Classy Award, which recognizes the most innovative solutions to the world's toughest social issues. We appreciate this recognition and are proud of the fund's accomplishments to date.

We remain grateful to our partners the Omidyar Network, MetLife Foundation and Triple Jump, as well as to our key supporters the Hilti Foundation, IKEA Foundation, OPIC, Morgan Lewis, the Stanard Family Foundation and the J. Ronald Terwilliger Family Foundation.

Letter from Steven Evers of Triple Jump, fund manager of the MicroBuild Fund

Highlights and fund evolution: During the fiscal year ending June 30, 2017, the MicroBuild Fund launched its second phase of operations. The fund continues to follow last year's investment strategy to maintain a robust presence in Latin America and the Caribbean, to increase exposure to Asia and the Pacific, and to reduce exposure to the Central Asia and Caucasus region. Thus, the regional allocation at the end of FY2017 was 7 percent in Africa and the Middle East, 22 percent in Eastern Europe and the Caucasus, 24 percent in Asia and the Pacific, and 47 percent in Latin America and the Caribbean.

To the extent possible, the MicroBuild Fund aims to reach clients through local currency loans, in order to safeguard the end user from exchange-rate losses. In this respect, 43 percent of the portfolio is in local currency, and two-thirds of this local currency position is hedged to manage foreign currency risk within prudent boundaries. Thus, the Hilti facility continues to be essential for Forex risk mitigation strategy, allowing the MicroBuild Fund to invest up to US\$10 million in a group of highly diversified currencies. As of June 30, 2017, the Hilti portfolio amounted to US\$5.9 million.

Portfolio developments: Overall, it has been a positive year for the fund, and we are satisfied with the portfolio positioning and performance. We have carefully tracked all developments in the countries we invest in, and would like to mention the following highlights:

In November 2016, the Indian government passed a demonetization program that negatively affected the microfinance sector in the country. The program created a severe liquidity crunch in the cash-based informal sector, resulting in high portfolio-at-risk, or PAR, for microfinance institutions. There have been signs of portfolio quality improvements during the past quarter, however, so we do not see heightened credit risk in the medium to long term in India. We will continue to monitor our position closely.



In March 2017, the Central Bank of Cambodia announced that the microfinance sector would be subject to an interest rate cap of 18 percent. This, coupled with the widely perceived market saturation and a fast-growing credit-to-GDP ratio, is cause for concern. We believe, however, that investments in Cambodia's microfinance sector remain attractive with a favorable risk-return profile, and the country's environment should remain healthy in the medium term. Taking the risks into account, we believe that portfolio exposure to Cambodia should not exceed 10 percent of the fund size in the next year. We will continue to assess the risks and monitor our position closely.

In April 2017, El Salvador missed an interest payment on domestic pension fund debt, leading to a downgrade of its sovereign rating from B- to CCC-. Considering this event, the fund aims to decrease its exposure to El Salvador from 4.7 percent to 3 percent in the coming months.

Outlook: Triple Jump's team is eager to keep working on Phase II of MicroBuild throughout the year. We expect 75 percent of the total US\$100 million fund size to be invested by the end of 2017. We anticipate growth will continue mainly in the regions of Latin America and the Caribbean and Asia and the Pacific, as we believe these geographies have conducive macroeconomic environments. We foresee a year of solid portfolio growth and meaningful social return over the next 12 months.

Letter from Peter Rabley, venture partner at the Omidyar Network

People everywhere need security and stability in order to plan and build a future – the type of security that comes with knowing that you and your family have a safe, solid home to return to each night. It is that sort of security that empowers people to make meaningful investments in their future, from improving their home to sending their children to school to starting a small business.

For far too many, particularly in emerging markets, this sense of security has been out of reach. That is why at the Omidyar Network, we strongly support the work of the MicroBuild Fund and other game-changing products and partners that help more people access the financial resources needed to create the type of home that can help individuals and families thrive. We believe that incremental construction and home improvements, such as a concrete floor or a solid roof, are quite literally the building blocks for better property rights – rights that can protect the most vulnerable from wrongful eviction, forced displacement and exploitation and can better connect them to the formal economy.

The challenge for many people outside of the formal economy is access to and inclusion in the financial world, which provides tools and opportunities for people to upgrade their homes. The MicroBuild Fund fills a key gap in financial inclusion: the gap between housing finance and microfinance institutions. Typically, the size and length of the loan needed for housing upgrades is too large to be serviced by microfinance institutions, and the loans cannot be secured by group lending dynamics. And for housing finance institutions, the loans are considered too small and high-risk, as they are often provided to families with no formal income sources.



The MicroBuild Fund is changing that. It provides higher-risk debt to financial institutions, and features a technical assistance program that helps the staff prepare for and manage the larger housing improvement loans.

One key aspect of the technical assistance program is that it seeks to ensure the families receiving the loans better understand and improve their own property rights. Through innovative instruments such as STAT cards and others, MicroBuild is able to gather vital information about the security of household tenure and provide key de facto rights information to secure families with places to live.

