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Innovative Affordable Housing Practices in Africa: Cement Block Banking in the Gambia



Executive Summary

With an area of only 11 000 km² and a total population of approximately 1.9 million people, the Gambia is one of the smallest and most stable countries in West Africa. Like many other Africa countries, there is a general shortage of affordable housing for most Gambians- estimated to be over 50,000 units. Given the high poverty rates, most housing built by private developers is far out of reach of the majority of citizens. As a result, most Gambians self-build their housing to match their personal affordability criteria. About 52% of houses are built with semi-permanent materials, and only 40% of houses are built with permanent materials. The country's financial market is underdeveloped and has limited financial products available. While there are companies that offer mortgages, almost none of them are directly serving the affordable housing mortgage market. With high interest rates and stringent screening criteria, many households continue to be excluded from the mortgage sector (CAHF, 2015).

Seeing the gaps in the affordable housing market in the Gambia, and understanding the inherent business and social opportunities that exist in this space, Amiscus Horizon (AH) was registered in November 2013 and started operations in June 2014. AH has pioneered the concept of cement block banking in the Gambia with the main objective of the company being to make housing affordable for all Gambians. The "Cement Block Saving Scheme" is a "pay-as-you-go-model" whereby clients are able to save and buy cement blocks on a monthly basis. What this means is that instead of saving for a huge cash inflow to build their two-, three- or four-bedroom homes, clients can simply start saving for a package as low as GMD500 (US\$12) to GMD6,000 (US\$149) per month over a two to five year period. The blocks banked are a form of savings and also present a simple hedging mechanism in terms of protecting clients from price inflation of block materials such as cement and sand. Fundamentally, this savings mechanism is what AH has formalized in the Gambia. Going forward, AH plans to expand its product and service offering as well as its geographic reach. Ultimately, AH plans to offer an "end-to-end" solution for its clients so that they are able to 1) save for and exchange building materials, 2) finance and 3) build their homes.

Across Africa, practitioners are grappling with the challenge of creating an enabled housing finance environment. While these challenges may seem insurmountable, there is a growing track record of novel solutions and initiatives, pioneered by policy makers, financiers, developers and households themselves, suggesting that there are new opportunities for making the housing finance sector work for the poor in Africa. This case study is part of a broader series that CAHF has commissioned in order to support professional development and inform a broader research and dialogue process. The case studies vary, addressing themes as diverse as housing microfinance, mortgage liquidity facilities, cement block-banking, home loan guarantees for the informally employed, and infrastructure financing, highlighting experiences from countries across the continent. We hope this series contributes to more precise and successful endeavours that realise the opportunities in this market.

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The Centre for Affordable Housing Finance in Africa (CAHF) is a not-for-profit company with a vision for an enabled affordable housing finance system in countries throughout Africa, where governments, business, and advocates work together to provide a wide range of housing options accessible to all. CAHF's mission is to make Africa's housing finance markets work, with special attention on access to housing finance for the poor. We pursue this mission through the dissemination of research and market intelligence, supporting cross-sector collaborations and a market-based approach. The overall goal of our work is to see an increase of investment in affordable housing and housing finance throughout Africa: more players and better products, with a specific focus on the poor.

There are many similarities between AH's business model and the approach employed by CEMEX's Patrimonio Hoy (PH) programme. PH is an international award-winning programme that started in Mexico and has expanded across Latin America. Both organisations have formalised (and in some ways revolutionized) how their customers finance their build programs using a savings mechanism (in the case of the former), or a savings-credit mechanism in the case of the latter. By offering tailored financing solutions to their low-income clients they are not only changing the financial product landscape of the countries in which they operate, but are also modifying the saving and spending habits of some of this previously underserved housing demographic. Furthermore, both AH and PH have spent enormous time and energy in understanding their clients' needs and have tried to tailor their products and services in order to provide end-to-end solutions for their customers. Thus, both parties play across the housing value chain in their respective markets.

That being said, while both companies are profitable and serve a social need, there are key differences between Amiscus Horizons' and Patrimonio Hoy's models. Firstly the scale of their operations (in terms of quantum and geographic spread) is vastly different. Furthermore, Patrimonio Hoy had the benefit of being just one service offering of a large multinational cement organization that has an existing footprint to leverage. PH was ultimately formed to create demand for its product in previously untapped markets, while Amiscus Horizon's primary goal is to assist middle- and low-income earners to afford a home. They are focused on addressing a need in their immediate market and are growing organically as a result.

