

Concept note

Housing Micro-Finance Strategy

Prepared by:

Rooftops Canada-Abri International

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Rooftops Canada...



...the international development program of co-operative and social housing groups in Canada

Our Canadian Housing Partners ...

- The Co-operative Housing Federation of Canada (CHFC)
- The Canadian Housing and Renewal Association (CHRA)
- The Ontario Non-Profit Housing Association (ONPHA)
- The New Brunswick Non-Profit Housing Association (NBNPFA)
- la Confédération québécoise des coopératives d'habitation (CQCH)
- The British Columbia Non-Profit Housing Association (BCNPFA)

We work ...



... with housing groups, co-ops, NGO's, trade unions, governments and the private sector to improve housing conditions and build sustainable communities.

Through the work of Rooftops Canada...

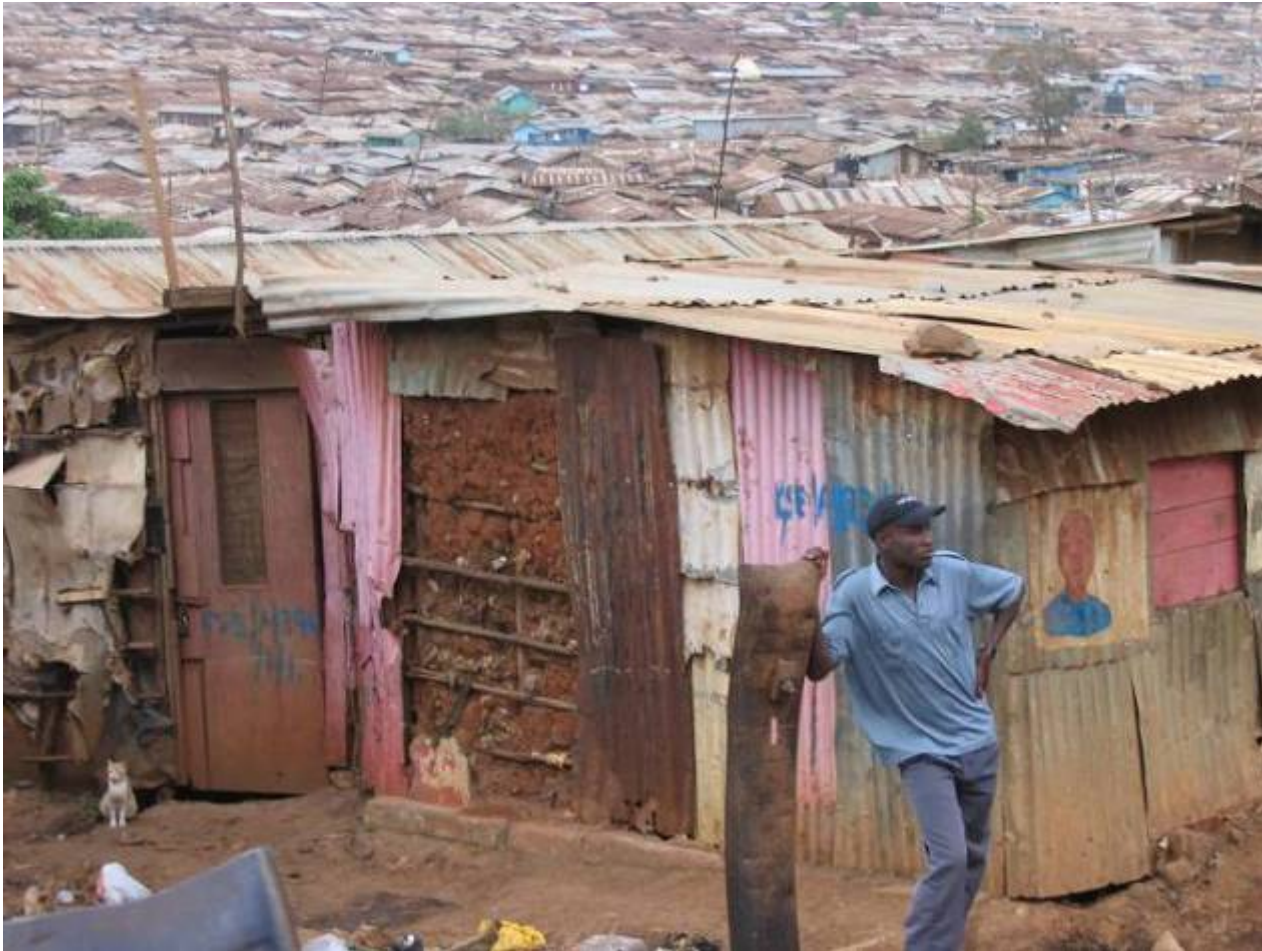


Our overseas partners are helping low income people obtain affordable housing and create healthy, sustainable communities.

