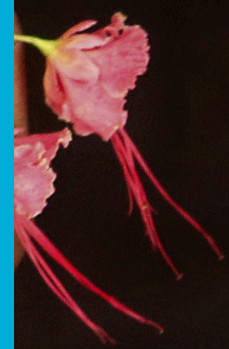




MicroBuild Fund

Annual Report FY2021



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**My humanity is
bound up in yours,
for we can only be
human together.**

– Desmond Tutu





Mike Carscaddon

Chairman
MicroBuild Fund board of directors

Last year we saw how the COVID-19 pandemic brought new urgency to Habitat for Humanity’s mission and the efforts of Habitat’s Terwilliger Center for Innovation in Shelter to make markets work more effectively for people in need of decent, affordable shelter. Housing is now broadly recognized as a matter of public health and a key factor in economic recovery. For years, the MicroBuild Fund has been part of the solution, enabling microfinance institutions to introduce housing finance products to low-income clients looking to expand or improve the quality of their homes, purchase land, or meet other housing-related needs.

While our investee microfinance institutions and their borrowers have demonstrated a great deal of resilience since the onset of the pandemic, the full impact of the crisis is yet to be felt by the microfinance sector and the millions of borrowers

around the world who use these services. Driving investment toward funds like MicroBuild helps ensure that microfinance institutions can continue to serve the poorest and most vulnerable segments of society.

Indeed, the fund has played an important role in bolstering the sector. In fiscal year 2021, the MicroBuild Fund surpassed US\$140.7 million in disbursements to 55 financial institutions across 32 countries. Additionally, US\$43 million in loans were renewed across 22 institutions in 17 countries. This year, the MicroBuild Fund reached a milestone by serving over a million individuals with improved shelter. The fund also has helped catalyze the sector by unlocking over US\$483.7 million in additional capital by investee institutions to grow their affordable housing finance portfolio.

Beyond microfinance, the Terwilliger Center has pursued research and impact studies to understand how housing markets can become more inclusive and support the lives and livelihoods of low-income families. The center’s recently commissioned report, *A Ladder Up*, follows the *Cornerstone of Recovery* report, which made a strong case for housing investment as a key to recovery in emerging economies hit hard by the pandemic.¹ The new study shows how investing in residential construction is an efficient means of stimulating job growth and solving the global housing shortage.² Policies that stimulate construction of new housing units and the improvement of existing ones can generate significant employment opportunities, particularly for those with low levels of formal education.

As a demonstration fund, MicroBuild began its scheduled wind-down in July 2019. However, access to long-term capital, products and services continues to remain a critical issue for low-income households globally. With this recognition, we commissioned iGravity, a Swiss-based investment advisory services firm, to conduct a feasibility study for a follow-on fund to MicroBuild. We are assessing next steps toward a second impact investment fund along with existing and new partners to chart a greater path to impact.

As always, we remain grateful to our MicroBuild partners – the Omidyar Network, MetLife Foundation, Triple Jump and the U.S. Development Finance Corporation – and to our key supporters: the Hilti Foundation, IKEA Foundation, Morgan

Lewis, the Stanard Family Foundation, the J. Ron Terwilliger Family Foundation, Keith V. Kiernan Foundation and Swiss Capacity Building Facility. We also appreciate the many others who have supported the MicroBuild Fund and its mission. ■





One million people with access to better housing through MicroBuild

When the US\$100 million fund launched in 2012, we projected that it would help 459,000 people access improved housing – giving adult borrowers the ability to invest in an asset that would improve their long-term financial stability, allowing children safer places to study, and creating healthier living conditions for everyone in the home. With four years remaining in the fund's tenure, we have already more than doubled our impact target.

As of June 2021, the MicroBuild Fund
has enabled **1,025,430 people**
to access better housing.

As a demonstration fund, one of MicroBuild's goals was to prove that social investment funds can yield positive returns for investors, encouraging new and larger institutions to invest in the sector. This new milestone reflects not only high demand for housing microfinance, but also the ability of microfinance institutions to scale responsively and unlock additional capital for further impact. ■

