



European Microfinance Award 2017

Microfinance for Housing

Explanatory Note

The European Microfinance Award 2017 “Microfinance for Housing” is intended to highlight the role of microfinance in supporting access to better quality residential housing for low income, vulnerable and excluded groups, with no or limited access to housing finance in the mainstream sector.

The prize of €100,000 will be presented on 30th November 2017 during the European Microfinance Week in Luxembourg.

Organised by:



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs



EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH



InFiNe

Inclusive Finance Network
Luxembourg

European Microfinance Award

The European Microfinance Award was launched in October 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, to support innovative thinking in the microfinance sector. Awarded for the first time in 2006, it is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg (InFiNe.lu).

Previous editions were devoted to the following subjects:

2016, Microfinance and Access to Education

To recognise institutions that enable access to education for children and/or skill-training for youth and adults to enhance their employment and self-employment opportunities.

Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

2015, Microfinance in Post-disaster, Post-conflict Areas & Fragile States

To recognise institutions that operate in exceptionally difficult environments and circumstances, helping increase the resilience of the affected communities.

Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea

2014, Microfinance and the Environment

Integrating environmental governance into the DNA of the microfinance institutions and promoting initiatives to improve environmental sustainability.

Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative

2012, Microfinance for Food Security

Microfinance initiatives contributing to improve food production and distribution conditions in developing countries.

Winner: ASKI (The Philippines), for serving smallholder farmers and fostering effective market linkages

2010, Value Chain Finance

Outstanding microfinance initiatives in productive value chain schemes

Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain

2008, Socially Responsible Microfinance

Microfinance innovative initiatives to promote social performance

Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system

2006, Innovation for Outreach

Microfinance breakthrough initiatives deepening or broadening rural outreach

Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.

European Microfinance Award 2017

Microfinance for Housing

Decent shelter is a basic human right¹ and a key part of the UN Sustainable Development Goals². Yet in many developing countries many are deprived of it – 1.6 billion of the world's population lives without adequate shelter³ and one third of the population still have no access to adequate sanitation⁴.

Sub-standard housing is not just an indication of poverty – it is the cause of a host of developmental problems. Exposure to the elements, poor ventilation, and insufficient arrangements for basic hygiene are major causes of poor health. Improper building structures undermine safety and vastly increase vulnerability to disaster. Lack of lighting and sufficient space limit children's ability to study. Insufficient privacy and lack of toilet facilities contribute to sexual assault and constrain opportunities for women and girls. And lack of clear property rights are major contributors to crime and social injustice, while limiting families' ability to invest in better housing.

The positive impact from better housing doesn't end with families. A healthy, vibrant housing finance market can be a major economic engine, generating local employment and drawing mainly on local inputs. Meanwhile, communities enjoying secure property rights are also more likely to give rise to active citizens, less tolerant of corruption and more demanding of their political leaders. In short, enabling housing investment by low income and financially excluded households holds one of the highest returns in both social and economic development.

Yet unlike health and education, where governments often play a major or even dominant role, housing markets are largely comprised of private actors. The bulk of housing investment in developing countries is done by families, whether building on their own or with the help of small-scale, usually informal, construction enterprises. And in rich and poor countries alike, housing constitutes the single largest capital investment of any family. It is thus a natural market for financial institutions. Indeed, in developed economies, housing loans (in the form of mortgages) make up the vast majority of retail credit. Meanwhile, in developing economies, housing finance is woefully underdeveloped, limited to upper income households those holding formal, often government, jobs. For many microfinance institutions serving low income families, housing is often relegated to a niche product targeting a small number of clients, with housing loans accounting an estimated 2% of combined microfinance portfolios worldwide.⁵

In the absence of meaningful access to housing finance, low income families use alternative building strategies. Usually this involves building incrementally: buy a (reasonably secure) plot of land, then lay foundations, walls, temporary roofing, with improvements and additions taking years or even decades. This limits financial risk, but it also means living in partly-built structures for years. And even the incremental building requires saving up resources for even an intermediate goal – one cannot reasonably build half a roof. That saving – often in the form of buying a handful of bricks at a time – exposes the family to the risk of theft, deterioration of building materials, having mismatched components and other problems that increase cost and reduce building

¹ The right to adequate housing (as a component of the right to an adequate standard of living) is listed among other documents in the Universal Declaration of Human Rights (art. 25.1) and the International Covenant on Economic, Social and Cultural Rights (art. 11.1).

² UN Sustainable Development Goal 11.1: "By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums."

³ Source: Habitat for Humanity International

⁴ Source: World Bank data

⁵ Source: Habitat for Humanity International

efficiency. Low quality materials are also combined with low-skill labor, resulting in low building durability, high disaster vulnerability, along with higher downstream costs for energy and maintenance. In short, inaccessibility of appropriate housing finance causes low income families to live in lower quality housing than they could otherwise afford.