The Challenge



1.2 Billion people – 1/3 of the global urban population - live in slums. The UN Millennium Development Goals only hope to improve the lives of 100 million by 2015.



“Two extremes outcomes of current shelter systems ...are being witnessed today: affordable shelter that is inadequate, and adequate shelter that is unaffordable”
(UN Habitat, 2005)



Within the next 20 years, it is very unlikely that conventional sources of finance will be available in most developing countries for investment on the scale needed to meet the projected demand for infrastructure and housing.

In sub-Saharan Africa, this reality is especially dramatic.

Market Housing is Unaffordable in Africa

Income levels are so low that the majority of households cannot afford to buy the least expensive house, even if mortgage finance were available.

Most households build step-by-step, room-by-room.



Housing is an Incremental Process



- Land acquisition through purchase or settlement
- Infrastructure: water, sanitation
- Core house built incrementally
- Complete house
- Rehabilitation/ improvement



The home is the most important asset that poor people will ever own.



Almost no institutional debt finance supports the progressive step-by-step housing process of the low- to moderate-income majority.

Housing Micro-finance (HMF)



HMF provides affordable housing loan products that support the incremental self-build approach. HMF is a series of small loans (against individual and group savings) that fit the way housing is built by the poor – progressively and over long time periods.

HMF Lending Characteristics

- Applies microfinance principles to housing
- Lending based on cash flow/ ability to pay
- Loans for short periods, maximum three years
- Accompanied by TA to ensure quality and affordability
- Secured by co-signers not title
- Tenure as secure as possible



Rooftops Canada's HMF experience

- Start up Grant capital for Revolving Loan Funds
- Loans from housing co-ops in Quebec and Alberta
- Building local capacity to develop/manage HMF loans
- Packaging housing models for scaling up
- Guarantor for international loan
- Building regional capacities, fostering exchange, and enabling regional and international networking



Kuyasa Fund South Africa

Kuyasa clients are mainly women working in the informal employment sector. Loan amounts and processes are designed to meet their needs.

Using PDA cell phones, Kuyasa's loan officers have provided 7,000 loans. Average loan size is approximately \$750



The Halu family is excited to finally have a new brick house

National Cooperative Housing Union Kenya

NACHU's holistic approach to housing includes:

- The house that grows: incremental building
- NACHU as one stop shop: full range of services
- Live to build: HIV and AIDS prevention, livelihoods enhancement



Jane spent her whole life being evicted until she joined the Amani Housing Coop. She got a loan from NACHU to build her home step-by-step.

WAT Human Settlements Trust Tanzania

WAT has implemented an innovative and successful demonstration project focused on settlement upgrading, land regularization and housing upgrading. WAT's technical assistance includes construction training, cost effective design services and quality monitoring.



“After repaying my loan, I will take another loan to build a modern toilet.” – Symphroza Najuka of the Kupongezana Group

Regional Workshop

Dar es Salaam, Tanzania, May 2008



120 housing, finance and agency stakeholders from 20 countries concluded that capacity building and capital are needed to grow the housing micro-finance sector in sub-Saharan Africa.



Challenges to Scaling Up

- Huge potential demand but limited affordability
- Limited capacity to deliver housing and finance products
- Limited pro-poor capital available



Strategy

Focus on achieving scale both by:

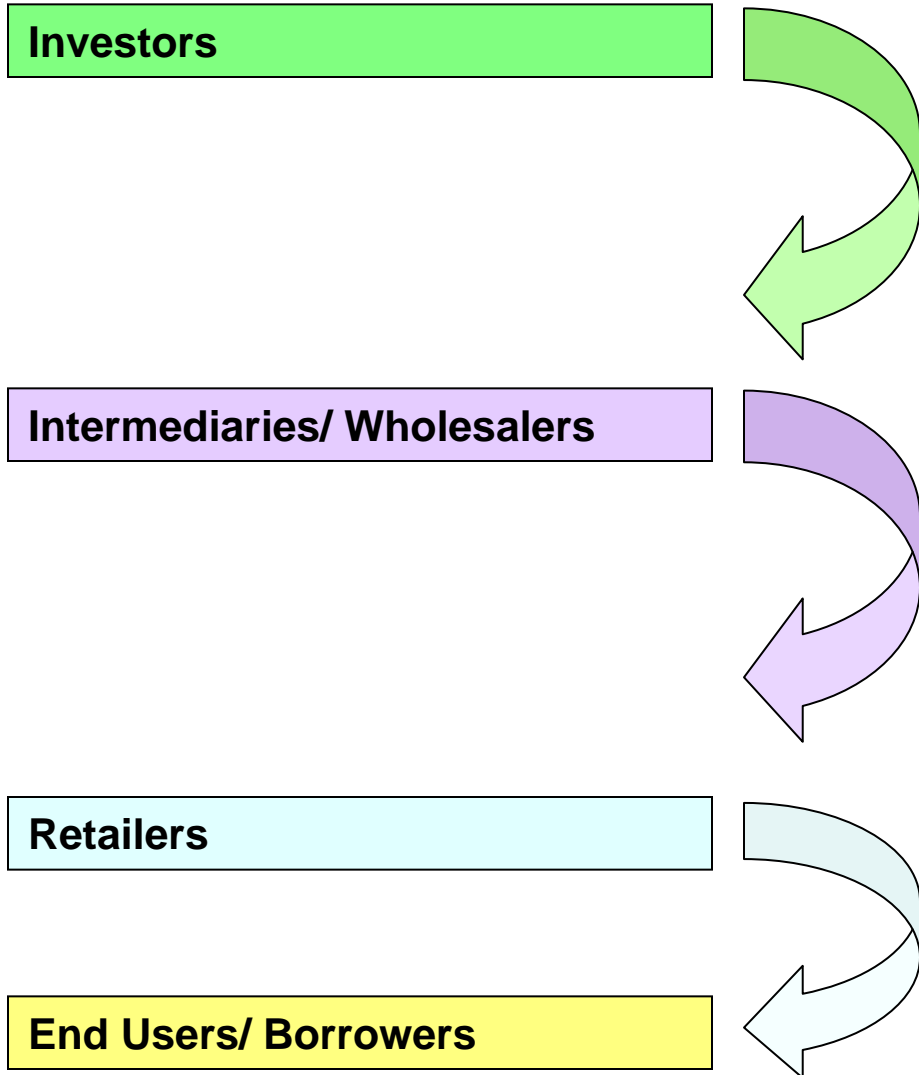
- enabling access to capital
- building capacity