MicroBuild Fund impact at a glance



\$141.1
million
Total disbursed portfolio

55
Institutions

32
Countries

\$184.1
million
Total disbursed + renewals

\$483.7
million
Net funds unlocked to grow
housing microfinance portfolio

1.025
million
Individuals benefiting from
improved housing

74%
Female borrowers

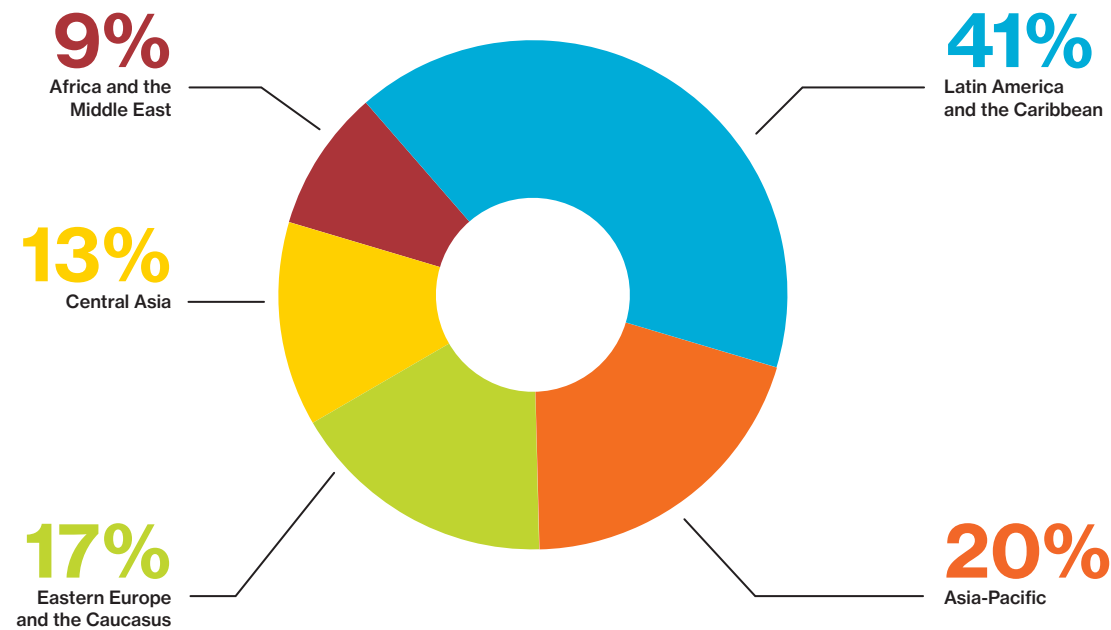
66%
Rural borrowers

4.5%
Investee housing
microfinance
portfolio-at-risk

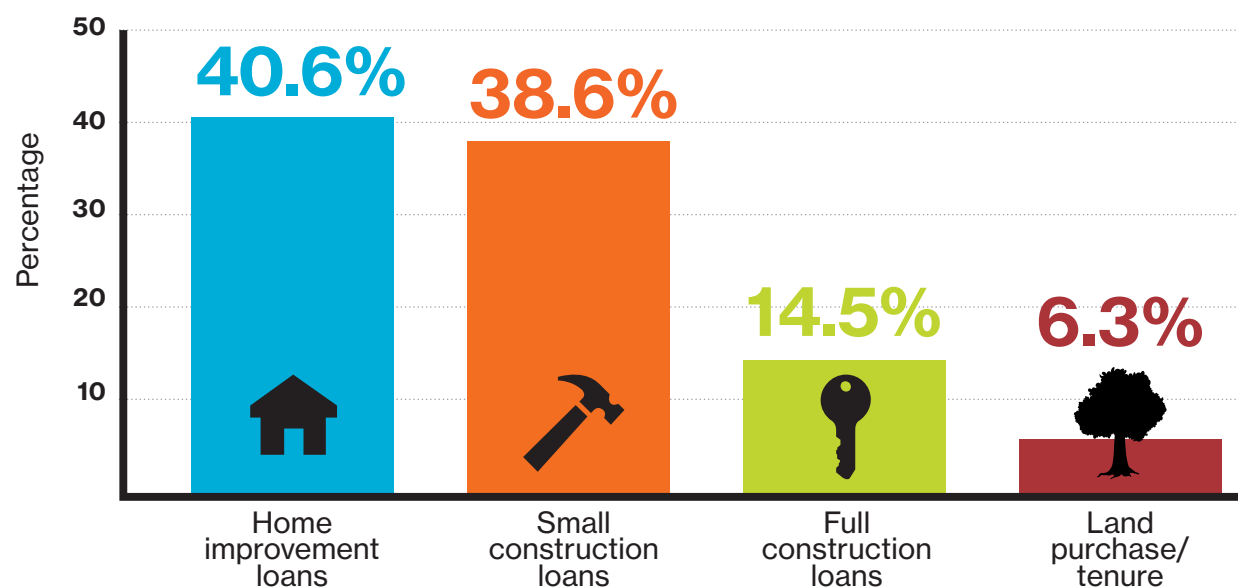
11.5%
Investee portfolio
in housing

\$1.12
billion
Investee housing
microfinance portfolio

Geographical distribution of portfolio outstanding



Loan uses



COVID-19 and the future of housing microfinance

Support to the microfinance sector will be an ongoing need in a post-COVID world

The COVID-19 pandemic has threatened lives and livelihoods while deepening inequality and other societal disparities. This has posed a great and ongoing challenge to microfinance institutions serving the same communities that were hit hardest by the pandemic. For the poorest people, access to financial services is not a certainty. Over 140 million borrowers depend on microfinance providers for lending that is not otherwise available to them through traditional financial institutions. Moreover, housing microfinance has grown in relevance during the pandemic, as decent, affordable housing has become recognized as a matter of public health.

The MicroBuild Fund enables microfinance institutions to introduce housing finance products to clients who are interested in improving their homes. Unfortunately, many borrowers experienced increased economic vulnerability at the outset of the pandemic and were unable to make their scheduled payments. At the same time, microfinance institutions faced liquidity concerns as the pandemic threatened to cause high levels of nonperforming loans. For these institutions, the beginning of the pandemic was marked by a focus on immediate liquidity needs, containing losses and other forms of crisis management. This included working around moratoriums and performing restructurings.

More than a year into the pandemic, we observe with relief that a sectorwide liquidity crisis has not materialized. In fact, the sector has demonstrated remarkable resilience in the face of these challenges. We also know, however, that the full impact of COVID is yet to be felt, and the pandemic

continues to put pressure on many microfinance providers and their customers. Concerns remain that some providers may not be able to rebound fully. This is particularly true for Tier 2 and Tier 3 providers,³ which were more severely affected and might not be sufficiently capitalized to endure the impact of the pandemic in the long run.⁴ Taking positive collective action as an industry will include understanding and providing the types of financial support Tier 2 and Tier 3 microfinance institutions need to move forward.

We must work toward ensuring that microfinance institutions survive and can continue to service the poorest and most vulnerable segments of society. **We must now build back an even stronger housing microfinance sector for the future.** This includes microfinance institutions that have embraced housing microfinance products in their portfolios for both its positive returns and social impact. This annual report shares stories from our partners and their clients, including their resilience in the face of the pandemic. It also presents takeaways from the Terwilliger Center's *A Ladder Up* report, which explains how investment in housing construction can jump-start economic recovery and provide jobs where they are needed most.