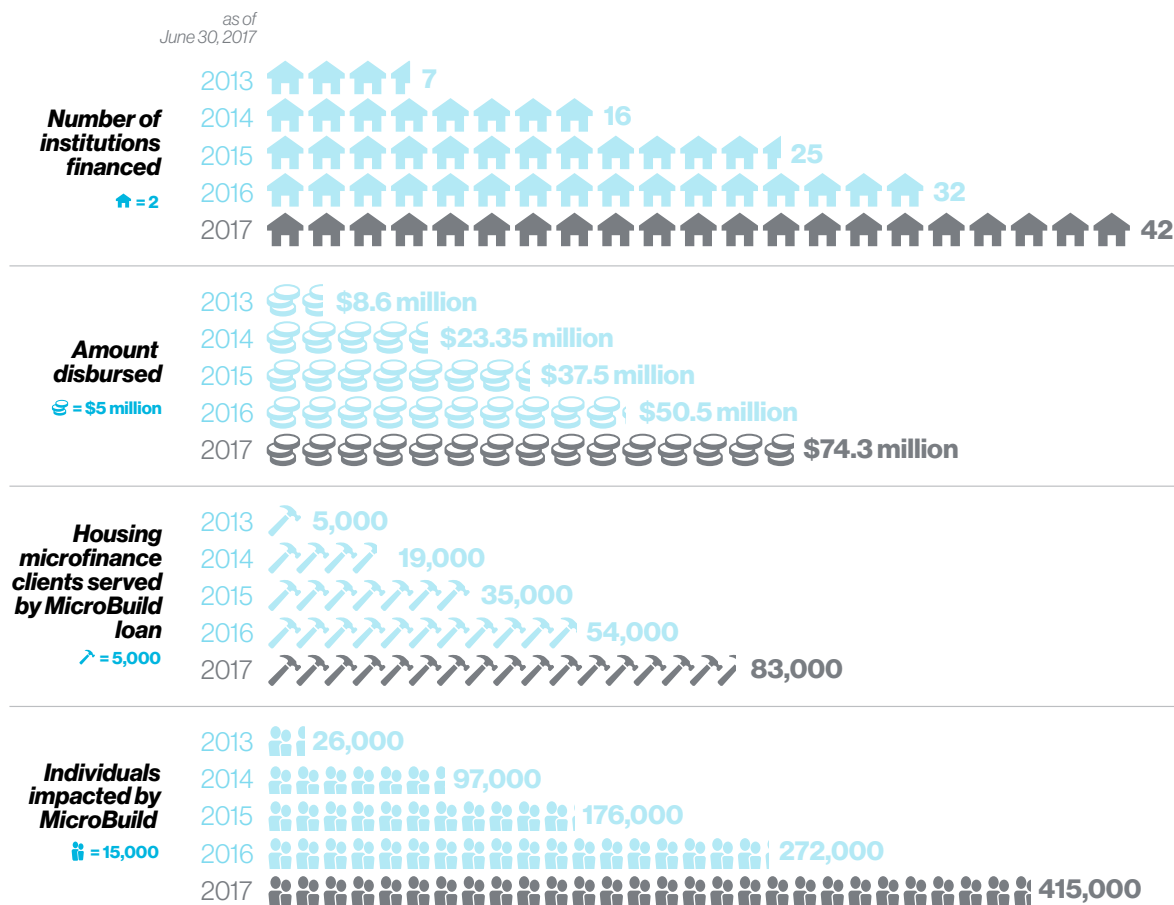
Since the MicroBuild Fund launched in 2012, more than 415,000 individuals have secured the loans they need to improve their homes. As an equity partner, we are proud to see this groundbreaking product not only gain traction, but also realize a positive financial position. We are also excited to see it scale into a model of housing finance for other financial institutions; and move from an innovative idea to a force for market disruption. It is this transformational impact that motivated us to invest in and continue our partnership with the MicroBuild Fund.

MicroBuild celebrates its fifth anniversary

MicroBuild is proud to celebrate its fifth anniversary and the halfway mark of the fund. It has grown significantly since its inception, both by way of disbursed portfolio and by the number of client borrowers and individuals who have benefited from improved shelter due to the fund's

capital investment in housing finance. In recognition of its accomplishments, MicroBuild has received two awards: the 2017 Classy Award and the 2016 OPIC Impact Award. Both recognize MicroBuild for leading a successful program that positively impacts access to finance.

Overview of MicroBuild's five-year growth



MicroBuild milestones

FY2013

august 2012

MicroBuild Fund Phase I (US\$50 million) launched with a US\$2 million investment in Imon International (Tajikistan).

october 2012

First investment in the Africa and Middle East region made to Al Majmoua (Lebanon).

FY2014

november 2012

First investment in the Latin America and the Caribbean region made to Fondecos (Bolivia).

january 2014

First investment in the Asia and the Pacific region made to HKL (Cambodia).

FY2015

march 2014

MicroBuild funds its first local currency loan to KMF (Kazakhstan).

january 2015

Oxfam Novib begins impact evaluations of the MicroBuild institutions LOK (Bosnia-Herzegovina) and ENLACE (El Salvador) to measure long-term improvements in social well-being and health, as achieved through housing microfinance.

FY2016

december 2015

MicroBuild B.V. is registered in India to buy nonconvertible debentures. MicroBuild Fund makes its first investment of US\$3 million in India through a nonconvertible debenture to Annapurna.

may 2016

MicroBuild Fund Phase II closed to grow to US\$100 million. MicroBuild is featured in *Harvard Business Review's* article "How NGOs Are Using Data to Transform Themselves."

FY2017

july 2016

MicroBuild receives the 2016 OPIC Impact Award.

june 2017

MicroBuild is one of 10 winners of the 2017 Classy Award.

august 2017

MicroBuild celebrates its fifth anniversary.