This is a classic market failure, and without an adequate response from financial providers, continuing urbanization will only make it worse. According to the World Bank, demand for low-income housing accounts for as much as 90% of all demand for housing worldwide. Each year people living at the bottom of the pyramid spend USD 700 billion on housing. Meanwhile, only 7% of adults in developing countries have an outstanding loan to purchase a home, and only 5 percent have a loan to build, expand, or renovate their home. According to UN-Habitat, in urban areas alone there are 3 billion people who will need new housing and basic urban infrastructure by 2030.

Despite the relatively small scale, expertise in providing sustainable housing finance exists, having been honed by some three decades of practice by MFIs around the world. This Award seeks to shine a light on how financial institutions are improving access to the housing market for low income and financially excluded clients. And by recognizing those that do it best, it hopes to jumpstart a revolution in both micro- and housing finance to meet the enormous task of housing the world's poor.

The Award

The goal of the Award is to highlight the role of microfinance in supporting access to better quality residential housing for low income, vulnerable or otherwise financially excluded groups with no or limited access to housing finance in the mainstream sector.

The Award aims to recognize institutions that respond to complex housing needs of their target clients by providing them with a variety of financial and non-financial services. This response significantly contributes to improving housing conditions, including⁶:

- Home purchase or expansion of existing living space to meet the needs of growing families,
- providing access to clean water, sanitation, electricity, and other core housing needs,
- raising overall house quality by providing access to better quality materials and construction techniques, as well as securing tenure and protection against eviction,
- mitigate against natural disasters by using resilient construction design and materials and locating housing outside flood zones and other vulnerable sites.

The Applicants should demonstrate good understanding of the housing context in which they operate and their target clients' housing needs. They are expected to provide an appropriate response to clients' needs in the form of financial services, possibly accompanied by non-financial services, through a strategy that ensures long term sustainability of the programme. The Applicants' commitment to addressing these needs will be assessed against the priorities set in the strategy, human resources allocated to the housing programme, as well as willingness to improve by active use of a programme monitoring system.

⁶ The list is based on Habitat for Humanity International minimum housing quality standards

Housing Financial Products

- **Housing microfinance loans:** designed to finance house extension, renovation or construction. The funds can be used to buy land, building materials, pay for construction, obtain land ownership documents, and other uses directly pertaining to housing. These loans may or may not use the house as loan collateral.
- **Micro mortgages:** typically used for purchase of fully constructed homes (often apartment units), these loans feature long durations (generally ten years or more) and use the house as collateral (with ability to sell the house in case of default). Micro-mortgages must be clearly targeted at low income households.
- **Housing savings products:** Designed to meet large lump-sum related to land or house purchase, or house renovation. They may also be linked to housing loans.
- **Micro-insurance products:** these can be linked to loan products or cover house related risks. These may be offered independently or through partnerships with insurance companies.
- **Remittances for housing:** remittance programmes, usually linked with other products, that encourage family members working in distant regions or countries to target remittances for housing purposes back home.

Housing Non-Financial Services

The financial institution may offer non-financial services linked to financial products or offered as stand-alone services. They can be delivered to clients in a variety of forms, for example:

- **Educational materials** related to house construction or renovation, especially when typically done by clients themselves or with support of unskilled workforce (e.g. fact sheet on proper renovation of the roof).
- **Trainings**, for example teaching clients how to develop clear home improvement plans and budgets.
- **Counselling**, for example by providing advice of professional specialist on planned construction or renovation; or legal advice on land ownership execution.
- **Technical assistance**, by providing the capacities to renovate or construct the house (engineers, technical work force, etc.)

The services may be also delivered to other stakeholders, indirectly influencing clients' access to improved housing. For example, the financial institution may provide skills enhancement training to local builders, either directly or in partnership with an outside organization. They can also work with value chains, for example, ensuring that local building suppliers sell disaster-resistant building products.

Partnerships

Financial institutions may deliver their housing programmes in partnership with specialist organizations, and also collaborate with other stakeholders, aimed at broader housing market development. This might include advocacy for enabling government policies for low income housing, creating access to better quality suppliers and work force. The right partnerships are likely to bring significant results for improving living conditions of applicant's target clients.

Eligibility criteria

- Eligible applicants are financial institutions active in the financial inclusion sector with activities that enable improvement of residential housing for the end beneficiaries: low income, vulnerable or otherwise financially excluded groups, with no or limited access to housing finance in the mainstream sector.
- Various types of financial institutions are eligible including NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, and other institutions that directly serve retail clients. Non-financial institutions active in the housing sector are also eligible so long as they offer financial services as a core part of their housing programme (that means majority of their housing clients use the offered financial services).
- The housing financial services should be well established: at least one housing financial product should be fully operational for at least 2 years (if the pilot test was conducted by financial institution, this period must not be included). Please note that “fully operational” does not mean that all of your housing products or services must be offered in all your branches (e.g. rural housing financing is not expected to be offered in urban branches, etc.).
- Eligible institutions must be able to provide audited financial statements.
- Eligible institutions have to be based in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. A list of Eligible Countries of ODA Recipients as defined by the DAC can be found at:
<http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf>

e-MFP member support

Every applicant must be supported in written by an e-MFP member, e.g. by providing a short message or a letter addressed to the e-MFP Secretariat. A list of e-MFP members can be found at:
<http://www.e-mfp.eu/about-us>

If an applicant does not have a relationship with an existing e-MFP member, they are welcome to contact the e-MFP Secretariat (EMAward@e-mfp.eu) to be connected with a potential supporter.