Looking ahead, the MicroBuild team is turning its attention to opportunities for expansion beyond the first demonstration fund. Given the success of MicroBuild, we are proceeding with confidence in the value and need for housing finance products, such as those offered by the institutions in our portfolio. The feature story "Charting a Greater Path to Impact" elaborates on this work. ■



Kate McKee

Independent Director
MicroBuild Fund board of directors

The MicroBuild Fund's mission and strategy are even more relevant to the crucial challenges facing societies, communities and lower-income families today than when I joined the board in 2017. Low-income families gain very tangible improvements in their quality of life by investing in building, maintaining and upgrading their homes: roofs and walls that keep out the elements, more space, indoor plumbing and electricity, windows and doors that lock. In eight years, more than 200,000 low-income and working-class families have experienced these direct benefits through housing loans and assistance from the MicroBuild Fund's partners around the world.

Closer examination of the fund's results suggest that improved living conditions are just the tip of the iceberg. Independent studies across the MicroBuild portfolio document important longer-term outcomes, including **greater resilience, agency and empowerment, optimism, and hope for a better future.** These less-tangible

impacts are especially important for women, whose employment status and income took a devastating hit during the pandemic in richer and poorer countries alike.⁵ Evidence shows how increased optimism for the future and perception of one's agency and self-efficacy translate into broader benefits for all, but especially when they accrue to women.⁶ Many agree that progress on women's economic empowerment will be crucial for successful and equitable recovery from the pandemic.

The 60 Decibels study on KOMIDA featured in this report is part of a growing body of research on how effective housing finance from MicroBuild's partners and others boosts the **resilience** of low-income families. The pandemic experience and previous crises show that lower-income families need to **build long-term assets** to sustain any gains in living conditions and earnings. Homeownership can be a crucial asset builder, especially when combined with even informal or semiformal access to land and home titling, a key objective that MicroBuild has pursued. Many MicroBuild partners also offer savings services to clients, which provides a critical financial asset, helps safeguard the value of families' housing, and provides a cushion against unexpected health crises, economic meltdowns and natural disasters.

Economic, health and educational benefits accrue to these families as a result of homeownership.⁷ Improved safety and security can disproportionately benefit women and girls by reducing the threat of break-ins, bringing water and sanitation access inside the home, creating safe places for children to play and study, and offering better options for balancing paid and unpaid work. Housing finance also has helped many families increase their incomes through home-based work, a crucial survival strategy for millions seeing their traditional livelihoods threatened by lockdowns and severe economic slowdowns.

Together, this evidence and MicroBuild's financial and operational results make a compelling case to impact investors, policymakers and the

development community for scaled-up investment in housing finance directed to lower-income countries and families. This specialized fund has achieved impressive results, whether measured in outreach, portfolio performance, leverage or return on investment for the pioneer impact investors that

backed the MicroBuild Fund. More importantly, the benefits accruing to the hundreds of thousands of people its partners serve show how inclusive housing and housing finance can drive sustained improvements in families' lives. ■



Spotlight on microfinance institutions and end beneficiaries

Spotlight on First Finance, Cambodia



- Gross loan portfolio: **US\$24,310,331**
- Women borrowers: **64%**
- Social performance score: **B**
- Number of clients: **1,564**

Over the past two decades, Cambodia has more than halved its poverty rate.⁸ Despite this progress, however, around 4.5 million people live just above the poverty line and remain vulnerable to falling back to poverty when exposed to economic and other external shocks such as COVID-19. Unfortunately, employment and income losses have been felt widely in Cambodia because of the pandemic. World Bank statistics show that only about 69% of households' main earners were employed in March 2021, a 13% decrease compared with pre-pandemic levels.⁹

Housing continues to be an essential need in the country, with Habitat for Humanity Cambodia reporting that 2 in 3 Cambodians remain in need of decent, affordable housing.¹⁰ An additional 1 million new housing units will also be needed by 2030 to meet the demands of a booming population and shifts caused by urban migration. Access to finance plays a pivotal role in increasing the affordability for low- and middle-income families looking for adequate shelter.

ABOUT FIRST FINANCE

Cambodia has steadily rebuilt its banking sector since the 1970s, when the Khmer Rouge closed all banks and abolished the national currency. However, many households in Cambodia still have no access to formal housing finance products and services. Licensed in 2009, First Finance was the first financial institution in the country to specialize in housing finance. "With the development of Cambodia's financial sector, there is more access to housing loans for salaried employees with income statements, but self-employed clients in the informal sector are left out," First Finance CEO Sothany Chun explains.

First Finance's mission is to build the economic stability of low-income Cambodian families by increasing access to homeownership. "These are microentrepreneurs, like street vendors, with no records," Sothany says. "Even when their income is similar to a salaried employee, they don't have any evidence to prove their income to a bank." First Finance focuses on this invisible segment, helping families buy, build and improve their first homes.

CLIENT STORY

Nora, like so many of First Finance's clients, is a first-time homeowner. In 2017, he and his wife, Srey Meas, invested all their savings into a plot of land in Choung Boeung, a town an hour from Cambodia's capital. They had made the first step toward becoming homeowners, but they had nothing more to pay for construction.



The land sat empty for years, until Nora learned about First Finance from a co-worker at the hotel where he worked. With two loans from First Finance, totaling US\$8,000, Nora and Srey Meas built a modest home – made of brick and measuring 13 feet by 36 feet with two rooms and an adjoining bathroom. "Home is the most important part of my life and my family," Nora says. "It is our daily shelter. Before our home, we always felt unstable and insecure."

But homeownership hasn't been easy for Nora. Cambodia's once thriving tourism sector was hit hard by the pandemic, as the number of international travelers to the country plummeted 80%. Nora, like many others, lost his job. Despite this setback, Nora continued to make his loan payments, leaning on support from family.

Now Nora works at a garment factory during the week and as a construction day laborer on the weekends. "We feel relieved to have something that belong to us, where we can live with our freedom," he says. "I still need to work hard for the monthly payment, but the difference is I paid to get something our own."

Now he plans to set up a grocery stall in his front yard, hoping that the house can also help his family improve their income to relieve the persistent financial pressure caused by the pandemic. "My wife can tend to the grocery stall and look after my daughters at the same time," he says.