The African continent desperately requires innovative affordable housing building and financing solutions. Ultimately, addressing the housing shortfall on the continent requires scale, and the more innovative, responsive, profitable and socially beneficial projects exist, the better. Pioneering business models, like that of Amiscus Horizon, could go a long way in starting to resolve the affordable housing shortfall on the continent.

1. Introduction

Africa's housing finance sector has been going through considerable growth and change over the past decade. Historically, housing on the continent has been mostly self-built and financed. However, over the past ten years, developers have been moving in to build housing, and housing finance systems are reconfiguring themselves accordingly. Mortgage markets are also slowly developing, and investors are starting to recognize the potential of the affordable housing market – the African middle-class – and are responding with products and services tailored specifically to this opportunity. Affordability challenges remain, but increasingly, housing sector stakeholders are engaging with these in creative and pragmatic ways, addressing the need while maximizing on the opportunities it provides (CAHF, 2014).

A particularly interesting and innovative affordable housing business model has emerged in the Gambia where Amiscus Horizon has introduced the concept of "cement block banking". This "Cement Block Saving Scheme" is a "pay-as-you-go-model" whereby clients are able to save and buy cement blocks on a monthly basis; when they have accumulated a sufficient amount for their purposes, the cement blocks are delivered to them. The blocks banked are a form of savings and also present a simple hedging mechanism in terms of protecting clients from price inflation of block materials such as cement and sand. Fundamentally, this savings mechanism is what Amiscus Horizon has formalized in the Gambia. The company's objective is to be profitable while making housing affordable for low- and medium-income earners in the Gambia.

There are many parallels between the business model employed between Amiscus Horizon and CEMEX's award-winning program in North and South America called "Patrimonio Hoy". The purpose of this paper is to provide an overview and comparison of Amiscus Horizon's operations to that of Patrimonio Hoy, in order to distill key lessons that could be considered by other researchers and entrepreneurs when developing innovative products and services that address the affordable housing shortfall on the continent.

2. Background

2.1 Country snapshot

With an area of only 11 000 km² and a total population of approximately 1.9 million people, the Gambia is one of the smallest countries in Africa; and is also one of the most densely populated countries with 173.6 persons per km². Although the country's market size is much smaller than some of its West African neighbours, the Gambia has the comparative advantage of being one of the most politically stable countries in the region.

Figure 1: Snapshot of the Gambia



The Gambia is mainly an agricultural country, with over 70% of the population dependent on agriculture for their food and income. However, due to rapid population growth, a high urbanization rate and divergent growth in income and wealth, spatial inequality remains a critical issue in the country (African Economic Outlook (AEO), 2015). Over the last decade poverty has declined from an estimated 58% in 2003 (using the less than US\$1.25 per person per day threshold) to 36.7% in 2010. While remittances from the large diaspora have helped alleviate poverty, high unemployment and underemployment, particularly among women and the youth, is one of the major causes of poverty in the Gambia. Youth unemployment is estimated at over 40%, three times higher than among adults (African Economic Outlook, 2014).

2.2 The affordable housing market

There is a general shortage of affordable housing for most Gambians. The Gambia's Minister for Lands has stated that the country needs an estimated 50,000 housing units by 2015. Most housing built by private developers is far out of reach of the majority of Gambians. The price of a three-bedroom house (220m²) is about US\$100 000 (GMD 4.04 million), while a two-bedroom house might be found for US\$50 000 (GMD 2.02 million). As a result, most Gambians self-build their housing to match their personal affordability criteria. About 52% of houses are built with semi-permanent materials, and only 40% of houses are built with permanent materials (CAHF, 2015).

Property prices have risen steadily over the past few years, in some areas by as much as 30%, spurred on in part by the booming tourism industry and the property interests of Gambians in the diaspora. Secondary property markets are limited by the shortage of mortgageable stock in primary markets. This shortage of affordable housing is also reflected in the lack of adequate, affordable rental housing stock, and the consistent reports of steep rises in rentals in urban areas (CAHF, 2015).