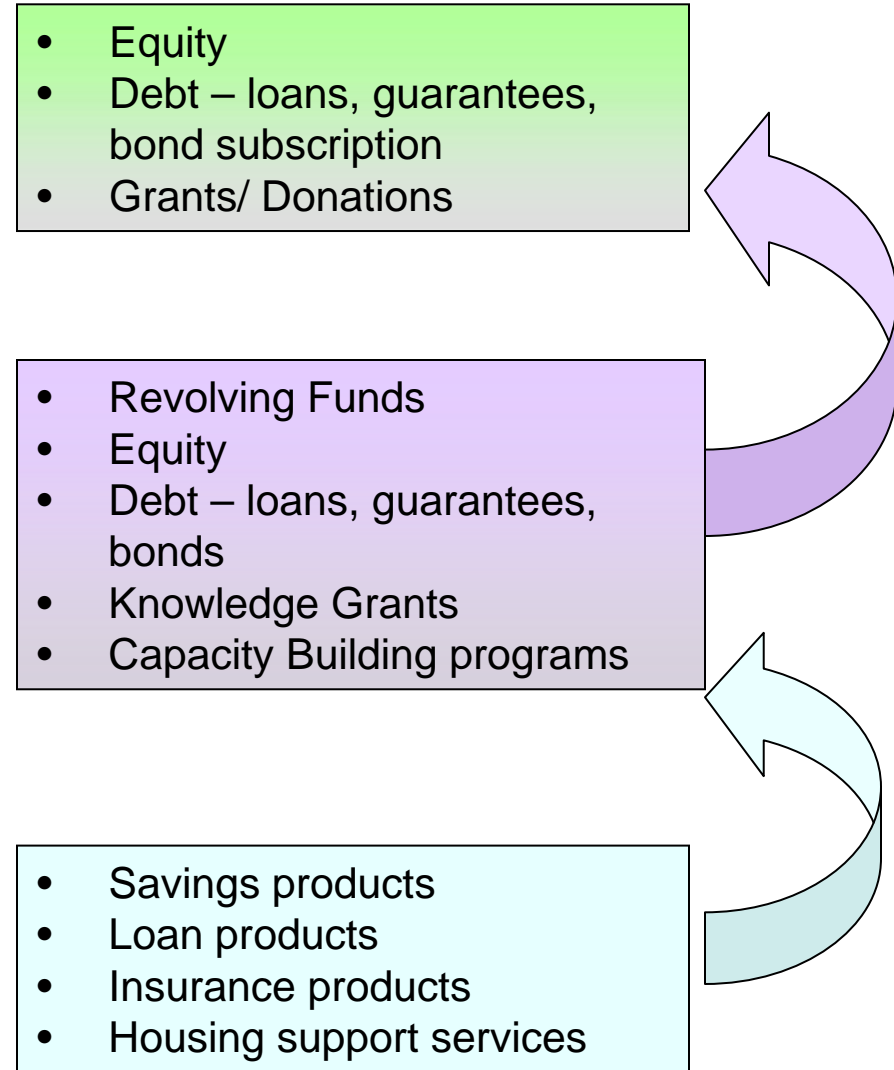
The HMF System



Participants



Tools



Roof tops Canada Africa Housing Fund

and

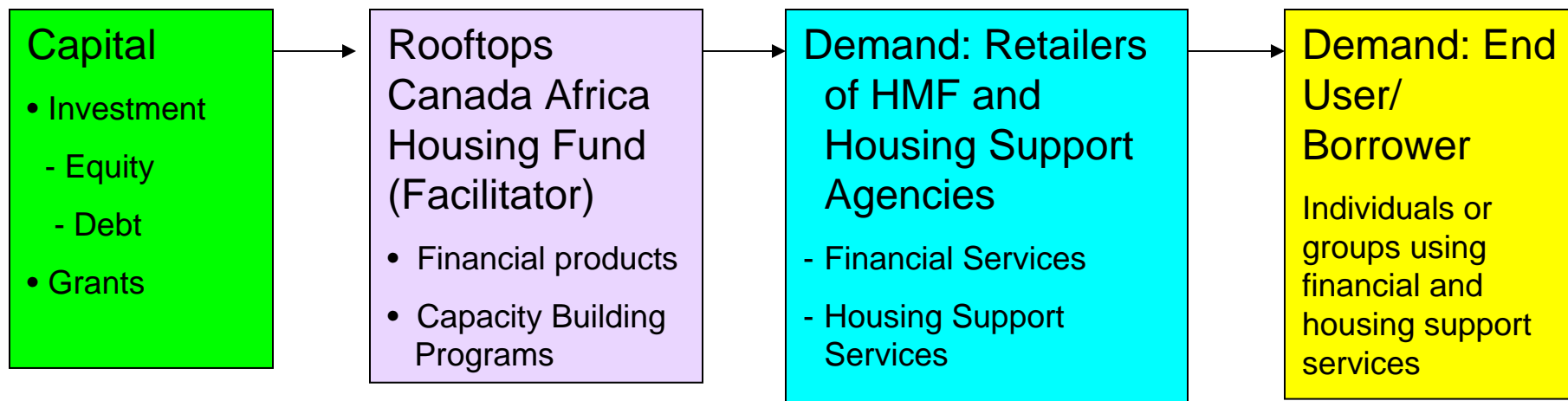
Roof tops Canada

will be facilitators for housing micro-finance to turn guarantees, investments and grants from Canadian and other international sources into

Capital and Capacity

for safe, secure and affordable shelter solutions in sub-Saharan Africa through

Financial Investment and Technical Assistance

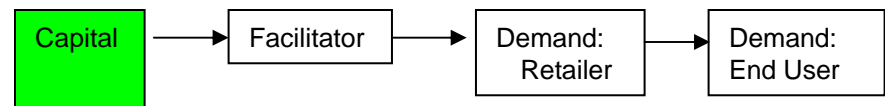


Capital: Investors and Instruments

- Individuals
- Organizations
- Institutional Investors
- Socially Responsible Investors/ CSR
- Philanthropic Donors
- Bi-lateral and Multi-lateral Agencies

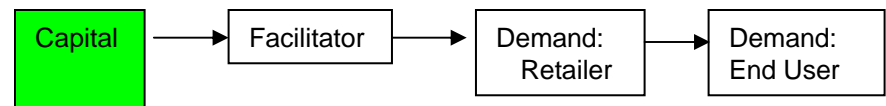
What return do they expect?