Spotlight on Microinvest, Moldova



- Gross loan portfolio: US\$145,811,745
- Women borrowers: 40%
- Social performance score: B
- Number of clients: 38,270
- Rural borrowers: 66%

COUNTRY CONTEXT

Despite its strong economic performance over the past two decades, Moldova remains among the poorest countries in Europe.¹¹ The country's growth model, which is highly dependent on remittance-induced consumption, made it particularly vulnerable to the economic shocks caused by COVID-19. The decline in remittances, combined with a decreasing and aging population, resulted in low productivity growth and a 7% decline in gross domestic product in 2020. However, in 2021 the economy showed signs of a slow recovery. Although all financial institutions in Moldova offer some housing loan products, very few provide housing loans to low-income populations. Simultaneously, over 60% of the housing stock in Moldova's two largest cities was built in the Soviet era and is rapidly deteriorating.¹² The rate of new housing construction is insufficient to meet demand and replace old housing stock.

ABOUT MICROINVEST

Microinvest is a leading microfinance institution in Moldova and the largest player in the nonbank financial sector, accounting for around 37% of the country's microfinance in terms of gross loan portfolio, with around 50% of exclusive clients. Geographically, Microinvest covers all areas of Moldova through its 15 branches, offering low-income Moldovans both online and retail loans

for housing purposes. However, the gap between the demand and supply of such products remains significant. The growing demand for home improvement loans encouraged Microinvest to enter a partnership with Habitat for Humanity. The MicroBuild Fund commenced the relationship with a US\$2 million investment, complemented with the customized technical assistance from the Terwilliger Center to improve existing housing finance products and provide relevant nonfinancial services for the low-income population in Moldova, with a strong focus on energy efficiency and renewable energy.

CLIENT STORY

Benchechi lives in Moldova and is a satisfied client of Microinvest, having secured multiple loans from the institution since June 2020, including a housing loan to purchase an apartment for his son and daughter-in-law. Benchechi and his son had saved €9,000, which was insufficient to purchase an apartment; they needed a €20,000 loan. Benchechi tried to apply for a loan from a traditional bank, with no luck. "For a long time, they analyzed, and in the end, I did not even receive the answer," he says. The family's income comes from remittances sent by family members working abroad, which is not always considered sufficient or legitimate by other banks. Microinvest recognizes remittances as a key income stream for many lower-income families. The institution's micromortgage product often suits the need of families like Benchechi's for a smaller loan with appropriate underwriting standards. Microinvest issued Benchechi a loan for €20,000, allowing him to access home financing that might not have been possible otherwise.



Benchechi, a client of Microinvest, sits in his home in Moldova. He was able to avail a housing loan from Microinvest for his son's apartment after other banks did not approve his loan applications.

Spotlight on Banco Popular, Honduras



- Gross loan portfolio: **US\$126,735,728**
- Women borrowers: **54%**
- Social performance score: **A**
- Number of clients: **56,933**
- Rural borrowers: **20%**

COUNTRY CONTEXT

Already faced with high levels of poverty, Honduras' economy was significantly impacted by the COVID-19 pandemic and two Category 4 hurricanes in November 2020, Eta and Iota. GDP contracted 9% in 2020, and challenges remain for the country to rebound from the events of the past year. Despite this, Honduras projected 4.5% GDP growth in 2021. Spillover effects from the U.S. economic recovery, such as cross-border remittances, have been helpful. The government also provided significant liquidity to financial institutions, affordable working capital loans to entrepreneurs, and credit enhancements for the tourism sector. With vaccine availability increasing, Honduras is making strides to reduce the risk posed by COVID-19. However, even before the pandemic, more than half of Hondurans were living in poverty. According to the World Bank, Honduras has a housing deficit of about 350,000 new units, with an additional 775,000 homes in need of repairs and improvements.¹³

ABOUT BANCO POPULAR

Established to support micro-, small and medium enterprises, Banco Popular is the only microfinance bank in Honduras. With a focus on creating employment opportunities, reducing poverty and supporting economic growth, Banco Popular provides a range of banking products to meet the needs of families. As of July 2021, 8.1% of its portfolio was dedicated to housing microfinance.

Banco Popular began working with Habitat for Humanity International in 2017 to refine its existing product for home improvement and small construction. Habitat's Terwilliger Center assessed and refined Banco Popular's existing microfinance housing product, supported the development of a new marketing strategy and sales team, and facilitated a partnership with a sustainable energy provider. With Habitat's support, Banco Popular has increased its housing microfinance portfolio from US\$3.4 million to US\$10.1 million since 2017, benefiting over 2,300 households. Based on the success of its housing microfinance program, Banco Popular expanded its loan products, which initially focused on home improvements, to include loans for whole home construction and land acquisition. This move is key in Banco Popular's growth strategy and aligned with its mission of improving the living standard of its clientele. Although the pandemic and recent hurricanes put a large number of clients behind on payments, the situation has begun to improve.



CLIENT STORY

Magda is a single mother of five children in Honduras. She learned of Banco Popular from her sisters and initially received a loan to expand her small grocery business. After the grocery store's expansion, Banco Popular financed a loan for Magda to improve her home. "They gave me another loan, and I transformed my house that was made of sheet metal," Magda says. "Now my house is made of brick; now my children are

safer." Building on this success, Magda secured a third loan from Banco Popular to further expand her grocery store by adding apartments, thereby creating a new stream of household income. With Banco Popular's support, Magda has diversified and increased her income while providing a safer household environment in which to raise her children. "Even though I am a single mother, they trusted me," she says of Banco Popular. "I feel like I am part of the family." ■



Steven Evers

Managing Director and CEO
Triple Jump, fund manager
of the MicroBuild Fund

FUND HIGHLIGHTS AND EVOLUTION: During the fiscal year ending in June 2021, the MicroBuild Fund progressed further into the wind-down phase and repaid a total of US\$8.5 million of Development Finance Corporation, or DFC, notes. In the first half of the fiscal year, national containment measures dealing with COVID-19 were still prevalent in the countries where the MicroBuild Fund invests. The fund hence mainly focused on maintaining a sufficient cash buffer to meet its obligations and ensure adequate fund performance.