FY2018

MicroBuild's mission and goals

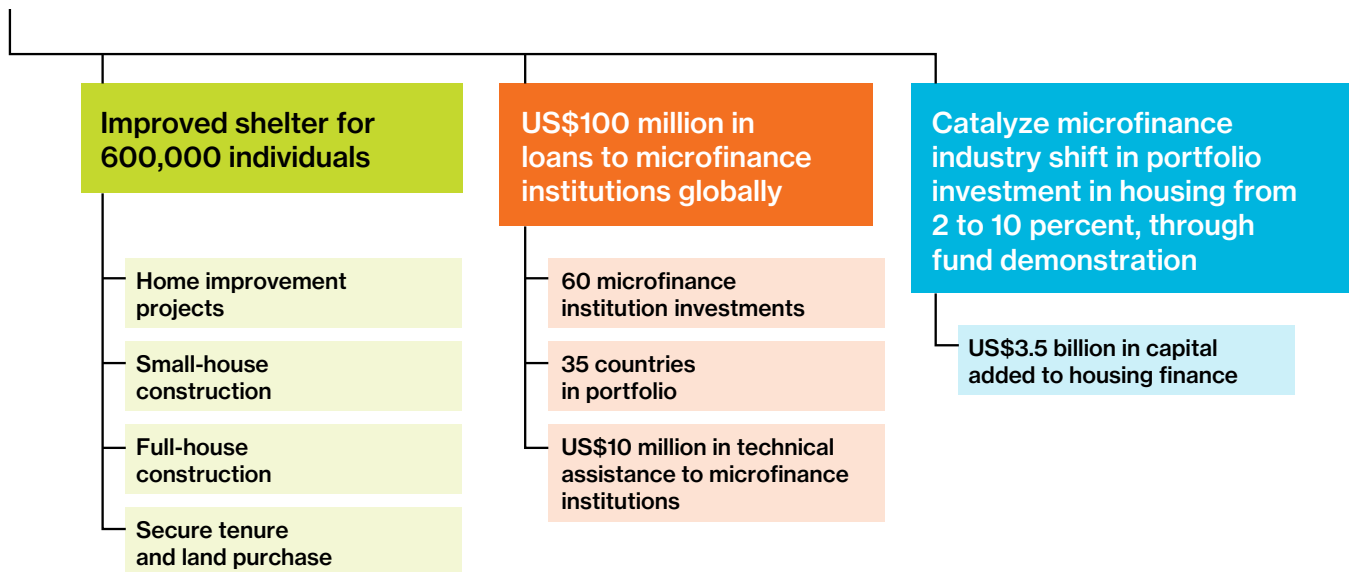
Mission

The MicroBuild Fund is the first housing-specific microfinance investment vehicle dedicated to helping low-income families. Since its launch in August 2012, MicroBuild has set aggressive goals for its life span. It aims to provide US\$100 million in capital to microfinance institutions. In the process, it hopes to help low-income families improve their living conditions. In parallel, MicroBuild aims to prove that social investment funds can yield positive returns for investors, thereby encouraging larger institutions to provide financing and further grow the sector.

Goals

MicroBuild has three goals to accomplish by 2026: improving shelter for 600,000 people, investing US\$100 million in debt capital to microfinance institutions globally, and shifting the portfolio allocation for housing finance from 2 to 10 percent among microfinance institutions in the countries where MicroBuild has investments.

MicroBuild goals by 2026



Solving the global housing challenge



Globally, borrowers divert 10 to 20 percent of their microenterprise loans to housing projects, yet only 2 percent of the overall lending portfolio of microfinance institutions is allocated to housing.

The challenge

Approximately 1.6 billion people worldwide live in substandard housing.¹ For low-income families in the developing world, improving a home means relying on available market options in the local community. However, these services can be expensive, of poor quality or simply unable to serve their needs. Mortgages remain a privilege for the few. For the rest of the population, housing is a process of incremental upgrades and additions to meet evolving family needs.

The opportunity

Microfinance is a tool to help solve the housing crisis and lack of access to capital in developing markets. At present, the industry's allocation in housing products totals only 2 percent of the overall lending portfolio of microfinance institutions globally. Habitat's Terwilliger Center seeks to increase the scale and impact of housing microfinance from 2 to 10 percent of the overall lending portfolio of microfinance institutions.