Tenure security amongst Gambians is limited, with only 45% of the population being secure – in some cities the number is even lower. According to UN-Habitat, tenure security is highest in rural areas, at between 70% and 89%. However, in some areas as few as 27% of inhabitants have secure tenure. It takes an average of three years to secure a title deed and the cost involved is exorbitant: GMD 4,000 (US\$ 99) in transfer tax to the municipality and GMD 40,000 (US\$ 991) in capital gains tax per transaction. These factors limit accessibility to mortgage financing (CAHF, 2015).

2.3 The Gambia's financial and banking sector

The Gambian financial market is underdeveloped and has limited financial products (AEO, 2015). Doing Business 2015 ranks the Gambia 160th out of 189 economies for getting credit. The sector comprises of 12 banks (one of which is an Islamic bank) with the remaining 11 conventional banks being mostly foreign owned. There has been an influx of foreign banks over the years, which has increased the penetration of financial services in the country. That being said, only four large banks control 68.1% of the industry's total assets, indicating high concentration in the banking sector. Furthermore, the banks are mainly located in the greater Banjul area. The banking penetration rate is approximately 25% for the urban population and 5% for the rural areas (AEO, 2015). Surprisingly, the increased number of banks in recent years has not led to a fall in interest rates as all the banks are chasing a small pool of deposits for which they have to pay a premium, which keeps interest rates high at an average of approximately 28.5% in 2014 (EIU, 2015). Mortgage rates have so far averaged 20% per annum in 2015.

The Gambia does not have a functioning credit bureau which makes it difficult for banks to assess the credit worthiness of potential lenders. Furthermore, the Gambia's financial sector is characterized by high interest rates and scarce investment capital, accentuated by limited facilities for long-term development financing. Government borrowing, through high-yielding Treasury-Bills, adversely affects the availability of capital for investment in productive activities. The banking sector is characterised by a relatively low rate of interbank lending; a largely domestic source of the banks' funding, and an increasing non-performing loan ratio that stood at 16% in September 2014 (EIU, 2015). At end-June 2014, the liquidity ratio of the banking industry was 84.3% (80.5% in the previous quarter), significantly above the minimum statutory requirement of 30% (EIU, 2015).

The microfinance sector comprises of 72 active Credit Unions, 68 Village Savings and Credit Associations, two finance companies, insurance companies and foreign exchange bureaus. According to the Central Bank of the Gambia (CBG) (2013), Village Savings and Credit Associations registered significant growth in 2013 both in terms of membership and size of deposit liability as well as amount of loan extended to members. Credit Union membership increased by 9.37% between 2012 and 2013. Savings and loans have increased by 22.31% and 28.25% respectively.

Regarding the Gambia' mortgage market, the Home Finance Company of the Gambia Limited (HFC) offers a mortgage product that finances 70% of the value of a property payable over a maximum of 15 years. In May 2012, HFC's mortgage book size stood at approximately GMD 35.7 million (about US\$884,645). HFC offers four different types of mortgage products, namely Home Purchase, Home Completion, Home Improvement and Home Equity (HFC, 2015). To accommodate the needs of the overseas market, a few real estate and mortgage brokers have established offices in Europe and the US as well as in the Gambia (CAHF, 2015).

3. Overview

This section provides an overview of Amiscus Horizon's (AH's) operations as well as those of Patrimonio Hoy – the purpose being to highlight the differences and similarities between these two different affordable housing business models

3.1 Amiscus Horizon (AH)

Seeing the gaps in the affordable housing market in the Gambia, and understanding the inherent business and social opportunities that exist in this space, Amiscus Horizon was registered in November 2013 and started operations in June 2014. AH has pioneered the concept of cement block banking in the Gambia with the main objective of the company being to make housing affordable for all Gambians.



"One of the main reasons why we started Amiscus Horizon started was to assist the low- and middle- income earners in the Gambia to afford a basic home... [currently] only Amiscus Horizon is working towards solving the problem at hand, which is to help our customers to start building a home as low as GMD500 per month (US\$12) per month by simply saving the cement blocks towards the home".