Throughout the year, investees and their end clients proved resilient, and the vast majority of maturing loans were successfully repaid. Disbursements of new loans and renewals of maturing loans only cautiously resumed in the second half of the fiscal year. Portfolio growth was however slower than anticipated, as most investees were focused on maintaining asset quality under control, and credit demand was lower than prior to the pandemic. This

reduced adequate investment opportunities for the fund, resulting in a relatively high liquidity level.

The MicroBuild Fund continued to maintain a strong presence in Latin America and Eastern Europe and the Caucasus. The regional allocation as of the end of June 2021 was:

Latin America and the Caribbean
41%

Eastern Europe, Caucasus and Central Asia
30%

Asia-Pacific
20%

Middle East and Africa
9%

PORTFOLIO EVENTS: During the year, the exposure in Lebanon was the primary source of risk for the portfolio. Since late 2019, the country has been experiencing a political and economic crisis accompanied with pressure on the currency peg to the U.S. dollar, which ultimately broke. The crisis further intensified as a result of the government defaulting on its debt in March 2020, the COVID-19 pandemic, a port blast in Beirut, and the subsequent resignation of the Cabinet. The complex and uncertain situation in Lebanon continues to significantly impact the clients of the fund's only investee in the country, Al Majmoua, which MicroBuild continues to support.

HOUSING MICROFINANCE AND SOCIAL PERFORMANCE: Throughout the pandemic, the MicroBuild Fund continued to support its partner institutions in providing housing microfinance loans to individuals and households. The housing microfinance portfolio of the MicroBuild Fund's partner institutions reached US\$1.122 billion and has directly served over 1 million individuals and 200,000 households. Partner institutions displayed a strong social performance,¹⁴ with 48% rated A-Excellent and 52% rated B-Good. The MicroBuild



Fund continues to have significant outreach to rural areas and women – 66% of borrowers were rural and 74% were women as of June 2021. During the pandemic, social outreach remained as high as seen during the past few years.

OUTLOOK: Triple Jump's team remains committed to ensuring solid progress and maintaining the social outreach of the MicroBuild Fund to the greatest extent possible throughout the wind-

down phase. With the strong cash position, new investments can be comfortably executed while maintaining sufficient buffer to meet obligations. We expect to maintain strong outreach to Latin America in particular, followed by Eastern Europe, Caucasus and Central Asia, or ECCA, and Asia-Pacific. Although the interest rate environment in ECCA is particularly challenging, we are confident we can maintain sufficient regional diversification. ■

Housing research and case studies

A Ladder Up: The Role of the Construction Sector in Creating Jobs and Rebuilding Emerging Market Economies

Habitat for Humanity’s Terwilliger Center for Innovation in Shelter has released the *A Ladder Up* report to evidence the size of the construction sector and socioeconomic characteristics of construction workers in nine emerging market countries.

The findings emphasize how the construction industry, led by homebuilding, is a major and often-overlooked source of jobs in emerging markets.

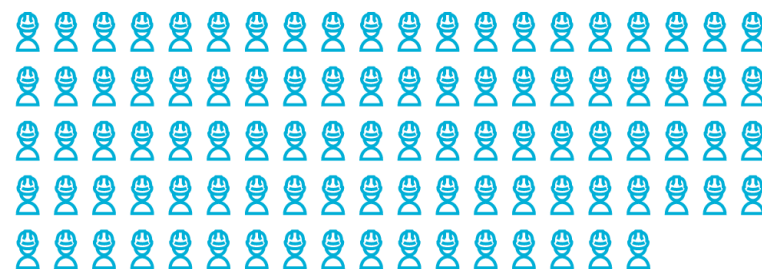
Key findings

Construction represents an important first step on the employment ladder for many workers, particularly for rural migrants to urban centers, as it provides both formal and informal jobs for workers with limited educational levels. In some markets, most construction workers are employed informally. Estimates suggest that as much as 50% of construction workers in South Africa are employed informally, and the number rises to 62 to 68% in Colombia and Peru and 91 to 92% in India, Indonesia and Uganda. Available evidence shows that these are relatively well-paying jobs for workers with limited educational attainment.

Every **US \$1 million** in construction output



creates **97 jobs** on average across seven emerging market countries.



Source: *A Ladder Up: The Construction Sector's Role in Creating Jobs and Rebuilding Emerging Market Economies*, "Habitat for Humanity's Terwilliger Center for Innovation in Shelter"



Meanwhile, investments in the construction industry also create many jobs. The report found that an average of 97 jobs are created for every US\$1 million in construction output – the value of the construction activity during a given period – across the countries studied. This was higher than the average for many of the largest sectors in the countries studied, including the agricultural sector (81 jobs created per US\$1 million in output) and accommodation and food services (96 jobs per US\$1 million). Investments in the construction industry not only create good jobs for workers with lower levels of educational attainment, but also create more jobs for these individuals than investments in other industries.

Because residential construction represents a large proportion of the broader construction sector, these investments can also help address the worsening global affordable housing shortage. The authors found that in Brazil, Colombia and Mexico – where information about residential construction was available – residential construction represents over 80% of building construction.

The call to action

The study shows that investing in residential construction is an efficient means of stimulating job growth and solving the global housing shortage. Policies that stimulate construction of new housing units and the improvement of existing ones can generate significant employment opportunities, particularly for those with low levels of formal education. And increasing construction activity has an important impact on local labor because most jobs are local, and imports are primarily limited to raw materials with limited risk of outsourcing. At the same time, these policies and investments, if implemented with a focus on equitable development and climate change, can produce long-term benefits to household welfare, energy efficiency, and increased resilience in the face of natural disasters, helping with progress toward many of the United Nations' Sustainable Development Goals. This creates an opportunity for national governments and development finance institutions to invest in first analyzing the roadblocks to the growth of the sector and then supporting the development of a business environment conducive to improved skills and working conditions for construction workers.