How MicroBuild is providing solutions

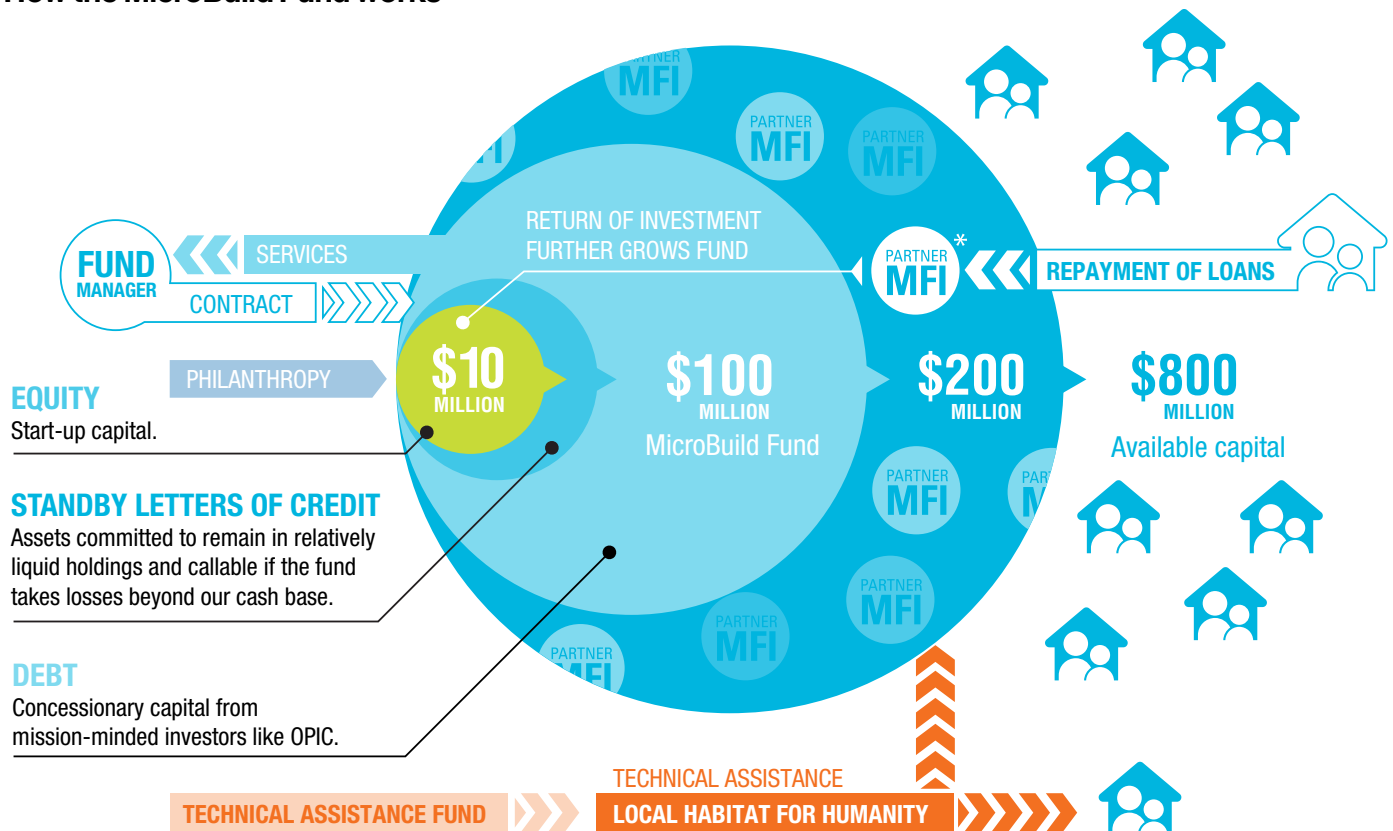
Habitat's Terwilliger Center created MicroBuild as a demonstration of the financial viability and social impact of housing microfinance. It addresses an important market need by boosting funding in innovative housing finance and tracking its progress to further influence investment in the sector.

To enable growth in housing microfinance, Habitat's Terwilliger Center offers institutional technical assistance to microfinance institutions alongside investment from MicroBuild. Technical assistance helps the institutions develop and/or refine their housing products, and then scale the offerings to clients. MicroBuild's capital is then provided to microfinance institutions to be packaged as loans to low-income families to build safe, durable homes in phases, as their finances allow. As these funds are disbursed, Habitat's Terwilliger Center works to ensure housing support services, through financial education, are available to the borrowing clients while they build and renovate their homes. Solving the housing crisis will directly improve the lives of families who receive MicroBuild loans and will indirectly bolster the housing microfinance sector.

How and where MicroBuild works

Under the MicroBuild Fund's model, institutional technical assistance and housing support services are funded with donor grants to Habitat's Terwilliger Center. Services are carried out by Habitat's global staff members in Bratislava, Slovakia; San José, Costa Rica; and Manila, Philippines; coupled with national organizations and a network of consultants.

How the MicroBuild Fund works

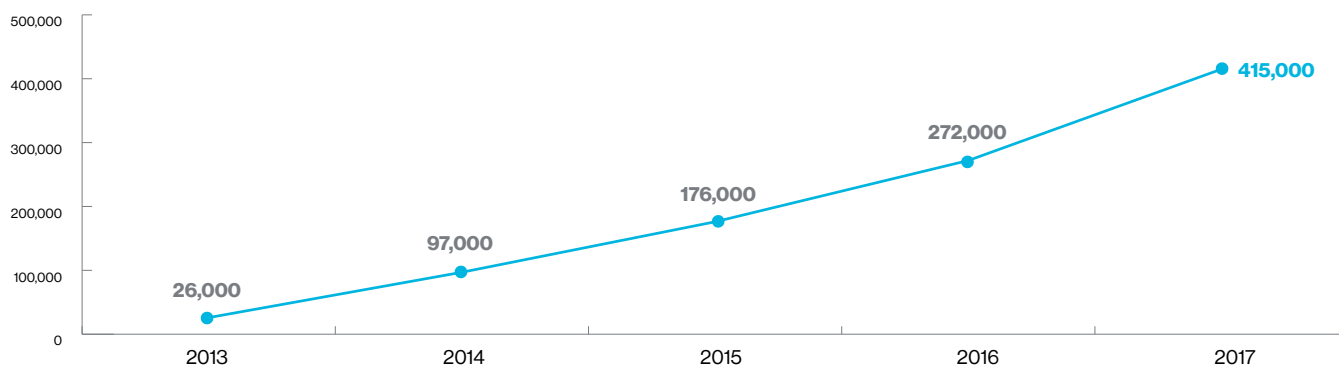




MicroBuild accomplishments: A snapshot

415,000 people have access to improved shelter

Number of individuals impacted by the MicroBuild Fund



MicroBuild accomplishments: An overview

Housing microfinance portfolio to date

Through FY2017, MicroBuild had approved nearly US\$90 million to 49 institutions in 28 countries. The total disbursed amount includes US\$74.3 million to 42 institutions across 25 countries. This has resulted in a direct improvement in the housing conditions of more than 80,000 families globally, or the equivalent of 415,000 individuals.

Growth in FY2017

MicroBuild had strong growth in FY2017, disbursing US\$23.8 million, which is the largest amount disbursed in a single year since the fund launched in FY2013. The fund added 10 new microfinance institutions and five new countries to its disbursed portfolio. Overall, the total number of clients served increased by 29,000 in FY2017, which translates to nearly 150,000 individuals impacted over the fiscal year.