(Augustus Prom Jr- Founder of Amiscus Housing)

1. How it works

The "Cement Block Saving Scheme" is a "pay-as-you-go-model" whereby clients are able to save and buy cement blocks on a monthly basis, and when they have accumulated a sufficient amount for their purposes, the cement blocks are delivered to them free of charge. Clients of the scheme receive monthly statements indicating the amount of blocks they have saved. What this means is that instead of saving for a huge cash inflow to build their two-, three- or four-bedroom homes, clients can simply start saving for a package as low as GMD500 (US\$12) to GMD6,000 (US\$149) per month over a two to five year period. The blocks

banked are a form of savings and also present a simple hedging mechanism in terms of protecting clients from price inflation of block materials such as cement and sand¹. **Fundamentally, this savings mechanism is what AH has formalized in the Gambia.**

Initially during its first four months of operation, AH bought the blocks from a factory on a monthly basis and received good discounts based on the bulk orders they were placing. However, due to high demand the company soon switched to producing the blocks in-house. Within its first year of operation AH has managed to acquire industrial land, block making machines and delivery trucks. Producing the blocks in-house allows management to closely monitor and assess the quality of the blocks produced to ensure that the cement blocks meet industry standards. In the event the quality does not meet the required standards, the customer gets paid back their total amount of blocks in the depot at market price. The blocks are stored at AH's depots, which are fully secured with 24-hour security on site.

Current operations

AH currently employs 20 permanent staff with skills sets that range from finance, administration, marketing and site workers. The business is growing rapidly. When the company started in June 2014 it had 12 customers in its first month of operations. By July 2015 AH company had 600 customers and continues to grow on a daily basis. Almost 90% of AH's existing clients have already banked over half of the blocks they need for their new homes, and the first home is expected to be completed in October 2015. Customers who are financing the construction of their houses can withdraw their blocks as and when they need to. The company's clients are mainly in the capital city, Banjul as well as surrounding areas. AH has yet to expand its operations into secondary cities and rural areas.

Technical assistance

AH employs a full-time construction engineer who provides technical advice to its clients. Given that there is only one engineer serving all of AH's clients, at this stage, the technical advice is limited to estimating how many blocks are needed by clients based on their needs as well as the cost of construction. AH provides standard housing plans and packages for two-, three-, and four-bedroom homes, as well as different sized fences. Almost all customers to date have liked and used the existing plans and packages (Figure 3). The engineer's cost to company is captured as a standard human resources expense and not a marketing one.

Customers

Most of AH's clients are low- and middle-income earners (such as teachers, nurses, police officers, young professionals, farmers etc.) who are currently renting and wish to build new homes or fences around their properties. It is estimated that only 3 to 4% of clients have access to home finance at the start of the construction phase.

Customers are not screened upfront, they simply choose the block package they want, complete an application form and start making their monthly contributions. These monthly contributions are recorded and are expected to ultimately form the basis of a future in-house credit reference system.

Figure 2: Amiscus Horizon's operations



¹ Other housing organisations and programs have made use of similar mechanisms to prevent the erosion of a housing asset's value in high inflation environments. In the early 1990s, Habitat for Humanity in Africa and the Middle East developed a "cement index". This index divided the total cost of the completed house by the cost of one bag of cement. The homeowners mortgage agreement was then stated in an equivalent number of bags of cement owed to Habitat. A given number of bags of cement was paid per month at the current price at the time of payment until the entire balance of bags of cement was cleared. This mechanism assisted Habitat in reinforcing the idea that each homeowner should pay back the full value of the house (rather than a fixed monetary value that quickly loses value in real terms in times of hyperinflation). This mechanism is fundamentally different from AH's approach in that: 1) Habitat was concerned with a housing asset that had already been created whereas AH is assisting clients to build their homes incrementally over time by first saving for the building materials. 2) Habitat's methodology still placed the inflationary cost of cement on its customers, whereas AH shields its clients from future inflationary erosion by saving the blocks at the price paid for them at a fixed point in time; and finally 3) Habitat's index is primarily a mortgage instrument while AH's is fundamentally a saving mechanism.

Pricing

In order to guard against cement price increases, AH buys cement in bulk from the cement factory. The discount received for the large orders has helped to guard against significant price variability. Furthermore, AH's package prices have already accounted for a 10% price increase which has helped them over the past year not to change the prices they charge consumers.

Given the bulk discount received on the cement and the fact that AH manufactures its own blocks, its blocks are less expensive than other competitors in the market. This is even after an additional charge that covers administrative, depot and other costs has been added onto each of the packages (described below).

Default rates

Default rates are relatively low. AH addressed this issue by offering 8% interest to clients on total blocks banked for a year without defaulting. This has pushed customers to be paying regularly in order to get the 8% interest. The interest is paid in blocks to the customers at the end of 12 months.