Princeton study: Land Rights for the Untitled Poor

Land tenure is a critical component of households' sense of security and potential for economic development. It is also an objective of the MicroBuild Fund to help its borrowers obtain formal titles. Research shows that secure tenure corresponds with higher property values. Having secure tenure also means that a household will be more likely to generate income from its property, such as by renting rooms or leasing plots of land.¹⁵ On the other hand, lack of documentation represents a missed opportunity for economic gain.

Land tenure is a key element of the work of the MicroBuild Fund, namely through:

- The education of microfinance institutions about land tenure and its relevance to housing microfinance.

- The creation of new business models based on bundling housing loans with land tenure services.

The MicroBuild Fund has succeeded in deploying investments to support housing loans, but improving land tenure security for low-income households has been more difficult. With a need to recoup their investments, microfinance institutions prefer that their clients have clear land title before loans are approved, which confers greater confidence of repayment. Princeton University's School of Public and International Affairs published a case study¹⁶ on Habitat for Humanity's work in land tenure services and identifying the appropriate partners with whom to structure an appropriate lending model.



Quality, affordable housing is a rubric for a healthy society.

60 Decibels impact study: KOMIDA

Habitat's Terwilliger Center has provided housing microfinance advisory services to Indonesian microfinance institution KOMIDA since 2017. This year, the Terwilliger Center contracted 60 Decibels, an impact measurement company, to survey 300 of KOMIDA's clients to better understand their profiles and derive insights from their experiences using microloans. Of the 300 clients, half had taken out a business loan and half had taken out a housing loan. The housing microfinance loans were used for various purposes, including fixing floors, renovating rooms, improving the housing structure and adding rooms.

On the opposite page, we highlight top-line findings on land ownership and other impacts of KOMIDA's loans, comparing housing and business loan clients.

Findings related to land ownership

Over half of all clients surveyed (56%) had formal land ownership documents; 29% had semiformal documents, and 15% had only informal or no documents. Those without formal documents reported the most significant improvements in their housing conditions after the KOMIDA loan. While half of KOMIDA's clients had home-based income before taking out a loan, clients with semiformal land ownership documents were the least likely to have home-based income sources before availing the loan.

Clients with formal land ownership documents were most likely to report feeling "very safe and secure" in their current residence. Among housing microfinance clients, whether or not possession of formal land ownership documents, 97% reported an improved sense of safety in their homes, compared with just 18% of business loan clients. Almost all clients who improved their housing reported an improved sense of safety and security.



KOMIDA

Step 1



Socialization by KOMIDA agents in center's meeting.

Step 2



Member stating their interest, pay preliminary checking fee, and submit preliminary documents

Step 3



Eligibility check by Meridia team

Step 4



Property mapping process by Meridia team

Step 5



Meridia finish mapping process and determine certificate processing fee. Meridia will notify Komida.

Step 6



Loan approval by KOMIDA. Meridia will issue invoice to KOMIDA and KOMIDA pays on behalf of the members.

Step 7



Members will do weekly repayments to KOMIDA. Meridia will process towards official certifications

Step 8

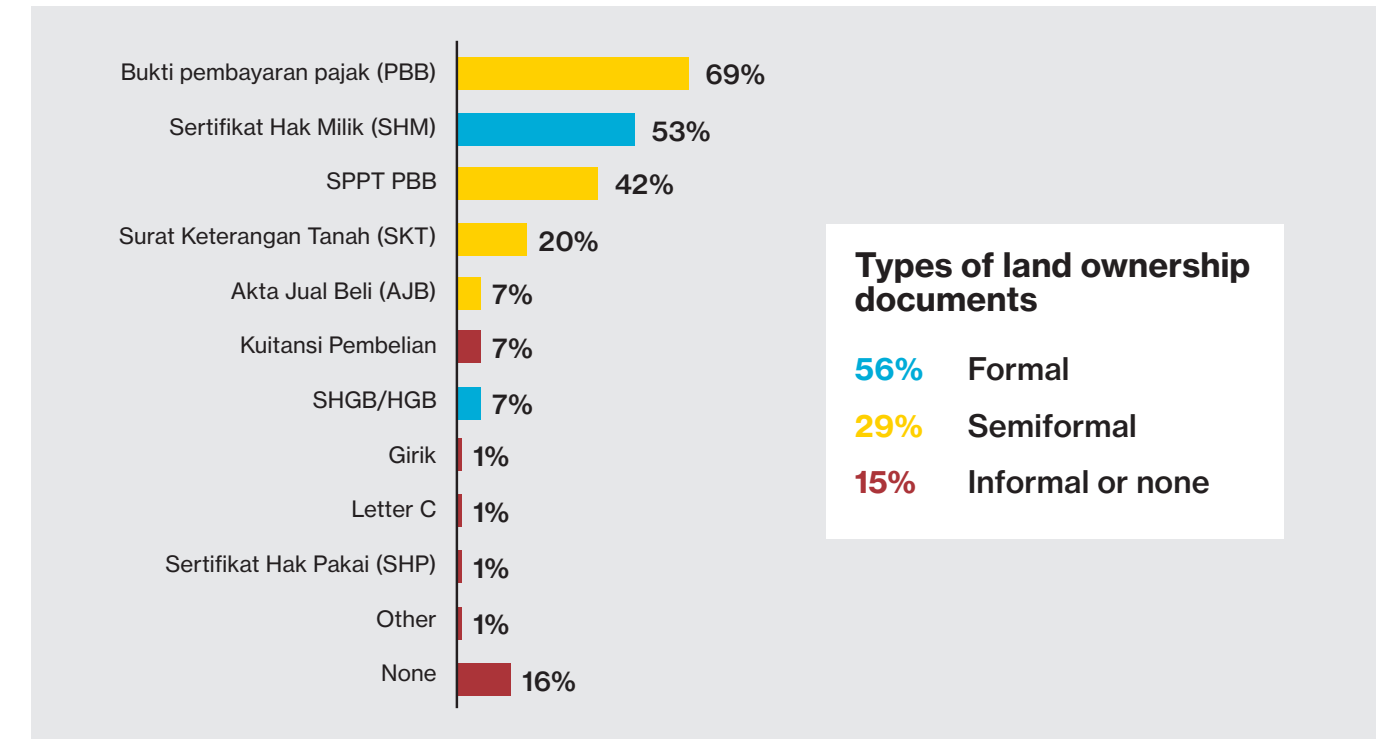


Meridia makes regular updates regarding status of applications. Members will receive official certificates.