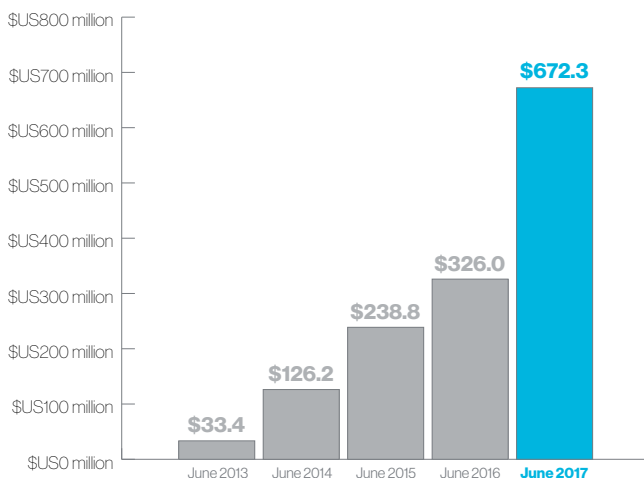
As of June 30, 2017, the housing portfolio of all disbursed MicroBuild investee institutions totaled US\$672.3 million,

or 14.3 percent of their overall lending portfolios.

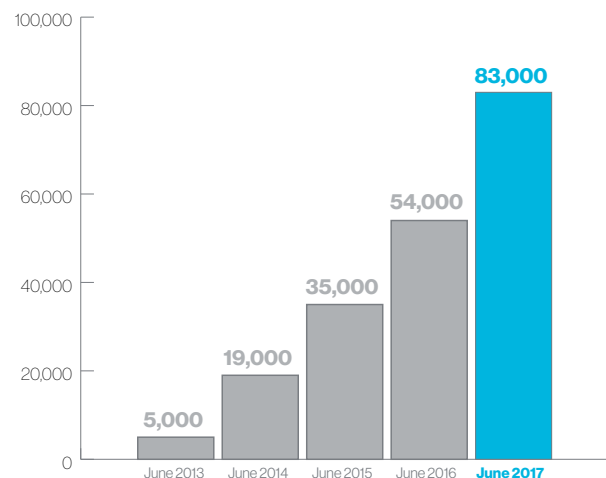
Additionally, the housing microfinance portfolios of these investee institutions continued to perform stronger relative to their general portfolios. For the outstanding portfolio in FY2017, the average housing loan PAR was 2.04 percent, compared with an overall lending portfolio PAR of 4.62 percent. In other words, with a well-designed and dedicated housing loan product, microfinance institutions are experiencing better portfolio quality.

The higher quality and lower risk of these housing products has led in part to investee microfinance institutions injecting additional capital into housing finance, above and beyond the funding provided by MicroBuild. The cumulative housing portfolio of MicroBuild investee institutions has increased by US\$202.9 million since the fund's inception, representing a leverage multiplier of 2.97 times the invested capital from MicroBuild of US\$74.3 million or a compounded annual growth rate, or CAGR, of 24.8 percent for the investee institutions' housing microfinance portfolios, as of FY2017.

Housing microfinance portfolio of MicroBuild's investee institutions



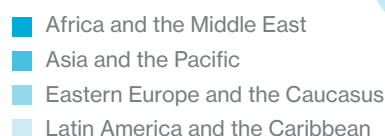
Number of clients served by MicroBuild housing microfinance loans



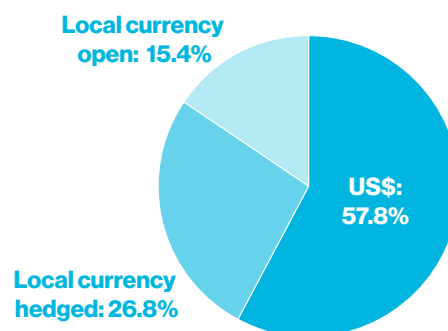
Geographic reach

By region, MicroBuild's disbursed portfolio is allocated as follows: 7 percent in Africa and the Middle East, 22 percent in Eastern Europe and the Caucasus, 24 percent in Asia and the Pacific, and 47 percent in Latin America and the Caribbean.

Regional allocation of MicroBuild disbursed portfolio



MicroBuild disbursed currency profile



There have been exciting microfinance developments in the countries where the MicroBuild Fund operates. A snapshot of several of these countries is below:

Kyrgyzstan:

In the early 2010s, the country was viewed as a heated market, and a 2011 indebtedness survey confirmed this. At the time, multiple borrowing was significant, with 11 percent of borrowers holding three or more loans. By 2014, the figure had greatly decreased to 2.3 percent. Kyrgyzstan is a strong example of credit capacity gains that come from an effective credit bureau paired with sensible regulations to prevent overindebtedness.⁶

India:

The country's microfinance industry underwent tremendous growth from 2012 to 2017, at a 45 percent CAGR. This is due to high client repayment rates (over 99 percent), regulatory reforms to loan products, pricing, and protection of customer interests. In 2017, over 45 million clients were served by 10,000 financial branches in 28 states. But progress has not caught up to the 25 percent country demand, indicating room for further growth, in spite of the recent demonetization crisis.⁶

Nicaragua:

With GDP of US\$13.2 billion and per capita GDP of US\$2,100 in 2016, Nicaragua has one of the smallest and poorest economies in the region.⁷ Although a saturated market, the country has continued to grow well above capacity (i.e., the number of active borrowers that the market can sustainably support).⁶ Further, it has been promising to see reports that microfinance institutions have increased product offerings, diversifying types of credit and offering housing loans, mortgages, microinsurance and micropensions.⁹