Figure 3: Amiscus Horizon's product offering



Marketing materials that are sent to potential customers



Source: Amiscus Horizon (2015)

AH's marketing team



Marketing

AH markets its products and services to potential clients through various channels such as newspapers and magazines, presentations, interview and radio talk shows. However, much of its business has come from customer referrals and “word of mouth”.

Financing

Since the start of its operations, AH has partnered with financial institutions such as the Home Finance Company Gambia Limited, to provide mortgage financing to its clients once the required amount of blocks have been saved. This partnering was as a result of the clients asking for an end-to-end construction and finance solution for building their homes.

However, given the relatively narrow range of mortgage products available within the Gambia, clients have found that, in general:

- The existing mortgage products being offered to them did not meet their unique and specific requirements.
- Interest rates offered are too high and unaffordable for most low- and middle-income clients. These types of earners are disadvantaged from the start in that they tend to pay higher rates than their high-income counterparts.
- The conditions to qualify for a mortgage are too onerous for the average AH customer. The banks are finding it difficult to determine the credit worthiness of these types of earners using their existing metrics. For example, there was a case where an AH customer, who met his monthly payment obligations on time and has never defaulted, was denied a bank mortgage as they were unable to determine his credit worthiness.
- The payment terms are often unfavourable, and the Bank's decision making process opaque.

Due to these constraints, AH is considering developing and offering its own mortgage instrument.

2. Future expansion

AH plans to capitalize on its impressive growth by expanding its product and service offering as well as its geographic reach. Ultimately, AH plans to offer an “end-to-end” solution for its clients so that they are able to 1) save for and exchange building materials, 2) finance and 3) build their homes.

Materials exchange platform

The company is working on providing an exchange platform in which clients can convert or trade their excess cement blocks for other construction materials, enabling them to attain most of the essential building materials needed to complete their projects within a period of three to seven years.

Provision of mortgage finance instruments

Through its day-to-day operations as well as a survey conducted, AH has developed a deep understanding of its clients' needs. From October 2015, the company will start offering "fence financing" for its customers in which the company will finance the construction of the fencing over a one year period. This is the first in-house finance facility being offered.

Going forward, in order to further address the clients' financing needs, AH is currently developing an in-house mortgage/microfinance instrument. The idea is that AH will help clients finance a "growing house". This means clients will start with a two-bedroom house, and once the materials and construction costs are paid and the blocks are saved, the company will build additional rooms. This model will enable AH's clients to move into their fully standard house within a 6 to 7 year period at a cost of between GMD1,130 (US\$28) to GMD2,421 (US\$60) per month. The company is still working on raising the capital to launch this product.

Regional expansion

AH is currently exploring expanding its operations into other West African markets. Based on studies and surveys conducted, it seems that this business model could do well in the region. From 2017 AH plans to roll-out its operations to Senegal and Sierra Leone.

3. Benefits

AH has accomplished a great deal in its first 15 months of operation. Some of the benefits accrued to its clients include:

- Introducing an innovative savings mechanism that allows clients to make affordable monthly contributions towards a home while hedging against inflation.
- Less expensive cement blocks and additional value added services such as housing design, engineering input as well as the imminent launch of the materials exchange platform
- Participants gain access to the credit markets either through AH's affiliation with the Housing Finance Corporation or with AH's in-house mortgage facility it plans to offer in the near future.
- The program creates jobs and as it expands will continue to do so – even in secondary/supplier markets which will likely grow to accommodate rising demand.

3.2 Cemex & Patrimonio Hoy

1. Unlocking opportunities at the "bottom of the pyramid"

CEMEX is a Mexican multinational cement manufacturing company. The company has operations on four continents and has recorded global annual sales of US\$15.71 billion – making it one of the leading cement manufacturers in the world.

The lack of affordable housing is a severe problem for low-income families in Mexico, as in the Gambia, and the majority of these households rely on self-constructed buildings. Insufficient access to financing and materials along with a lack of technical skills preclude many low-income families from living in safe and adequate conditions. According to the UNDP (2007), it takes on average 16 years for a Mexican family to build a four-room house and an average of four years to complete a single room.