- Equity Investment
- Debt
 - Subscribe to bonds or commercial notes
 - Direct loans
 - Guarantees
- Donations
- Grants



Capital: Potential Sources

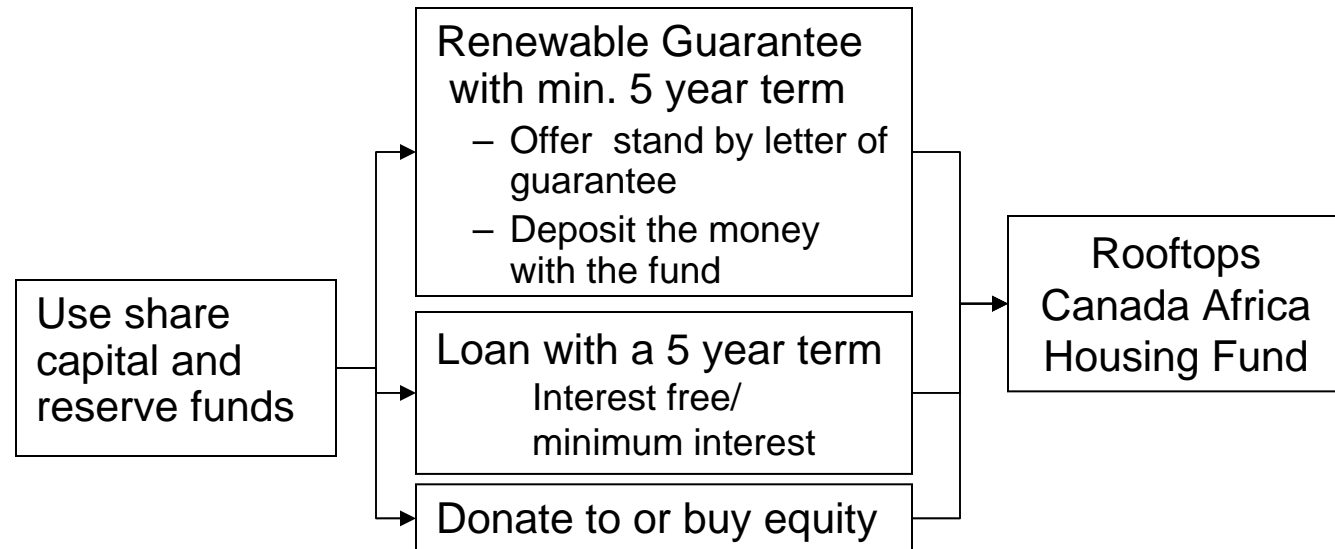
- For investment:
 - Canadian co-op and social housing groups
 - Canadian ethical investment and CSR funds
 - Partnership with existing investment funds
 - Non-Canadian sources
- For capacity building:
 - Canadian & other international development agencies
 - Foundations and other funding sources
 - Included in investment package



Capital: Canadian Cooperative and Social Housing Groups

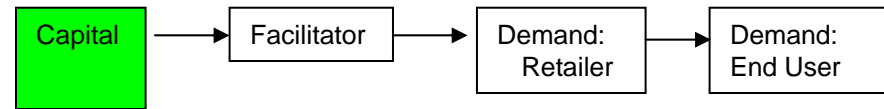


TARGET: One Million Dollars



Canadian housing groups directly participate in international housing

Multiplier effect – can leverage several times for the HMFI in local currency



- Does this give you a complete picture of the need and the opportunity?
- What further information would you need?
- What excites you about this?
- Who do you think will invest in this fund? Would you invest in this fund? What would make it more interesting and exciting?
- **What other resources can you offer – contacts, references, skills?**
- **Are there resources in the sector we should be approaching?**



To find out more about the HMF program....



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