Award timeline

When	What	Responsible
22nd May 2017, 23:59 pm CET	Deadline for applications	Applicants
June – July 2017	Preselection Phase	Pre-selection Committee
2 nd half September 2017	Selection of 7 to 10 semi-finalists and the 3 finalists among the semi-finalists	Selection Committee
30 th November 2017	Selection of winner followed by announcement at the Award Ceremony	High Jury

The Award is launched in three languages: English, French, and Spanish. Applications must be submitted on-line. In order to apply, please go to the following website:

<http://portal.european-microfinance-award.com/>

During the pre-selection and selection phases, the applicants might be contacted and asked to supply additional information on a case by case basis if deemed necessary.

The judges' decision is final and not subject to appeal. Neither the judges nor the Organisers will enter into any correspondence relating to the decision.

The Organisers regret that information relating to the on-going evaluation of applications will not be released. The three finalists will be announced in the second half of September and the winner will be announced at the Award Ceremony.

The three finalists will be invited to attend the Award Ceremony on 30th November 2017, in Luxembourg, which will take place during the European Microfinance Week (EMW), 29th November to 1st December 2017. The three finalists agree to ensure the presence of a representative from Senior Management from their organisation at the Award ceremony.

Award Selection Process

Preselection phase

In order to be preselected and considered for the Award selection phase, applicants must:

- fulfil the eligibility criteria
- demonstrate adequate quality and effectiveness of their housing programme (Component 2 of the Application Form)
- demonstrate sufficient financial and social performance (Component 3 of the Application Form)

The transparency and quality of the application will also be assessed during the pre-selection phase.

Selection phase

Applicants that meet the eligibility criteria (“Eligibility Criteria” section above) and pass the preselection phase will be evaluated on the basis of their housing programme, taking into account the following sections of the Application Form:

- 2A. Housing context
- 2B. Housing programme
- 2C. Programme monitoring and outcomes

These sections shall be evaluated on the basis of the criteria listed in the “General Assessment Grid” below. Only component 2B & 2C will be explicitly evaluated, however, section 2A will provide the basis against which sections 2B & 2C will be assessed.

General Assessment Grid

An overview of the indicative weightings for each of the components is included below. However, decisions will be based on a holistic review of each application.

Component 2	Weight
2A. Housing Context	na
2B. Housing Programme	85%
2B1. Description of the housing programme	5%
2B2. Target clients and their needs	15%
2B3. Financial products and services	30%
2B4. Non-financial products and services	10%
2B5. Programme sustainability	5%
2B6. Partnerships	5%
2B7. Programme staff	5%
2B8. Environmental sustainability, innovation & replicability	10%
2C. Programme Monitoring and Outcomes	15%
2C1. Programme monitoring and feedback loop	10%
2C2. Outcomes monitoring	2,5%
2C3. Outcomes	2,5%
Total Component 2	100%

Component 3	Weight
3A. Financial performance	50%
3B. Social performance	50%
Total Component 3	100%

Please note that Component 3 will only be evaluated as part of the Preselection Phase.

Award benefits

WINNER

- €100,000 (one hundred thousand Euro)
- Winner Certificate
- Short video highlighting the winner's housing programme produced at the organizers' expense; it will be featured during the Award Ceremony and available online afterwards.
- Two press-releases (September and November) circulated worldwide
- Media coverage by the organisers' partners as well as by media covering the Ceremony and the European Microfinance Week
- Attendance at the Award Ceremony and the European Microfinance Week with unique networking opportunities, along with travel, lodging and conference fee covered by organisers
- Speaking opportunity at the European Microfinance Week
- Housing programme featured in several publications

FINALISTS

- Finalist Certificate
- Short video highlighting the finalist's housing programme produced at the organizers' expense and featured during the Award Ceremony and online.
- One press-release (September) circulated worldwide
- Media coverage by the organisers' partners as well as by media covering the Ceremony and the European Microfinance Week
- Attendance at the Award Ceremony and the European Microfinance Week with unique networking opportunities, along with travel, lodging and conference fee covered by organisers
- Speaking opportunity at the European Microfinance Week
- Housing programme featured in several publications

SEMIFINALISTS

- Semi-finalist Certificate (electronic version)
- Housing programme featured in one publication

All eligible applicants will receive a Certificate of Participation.

Winner follow up report

The Award winner will be requested to provide a follow up report by the 31st of January 2019 describing how the Award funds were used.

The instructions on how to prepare this report will be provided to the winner by the end of 2017.