As in many other developing countries, low income families in Mexico adopt a different savings method from the traditional methods of the middle- and upper-income families. Since low-income families do not receive regular paychecks nor government subsidies and grants, they do not have access to banks and credit. Within a community, neighbours, families and friends get together and form "tandas" or "pools". The members of the "tanda" pool in money as and when they receive paychecks and if they have any money left to save. Like "stokvels" in South Africa, at a predetermined interval (usually once a week), one of the members can bid for the pool or win it through a lottery. Typically this pool is used for unanticipated family emergencies, education and sometimes for housing. The only factor that enforces discipline in the tanda system is "social capital" – namely the individual's trust, reputation and participation within the community (Sharma, Mohan and Singh, 2003).



What's in a name?

Mexican people believe in leaving something behind, mostly immovable property, for the next generation. That in Spanish is called "Patrimonio". The program "**Patrimonio Hoy**" is "**Savings/Property today**" and tries to convey the message by motivating the public to save.

In order to understand the affordable housing gap problem better and to serve low-income communities with a market-based solution, CEMEX invested in extensive research and analysis. As a result, "Patrimonio Hoy" (PH) was founded in 1998 to provide low-income families in urban and semi-urban areas with access to financing, building materials, technical expertise and construction services allowing them to build or expand their homes more quickly and efficiently. In doing so, CEMEX fundamentally modified the existing tanda system within Mexican communities and called it Patrimonio Hoy. In this system, poor people not only save their money but also obtain access to credit based on their savings and payment discipline. This model moved away from savings-or a credit-only system to a savings-credit system. **By introducing this savings-credit "hybrid" system, PH has revolutionized the idea of savings by changing the basic spending pattern of the poor in Mexico** (Sharma, Mohan and Singh, 2003).

2. How it Works

Broadly speaking PH offers its clients the following products and services (Business Call to Action, 2014):

■ Technical assistance:

PH provides tailored technical advice to meet the specific housing needs of each participating low-income family. A PH architect visits the families at home to: assess the existing basic structure of their houses; discuss their building plans; and evaluate each family's financial situation. Based on this assessment, the architect then develops and presents the client with a building plan, which includes the design, type and quantity of material needed to meet safety, environmental and other required construction standards.

■ Financing:

Families that build or expand their houses with PH receive customized financing products according to their financial needs. After clients receive technical assistance and define their construction projects, they are guaranteed that prices will not fluctuate.

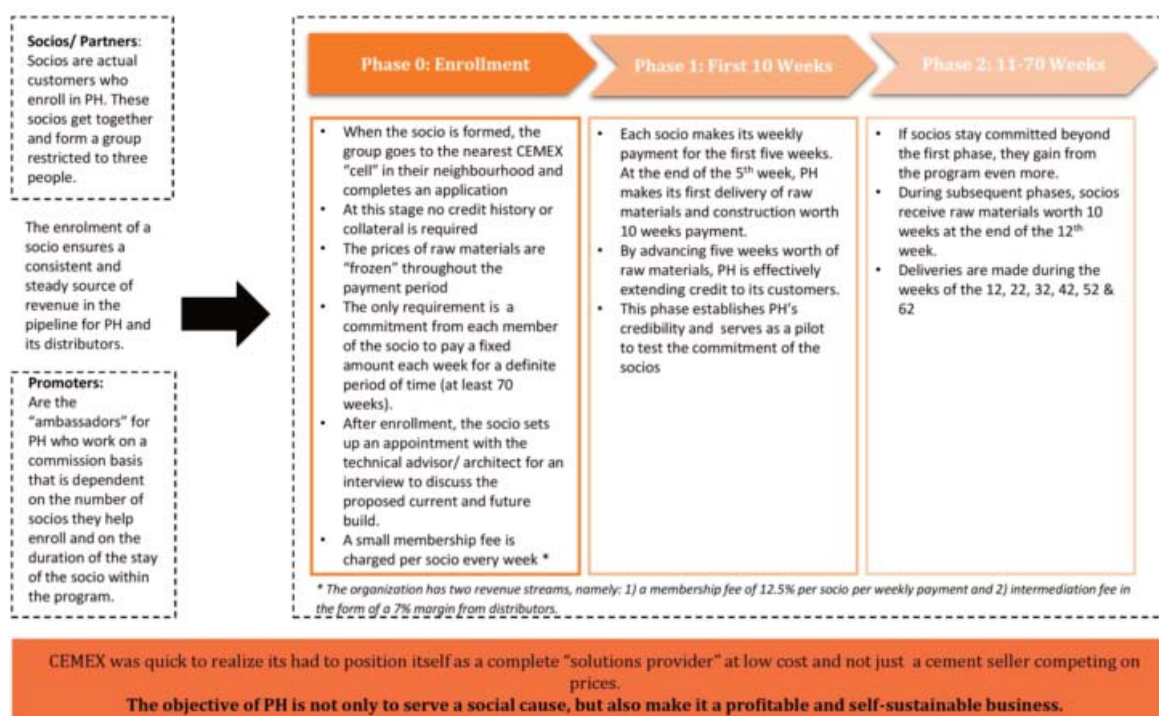
■ Building materials:

Cement accounts for 30% of purchases and the remaining materials include steel, sand, gravel, bricks and finishing products. By creating additional demand for construction materials, PH has enabled local distributors to increase their sales without any additional investments.

Though PH tries to offer cost-effective solutions to customers, it does not offer lower prices or lower quality products and services. In reality, CEMEX sells its cement at a slightly higher price than that of its competitors. Its clients are aware of this, and interviews reveal that clients believe that the higher price is reasonable given the value-added services that PH offers them (Sharma, Mohan and Singh, 2003).

PH's default rate has been impressively low at less than 1%. This success has been attributed to three important factors: 1) group commitment, 2) social capital and 3) penalty fee structure (if one member of the group does not pay the weekly installment on time, then the whole group will pay a late fee of an additional 50% per late socio. Furthermore, the delivery for the entire group is delayed by one week).

Figure 4: Overview of PH's approach



Sources: Sharma, Mohan and Singh (2003).

3. Benefits

Patrimonio Hoy is profitable while managing to produce important social and economic impacts for the participating families and communities. The program has won several prestigious international awards. The benefits of PH accrue not only to the company and the participants but to the community at large as well. According to CEMEX, indicators of the success of the program in Mexico alone include the following:

- Participants are able to build their homes or additions three times faster and at a third of the average cost to build a home in Mexico.
- Participants gain access to the credit markets. Since inception, PH has advanced more than US\$35 million in microcredit, and most participants say they would not have been able to build their house without the program.
- The market value of homes built through PH is approximately 20% higher as a result of the higher quality and functionality of the structures.
- The program creates jobs mainly among local masons and those trained as promoters; 95% of promoters are women, of which half had no previous working experience.
- Approximately one-third of participants use their homes, or extra rooms that they have built through their participation in PH, to build their own businesses.

Since the program first began operating in 2000, PH has provided affordable solutions to more than one million people throughout Latin America and has enabled more than 350,000 families to build their own homes. PH operates through more than 100 centres in Mexico, Colombia, Costa Rica, Nicaragua, and the Dominican Republic. Furthermore, CEMEX has introduced various innovations around Patrimonio Hoy that help improve infrastructure at local schools and within neighbourhoods (CEMEX, 2015).

4. Evolution of the business idea

The experience from PH paved the way for the development of Construmex in 2001. In its early stages, this new business initiative aimed to attract remittances from US-based Mexicans who wanted to build or improve their houses, or those of their families, back home. In short, Construmex allows Mexicans living in the US to send their money directly to cement distributors in Mexico. Distributors receive the order and the money and deliver cement and other building materials to the site of the person's future home.

In developing Construmex, CEMEX took advantage of several aspects of PH. First, it transferred the idea of providing low-income clients with technical assistance from experts, in order to help them construct a home that would be durable, safe and require minimal maintenance. Second, Construmex made use of the PH database of building-methods in different regions of Mexico, which outlined the various quantities of cement required for construction. This information facilitated timely and accurate budgeting of the construction of a house in any part of Mexico and the quantification of required materials per room. Lastly, PH and Construmex shared the same distribution network of small and medium local retailers who were able to deliver materials to Construmex customers' hometowns. Through its network of distributors, CEMEX was able to provide low-income markets in Mexico with tailor-made building solutions (UNDP, 2007).