Using a human-centered design approach, the Terwilliger Center, Meridia and KOMIDA have collaborated to develop an integrated land tenure and housing microfinance product for financial institutions.

Clients in possession of land ownership documents

Q: Which of the following land ownership documents do you have? (n = 299). Participants selected one or more document types as applicable.



Other findings

Researchers also evaluated the housing loan product and its relationship to households' quality of life resulting from their housing conditions. Nearly all housing loan clients reflected positively on improved quality of life since becoming a KOMIDA client, compared with just a third of business loan clients. The most common difference was greater comfort in their homes, with all housing loan clients reporting at least fair conditions, while more than 10% of business loan clients reported poor or very poor conditions.

Sixty percent of clients reported a worsening financial situation during the pandemic, with nearly half dipping into savings, a quarter finding additional work, and 16% borrowing more money. The study highlighted the better performance of the housing microfinance loans in terms of portfolio quality than general microfinance loans. Housing loan clients either reduced or stopped loan

payments at less than half the rate of business loan clients.

Overall, housing loan clients were more satisfied than business loan clients. With a Net Promoter Score of 53, 70% of housing loan clients would recommend the KOMIDA loan to a friend or family member. Greater flexibility in repayment and lower interest rates were named as areas for improvement.

Looking ahead

Since the survey, the MicroBuild Fund has funded KOMIDA with US\$1.5 million, which includes a technical assistance plan carried out by the Terwilliger Center and Meridia, a land titling company and social venture, to advance a new bundled land title and housing loan product. The product manual and staff training manual are complete, and the pilot will be implemented in FY2022. ■

MicroBuild Fund milestones

August 2012

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

October 2012

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

November 2012

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

January 2015

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

July 2016

MicroBuild Fund receives the OPIC Impact Award (2016).

June 2017

MicroBuild Fund is one of 10 winners of the Classy Award (2017).

March 2019

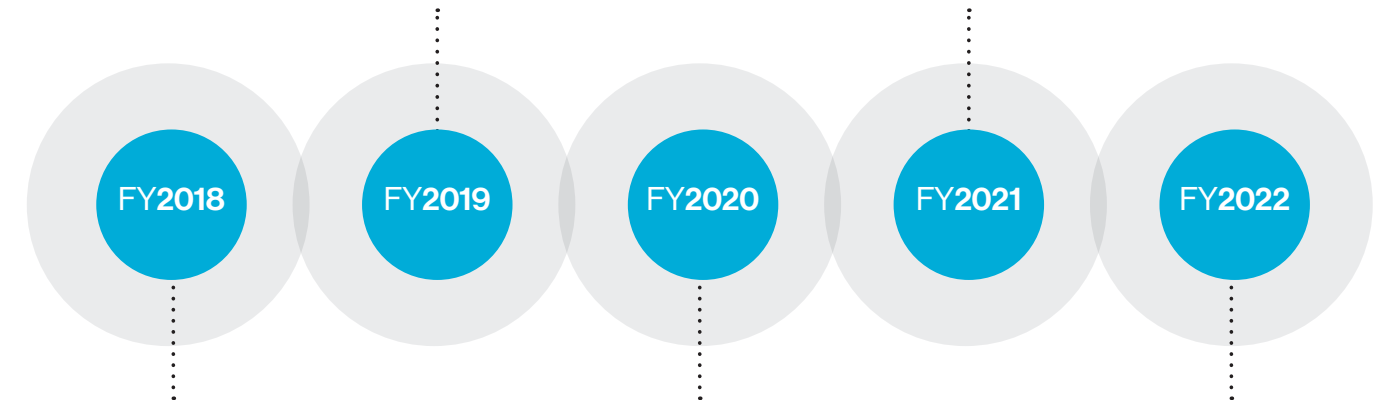
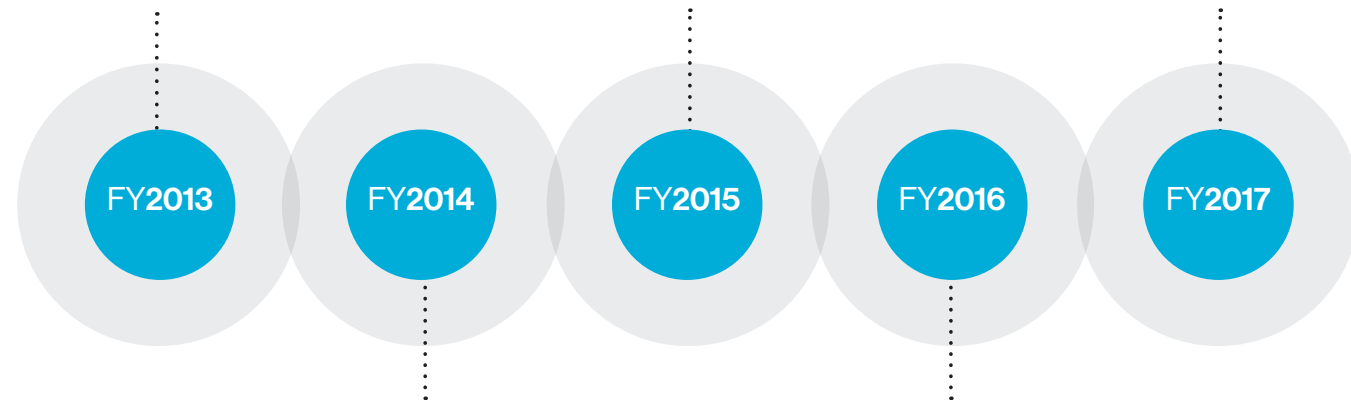
MicroBuild Fund is featured in the Catalytic Capital Consortium.¹⁷

June 2019

First MicroBuild Fund market sector study assesses crowding-in effect of non-investee institutions (Georgia).