Geographical challenges in FY2017

India demonetization

In November 2016, the Indian government launched a demonetization that banned the 500- and 1,000-rupee notes. With 69 percent of the country's population living in rural areas and 90 percent of the transactions being cash-based, the move was a blow to the economy. A poorly executed demonetization led to a cash shortage. As most microfinance institutions are majority cash-based, they saw their disbursement and collection activities drop dramatically. The negative impact of the demonetization is expected to be temporary, as many of the demonetized notes were replaced by new ones. Additionally, the Reserve Bank of India, or RBI, relaxed provisioning guidelines, allowing microfinance institutions to maintain compliance to capital ratios. There have been some signs of recovery in certain parts of the country where repayments had fallen immediately after the demonetization. RBI's monetary policy stance has shifted from "Accommodative" to "Neutral," signaling its confidence in the economy. Foreign investor confidence also remains high, as India experienced high portfolio inflow that led to rupee appreciation.⁸

Interest rate cap in Cambodia

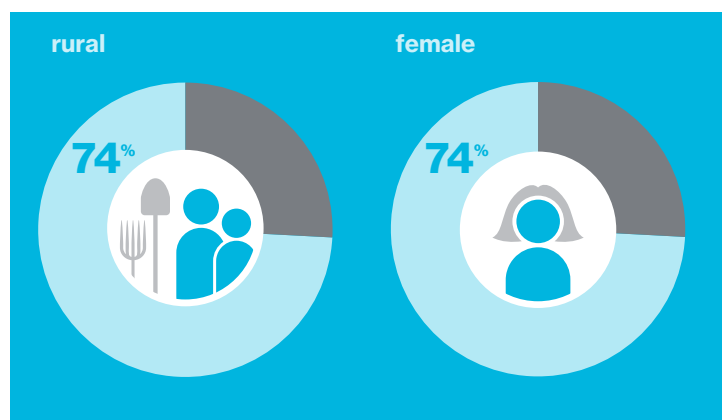
In March 2017, the Central Bank of Cambodia issued an unexpected *prakas*, or proclamation, capping microloan nominal interest rates at 18 percent for new and refinanced loans, effective April 1. This was a surprise given the longstanding, supportive and predictable regulatory framework. The cap will affect microfinance institutions' profitability and lead to losses from small loans. As a result, many microfinance institutions may simply stop offering loans of this size. Borrowers in rural areas will be forced to use lenders that charge much higher rates than microfinance institutions.

Demographic indicators

Within the MicroBuild portfolio, two underserved demographics represent a high proportion of the overall investments: 74 percent of the borrowers are women, and 74 percent of the borrowers are rural clients.

Lending to women: MicroBuild aims to open up capital to female borrowers. Women statistically make better use of microloans and have better repayment rates, but they are often excluded from all financial services.⁴

Lending to rural clients: Many rural families (over 90 percent) do not have access to traditional commercial banking. Financial services play a critical role in reducing poverty, so it is crucial for MicroBuild to support microfinance institutions that work to provide financing to rural areas, in spite of the many challenges to reach this population (e.g., higher cost to lend to a dispersed group, lack of collateral to secure loans, etc.)⁵



Looking ahead

In 2018, MicroBuild aims to lend the remaining fund amount, approximately US\$26 million, to microfinance institutions globally. It will seek to expand investment in local currency loans, new instruments and new geographies.

Local currency loans

To finance more local currency loans, MicroBuild plans to mitigate risk through hedging and through the Hilti Facility. In the latter case, the Hilti Foundation has provided an investment of US\$1 million to leverage US\$10 million in local-currency funding – especially in geographies where currencies are too volatile, making traditional hedging prohibitively expensive. As of FY2017, the fund had used US\$5.9 million of the total US\$10 million funding leverage. While most of this investment has been in the region of Latin America and the Caribbean, MicroBuild will look to diversify the remaining US\$4.1 million across the other three regions in which it operates.

There are also cases in which the MicroBuild Fund has provided capital in unhedged local currency – with a total of US\$3.9 million in local currencies unhedged to date. In FY2018, the fund will explore additional investments

with direct local currency exposure in geographies with stronger, more stable currencies.

New instruments

After MicroBuild's successful microfinance institution financing in India in FY2016 and FY2017 through a nonconvertible debenture, the fund will continue to explore opportunities that will enable it to move into new and complex markets globally.


New geographies

MicroBuild will explore opportunities to expand its geographic reach in countries such as Timor-Leste, Jordan and Mongolia. A snapshot of these countries is below:

- Just 15 years into its independence, Timor-Leste still has about 40 percent of its population of 1.2 million living below the poverty line. As a result, there is a major underserved market in need of better housing.⁹
- In Jordan, regional instability has affected the housing sector and the rest of the economy, and this is further exacerbated by an influx of 1 million Syrian refugees. The Africa and the Middle East regional team has provided technical assistance to Microfinance for Women, which helped create a separate housing loan product suitable for the local context. The microfinance institution is expected to be fully funded in FY2018.⁹
- In Mongolia, the government has developed an ambitious social agenda to address the housing demand from a rapidly growing urban population, providing an opportunity for MicroBuild to partner with institutions there.⁹



Investment profiles

A stylized map of Latin America and the Caribbean, rendered in white outlines against a solid blue background. The map shows the geographical region including Mexico, Central America, the Caribbean islands, and South America.

Number of funded partners: 21
Disbursed amount: US\$32.5 million
Number of disbursed countries: 11

Latin America and the Caribbean



Marlon and his daughter, Itza, were able to add a full bathroom to their home in Ocotal, Nicaragua, through a FUNDENUSE housing microfinance loan.

FUNDENUSE (Nicaragua)

FUNDENUSE provides families in northern Nicaragua with financial services. The microfinance institution has a total portfolio of US\$21.8 million, which funds seven urban and 13 rural branches and serves 30,000 individual loan and solidarity-group clients.