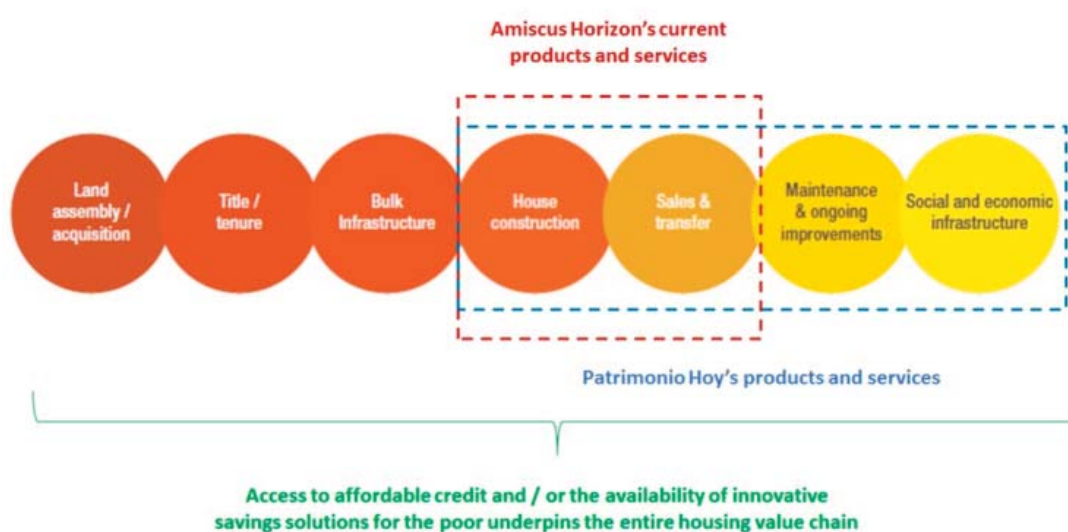


Sources: CEMEX, "2014 Sustainable Development Report"

4. Key Findings

1. While AH and PH are suppliers of raw housing materials to low- and middle-income earners, this is not their core business proposition. **Rather, both organisations have formalised (and in some ways revolutionised) how their customers finance their build programs using a savings mechanism (in the case of the former) or a savings-credit mechanism in the case of the latter.** By offering tailored financing solutions to their clients they are not only changing the financial product landscape of the countries in which they operate, but are also modifying the saving and spending habits of some of this previously underserved housing demographic.
2. AH and PH both have spent enormous time and energy in understanding their clients' needs and have tried to tailor their products and services in order to provide end-to-end solutions for their customers. Thus, both parties play across the housing value chain. Perhaps with more time and further investment, AH will also be capitalizing on further opportunities both upstream and downstream of where they currently operate (figure 5). This is evident in AH looking to expand its service offering to provide an affordable mortgage-type instrument for its clients.

Figure 5: Housing value chain



Source: CAHF (2014)

3. Solid relationships with housing material suppliers and distributors are required in order for this type of model to be successful.
4. That being said, while both companies are profitable and serve a social need, the key differences between the AH and PH models are:
 - The current scale (in terms of size and geographic reach) of their respective operations.
 - PH had the benefit of being just one service offering of a large multinational cement organisation that has an existing footprint to leverage. PH was ultimately formed to create demand for its product in previously untapped markets.
 - AH's primary goal is to assist middle- and low-income earners afford a home. They are focused on addressing a need in their immediate market and are growing organically as a result.
5. Although there are many banks in the Gambia, almost none of them are directly serving the affordable housing mortgage market. There appears to be significant room for further innovation and partnerships in this financing space.

5. Conclusion

The African continent desperately requires innovative affordable housing building and financing solutions. Ultimately, addressing the housing shortfall on the continent requires scale, and the more innovative, responsive, profitable and socially beneficial projects exist, the better. While affordability challenges remain, housing sector stakeholders are increasingly engaging with these in creative and pragmatic ways, addressing the need while maximizing on the opportunities it provides. Pioneering business models, like that of Amiscus Horizon, could go a long way in starting to resolve the affordable housing shortfall on the continent.

6. Discussion Questions

- 1) How can Amiscus Horizon create and leverage further backward and forward linkages within the housing value chain?
- 2) Given the Patrimonio Hoy example and that the Gambia receives a large amount of remittances from its diaspora, how can AH leverage these capital inflows to advance its market penetration in the Gambia and the broader region?
- 3) How should AH strengthen its relationship with existing and future suppliers? How can AH operations be used to further build the affordable housing value chain in the Gambia and in West Africa?
- 4) What other mechanisms/incentives could AH use to ensure its customer default rate remains low?
- 5) In what innovative ways could AH market its products and services in order to expand its customer base in the Gambia? How should it go about building its brand in the region?

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