March 2021

One million people have gained improved access to quality housing through the MicroBuild Fund's work.



January 2014

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

March 2014

First local-currency loan made to KazMicroFinance (KMF) (Kazakhstan).

December 2015

MicroBuild B.V. is registered in India to buy nonconvertible debentures. First nonconvertible debenture loan made in India to Annapurna.

May 2016

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

August 2017

MicroBuild Fund celebrates its fifth anniversary.

March 2018

Terwilliger Center launches the pilot for its first micromortgage product in Ecuador with Jardin Azuayo, a MicroBuild investee.

June 2018

MicroBuild Fund reaches more than US\$100 million in disbursements across 30 countries.

January 2020

Grunin Center for Law and Social Entrepreneurship at the New York University School of Law publishes a case study on the launch of the MicroBuild Fund.¹⁸

February 2020

MicroBuild Fund completes a full drawdown of the US\$90 million facility committed by the U.S. International Development Finance Corporation.

March 2020

First investment in Tunisia through a €60 million syndication led by FMO, the Dutch entrepreneurial development bank.¹⁹

July 2021

Princeton University publishes its *Land Rights for the Untitled Poor* study on the MicroBuild Fund.

Charting a path to greater impact

Exploring investable opportunities across the affordable housing value chain



Patrick Elmer

Founder and Managing Director of iGravity

Advisory firm specialized in impact investing and innovative financing for development

Affordable housing is becoming increasingly relevant for impact investors looking to generate both financial returns and social impact aligned with the Sustainable Development Goals, or SDGs. Access to safe, clean and affordable housing serves a wide range of basic human needs and is crucial to the well-being and prosperity of society. While housing is explicitly articulated in SDG 11,

its transversal nature makes it a key component of sustainable development across at least 13 of the 17 goals.

In the current pandemic context, improving and extending access to adequate homes and basic sanitation can prevent rapid transmission of diseases by improving hygiene measures and reducing overcrowding. Affordable housing is also the center point of a gender-responsive climate action agenda. For women, who will face greater burdens from the effects of climate change, owning a home can lead to more economic resilience by providing them with an asset that increases their financial safety and allows for income-generating opportunities. Climate-resilient construction can further improve the structural security of a home while reducing negative environmental impacts through more efficient water and energy use.

With 3 billion people projected to be in need of adequate and affordable housing by 2030,²⁰ government and nonprofit spending alone will not meet the needs of a growing urban population increasingly at risk from the effects of climate change. Thankfully, new models led by private enterprises across the affordable housing supply chain are also emerging in many developing countries to close the housing gap. These often comprise sustainable businesses seeking private financing rather than grant funding to scale their operations, providing new opportunities for impact investors.

The MicroBuild Fund has already paved the way for increased engagement of private investors in affordable housing, generating a solid investment

track record for housing microfinance as an asset class and crowding in nearly five times more capital to financial institutions providing housing-related loans. Through a blended finance model, combining a guarantee and technical assistance in addition to investment capital, the fund has impacted over 1 million individuals, generated steady financial returns, and most importantly, demonstrated the viability of housing microfinance. However, the business case for housing microfinance needs to extend wider and deeper. This includes increasing exposure to additional countries in sub-Saharan Africa, providing loans with longer tenor, and working with a wider range of financial institutions.

Attractive partnership opportunities exist across the affordable housing value chain beyond financial institutions. To meet the huge deficit in the supply of affordable, newly built homes (both for purchase and rental), international development funds now are partnering with local developers, providing them with the technical and operational capacity to deliver high-quality affordable housing projects. Both at the developer and development fund levels, there is a large need for equity financing, particularly in the early stages of project development. Small and medium-sized enterprises and startups working in the affordable housing supply chain – such as materials, platforms; last-mile renewable energy; or water, sanitation and hygiene appliances – are also struggling to access seed and growth capital to scale and to test innovative solutions.

Although there is increasing interest and financing deployed toward affordable housing, current investors lack specific focus on affordable housing as a sector. Investors recognize the social impact and diversification opportunities as strong motivators to invest in the sector, but one key bottleneck is access to a pipeline of investable opportunities. Hence, Habitat for Humanity is uniquely positioned to leverage its sector expertise and reputation, localized presence across the globe, and network of investors and supporters to continue to build awareness of affordable housing as a sector for impact investment.



A feasibility study for a follow-on fund to MicroBuild was recently completed by iGravity. As both an investor and market builder, we recommend Habitat for Humanity continue to develop new investment vehicles mobilizing financing in the affordable housing sector, covering the aforementioned gaps in housing microfinance, and building the case for investment in affordable housing development and small to medium enterprises across the supply chain. ■

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About Habitat's Terwilliger Center for Innovation in Shelter

The Terwilliger Center for Innovation in Shelter, a unit of Habitat for Humanity International, works with housing market actors to expand innovative and client-responsive services, products and financing so that households can improve their shelter more effectively and efficiently. The Terwilliger Center's goal is to make housing markets work more effectively for people in need of decent, affordable shelter. The Terwilliger Center has

pioneered the use of housing microfinance, impact investments and startup accelerators to address this issue. The Terwilliger Center also works with established companies looking to enter the incremental homebuilding market, offering technical assistance and market research to help develop products that meet the needs of low-income families. ■

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