In Nicaragua, 900,000 people, or 15 percent of the total population, lack adequate housing. This unmet demand for sufficient housing has fueled significant expansion in the Nicaraguan microfinance sector to offer housing loans. From 2012 to 2016, housing microfinance products grew 31 percent year-on-year, despite government regulation to limit credit supply to salaried families and those receiving remittances.¹⁰

One Nicaraguan microfinance institution that has seen significant growth in its housing product is FUNDENUSE. Launched in 2010, FUNDENUSE's first housing credit product now represents 21 percent of its total portfolio, which equates to US\$4.6 million. This housing fund serves 4,500 clients at an average loan size of US\$1,000 per client.

To help scale the housing microfinance product, MicroBuild invested US\$1 million into FUNDENUSE's housing fund in 2015. The loans will help low-income

families finance progressive housing construction, land tenure and home purchasing.

Marlon has benefited from a housing microfinance loan from FUNDENUSE. He lives in Ocotal, Nicaragua, with his wife, Iris, and their 7-year-old daughter, Itza. When the family needed a loan to improve their sanitation needs, Marlon went directly to FUNDENUSE because it was the only microfinance institution providing credit for sewage catchment tanks.

Before they received financing, Marlon's family used a latrine and showered with a bucket outdoors. Their loan enabled the family to build a full bathroom with locally made adobe blocks. "Having a new bathroom had a great impact for our daughter," Marlon says. "Now she is not scared of going to the latrine [when] it is dark." Since building their bathroom, the family has had more safety and privacy when taking a shower, he says.

Investment profiles



Asia and the Pacific

Number of funded partners: 6

Disbursed amount: **US\$14 million**

Number of disbursed countries: 3



Bumak and his son, Thanat, have benefited from two housing microfinance loans from HKL, using them to install a roof, lay a tile floor and plaster the walls of their home in Phnom Penh, the capital city of Cambodia.

HKL (Cambodia)

HKL is one of the leading institutions in Cambodia and has successfully expanded its operations to an extensive network of 153 branches. It has a total portfolio of US\$445 million and saving deposits of US\$360 million. It provides financial products and services to 118,000 active borrowers and 222,000 depositors.

The Cambodian microfinance sector has developed rapidly over the past decade. As a mature market, it has an estimated 70 percent market penetration rate. But there are two key challenges in the country's microfinance sector. First, overindebtedness presents a major concern. To mitigate the risk, microfinance institutions work closely with the credit bureau to consolidate data and monitor client loan behavior. Second, the government's recent interest rate cap could greatly affect the microfinance sector's operational and financial sustainability, especially for smaller microfinance institutions. In spite of these challenges, housing loans remain a bright spot in the sector, and the microfinance industry has started to take notice. In fact, many Cambodian microfinance institutions already have allotted 5 to 10 percent of their overall portfolio to housing products. This will help address the 10 million people in Cambodia who lack access to decent housing.²

One microfinance institution that was able to quickly launch and scale a housing product was Hattha Kaksekar Limited, or HKL. Habitat's Terwilliger Center assisted

HKL with its housing microfinance product development in March 2013 and also helped build out its capacity. MicroBuild then invested US\$2 million in HKL in 2014, to be put toward home improvement and housing loans.

In the two years since the launch, HKL's housing portfolio has grown to nearly 9 percent of its overall loan portfolio. As of December 2016, HKL's housing portfolio had over 6,800 active borrowers, with an outstanding portfolio size of US\$39.4 million across all its branches.

Bumak, 35, and his wife, Saerng, 32, have benefited from HKL housing microfinance loans. The couple lives in the Vimean Trong Commune of Phnom Penh, and has used two HKL loans of US\$2,000 to incrementally improve their home for their two children: their son Thanat, 9, and daughter, Khanchana, 4. The loans helped the family install a roof, lay a tile floor and plaster the walls. "We now have a good home to raise our family, and we feel secure," Bumak says. "It is safe here compared to where we lived before."

Investment profiles

Europe and Central Asia

A map of Europe and Central Asia, with the landmasses in a light blue color and the surrounding oceans in a darker blue. The map shows the outlines of the continents and major countries.

Number of funded partners: 12
Disbursed amount: US\$22.3 million
Number of disbursed countries: 8



Microcredit Foundation Sunrise provides housing microfinance loans to clients in Bosnia and Herzegovina.

Microcredit Foundation Sunrise (Bosnia and Herzegovina)

Sunrise serves economically active clients, including individuals, families, microenterprises and small businesses. For these borrowing groups, the main source of income is generated from their own businesses. As of December 2016, it had an overall portfolio value of US\$15.4 million invested across 42 branches.

With a population of 3.7 million in Bosnia and Herzegovina, two key housing challenges face the country.¹² These include the lingering after-effects of the Bosnian War and rampant, illegal settlements. With respect to the former housing challenge, the 1991 war destroyed almost half of the country's publicly and privately held homes. With respect to the latter housing challenge, Bosnia currently has many illegal settlements because the low-income population cannot afford the cost of legalization, which ranges from 500 to 1,000 euros. The average monthly salary is 420 euros, making legalization payments inaccessible.¹³

All these factors have led to significant market demand for housing microfinance loans. To meet this demand and improve the country's housing, Microcredit Foundation Sunrise began offering housing loans in 2006. But it was forced to halt this product after the 2008 financial crisis.

When Sunrise relaunched its housing loans in 2014, they were not immediately popular. In 2015, Habitat's Terwilliger Center collaborated with Sunrise to provide housing microfinance at scale. MicroBuild invested 1 million euros, bundled with assistance to the microfinance institution's management to learn why the housing product had not

taken off. Findings indicated that loan officers lacked the necessary training on the new housing loans. As a result, they could neither communicate the product's benefits to clients, nor effectively complete assessments. On the demand side, clients were unsatisfied with the cost and conditions of the housing microfinance product. All these insights helped Sunrise revamp its housing product – with improved terms and conditions, a strategic approach to market positioning, and educational materials for clients. As of June 2017, Sunrise's housing microfinance portfolio value was US\$2.2 million. In future years, Sunrise hopes to continue to grow its housing loan portfolio and to expand its reach to rural areas.

Suvada lives with her husband, Enes, in a tiny, overcrowded house in Sarajevo with their two grown sons and Enes' two parents, who own the property. Suvada inherited land on the outskirts of Sarajevo, where she has been constructing a house incrementally over the past 10 years with her family savings and back-to-back Sunrise housing loans. The family will soon move in, pending a few final construction pieces made possible by a third Sunrise loan. Suvada is thrilled by the prospect of owning her first home (at age 47). She looks forward to tending a big yard with an orchard and waking up in her own, less-cramped space.



Makhmud has been able to reconstruct his home in Kentu, Kazakhstan, through a housing microfinance loan from KMF.

KazMicroFinance (Kazakhstan)

KMF is one of the leaders in the microfinance market for Europe and Central Asia. As of June 2017, it had a gross loan portfolio of US\$210 million, serving about 200,000 clients. It has 18 branches in the large cities of Kazakhstan and 84 outlets, 74 of which are in rural areas.

Among Kazakhstan's population of 16.9 million, the number of people who use financial services is notably low. Only 54 percent of the adult population have a bank account, only 8 percent have a formal savings account, and only 16 percent participate in formal borrowing.

One of the microfinance institutions working to improve the country's access to capital is KazMicroFinance, or KMF. Habitat's Terwilliger Center launched a partnership with KMF in 2013. First, it provided technical assistance to develop a new housing product. The initial pilot results exceeded expectations in the areas of outreach and portfolio quality. Based on the positive pilot results, MicroBuild invested US\$2 million toward housing microfinance loans, and Habitat's Terwilliger Center provided technical assistance. Since the launch, the housing microfinance product has generated income comparable with other core loan products, and it is set to become a solid long-term addition to the standard product offering. Over time, KMF has modified its housing product based on its clients' needs and preferences. Most notably, it increased the maximum loan amount to respond to increases in the price of construction materials, allowing clients to purchase better-quality materials for repairs and renovations.

Since the housing product launched, KMF has disbursed over 80,000 housing loans totaling US\$64 million. It has also distributed more than 3,000 educational brochures to clients related to energy-efficiency and construction interventions. Based on the success of KMF's housing microfinance product, MicroBuild topped up its investment to US\$3 million in 2016.

Makhmud has benefited from a KMF loan. He lives in Kentau, a small town in a rural area of Kazakhstan, with his wife and three children. Now on his second loan from KMF (and his first housing loan), he has finally been able to replace his doors and windows and reconstruct the house. Before he received the loan, his house needed a complete reconstruction. With the support of KMF's loan officer, he developed a budget and priorities for the reconstruction. Going forward, he will borrow additional housing microfinance loans from KMF to continue his incremental home improvements. His family has been very satisfied with the housing updates to date, as they have greatly improved the family's overall comfort.

Investment profiles

Africa and the Middle East



Number of funded partners: 3
Disbursed amount: US\$5.5 million
Number of disbursed countries: 3



Hana was able to improve her home in Saida, Lebanon, through a housing microfinance loan from Al Majmoua.

Al Majmoua (Lebanon)

Al Majmoua has been sustainable and profitable over the past 13 years. By the end of 2016, it had reached over 62,000 active borrowers, with a portfolio of US\$59 million. Across its portfolio, 75 percent of its clients live in rural areas.

Lebanon has been greatly impacted by the Syrian crisis, now in its seventh year. Estimates suggest the crisis has driven an additional 200,000 Lebanese into poverty and up to 300,000 Lebanese into unemployment. There are also questions about whether the country's housing is affordable and inclusive. As an example, development in Beirut is unregulated and there is no comprehensive housing policy. Both of these challenges have had a detrimental effect on Lebanese citizens.¹⁴

Adding to the difficulty, Africa and the Middle East ranks lowest among regions by the metrics of microfinance outreach and average loan size.⁸ At a national level, the microfinance sector is underdeveloped because of the lack of government regulation and the barring of institutions to take deposits. As a result, estimates suggest that Lebanon's microfinance market penetration stands at about 11 percent of potential outreach.⁹

One microfinance institution working to expand access to financing for the underserved in the region is Al Majmoua.

It has the largest reach in Lebanon, with over 40 percent of microfinance institution market share by number of client loans and over 20 percent market share by portfolio size. Still, it faces limitations as an NGO, having neither access to the credit bureau nor the ability to share information on over-indebtedness. But it has made great strides supporting the underserved, especially in the area of housing loans.

Since 2008, Al Majmoua has financed small housing projects. Although its rapid portfolio growth came to a halt in 2011 when the Syrian crisis began affecting the country's economy, Al Majmoua stabilized at an average growth rate of 19 percent from 2012 to 2016, with 2012 being the same year MicroBuild first invested in the institution. Currently, Al Majmoua's housing loan product is offered in all Lebanese regions and branches, and in Palestinian camps. As of May 2017, its gross housing loan portfolio was approximately US\$1.2 million, and Al Majmoua plans to further grow its housing product by increasing individual targets for loan officers.

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Thank you to MicroBuild's partners



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121 Habitat St., Americus, GA 31709-3498 USA (800) 422-4828 fax (229) 924-6541
publicinfo@habitat.org habitat.org

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